United States Government Accountability Office

Report to Congressional Committees

U.S. Postal Service Primer

Updated Answers to Key Questions About Reform Issues

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U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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December 17, 2025

The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Robert Garcia
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Pete Sessions
Chairman
Subcommittee on Government Operations
Committee on Oversight and Government Reform
House of Representatives

Introduction

The U.S. Postal Service (USPS) plays a critical role in the nation's communications and commerce. It is the largest postal service in the world, delivering more than 40 percent of all mail sent globally. Federal law requires USPS to "provide adequate and efficient postal services at fair and reasonable rates and fees" and "serve as nearly as practicable the entire population of the United States."[1] USPS has long been expected to fulfill those requirements while being financially self-sufficient by covering its expenses with revenue from the sale of its products and services. USPS's financial viability has been on our High Risk List since 2009 due to its poor financial condition, which has been driven in part by declining mail volumes and rising costs.[2] USPS has lost money almost every fiscal year since 2007.[3] Its net losses from fiscal years 2007

[1] 39 U.S.C. § 403(a).

[2] GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, GAO-25-107743 (Washington, D.C.: Feb. 25, 2025).

[3] USPS recorded a net income of about $56 billion in fiscal year 2022 due to the impact of the Postal Service Reform Act of 2022. The act, among other things, cancelled USPS's missed retiree health care payments, which USPS reported as a one-time, noncash benefit of about $57 billion.

through 2024 have totaled approximately $109 billion.[4] Its productivity began to decline in fiscal year 2016—a trend that has contributed to its cost pressures.[5] Despite an increase of $916 million in operating revenue from fiscal years 2024 to 2025, USPS reported a net loss of $9 billion in fiscal year 2025, compared to a net loss of $9.5 billion in fiscal year 2024.[6]

To address these challenges, in 2021 USPS began implementing its 10-year strategic plan, Delivering for America, to modernize its network and meet the changing marketplace.[7] However, statutory requirements limit USPS's ability to make changes in areas such as service offerings, pricing, and employee compensation and benefits. Further, historically it has been difficult to make broad changes to address USPS's financial and other challenges because Congress, USPS, and USPS's stakeholders—including labor unions, mailers, and competitors—have been unable to agree on how to do so. Nevertheless, Congress passed the Postal Service Reform Act of 2022, the first major postal reform legislation since 2006.[8]

This primer provides answers to questions about basic aspects of USPS and postal reform issues. We provide straightforward answers to how USPS works, why it needs reform, and some options for addressing issues. We prepared this report at the initiative of the Comptroller General in light of congressional interest in postal reform.

The information in this primer is based largely on our prior work and is grouped into the following six sections:

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[4]USPS's total net losses do not include the net income of about $56 billion in fiscal year 2022 due to the impact of the Postal Service Reform Act of 2022. This one-time net income is not included in the net losses cited above because it was a noncash benefit that did not affect USPS's actual revenue or costs.

[5]USPS's Total Factor Productivity is an index that measures how efficiently USPS uses resources to handle all aspects of its workload. With respect to productivity, Total Factor Productivity began to decline in fiscal year 2016 and improved once by 0.7 percent in fiscal year 2021. USPS partially attributes the decline to a decrease in labor productivity. See U.S. Postal Service, *Fiscal Year 2024 Annual Report to Congress* (Washington, D.C.: December 2024).

[6]U.S. Postal Service, *2025 Report on Form 10-K* (Washington, D.C.: Nov. 14, 2025).

[7]U.S. Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (Washington, D.C.: Mar. 23, 2021); and *Delivering for America 2.0 - Fulfilling the Promise* (Washington, D.C.: Sep. 30, 2024).

[8]Pub. L. No. 117-108, 136 Stat. 1127 (2022).

- USPS's mission.
- Recent changes to USPS.
- USPS's revenues and expenses.
- USPS's financial challenges.
- Other actions taken by USPS.
- Actions for Congress.

To identify the key issues we address in the primer, we reviewed relevant GAO reports; reports from key stakeholders (e.g., the USPS Office of Inspector General and Postal Regulatory Commission); the Postal Service Reform Act of 2022; USPS's 10-year strategic plan, Delivering for America; and the 2024 update Delivering for America 2.0 – Fulfilling the Promise. We identified and summarized key findings and recommendations from these documents.[9]

We also reviewed USPS documentation, including documentation related to USPS's costs and revenues, to update information from previous work, where appropriate. We assessed the reliability of USPS's data—including mail volume, costs, and revenues—in USPS's reports and filings by reviewing the data for consistency, including year-to-year consistency, and for any outliers or obvious errors. In addition, we interviewed cognizant USPS officials about any changes in how USPS collected, analyzed, or presented the data from year to year. Based on the documents reviewed and the responses from USPS officials, we determined that these data were sufficiently reliable for our purposes.

We conducted the work from June 2024 to December 2025 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

Background

USPS, an independent establishment of the executive branch, is overseen or regulated by the following two entities:

[9]U.S. Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*; and *Delivering for America 2.0 - Fulfilling the Promise*.

- Board of Governors. The Board of Governors, which is comparable to a board of directors at a publicly held corporation, oversees USPS. The appointed governors select the Postmaster General, then the appointed governors and the Postmaster General select the Deputy Postmaster General. The board directs and controls USPS expenditures, reviews USPS practices, conducts long-range planning, approves officer compensation, and sets policies on all postal matters.[10] The board consists of up to nine governors appointed by the President of the United States by and with the advice and consent of the Senate.[11] The full board consists of the nine governors, the Postmaster General, and the Deputy Postmaster General.[12]
- Postal Regulatory Commission (PRC). The PRC, an independent establishment of the executive branch, regulates USPS. The PRC makes annual determinations on how well USPS is complying with mail delivery standards and postal rate requirements.[13] If the PRC finds USPS is noncompliant, it is required to order USPS to take appropriate actions to become compliant.[14] The PRC is composed of five commissioners, each of whom is appointed by the President, by and with the advice and consent of the Senate, for a term of 6 years.[15]

Federal law provides USPS with statutory monopolies to deliver letter mail and to access mailboxes:

- USPS's letter delivery monopoly serves as a revenue protection measure so that USPS can meet its universal mail service obligation, which includes service to all communities and uniform rates for some

[10]The Postmaster General is responsible for managing and directing the day-to-day operations of the Postal Service. The Postmaster General does not require Senate confirmation and serves at the pleasure of the Governors for an indefinite term.

[11]Each governor's 7-year term expires on December 8 of a given year. Governors may continue to serve following expiration of their term until a successor is appointed but not for more than one year. No person may serve more than two terms as a governor. No more than five governors may be adherents of the same political party.

[12]As of December 2025, the board consisted of the Postmaster General, Deputy Postmaster General, and five of the nine appointed governors.

[13]See 39 U.S.C. § 3653.

[14]39 U.S.C. § 3653.

[15]39 U.S.C. § 502. Statutes do not include limitations on the number of terms a commissioner may serve. No more than three commissioners may be adherents of the same political party. As of December 2025, the PRC consisted of four commissioners.

mail.[16] As a practical matter, mail covered by this monopoly primarily consists of First-Class Mail and Marketing Mail.

- With regard to USPS's mailbox monopoly, legislation enacted in 1934 prohibited the delivery of unstamped mail into mailboxes, essentially granting exclusive access to mailboxes ("mailbox monopoly") to USPS; this approach remains in place to this day.[17] The U.S. Supreme Court upheld the constitutionality of the mailbox monopoly in 1981, stating that mailboxes are an essential part of national mail delivery and that postal customers agree to abide by laws and regulations that apply to their mailboxes in exchange for USPS agreeing to deliver and pick up mail.[18] In addition, USPS regulations restrict which types of items may be placed upon, supported by, attached to, hung from, or inserted into a mailbox.[19] The Postal Inspection Service, the federal law enforcement arm of USPS, is responsible for enforcing postal laws, including the restriction on placing mail without postage in mailboxes and laws that prohibit mail theft, obstruction of mail, and mail fraud.[20]

Until 1970, the federal government provided postal services via the U.S. Post Office Department, a government agency that received annual appropriations.[21] During that time, Congress was involved in setting postal rates and wages. To improve and modernize postal services, the Postal Reorganization Act (PRA) was enacted in 1970 and replaced the U.S. Post Office Department with USPS, an independent establishment of

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[16]USPS's letter delivery monopoly is codified in a set of criminal and civil laws called the Private Express Statutes. These laws generally prohibit anyone other than USPS from carrying letters for compensation on regular trips or at stated periods over postal routes or between places where mail regularly is carried. 18 U.S.C. §§ 1693—99 and 39 U.S.C. §§ 601—06.

[17]See 18 U.S.C. § 1725.

[18]U.S. Postal Service v. Council of Greenburgh Civic Ass'n., 453 U.S. 114 (1981).

[19]Certain exemptions allow (1) mailable matter to be left without postage in door slots and nonlockable bins or troughs used with apartment house mailboxes; (2) mailable matter without postage to be attached to the post or other support for the mailbox; and (3) unstamped newspapers that are regularly mailed as Periodicals to be placed in certain curbside mailboxes on Sundays and national holidays, if they are removed before the next scheduled day of mail delivery. USPS Domestic Mail Manual (DMM) § 508.3, which is incorporated into the Code of Federal Regulations. 39 C.F.R. § 211.2(a).

[20]For example, see 18 U.S.C. §§ 1701, 1702, 1708, and 1341.

[21]In fiscal year 1971, the first fiscal year USPS began operations, the U.S. Post Office Department's appropriations were approximately 25 percent of its expenses and commitments.

the executive branch of the government of the United States.[22] USPS is not subject to some of the federal laws to which other federal agencies may be subject, such as laws dealing with public or federal contracts, property, works, officers, employees, budgets, or funding.[23] Congress designed USPS to be a self-sufficient, business-like entity that would cover its operating costs primarily with revenues generated through the sales of postage and postal-related products and services.[24]

However, by the early 2000s, USPS faced a bleak financial outlook, as Americans took greater advantage of electronic communications alternatives that put its mission of providing universal postal service at risk, according to the 2003 Presidential Commission on the United States Postal Service.[25] The commission evaluated USPS's business model and concluded that USPS needed greater flexibility to operate in a business-like fashion, but that this latitude required enhanced transparency to enable effective management and congressional oversight. In response to these issues, the Postal Accountability and Enhancement Act (PAEA) was enacted in 2006.[26] PAEA divided USPS's products into market-dominant and competitive categories.[27] Market-dominant products include First-Class Mail, USPS Marketing Mail, and Periodicals. Competitive products include Priority Mail and USPS Ground Advantage package service. PAEA also imposed a price cap on market-dominant products; required USPS to begin prefunding its retiree health benefits; and

[22]Pub. L. No. 91-375, 84 Stat. 719 (1970); 39 U.S.C. § 201.

[23]See 39 U.S.C. § 410(a). For example, while some provisions of title 5 of the U.S. Code do not apply to USPS, certain provisions concerning retirement benefits, unemployment compensation, and health insurance do apply. See 39 U.S.C. § 1005(d),(f).

[24]USPS received an annual appropriation as a general public service subsidy until 1982. See U.S. Postal Service, *The United States Postal Service: An American History, 1776-2006* (Washington, D.C.: November 2012). More recently, USPS has received annual appropriations for revenue forgone for providing services such as (1) free mail for the blind and (2) overseas voting materials for U.S. elections. See, for example, Pub. L. No. 118-47, div. B, tit. V, 138 Stat. 460, 565 (2024) (appropriating $49.75 million for fiscal year 2024).

[25]President's Commission on the United States Postal Service, E*mbracing the Future: Making the Tough Choices to Preserve Universal Mail Service* (Washington, D.C.: July 31, 2003).

[26]Pub. L. No. 109-435, 120 Stat. 3198 (2006).

[27]USPS's market-dominant products are those for which it has a statutory monopoly or provides a large share of the product, with limited competition. In an unregulated market, such a dominant market position would likely enable a firm to exercise market power, under which it could set prices above cost without the risk of losing a significant level of business to other firms offering similar products. See 39 U.S.C. § 3642. Competitive products are all other products.

instituted provisions for increased transparency, oversight, and accountability, among other things.

USPS has lost money almost every fiscal year since 2007, and its financial condition continued to worsen throughout the 2010s.[28] In the early 2020s, USPS and Congress took significant actions to address USPS's financial performance.

- In March 2021, USPS released a 10-year strategic plan aimed at addressing numerous issues USPS stated it was facing, including a shift in demand toward packages and an underperforming air and surface transportation network.[29] The plan proposed changes, such as streamlining the transportation network for processing and delivery. USPS also modified its mail delivery service standards—how many days it should take to deliver a piece of mail—for First-Class Mail Letters and Flats from a 1-to-3-day window to a 1-to-5-day window. This was intended to reduce transportation costs by transitioning from air to ground transportation. The strategic plan also stated that USPS would evaluate and consolidate low-traffic facilities in metropolitan areas where alternative facilities are available. In addition, the plan included over $40 billion in anticipated capital investments over a 10-year period. These planned investments included upgrading USPS facilities and equipment, improving retail lobby spaces, acquiring new delivery vehicles, and upgrading technology. In September 2024, USPS updated its strategic plan to (1) revisit and reexamine the factors that led to the original 10-year plan, (2) describe progress made over the past 3 years, and (3) summarize the evolution of its major strategies.[30]
- In early 2022, Congress passed, and President Biden signed, the Postal Service Reform Act of 2022 (PSRA).[31] PSRA provided USPS significant noncash financial relief. PSRA contained provisions affecting USPS finances and operations to improve stability and enhance USPS services.

[28]USPS recorded a net income of about $56 billion in fiscal year 2022 due to the impact of the Postal Service Reform Act of 2022. The act, among other things, cancelled USPS's missed retiree health care payments, which USPS reported as a one-time, noncash benefit of about $57 billion.

[29]U.S. Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence.*

[30]U.S. Postal Service, *Delivering for America 2.0 – Fulfilling the Promise.*

[31]Pub. L. No. 117-108, 136 Stat. 1127.

This primer presents information in a question-and-answer format. The sections are meant to be concise and easy to understand. For readers interested in a deeper and more detailed discussion, we include a list of related GAO products at the end of each section.

Key question

What is USPS's mission?

Figure 1: U.S. Postal Service's Employees Provide Postal Services

Source: U.S. Postal Service. | GAO-26-107657

Answer

The U.S. Postal Service's (USPS) mission is to provide prompt, reliable, and efficient universal postal service. A federal statute requires USPS to "provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people."[32] USPS is required to serve, as nearly as practicable, the entire population of the United States.[33]

Why does it matter?

USPS is the only provider of universal postal service, which largely consists of letters and packages, in the United States.[34] However, some private carriers compete with USPS on certain services, such as the delivery of packages and parcels. These private carriers can choose where they deliver, whereas USPS generally must provide postal services to the entire population of the United States, including to those in rural areas. USPS plays a critical role in the nation's communications and commerce, and its services support a range of important public and private activities. In addition to delivering government mail—including election ballots—USPS's services support commerce and personal mail that are essential to business and residential customers.

[32] 39 U.S.C. § 101(a).

[33] 39 U.S.C. § 403(a).

[34] USPS's universal service obligation is governed by several statutory provisions, including the requirement to provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. See 39 U.S.C. §§ 101(b), 3691(b)(1)(B).

What you need to know

The Constitution grants Congress the power to establish post offices and "post roads," which are the routes by which mail travels. The Postal Reorganization Act, enacted in 1970, states, "The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by Act of Congress, and supported by the people."[35]

In April 2020, USPS's Board of Governors (comparable to the board of directors of a publicly held corporation) adopted a mission statement for USPS, which lays out three points that summarize its mission: (1) to serve the American people and, through the universal service obligation, bind our nation together by maintaining and operating our unique, vital, and resilient infrastructure.[36] (For more information, see "What is USPS's universal service obligation?"); (2) to provide trusted, safe, and secure communications and services between our Government and the American people, businesses and their customers, and the American people with each other; and (3) to serve all areas of our nation, making full use of evolving technologies.

Related GAO Reports

- *U.S. Postal Service: Few Differences in On-time Performance between Rural and Urban Areas* (GAO-23-105169)
- *U.S. Postal Service: Congressional Action Is Essential to Enable a Sustainable Business Model* (GAO-20-385)
- *U.S. Postal Service: Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits, but May Have Limited Viability* (GAO-20-354)
- *U.S. Postal Service: Offering Nonpostal Service through Its Delivery Network Would Likely Present Benefits and Limitations* (GAO-20-190)
- *U.S. Postal Service: Additional Guidance Needed to Assess Effect of Changes to Employee Compensation* (GAO-20-140)
- *U.S. Postal Service: Projected Capital Spending and Processes for Addressing Uncertainties and Risks* (*GAO-18-515*)
- *U.S. Postal Service: Strategies and Options to Facilitate Progress toward Financial Viability* (GAO-10-455)

[35]Pub. L. No. 91-375, § 2, 84 Stat. 719, 719 (1970) (codified at 39 U.S.C. § 101).

[36]"Mission Statement," adopted by USPS Board of Governors on April 1, 2020, accessed November 13, 2025, https://about.usps.com/who/profile/.

Key question

What is USPS's universal service obligation?

Figure 2: Examples of How the U.S. Postal Service (USPS) Provides Postal Services

A USPS vehicle travels through a snowstorm.

USPS delivers election mail, such as ballots.

USPS uses mules to transport mail in the Grand Canyon.

Source: United States Postal Service. | GAO-26-107657

Answer

"Universal service obligation" means that the U.S. Postal Service (USPS) is required to serve, as nearly as practicable, the entire population of the United States. In fiscal year 2024, USPS reported a total mail and package volume of over 112 billion items to more than 168 million delivery points, via over 235,000 delivery routes. The Postal Service Reform Act of 2022 codified the requirement that USPS generally provide delivery at least 6 days a week and required an integrated network for the delivery of mail and packages.

Why does it matter?

To provide universal postal service, USPS maintains the largest physical and logistical infrastructure of any nonmilitary government institution. USPS expenses exceeded revenues by a combined $16 billion in fiscal years 2023 and 2024.[37] In addition, operational changes aimed at reducing costs can have implications for USPS's ability to fulfill its universal service obligation and for its quality of service.

[37]USPS reported a one-time, noncash benefit of $57 billion in fiscal year 2022 due to the repeal of the prepayment requirement and cancellation of the unpaid past due retiree health care prefunding payments in the Postal Service Reform Act of 2022. For more information, see "What is the Postal Service Reform Act of 2022 (PSRA)?"

What you need to know

USPS's universal service obligation refers generally to several statutory provisions concerning the geographical scope, accessibility, and quality of postal services. For example:

- A core provision obligates USPS to "bind the Nation together through the personal, educational, literary, and business correspondence of the people," and "provide prompt, reliable, and efficient services to patrons in all areas."[38]
- USPS's fees and rates must be "fair and reasonable."[39]
- Other provisions include requirements for USPS to "provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining"[40] and to establish and maintain facilities so that patrons nationwide have "ready access to essential postal services."[41]

To carry out its universal service obligation, USPS developed a vast mail and package collection, processing, transportation, and delivery network. Given the need to reach every address, mail processing and transportation is a large cost area for USPS. USPS has taken actions to improve efficiencies and reduce costs in its mail processing and transportation operations. For example, USPS took steps under its *Delivering for America* strategic plan to consolidate and realign its mail processing network. In 2024, USPS reported that its network optimization efforts eliminated 1.1 million underutilized mail transportation trips between its mail processing facilities.[42]

However, as we previously reported, fulfilling USPS's universal service obligation can be expensive, and USPS lacks authority to make certain changes that could further reduce delivery costs. Federal law imposes requirements regarding the postal products, postal pricing, and level of postal services USPS is to provide. (See app. I for more information on selected legal provisions applicable to USPS and "What limits USPS's ability to respond to declining mail volumes and increased costs?") Specifically, USPS is generally required to provide at least 6-day-a-week delivery and to operate postal facilities across the country.[43] Federal law also limits USPS's ability to close retail facilities. For example, no small post office can be closed solely for operating at a deficit. USPS does have the authority to make other changes that could reduce costs, such as converting from more expensive delivery modes, like delivering to a customer's door, to less expensive ones, like delivering to a mailbox at a curb. However, USPS must request an advisory opinion from the Postal Regulatory Commission for changes that would generally affect service on a nationwide, or a substantially nationwide, basis.

Related GAO Reports

- *U.S. Postal Service: Reviews of Proposed Facility Consolidation Costs Met Some Best Practices but Could More Robustly Analyze Risks* (GAO-25-107630)
- *U.S. Postal Service: Few Differences in On-time Performance between Rural and Urban Areas* (GAO-23-105169)
- *U.S. Postal Service: Congressional Action Is Essential to Enable a Sustainable Business Model* (GAO-20-385)
- *U.S. Postal Service: Additional Guidance Needed to Assess Effect of Changes to Employee Compensation* (GAO-20-140)
- *U.S. Postal Service: Addressing Policy Gaps Could Improve Pilot Design and Evaluation for Postal Innovations* (GAO-19-293)
- *U.S. Postal Service: Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent* (GAO-15-756)
- *U.S. Postal Service: Delivery Mode Conversions Could Yield Large Savings, but More Current Data Are Needed* (GAO-14-444)

[38] 39 U.S.C. § 101(a).

[39] 39 U.S.C. § 403(a).

[40] 39 U.S.C. § 101(b).

[41] 39 U.S.C. § 403(b).

[42] U.S. Postal Service, *Delivering for America 2.0 – Fulfilling the Promise* (Washington, D.C.: Sep. 30, 2024).

[43] The Postal Service Reform Act of 2022 (PSRA) codified the requirement that USPS generally provide delivery at least 6 days a week through an integrated delivery network, meaning that mail and packages flow through the same network. Congress first required 6-day delivery in appropriations legislations for fiscal year 1983. Pub. L. No. 97-276, § 115, 96 Stat. 1186, 1194 (1982).

Key question

What are the differences in postal delivery in rural and urban areas?

Figure 3: Delivery and Collection Units in Rural and Urban Areas

Roadside mailbox | Door delivery mailbox | Centralized mailboxes

Sources: EvgeniiAnd/stock.adobe.com (right), Olga/stock.adobe.com (center), dina/stock.adobe.com (right). | GAO-26-107657

Answer

Postal delivery in urban and rural areas poses different operational, market, and financial challenges for USPS. Furthermore, recent operational changes under the *Delivering for America* strategic plan could result in slower services in rural areas.

Why does it matter?

USPS provides postal services across the entire United States as part of its mission to provide universal postal service. (For more information, see "What is USPS's universal service obligation?") USPS has long faced financial challenges in meeting this mission. Specifically, it cannot fund its current level of services and financial obligations from its revenues.

What are the key takeaways?

USPS is required by federal statute to provide universal postal service, including in rural areas and small towns, where post offices often are not self-sustaining.[44] In 2022, the USPS Office of Inspector General (OIG) reported that 63 percent of post offices in rural areas cost more to run than the revenue they bring in, compared with around 7 percent of urban post offices.[45] Federal law authorizes appropriations to reimburse USPS for providing nationwide service.[46] According to the USPS OIG, USPS has not requested these funds since 1982.[47]

In 2023, we reviewed on-time service performance and the effect of USPS's operational changes in rural and urban areas from October 2020 through December 2021. We found rural on-time performance was similar to urban, and even higher in some districts, with few differences for the four largest USPS mail products by volume: First-Class Mail, Marketing Mail, Periodicals, and most packages.

However, as part of its *Delivering for America* strategies, USPS implemented several initiatives to its processing and delivery network, some of which affect service in rural areas. In October 2024, USPS announced additional operational changes effective April and July 2025 at thousands of post offices, which could result in slower rural postal collections.

[44]39 U.S.C. § 101(a)–(b).

[45]U.S. Postal Service Office of Inspector General, *Focus On: The Importance of Postal Service in Rural Areas* (Apr. 18, 2022).

[46]39 U.S.C. § 2401(b). According to the USPS Office of Inspector General, the current authorization is for $460 million. U.S. Postal Service Office of Inspector General, *Business or Public Service? Insights into the Unique Laws and Regulations Applying to the Postal Service*, Report Number RISC-WP-24-006 (Aug. 2, 2024).

[47]U.S. Postal Service Office of Inspector General, *Focus On: The Importance of Postal Service in Rural Areas*. Apr. 18, 2022.

What you need to know

USPS has a widespread rural presence, with over 30 percent of its delivery points and over 33 percent of its total delivery routes in rural areas. Postal service is particularly important to residents living in rural areas, because they may not have alternatives to send and receive mail and packages.

USPS classifies postal routes as either "rural" or "city" routes.[48] However, these classifications may not always reflect the actual level of urbanization of an area. For example, previously undeveloped or low-density areas on rural routes can become suburban streets lined with single-family homes.

Rural and city carriers are paid differently and follow different policies and procedures for postal deliveries. In rural areas, carriers often are delivering to roadside mailboxes, rather than directly to the doorstep. In urban areas, door-to-door delivery is often the standard. However, centralized mailboxes or delivery to mail rooms in apartment buildings are also common.

What has been done?

USPS has implemented operational and service changes that have led to some concerns about negative effects on service performance, especially in rural areas. USPS piloted and implemented changes to its transportation network as it moved to an integrated logistics processing network as part of its strategic plan, *Delivering for America*. (For more information, see "What is the *Delivering for America* plan and how is it changing USPS?") Specifically, in October 2023, USPS piloted a change to its operations called the Local Transportation Optimization initiative, first in Richmond, VA. By August 2024, USPS expanded the pilot to 14 additional regions across the nation. This initiative was intended to achieve transportation cost savings by either reducing the number of trips to and from select post offices from two to one or by reducing transportation layovers. Instead, the mail will remain at the affected post offices until the next day for morning pickup, delaying its entry into sorting operations.

In October 2024, USPS requested an advisory opinion from the Postal Regulatory Commission regarding its plans to implement the Regional Transportation Optimization, an evolution of the Local Transportation Initiative, and other network improvements. The Regional Transportation Optimization initiative eliminates the end-of-day or afternoon collection at post offices more than 50 miles from a Regional Processing and Distribution Center. USPS began implementing phase 1 on April 1, 2025, and phase 2 on July 1, 2025. The Regional Transportation Optimization is applied based on the distance a post office is from a Regional Processing and Distribution Center and does not differentiate between urban or rural areas. According to USPS, most mail enters the network within 50 miles of a processing facility, and because the Regional Transportation Optimization initiative allows for faster mail processing and transportation, USPS does not expect service standard changes for most mail. However, in January 2025, the Postal Regulatory Commission expressed concerns USPS's plans will have significant negative impacts on rural communities.[49]

Related GAO Report

- *U.S. Postal Service: Few Differences in On-Time Performance between Rural and Urban Areas* (GAO-23-105169)

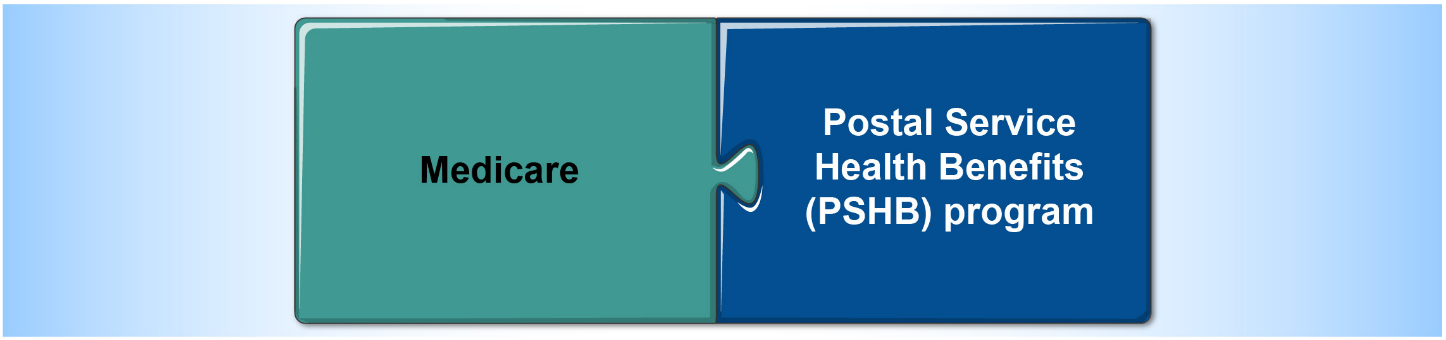
[48]USPS applies the Census Bureau's definitions to determine whether or not an address is in a rural or urban area.

[49]Postal Regulatory Commission, *Advisory Opinion on the Operational and Service Standard Changes Related to the Delivering for America Plan*, Docket No. N2024-1 (Jan. 31, 2025).

Key question

What is the Postal Service Reform Act of 2022 (PSRA)?

Figure 4: Postal Service Reform Act of 2022 Established the Postal Service Health Benefits Program and Integrated the Program with Medicare



Source: GAO. | GAO-26-107657

Note: The Postal Service Reform Act of 2022 generally requires that future retirees be entitled to benefits under Medicare Part A and enrolled in Medicare Part B to enroll in the Postal Service Health Benefits program. The act also requires Postal Service Health Benefits programs plans to participate in Medicare Part D for prescription drugs benefits.

Answer

The Postal Service Reform Act of 2022 (PSRA) was signed into law on April 6, 2022. PSRA is the first major legislative change to USPS since the Postal Accountability and Enhancement Act (PAEA) in 2006. PSRA provisions had immediate and long-term effects on USPS's finances and operations.

Why does it matter?

We have reported for 15 years that, under its current authority, USPS cannot fully address its financial situation. If USPS's expenses continue to exceed its revenue, taxpayers risk bearing the cost of postal operations and unfunded liabilities. While USPS needs to cut costs, congressional action is essential to restore USPS to financial viability. Congress and USPS continue to make progress toward achieving financial viability. However, we continue to believe that additional congressional actions are necessary. (For more information, see "What could Congress do to help improve USPS's business model?")

What has been done?

PSRA significantly reduced USPS's unfunded liability for retiree health benefits by integrating these benefits with Medicare, thereby transferring some retiree health costs to Medicare (see fig. 4 note). The act also repealed a requirement for USPS to prepay future retiree health benefits and canceled past due prefunding payments for those benefits. This resulted in a one-time, noncash benefit of $57 billion in 2022. In addition, PSRA codified the requirement that USPS generally provide at least 6-day-a-week delivery of mail and packages.

What needs to be done

While PSRA partially addresses some existing matters for congressional consideration identified by GAO, Congress should consider additional changes to further improve USPS's financial and operational performance. Previous legislative proposals by postal stakeholders have included allowing USPS to (1) invest retirement funds in private sector securities through index funds; and (2) provide basic financial services, such as low-cost loans and small checking accounts. (For more details on such proposals, see "How does USPS plan to pay for its unfunded liabilities and debt?" and "What could Congress do to help improve USPS's business model?")

What are the key takeaways?

Key PSRA provisions are described below.

Financial provisions:

- **Postal Service Health Benefits (PSHB):** The act required the Office of Personnel Management to establish a new PSHB program for postal employees, retirees, and their spouses and dependents.[50] To enroll in the new PSHB, future retirees and their family members generally must be entitled to benefits under Medicare Part A and enrolled in Medicare Part B. Requiring retirees to use Medicare decreases USPS's costs but increases Medicare's costs, according to analyses of past legislation by the Congressional Budget Office.

- **Retiree health benefits funding:** The act repealed the requirement for USPS to prefund retiree health benefits and canceled all unpaid past due prefunding payments.[51] Because USPS has not made previously required prefunding payments and is not required to make those payments in the future, the Office of Personnel Management estimates that the Postal Service Retiree Health Benefits Fund will become depleted in fiscal year 2031. USPS will then have to pay its share of retiree premiums on a "pay-as-you-go" basis from its general revenue.[52]

- **Expanding nonpostal services:** PAEA generally prohibited USPS from offering nonpostal services other than those that were offered as of January 1, 2006, and that were approved by the Postal Regulatory Commission.[53] In contrast, PSRA authorized USPS to offer nonpostal services to the public on behalf of state, local, and tribal governments under certain conditions. This expanded opportunities for USPS to offer the public services not directly related to mail delivery. According to the USPS Office of Inspector General, such services could include obtaining or renewing hunting or fishing licenses at local post offices.

Operational provisions:

- **Performance targets and reporting:** PSRA directed USPS to establish reasonable performance targets for market-dominant products—such as First-Class Mail, Periodicals, Marketing Mail, and certain package services—each year and report the previous fiscal year's performance targets to the Postal Regulatory Commission (PRC) for evaluation. PSRA also requires USPS to make certain service performance data available to the public in an online dashboard. Finally, PSRA directs USPS to report to the President, PRC, and congressional committees every 6 months concerning USPS's operations and financial condition.

- **Integrated delivery network:** PSRA requires USPS to have an integrated network—mail and packages flow through the same network—for the delivery of market-dominant and competitive products. PSRA also codifies the requirement that USPS generally deliver mail at least 6 days a week.

Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *U.S. Postal Service: Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits but May Have Limited Viability* (GAO-20-354)
- *Postal Retiree Health Benefits: Unsustainable Finances Need to Be Addressed* (GAO-18-602)

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[50]The Postal Service Health Benefits program is a separate program within the broader Federal Employees Health Benefits program, which is administered by the Office of Personnel Management. USPS previously offered health care benefits to its employees, retirees, and their spouses and dependents through health insurance plans within the Federal Employee Health Benefits program. The Federal Employee Health Benefits program included both postal and nonpostal participants. In contrast, health insurance plans offered within the new Postal Service Health Benefits Program are exclusively for postal participants.

[51]USPS reported a one-time, noncash benefit of $57 billion in 2022 due to the repeal of the prepayment requirement and cancellation of the unpaid past due retiree health care prefunding payments in the Postal Service Reform Act of 2022.

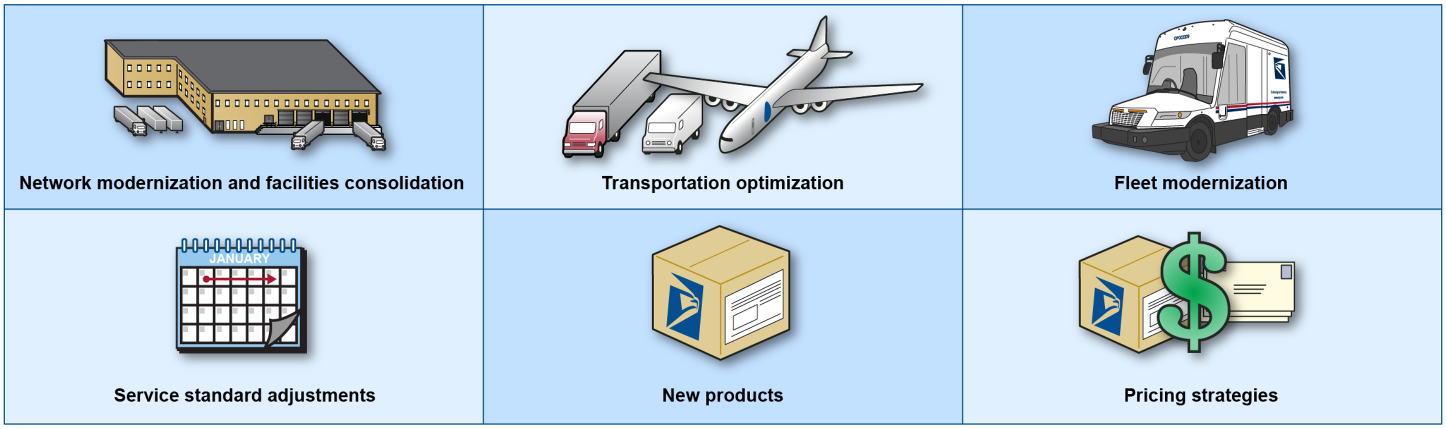
[52]While the PSRA eliminated the prefunding requirement, starting in at least 2026, USPS will be required to make annual "top-up" payments into the fund equal to the excess, if any, of USPS's share of retiree premiums over the estimated amount of postal retiree health care claims, as calculated by the Office of Personnel Management.

[53]USPS continued to have separate authority for providing services to federal executive agencies. *See* 39 U.S.C. § 411.

Key question

What is the *Delivering for America* plan and how is it changing USPS?

Figure 5: Changes to U.S. Postal Service (USPS) from *Delivering for America* Strategic Plan



Sources: GAO analysis of U.S. Postal Service information and GAO (icons). | GAO-26-107657

Answer

In March 2021, USPS introduced *Delivering for America,* a 10-year strategic plan intended to modernize its network and products to bring about financial sustainability.[55] The strategic plan includes significant changes to many aspects of USPS operations, including their processing, transportation, and delivery networks. USPS released an updated plan in September 2024, *Delivering for America 2.0 - Fulfilling the Promise*, which summarized progress made over the preceding 3 years and the evolution of its major goals and strategies.[56]

Why does it matter?

USPS has incurred billions of dollars of net losses each year since 2007. USPS's financial condition has been on our High Risk List since 2009 because USPS cannot fully fund its current level of services and financial obligations due to declining mail volumes, increasing compensation and benefits costs, and large unfunded liabilities and debt. Additionally, USPS's costs continue to rise faster than its revenues.

What you need to know

Delivering for America represents USPS's effort to balance its statutory obligations to provide universal postal service against the long-standing expectation that USPS be financially self-sufficient. USPS says that implementing its strategic plan will allow it to achieve service excellence and financial sustainability under the current business model, through a combination of cost and revenue improvements, as well as regulatory and legislative actions. According to USPS, the strategic plan "is a living plan" that is constantly being evaluated and updated. It focuses on cutting costs, optimizing operations, growing its package delivery service, and increasing revenue. The plan also includes $40 billion in capital investments toward mail processing facility, retail, and delivery network improvements, and acquisition of a fleet of Next Generation Delivery Vehicles. USPS plans to make these investments to better compete with private delivery companies for packages and provide better and more efficient mail service to customers.

When *Delivering for America* was first published, USPS stated the plan was expected to help USPS avoid $200 billion in projected losses over 10 years and achieve break-even operations, generating enough revenue to cover costs and obligations in 3 years.[54] According to USPS, it was not able to achieve its original goal due to historically high inflation on personnel costs and the failure to achieve its proposal to reallocate more Civil Service Retirement System costs to the U.S. Treasury. USPS updated its strategic plan in September 2024 without projecting future revenue, cost, or net income.

[54]U.S. Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (Washington, D.C.: Mar. 23, 2021).

[55]The original *Delivering for America* plan calculated projected savings through initiatives that included $34 billion in management cost savings, $44 billion in cost savings from regulatory changes, and $58 billion in cost savings due to legislative and administrative actions.

[56]U.S. Postal Service, *Delivering for America 2.0 - Fulfilling the Promise* (Washington, D.C.: Sep. 30, 2024).

What are the key takeaways?

The *Delivering for America* strategic plan lists actions intended to improve USPS's financial condition and service performance. Key actions and their status include the following:

- **Network modernization and facilities consolidation**. USPS is redesigning its mail processing and delivery network around new Regional Processing and Distribution Centers. As part of this effort, in July 2023 USPS started consolidating operations, moving some mail processing operations—including for local mail and packages—from local facilities to large regional facilities. Under the redesign, new Regional Processing and Distribution Centers will serve as aggregation points, Local Processing Centers will prepare mail and some packages for delivery, and Sorting and Delivery Centers will be new delivery facilities that aggregate mail carrier operations from several smaller current locations within some local areas.

- **Transportation optimization.** Since October 2023, USPS has shifted significant volumes of mail and packages from air to surface transportation, reduced the number of truck trips, and filled more trucks to capacity. In 2023, USPS piloted an initiative that reduced the number of truck trips across 15 regions and 2,400 post offices that are more than 50 miles from a Local Processing Center.[57] USPS expanded this initiative nationwide in 2025, calling it Regional Transportation Optimization.

- **Fleet modernization.** USPS set a goal to transition to a new fleet of over 106,000 delivery vehicles to meet environmental sustainability goals, increase delivery efficiency, and improve customer service. As of September 2025, USPS had ordered 33,000 commercial off-the-shelf vehicles, with 9,250 being battery electric. Additionally, USPS had ordered 51,000 Next Generation Delivery Vehicles, of which at least 35,000 were battery electric. As of September 2025, USPS expected all commercial off-the-shelf vehicles delivered between 2026 and 2028 and all Next Generation Delivery Vehicles delivered between 2027 and 2028 to be 100 percent electric.

- **Service standard adjustments.** Effective October 2021, USPS modified its service standards—how many days it should take to deliver a piece of mail—by adding 1-2 days for delivery of certain First-Class Mail and Periodicals, so that it can use less-expensive ground transportation, when appropriate. In 2025, USPS refined the service standard for market-dominant products affected by the Regional Transportation Optimization initiative and other network improvements. Under this new approach, some mail will have a faster standard, and some will have a slightly slower standard, with most mail retaining the same service standard of within 1-to-5 days for domestic First-Class Mail.

- **New products.** USPS offered new shipping products to compete in the package delivery business. The most prominent new product is USPS Ground Advantage, introduced in July 2023.[58] In early 2022, USPS also introduced a set of four USPS Connect products to offer businesses affordable deliveries and returns.[59]

- **Pricing strategies.** The Postal Regulatory Commission gave USPS new pricing authority in November 2020.[60] From January 2021 through July 2025, USPS increased prices eight times for market-dominant products—generally First-Class Mail, Periodicals, Marketing Mail, and certain Package Services. For example, a First-Class Mail stamp that cost 55 cents in January 2021 cost 78 cents by July 2025.

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[57]As part of the pilot, USPS no longer transported originating mail from certain post offices to the processing facilities the same day it was collected, depending on the distance between the post office and the processing facility.

[58]USPS Ground Advantage™ service sends packages in 2–5 business days for items up to 70 pounds. within the contiguous United States, and slightly longer for packages going to or from Alaska or Hawaii.

[59]The four products are (1) USPS Connect Local for same-day and Sunday delivery in select locations, (2) USPS Connect Regional for next-day delivery within a specified region, (3) USPS Connect National delivers packages under 1 pound in 2-to-5 days, and (4) USPS Connect Returns for businesses to offer customers convenient returns.

[60]Postal Regulatory Commission, Order 5763, Docket No. RM2017-3 (Nov. 30, 2020).

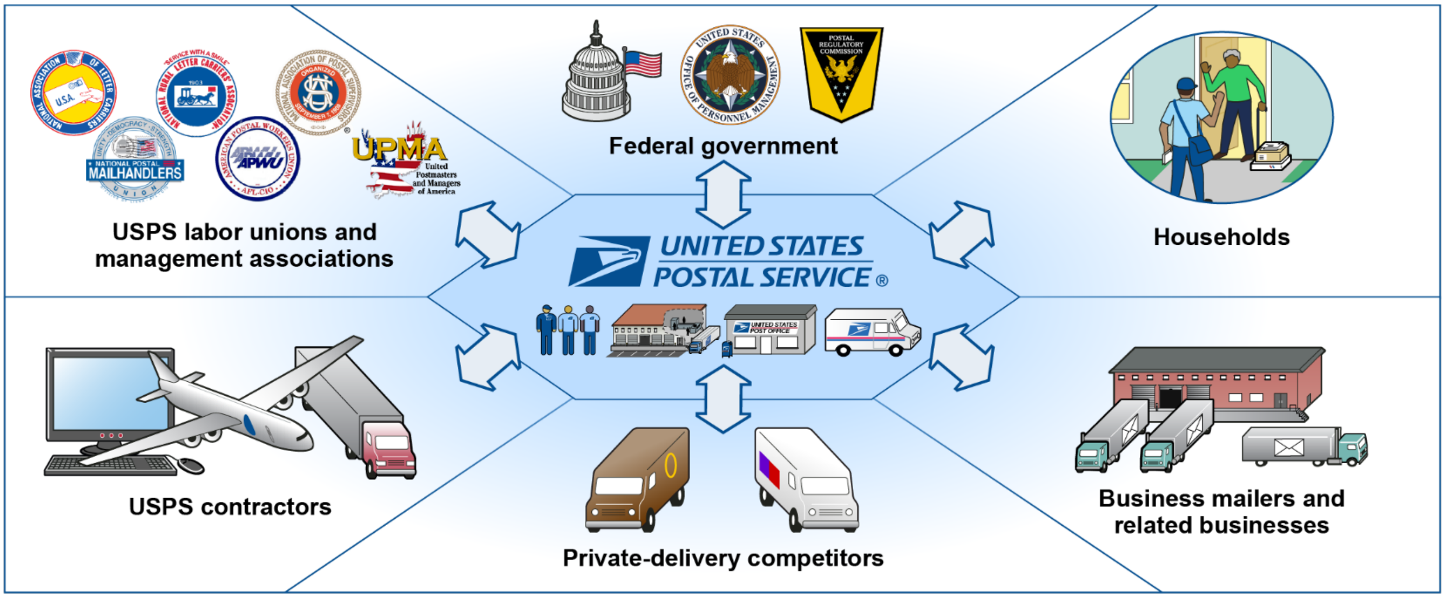
Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *U.S. Postal Service: Reviews of Proposed Facility Consolidation Costs Met Some Best Practices but Could More Robustly Analyze Risks* (GAO-25-107630)
- *U.S. Postal Service: Better Incorporating Leading Practices for Project Management Could Benefit Strategic Plan Implementation* (GAO-23-105297)
- *U.S. Postal Service: Action Needed to Improve Credibility of Cost Assumptions for Next Generation Delivery Vehicles* (GAO 23-106677)

Key question

What are key stakeholders' views on *Delivering for America*?

Figure 6: United States Postal Service's (USPS) Key Stakeholders



Sources: GAO; applicable unions and associations (seals and logos). | GAO-26-107657

Answer

While some key stakeholders have expressed support for *Delivering for America*'s goals and strategies, some have expressed concerns that the strategic plan (1) has not achieved projected cost savings and (2) has lowered service performance in some areas.

Why does it matter?

USPS believes that *Delivering for America* will help improve its service performance and financial sustainability, but whether it achieves these goals will depend on how well USPS implements the plan, congressional actions, and other factors.

What you need to know

The U.S. Postal Service (USPS) has a wide variety of stakeholders—in government; in the private sectors; and, of course, its customers—each with different interests in USPS and its operations (see fig. 6). In March 2021, USPS published *Delivering for America*, which identifies many operational changes intended to achieve substantial cost savings over a 10-year period.[61] In its plan, USPS proposed ways to cut costs, modify service standards, raise revenues through rate increases and new product offerings. In 2024, *Delivering for America 2.0 - Fulfilling the Promise* updated USPS's goals and strategies.[62] For more information, see "What is the Delivering for America plan and how is it changing USPS?") Stakeholders have differing views on how *Delivering for America* affects the financial viability of USPS, its operations, and customers. USPS stated it is committed to working with its various stakeholders to improve transparency and communication around the evolving financial and operational strategies of *Delivering for America*.

[61]U.S. Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (Washington, D.C.: Mar. 23, 2021)

[62]U.S. Postal Service, *Delivering for America 2.0 - Fulfilling the Promise* (Washington, D.C.: Sep. 30, 2024).

What are the key takeaways?

Key stakeholders have expressed differing views about USPS's strategic plan and its effect on USPS's financial performance, operations, and customers. While some stakeholders support USPS's strategies to achieve financial sustainability, they also expressed concerns. Specifically:

- **Financial performance**. The financial goal of the 2021 strategic plan was for USPS to achieve financial stability over a 10-year period. The plan forecast that USPS could generate enough revenue to cover operating costs and obligations in 3 years if all of its strategies were implemented and the forecast proved accurate. The Postal Regulatory Commission (PRC) and the USPS Office of Inspector General (OIG) expressed concerns that USPS has been unable to achieve this goal, as it lost over $21 billion between when it issued the plan in 2021 and the end of fiscal year 2024.[63] USPS stated it was not able to achieve its original financial goal in large part due to the impact of high inflation and the failure to achieve its proposal to reallocate more Civil Service Retirement System costs to the U.S. Treasury.

- **Modernizing networks and consolidating facilities**. The PRC and OIG have expressed concerns that operational changes to consolidate mail processing facilities have lowered service performance in those areas. According to USPS, it experienced some slower mail delivery and delays and did not meet service standards when implementing some of the initiatives. According to USPS officials, USPS adjusted some of its planned actions and improved performance after receiving feedback from stakeholders.

- **Adjusting service standards**. USPS modified its service standards—how many days it should take to deliver a piece of mail—for certain products starting in October 2021. According to USPS, this change would allow it to use less-expensive ground transportation and improve service performance. However, some stakeholders such as mailers opposed USPS's revised service standards, as well as additional proposed changes that they assert will reduce service performance, especially in rural areas. USPS further adjusted the service standards to implement the Regional Transportation Optimization initiative and other network improvements in 2025. The PRC expressed concerns that rural communities will experience service downgrades from this change.[64]

- **Pricing strategies**. Stakeholders hold differing views on USPS's rate increases on market-dominant products, such as First-Class Mail and Marketing Mail. Some postal labor unions favored additional price increases, as they contributed to an increase in revenue, while mailers opposed them, saying they hasten the decline in mail volume.

What needs to be done?

Delivering for America lays out a path that USPS believes will allow it to improve service and become financially sustainable. If USPS is to attain these goals, it must successfully implement numerous projects and initiatives in the coming years. Although USPS has made progress in implementing the strategic plan to date, it did not adequately incorporate all key leading practices for project management into its policies. In 2023, we recommended that USPS make policy changes that would improve implementation, such as incorporating a lessons-learned process to track and address issues across the plan's many projects. As of April 2025, USPS fully implemented five of six recommendations.

In 2025, we found that USPS had updated its strategic plan without financial projections. We recommended that USPS update its strategic plan to include publicly available financial projections that link near-term results to long-term outcomes. USPS did not agree with our recommendation. USPS noted that long-term projections are inherently uncertain and stated that such projections can contribute to a misperception of the success of different initiatives. While we understand these uncertainties, we continue to see value in long-term projections for USPS, Congress, and external stakeholders. Specifically, without long-term financial projections, USPS cannot fully communicate its potential progress towards financial sustainability, and Congress cannot measure USPS's progress against its planned goals. We acknowledge that USPS faced criticism when it did not meet its long-term projections published in 2021, but USPS could mitigate such criticisms by producing a range of projected outcomes that demonstrate how potential USPS and Congressional actions, as well as market forces such as inflation, could affect USPS's future financial condition.[65] A range of projections could help external stakeholders better understand the uncertainty of USPS's future financial condition, and the illustration of the risks could be an additional spur to action by Congress.

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[63]In its 2021 strategic plan, USPS projected its revenue, expenses, and net income each fiscal year between 2021 and 2030 based on the assumption that all the USPS and congressional actions outlined in the plan would be taken.

[64]Postal Regulatory Commission, *Advisory Opinion on the Operational and Service Standard Changes Related to the Delivering for America Plan*, Docket No. N2024-1 (Jan. 31, 2025).

[65]The range of projected outcomes could encompass varying assumptions regarding factors such as inflation, mail volume, or Congressional action or inaction.

Open Recommendations and Related GAO Reports

Recommendations

- The Postmaster General should direct the Office of Strategic Planning to ensure that the policies and guidance—such as the Strategic Initiative Governance Controls document—used to implement Strategic Plan projects determine when a project requires an integrated master schedule and require that such a project's team develop and maintain an integrated master schedule for the entire life of the project.
- The Postmaster General should develop current financial projections, such as for its revenue, expenses, and net income, that link USPS's near-term results to USPS's desired long-term outcomes.

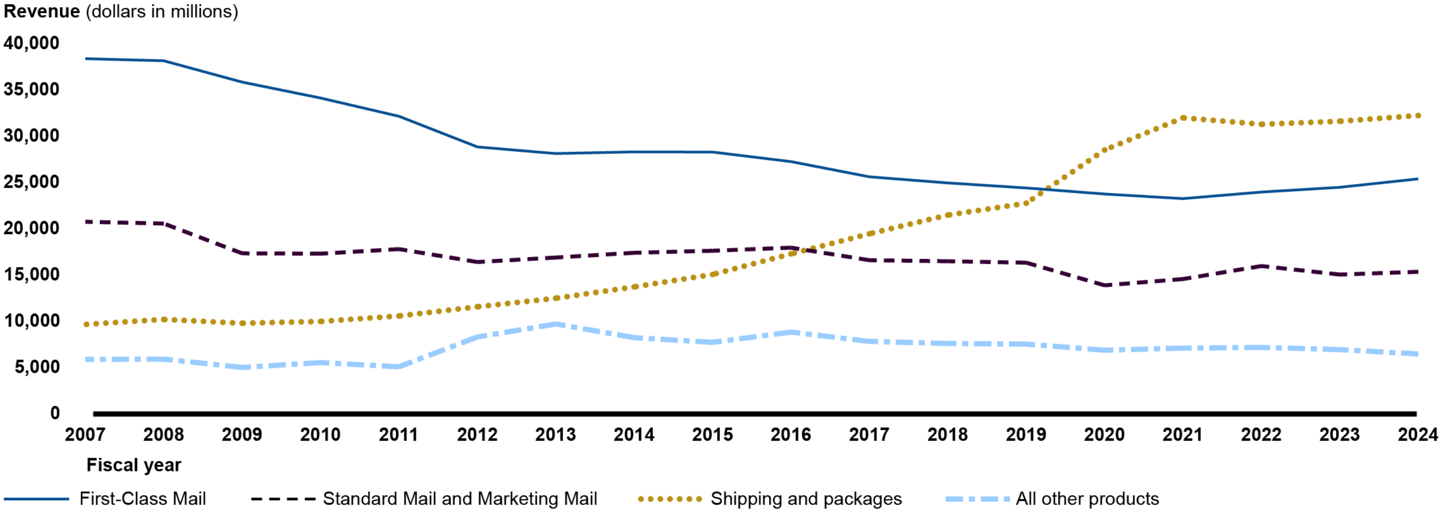
Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *U.S. Postal Service: Reviews of Proposed Facility Consolidation Costs Met Some Best Practices but Could More Robustly Analyze Risks* (GAO-25-107630)
- *U.S. Postal Service: Better Incorporating Leading Practices for Project Management Could Benefit Strategic Plan Implementation* (GAO-23-105297)

Key question

What are USPS's primary sources of revenue?

Figure 7: The U.S. Postal Service's Revenues for Selected Products, Fiscal Years 2007 Through 2024



Source: GAO analysis of U.S. Postal Service data. | GAO-26-107657

Answer

The U.S. Postal Service (USPS) earns most of its revenue from delivering mail and packages. For some mail products, such as First-Class Mail and Marketing Mail, USPS has "market dominance;" this means it delivers either all or most of these types of products in the market.[66] Market-dominant products are price capped, and price increases are constrained by factors that are largely outside USPS's control, such as inflation. USPS also provides other services—such as package delivery—in competition with providers such as FedEx, the United Parcel Service (UPS), and Amazon.

Why does it matter?

The decline in USPS's more profitable market-dominant products, due in part to increased use of electronic alternatives, is a key cause of its financial troubles. USPS's revenues do not cover its costs. In fiscal year 2024, USPS's expenses were $9.5 billion more than its revenues, and its total unfunded liabilities and debts exceeded 206 percent of annual revenue.[67] (For more information, see "How is USPS still operating after losing so much money?") It is difficult for USPS to respond to the decline in revenues because both statutory requirements and diverse stakeholder views constrain policy change. (See app. I for selected legal provisions applicable to USPS.)

What needs to be done?

USPS and Congress may be best able to address declining mail volume—the central challenge to USPS's business model—by comprehensively examining Americans' changing use of mail and what that means for the business and organizational structure of USPS. We believe that Congress should consider reassessing the foundational elements of USPS's business model to determine the level of postal services the nation needs now and in the future.

This kind of reassessment is how foreign posts in several other countries addressed similar issues facing their postal entities. Like USPS, some foreign posts have faced challenges from declines in volume and revenues of core postal products. Some foreign posts and governments have taken actions directly aimed at enhancing revenues, such as (1) growing the package delivery service; (2) allowing their posts to enter new lines of nonpostal business, such as banking services; and (3) allowing postal rates to rise in excess of inflation. In addition, some foreign governments allowed their posts to (4) reduce delivery frequency, (5) restructure to act in a business-like manner, and (6) privatize postal entities.

[66]Specifically, USPS's market-dominant products are those for which it has a statutory monopoly or provides a large share of the product, with limited competition.

[67]Total unfunded liabilities and debt include USPS's debt, workers' compensation liabilities, unfunded liabilities for retiree health benefits, unfunded liabilities for Civil Service Retirement System and Federal Employees Retirement System benefits, and other liabilities. U.S. Postal Service, *2024 Report on Form 10-K* (Washington, D.C.: Nov. 14, 2024).

What you need to know

USPS earns revenues primarily from the sale of postal products—mostly First-Class Mail, Marketing Mail, and shipping and package delivery. Some of USPS's package delivery revenues come from other delivery companies handing off packages to USPS for "last mile" delivery over USPS's ubiquitous network. Lesser sources of revenues include (1) delivering Periodicals and international mail; and (2) selling miscellaneous products and services, such as certified mail, money orders, and packaging materials. USPS generally receives a small federal appropriation each year for revenue forgone due to providing certain items or services that USPS is required to offer for free or at reduced prices.[68]

USPS's revenue is protected because of two monopolies. USPS has a monopoly on delivering letter mail, which includes First-Class Mail and Marketing Mail.[69] USPS also has a monopoly on accessing mailboxes, which effectively grants it the sole right to place mail into residential or business mailboxes.[70] In addition to the monopolies, the breadth of USPS's postal network affords it market dominance for certain other mail products.

In markets where USPS competes against other providers—such as FedEx, UPS, and Amazon in the package delivery market—USPS has more pricing flexibility, although there are also some pricing limitations to ensure fair competition.[71] Volume and revenues in the shipping and package delivery market have been rising, but profit margins for these markets are thinner than for some USPS market-dominant products. Thus, downward trends in the volumes and revenues of market-dominant products have eroded USPS's financial status. Moreover, USPS's competitors in the package market are expanding their networks and investing in new technologies (e.g., drones), which could lead these companies to rely less on USPS for last mile delivery in the future.

What has been done?

We have reported over the past 15 years that USPS's ability to take actions under its current authority is insufficient to fully address its financial situation. While USPS has taken action to increase its revenues and cut its costs, congressional action will be essential to restore USPS to financial viability. Congress passed the Postal Service Reform Act of 2022 that, among other things, expanded opportunities for USPS to provide limited services not directly related to mail delivery, like providing fishing licenses on behalf of state, local, and tribal governments. (For more information, see "What is the Postal Service Reform Act of 2022 (PSRA)?") We previously examined the viability of allowing USPS to leverage its delivery routes and retail functions (e.g., post offices) to provide new, nonpostal services. We found that, though some new services could provide public benefits, the additional revenue that would accrue to USPS would not likely be substantial.

Some postal stakeholders called for USPS to take actions like those taken by foreign posts to increase revenues. These stakeholders called for regulatory changes that would enable USPS to raise rates on market-dominant products by more than the rate of inflation. Consistent with these proposals, the Postal Regulatory Commission granted USPS additional rate adjustment authority for market-dominant products in 2020.[72] USPS leveraged its new pricing authority to raise rates seven times from 2021 through 2024. According to USPS, the rate increases were largely in response to the effects of high inflation. By the end of the strategic plan's 10-year period, USPS estimated that the new pricing policy will generate $44 billion in additional revenue. (For more information on efforts USPS has taken, see "What is the Delivering for America plan and how is it changing USPS?")

Related GAO Reports

- *U.S. Postal Service: Congressional Action Is Essential to Enable a Sustainable Business Model* (GAO-20-385)
- *U.S. Postal Service: Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits but May have Limited Viability* (GAO-20-354)
- *U.S. Postal Service: Key Considerations for Potential Changes to USPS's Monopolies* (GAO-17-543)

[68]For fiscal year 2024, USPS received almost $50 million in appropriations for services such as free mail for blind mailers.

[69]*See* 18 U.S.C. §§ 1693–99; 39 U.S.C. §§ 601–06.

[70]*See* 18 U.S.C. § 1725.

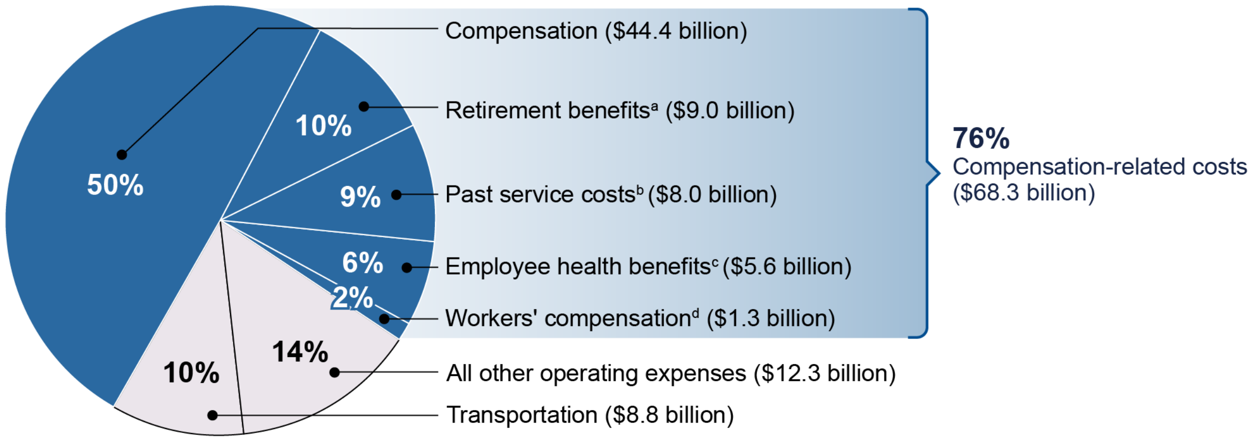
[71]Each competitive product must cover its attributable costs, and USPS cannot use revenues earned on market-dominant products to subsidize the prices of competitive products. *See* 39 U.S.C. § 3633.

[72]In November 2020, the PRC adopted a final rule modifying the inflation-based price cap to include additional rate adjustment authority, which would allow some rates for market-dominant products to increase by more than the rate of inflation. Postal Regulatory Commission, Order 5763, Docket No. RM2017-3 (Nov. 30, 2020). Under the new rate adjustment authority, USPS could now base rate increases on factors that include (1) decreasing mail density (increasing the cost-per-piece of mail) and (2) raising revenue for USPS to meet its required payments for retirement-related obligations.

Key question

What are USPS's key costs?

Figure 8: U.S. Postal Service's (USPS) Fiscal Year 2024 Operating Costs



Source: GAO analysis of U.S. Postal Service data. | GAO-26-107657

Note: Percentages do not always add up due to rounding.

There is no entry for retiree health benefits in this figure because the Postal Service Reform Act of 2022 eliminated USPS's obligation to prefund retiree health benefits, including the cost of future retiree health benefits attributable to employee service rendered in the fiscal year. As a result, in its financial statement, USPS reported the cost of retiree health benefits as $0 for fiscal year 2024. Costs for retiree health benefits will reemerge in future years. USPS is expected to make "top-up" payments—covering the difference between the government's share of insurance premiums and the estimated cost of claims—for retiree health benefits as soon as 2026. In addition, the Office of Personnel Management (OPM) estimates that the retiree health benefits fund will run out of money in fiscal year 2031, after which USPS will have to pay the cost of its share of retiree premiums out of its operating revenue, which OPM projects to cost about $5.8 billion per year, following depletion of the fund.

[a]Includes the cost of future pension benefits under the Federal Employees Retirement System (FERS) attributable to employee service rendered in fiscal year 2024 ($4.9 billion), plus employer contributions to the Thrift Savings Plan ($1.5 billion), plus the employer portion of Social Security payroll taxes ($2.5 billion).

[b]Includes amortization costs (required payments to reduce unfunded liabilities, even if not made in full) for Civil Service Retirement System pension benefits ($3.2 billion) and FERS pension benefits ($2.3 billion); plus the effect of revised estimates of the liabilities for prior workers' compensation cases ($2.5 billion—this last item can vary widely from year to year and can be either positive or negative).

[c]Includes USPS's share of employee health insurance premiums plus the employer portion of Medicare payroll taxes.

[d]Includes the cost of new cases (new injuries incurred in the fiscal year) plus administrative costs.

Answer

USPS's key costs are related to employee compensation and benefits, which represented about 76 percent of USPS's total operating expenses in fiscal year 2024.

Why does it matter?

USPS is expected to be financially self-sufficient, meaning that it is supposed to cover its expenses, or costs, through revenues generated from the sale of its products and services. However, since 2007, USPS's revenues have not covered its expenses, and expenses have generally grown faster than its revenues, in part due to rising compensation and benefits costs, combined with continuing declines in First-Class Mail volume. (For more information, see "How is USPS still operating after losing so much money?" and "What has USPS done to cut costs as part of *Delivering for America*?")

What you need to know

USPS's labor costs account for more than three-quarters of USPS's total costs. Several restrictions limit USPS's ability to adjust employee compensation and benefits costs. These costs are driven by a mix of USPS contracts and policies, including collective bargaining agreements negotiated with unions representing over 90 percent of USPS employees in 2024, and statutory requirements governing USPS employee pay and benefits.

USPS's collective bargaining agreements with labor unions have instituted salary increases and cost-of-living adjustments.[73] The bargaining agreements have also capped the number of precareer employees at approximately 20 percent of the number of employees covered by the agreements.[74] Additionally, federal law requires USPS to participate in the Federal Employees Health Benefits program, which covers current employees and retirees, as well as federal pension and workers' compensation programs.[75]

USPS's financial difficulties have affected its ability to make capital investments that could improve its financial viability. USPS reported that it needs to increase capital spending and modernize its infrastructure after years of deferred capital investment. For example, USPS has long planned to replace its aging fleet of delivery vehicles, but financial challenges have delayed its ability to do so. Following years of delays, in 2022 USPS announced plans to acquire a new fleet of over 106,000 delivery vehicles, including 66,000 electric vehicles, to increase its capacity to deliver mail and packages in a more cost-efficient manner (see fig. 9). USPS received $3 billion from the Inflation Reduction Act of 2022 to purchase zero-emission vehicles and purchase, design, and install related infrastructure.

In 2024, USPS reported that, without legislative changes to give it the flexibilities it needs to control costs, it does not have the financial resources to carry out its primary mission, make certain required federal payments to fund pension benefits, or meet its capital investment needs.[76] (For more information, see "How does USPS plan to pay for unfunded liabilities and debt?") To address its financial problems, USPS has taken some actions to address employee compensation costs—the largest share of USPS's overall costs. For example, in 2020 USPS began automatically converting employees from precareer to career status after 2 years of service, which is intended to stabilize its workforce by reducing employee turnover.[77] USPS has stated that this has increased employee retention and reduced training costs.

Figure 9: U.S. Postal Service's (USPS) Next Generation Delivery Vehicle

Source: U.S. Postal Service. | GAO-26-107657

Note: In February 2023, USPS placed its first order for 9,250 commercial off-the-shelf electric vehicles, as well as for more than 14,000 electric vehicle charging stations. According to USPS, it will invest a total of $9.6 billion to modernize its vehicle fleet.

[73]When USPS and its unions are unable to reach an agreement, the parties are eventually required to enter into binding arbitration by a third-party panel. During the arbitration process, there is no statutory requirement for an arbitrator to consider USPS's financial health in issuing an award.

[74]In addition to being classified by occupation type (e.g., letter carrier and mail handler), USPS employees are also divided into "career" and "precareer" employees. Career employees are considered permanent and receive a range of benefits (e.g., health and retirement) and privileges. Precareer employees do not receive the full range of benefits received by career employees. USPS stated that precareer employees include those with lower-paid positions, such as city carrier assistants and postal support employees, as well as temporary employees hired during times of large mail volume, such as holidays.

[75]39 U.S.C. § 1005. The Postal Service Reform Act of 2022 establishes a new Postal Service Health Benefits program for postal employees, annuitants, and their spouses and dependents, within the Federal Employee Health Benefits program. The new program was implemented on January 1, 2025.

[76]U.S. Postal Service, *2024 Report on Form 10-K* (Washington, D.C.: Nov. 14, 2024).

[77]We reported in 2021 that precareer employees had higher turnover rates than career employees, even when we controlled for employee tenure and other factors. Employee turnover may occur, even if USPS would have preferred to retain the employee. Reasons may include a lack of fit or the job being different than the employees expected in terms of schedule, physical requirements, or other factors.

What has been done?

USPS's compensation and benefits costs have been increasing since 2014, despite USPS's efforts to control these costs. USPS reduced its total workforce (career and precareer employees) from 785,900 in fiscal year 2007—the year in which USPS's expenses began consistently exceeding revenues—to 617,700 in fiscal year 2013. However, by fiscal year 2024, its workforce had increased to over 639,000 (in part from converting 190,000 employees from precareer to career status since 2022). In January 2025, USPS offered a $15,000 incentive for voluntary early retirement to certain employees.

From 2010 through 2024, USPS did not make all required payments for retiree health benefits and pensions. Specifically:

- Starting in 2010, USPS stopped making prefunding payments to its postal retiree health benefit fund. The Postal Service Reform Act of 2022 later removed USPS's obligation to do so and canceled all past due prefunding payments that remained unpaid.[78]
- Between fiscal years 2012 and 2021, USPS did not make any of its required payments toward its Civil Service Retirement System (CSRS) unfunded liabilities or Federal Employee Retirement System (FERS).
- Specifically, from fiscal years 2021 through 2024, USPS did not make $10.4 billion in required payments toward its CSRS unfunded liability.
- In addition, starting in fiscal year 2022, USPS started making only partial payments toward its FERS unfunded liability. For example, USPS made $1 billion of the $2.3 billion required FERS amortization payment for fiscal year 2024.[79]

USPS reported that it did not make all required pension amortization payments so that it could preserve liquidity to cover current and anticipated operating costs, deal with contingencies, and make needed capital investments.[80] USPS has also stated that under its current business model, it anticipates that it will run out of cash on hand, even if it continues to not make all of these required amortization payments. However, continuing to default on these amortization payments could have a significant effect on USPS's postal retirees and their surviving dependents, add to USPS's already large unfunded liabilities, and affect USPS's ability to become more financially viable in the long term. (For more information, see "How does USPS plan to pay for its unfunded liabilities and debt?")

Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness* (GAO-25-107743)
- *U.S. Postal Service: Action Needed to Improve Credibility of Cost Assumptions for Next Generation Delivery Vehicles* (GAO-23-106677)
- *U.S. Postal Service: Further Analysis Could Help Identify Opportunities to Reduce Injuries among Non-Career Employees* (GAO-21-556)
- *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas* (GAO-21-119SP)
- *U.S. Postal Service: Additional Guidance Needed to Assess Effect of Changes to Employee Compensation* (GAO-20-140)

[78]USPS is expected to begin making "top-up" payments into the retiree health benefit fund based on the excess, if any, of USPS's share of retiree premiums over the estimated amount of postal retiree claims, in fiscal year 2026. The Office of Personnel Management (OPM) estimated that the postal retiree health fund will run out of money in fiscal year 2031, assuming that USPS makes all of its required top-up payments. At that point, USPS will need to pay its shares of insurance premiums out of its operating funds, which OPM projects to be about $5.8 billion per year.

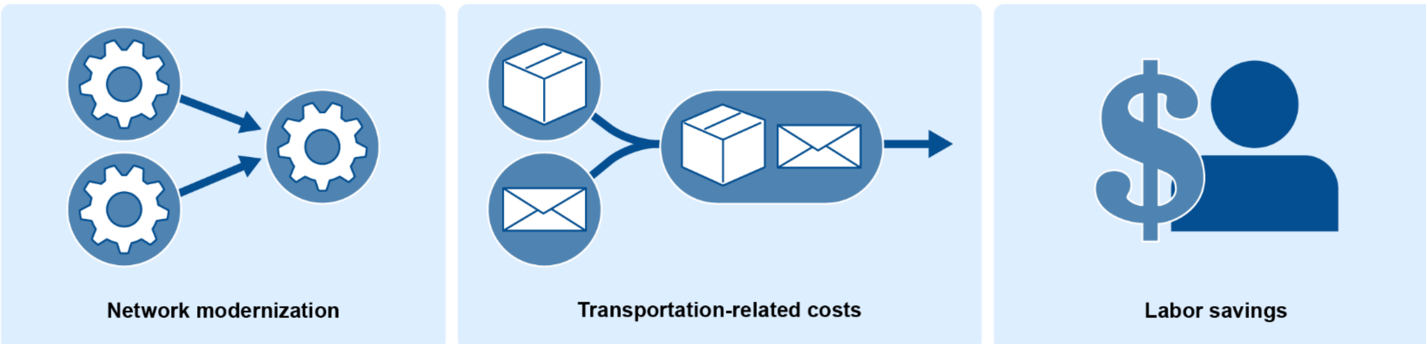
[79]Amortization payments are amounts intended to pay down an unfunded liability over a set schedule. They can be thought of as similar to payments on a mortgage. U.S. Postal Service, *2024 Report on Form 10-K* (Washington, D.C.: Nov. 14, 2024).

[80]As stated in its 10-K publications, USPS made a policy decision to not make these payments because it determined it needed to preserve liquidity and ensure that it could continue fulfilling its universal service obligation. USPS reported at the end of fiscal year 2024 that it had outstanding debt obligations of $15 billion, which was equal to its statutory limit.

Key question

What has USPS done to cut costs as part of *Delivering for America*?

Figure 10: Examples of U.S. Postal Service's (USPS) *Delivering for America* Cost-Cutting Efforts



Sources: GAO analysis of U.S. Postal Service information; GAO (icons). | GAO-26-107657

Answer

Since 2021, the U.S. Postal Service (USPS) has implemented a range of cost-cutting measures as part of its implementation of the strategic plan, *Delivering for America.* These efforts, some of which were still in progress as of the time of our work, include restructuring its processing and transportation networks to move mail and packages together, instead of through separate networks; shifting significant volumes of mail and packages from air transport to more economical surface transportation; reducing the number of truck trips; and reducing employee work hours (see fig. 10). While more can be done, additional strategies to cut costs are constrained by statutory, regulatory, contractual, and political issues.

Why does it matter?

USPS's key costs, such as compensation and benefits, are rising. USPS cannot, through its revenues, fund its current level of services and financial obligations. (For more information on USPS's financial condition, see "What are USPS's key costs?" and "How is USPS still operating after losing so much money?")

What needs to be done?

USPS will need to continue its cost-cutting efforts to improve its financial condition. However, opportunities for further cost savings under the existing legal framework are limited and insufficient to eliminate its financial gap. A number of restrictions limit USPS's ability to (1) reduce the cost of meeting its universal service obligation and (2) control employee compensation and benefits costs. (See app. I for more information on selected legal provisions applicable to USPS).

Since 2010, we have stated that while USPS needs to cut its costs, congressional action is essential to restore USPS to financial viability. Without congressional action, USPS will continue to experience annual losses and large unfunded liabilities, making future reform more difficult and costly. (For more information on actions Congress could consider, see "What could Congress do to help improve USPS's business model?")

What you need to know

USPS's financial condition has not substantially improved since the plan was introduced, due to greater-than-expected costs and growing unfunded liabilities. According to USPS, it ended fiscal year 2024 with $9.5 billion net loss, and fiscal year 2025 with $9.0 billion net loss. Therefore, it is not yet clear how much USPS will be able to reduce costs as it continues to lose money--over $30 billion between the issuance of its strategic plan in 2021 and the end of fiscal year 2025.[81]

What has been done?

USPS has made efforts to cut costs and adjust its operations to better adapt to declining mail volumes as part of its strategic plan, *Delivering for America*. (For more information, see "What is the Delivering for America plan and how is it changing USPS?") For example:

- **Network modernization.** USPS started realigning and consolidating its network of facilities. For example, in July 2023, USPS consolidated mail processing operations from nearby facilities in the Richmond, Virginia, region into a central facility. According to the USPS's Office of Inspector General (OIG), USPS expected to save about $15 million in fiscal year 2024 and approximately $186 million over a 10-year period from the Richmond conversion.[82] In addition, OIG reported that USPS anticipates saving approximately $3 billion over the next 30 years from consolidating facilities in the Atlanta, Georgia, region in February 2024.[83]

- **Transportation-related costs**. USPS reported saving $1.5 billion annually by restructuring its transportation network to move mail and packages together, instead of through separate networks; shifting a portion of mail and package volume from air to surface routes; reducing the number of truck trips; and filling more trucks to capacity. In addition, USPS projects annual savings of at least $3.6 billion through the Regional Transportation Optimization initiative and other network changes.

- **Labor savings.** In September 2024, USPS reported it eliminated 44 million employee annual work hours in 3 years, resulting in annual savings of about $2.3 billion in employee compensation from shifting to more efficient and automated facilities. While USPS's actions have reduced some labor costs, employee compensation and benefits costs continue to grow.

Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness* (GAO-25-107743)
- *U.S. Postal Service: Reviews of Proposed Facility Consolidation Costs Met Some Best Practices but Could More Robustly Analyze Risks* (GAO-23-107630)
- *U.S. Postal Service: Better Incorporating Leading Practices for Project Management Could Benefit Strategic Plan Implementation* (GAO-23-105297)
- *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas* (GAO-23-106203)
- *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas* (GAO-21-119SP)

[81]USPS's total loss does not include a one-time, noncash benefit of $57 billion financial relief resulting from the repeal of the prepayment requirement and cancellation of the unpaid past due retiree health care prefunding payments from the Postal Service Reform Act of 2022.

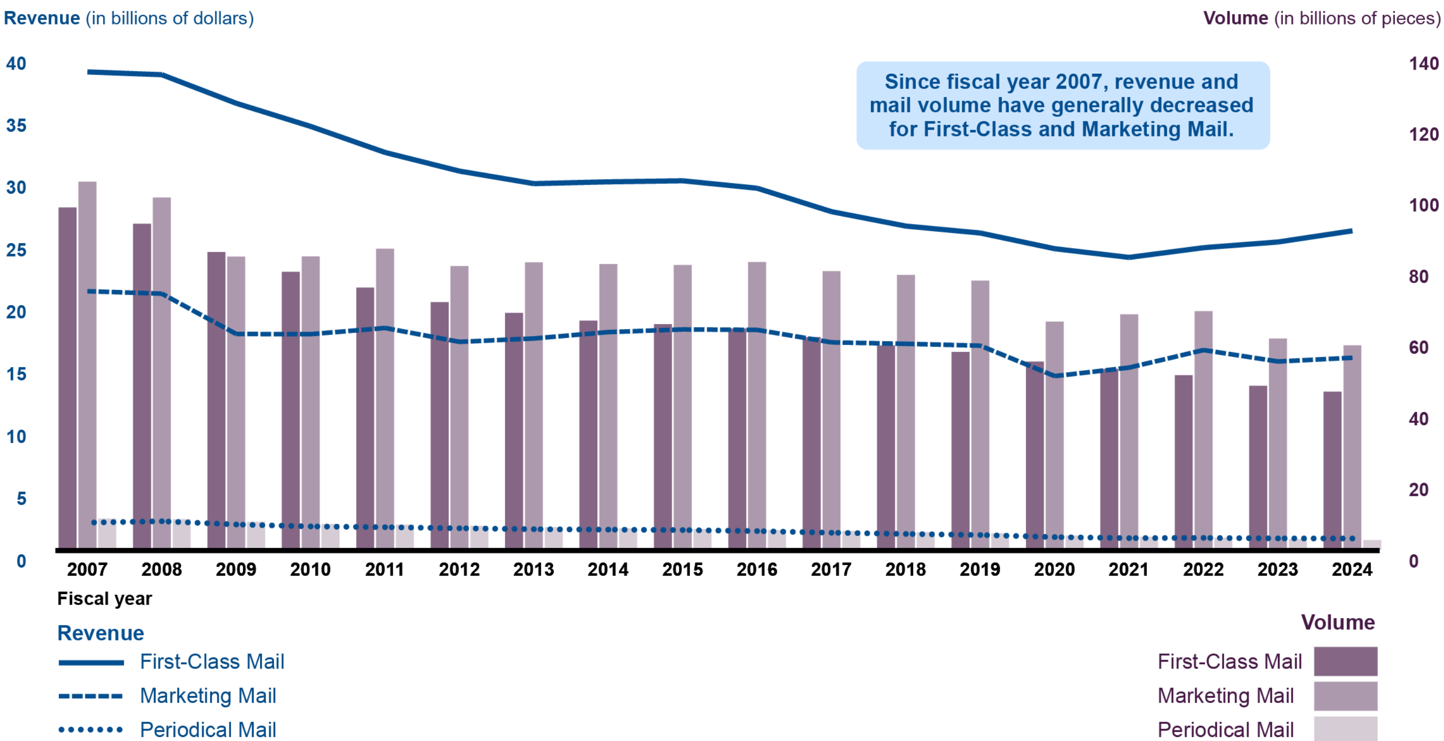
[82]U.S. Postal Service Office of Inspector General, *Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA,* Report Number 23-161-R24 (Mar. 28, 2024).

[83]U.S. Postal Service Office of Inspector General, *Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA,* Report Number 24-074-R24 (Aug. 28, 2024).

Key question

What limits USPS's ability to respond to declining mail volumes and increased costs?

Figure 11: The U.S. Postal Service's (USPS) Mail Revenue and Mail Volume, Fiscal Years 2007 Through 2024



Source: GAO analysis of U.S. Postal Service data. | GAO-26-107657

Answer

Statutory requirements and the conflicting interests of stakeholders have limited the U.S. Postal Service's (USPS) ability to address the decline in mail volume and increase in costs. (See app. I for selected legal provisions applicable to USPS.)

Why does it matter?

Without action, USPS's unsustainable business model could affect USPS's ability to provide postal services and prevent USPS from addressing its large, unfunded liabilities, which could affect postal employees and retirees, as well as taxpayers.

What needs to be done?

In 2020, we recommended that, given societal changes in the use of mail, Congress should consider three interrelated matters:

1. what level of universal postal service the nation requires,
2. whether USPS should be required to be a self-sustaining business operation, and
3. whether USPS's operations and solvency would be better managed under an alternative institutional structure.

Addressing these three matters is essential to developing a new business model for USPS. (For more information on options Congress could consider, see "What could Congress do to help improve USPS's business model?")

What you need to know

Throughout the 21st century, people and businesses have increasingly relied on electronic forms of communication and commerce, leading to a substantial decline in mail. From 2007 through 2024, USPS's mail volume fell by 50 percent, and the associated revenues fell by 32 percent. At the same time, USPS's costs keep rising as the cost of compensation and benefits for USPS's current employees increase. Thus, USPS's financial condition has been in decline for about 2 decades, with little likelihood of a full recovery, given the current rules and organizational structure under which it operates. (For more information on USPS's costs, see "What are USPS's key costs?")

While USPS has taken substantial actions since 2021, it has not been able to restore its financial viability in part due to statutory requirements. For example, statutes limit USPS's ability to make changes to either certain costly services, like 6-day delivery, or employee compensation and benefits. Further, USPS faced opposition from key stakeholders when attempting to make changes to cut costs and enhance revenues. (For more information on USPS key stakeholders' views, see "What are key stakeholders' views on *Delivering for America*?")

What has been done?

USPS has attempted to address its business and financial difficulties in several ways. For example, to reduce costs in the past, USPS closed some post offices and cut the hours of service at many others. However, some actions that USPS could take to address its financial position have been opposed by some Members of Congress and certain postal stakeholders, including postal employees, mailers, and residents in rural areas. As a result, options that USPS considered in the past to improve its long-term financial viability have not gone forward. These options included reducing delivery from 6 to 5 days per week and closing some post offices and reallocating more Civil Service Retirement System costs to the U.S. Treasury. In 2020, the COVID-19 pandemic greatly increased USPS's package volume due to a rapid growth in e-commerce, but overall mail volumes have continued to decline.

In 2021, USPS introduced *Delivering for America,* a 10-year strategy to modernize its network, meet a changing marketplace, and bring about financial sustainability. Since it began implementing its strategic plan, USPS has increased rates for some products, such as First-Class Mail, to generate more revenue and to compensate for its declining volumes and increased expenses. These price increases contributed to a $2.5 billion increase in revenue from fiscal year 2021 to the end of fiscal year 2024. However, the increases were partially offset by declining mail volumes, which fell by 13 percent, and operating costs, which increased by 9 percent during this period.

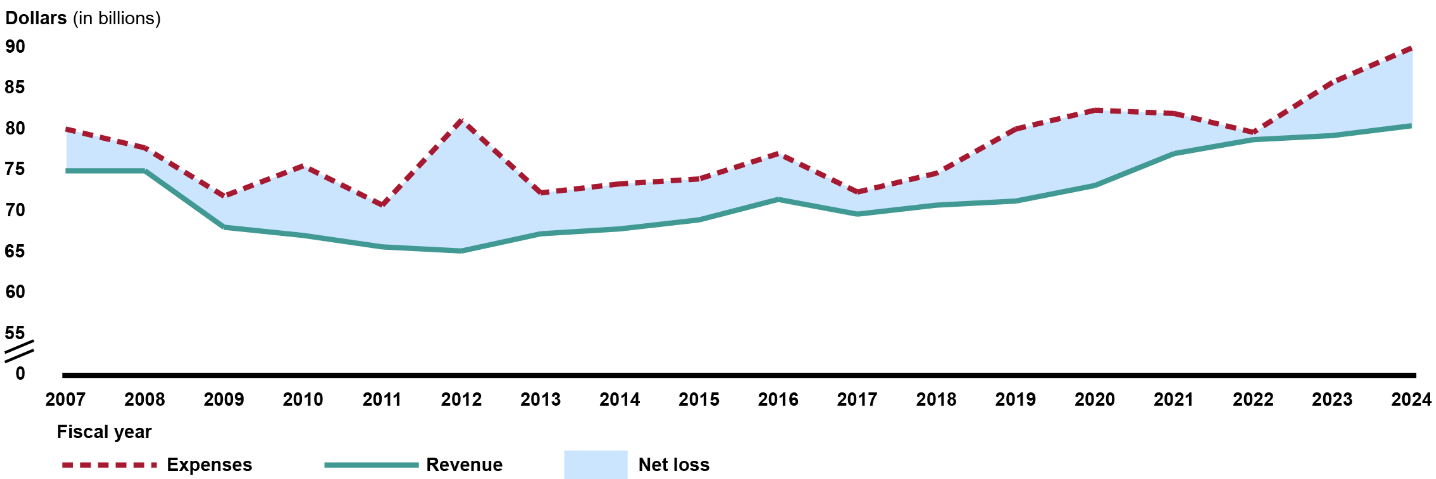
Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *U.S. Postal Service: Congressional Action Is Essential to Enable a Sustainable Business Model* (GAO-20-385)
- *U.S. Postal Service: Additional Guidance Needed to Assess Effect of Changes to Employee Compensation* (GAO- 20-140)

Key question

How is USPS still operating after losing so much money?

Figure 12: U.S. Postal Service (USPS) Expenses and Revenue, Fiscal Years 2007 Through 2024



Source: GAO analysis of U.S. Postal Service data. | GAO-26-107657

Note: This figure does not include USPS's reported one-time, noncash benefit of $57 billion due to the Postal Service Reform Act of 2022. The act repealed the requirement to prepay future retiree health benefits and cancelled unpaid past due payments for such prefunding.

Answer

The U.S. Postal Service (USPS) has been able to continue operating by increasing its debt and unfunded liabilities. For example, it did not make required prefunding payments for retiree health benefits from 2010 through 2021, after which that requirement was rescinded in 2022. USPS also has not made some required payments toward unfunded pension liabilities in full since 2012. At the end of fiscal year 2024, USPS's unfunded liabilities and debt totaled 206 percent of its annual revenue, compared with 82 percent in fiscal year 2007.

Why does it matter?

If USPS's expenses continue to exceed its revenue, its ability to continue operating and providing universal postal service will be at risk, with potential worldwide effects. Further, USPS might not be able to meet its liabilities, potentially affecting postal retirees, as well as postal customers and other stakeholders, including taxpayers and the federal government.

What needs to be done?

USPS's business model is no longer viable, and congressional action is essential. USPS should continue to take actions under its own authority to enhance its financial viability.

If Congress determines that USPS should be fully self-sustaining, it may want to consider past legislative proposals that would change elements of USPS's costs and revenues. If Congress determines that it no longer expects USPS to be fully financially self-sustaining, Congress could provide financial assistance to cover some of USPS's costs. (For more information, see "What could Congress do to help improve USPS's business model?")

What you need to know

Congress designed USPS to be financially self-sustaining.[84] However, USPS's expenses began consistently exceeding revenues in fiscal year 2007, leading to (1) $109 billion in total net losses from fiscal years 2007 through 2024[85] and (2) approximately $164 billion in total unfunded liabilities and debt as of the end of fiscal year 2024.[86] (For more information, see "How does USPS planning to pay for its unfunded liabilities and debt?") In addition, USPS reported a net loss of $9.5 in fiscal year 2025, despite an increase of $916 million in operating revenue.[87]

USPS has the authority to borrow up to a statutory limit of $15 billion from the U.S. Treasury to help cover costs such as from capital improvements and its operating expenses, which USPS reached in fiscal year 2024.[88] In 2020, USPS received authority to borrow up to an additional $10 billion from the U.S. Treasury to cover operating expenses related to the COVID-19 pandemic and, in 2021, a law was enacted providing that this money does not have to be repaid.[89]

What has been done?

USPS (1) took steps to reduce its operating costs as its mail volume continues to decline, (2) increased prices within its statutory authority to increase revenue, and (3) called for legislation to reduce its liabilities and to allow investment of retirement funds in private sector securities. However, USPS's overall financial condition remains precarious. Statutory requirements limit USPS's ability to make changes in areas such as service offerings, pricing, and employee compensation and benefits.[90] Moreover, USPS has faced stakeholder opposition—including from Members of Congress, postal unions, and local communities—to many potential operational changes, some of which would reduce services. (For more information on USPS stakeholders' views, see "What are key stakeholders' views on Delivering for America?")

Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness* (GAO-25-107743)
- *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas* (GAO-21-119SP)
- *U.S. Postal Service: Congressional Action Is Essential to Enable a Sustainable Business Model* (GAO-20-385)
- *U.S. Postal Service: Additional Guidance Needed to Assess Effect of Changes to Employee Compensation* (GAO- 20-140)
- *U.S. Postal Service: Allocation of Responsibility for Pension Benefits between the Postal Service and the Federal Government* (GAO-12-146)

[84]USPS received an annual appropriation as a general public service subsidy until 1982. See U.S. Postal Service, *The United States Postal Service: An American History, 1776-2006* (Washington, D.C.: November 2012). More recently, USPS received annual appropriations for revenue forgone for providing services, such as free and reduced rate mail for the blind. USPS received $49.75 million in appropriations for these purposes in fiscal year 2024. Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, div. B, tit. V, 138 Stat. 460, 565. USPS earned $80 billion in revenue in fiscal year 2024.

[85]USPS reported a one-time, noncash benefit of $57 billion in 2022 due to the repeal of the prepayment requirement and cancellation of the unpaid, past due, retiree health care prefunding payments in the Postal Service Reform Act of 2022.

[86]Total unfunded liabilities include USPS's debt, workers' compensation liabilities, unfunded liabilities for retiree health benefits, unfunded liabilities for Civil Service Retirement System and Federal Employees Retirement System benefits, and other liabilities. U.S. Postal Service, *2024 Report on Form 10-K* (Washington, D.C.: Nov. 14, 2024).

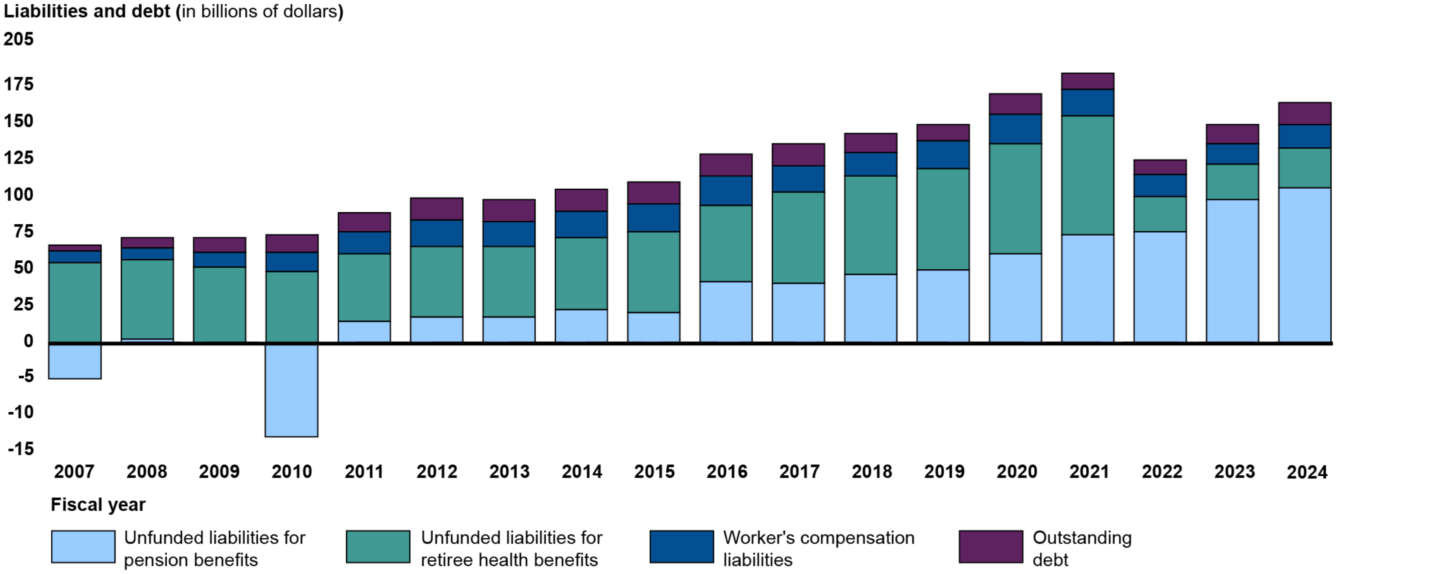
[87]U.S. Postal Service, *2025 Report on Form 10-K* (Washington, D.C.: Nov. 14, 2025).
[88]39 U.S.C. § 2005. The annual net increase of obligations for capital improvements and defraying operating expenses is limited to $3 billion.
[89]The CARES Act provided USPS with authority to borrow this amount. Pub. L. No. 116-136, div. A, tit. VI, § 6001, 134 Stat. 281, 504-05 (2020). The Consolidated Appropriations Act, 2021, amended the CARES Act by providing that USPS shall not be required to repay such amounts borrowed. Pub. L. No. 116-260, div. N, tit. VIII, § 801, 134 Stat. 1182, 2119 (2020).

[90]For example, the Postal Accountability and Enhancement Act imposed a price cap on market-dominant products in 2006, generally limiting USPS's ability to raise rates on market-dominant products (mainly mail) above inflation. As authorized by the act, in November 2020, the Postal Regulatory Commission adopted a rule modifying the inflation-based price cap to include additional rate adjustment authority, which would allow some rates for market-dominant products to increase by more than the rate of inflation.

Key question

How does USPS plan to pay for its unfunded liabilities and debt?

Figure 13: Total U.S. Postal Service's (USPS)Unfunded Liabilities and Debt, Fiscal Years 2007 Through 2024



Source: GAO analysis of U.S. Postal Service data. | GAO-26-107657

Note: The Postal Service Reform Act of 2022 (PSRA) decreased the unfunded liability for retiree health benefits by $61.2 billion in fiscal year 2022 due to the integration of retiree health benefits with Medicare, which shifted costs from USPS to Medicare. The PSRA provisions that eliminated USPS's prefunding requirement and cancelled USPS's past-due obligations of about $57 billion in missed payments had no impact on the unfunded liability, since USPS had not been making prefunding payments, and the actuarial accrued liability is independent of the timing of funding payments.

Answer

The U.S. Postal Service (USPS) is planning to make partial payments toward its unfunded liabilities and debt. USPS reported that if it made all required payments, it would not have enough liquidity to cover current and anticipated operating costs, deal with contingencies, and make needed capital investments.

Why does it matter?

From fiscal year 2007 through 2024, USPS recorded consistent net losses as total mail volume declined steadily. USPS incurred debt to fund operations and did not make all required pension amortization and retiree health care prefunding payments. As of the end of fiscal year 2024, USPS's long-term unfunded liabilities and debt totaled about $164 billion (see fig. 13). USPS officials have stated that USPS currently cannot provide postal services and fully meet its obligations. If USPS is unable to pay for these obligations, some combination of reduced benefits, increased retiree or employee payments, higher postage rates, or payments from the federal government to fund these obligations could occur.

What has been done?

USPS's 10-year strategic plan, *Delivering for America*, details strategies to make it financially self-sustaining while continuing to meet its statutory obligation to provide prompt, reliable, and efficient postal services throughout the United States. (For more information, see "What is the Delivering for America plan and how is it changing USPS?") Under the plan, USPS is raising prices and introducing new products to raise more revenue, making network changes with the aim of reducing transportation costs and improving service performance, as well as taking other actions.

In 2021, USPS estimated that if all actions outlined in the plan, both USPS and congressional, were fully implemented, it could start earning a positive net income by fiscal year 2024. However, USPS's actual revenue and expenses did not meet projections, in part because not all actions were implemented, in addition to higher-than-expected inflation.

USPS issued an updated strategic plan in September 2024 to revisit and reexamine the original 10-year plan. This updated plan does not say how USPS will pay for its large unfunded liabilities and debt.

What you need to know

USPS has statutory obligations regarding the following long-term liabilities and debt:

- **Pension.** USPS estimates that its unfunded pension liability for both the Federal Employee Retirement System (FERS) and the Civil Service Retirement System (CSRS) will increase from $105.9 billion at the end of fiscal year 2024 to $106.2 billion at the end of fiscal year 2031. This assumes that USPS makes all of its required amortization payments, including for CSRS, even though USPS has not been making any CSRS amortization payments and only partial FERS amortization payments.[91] In September 2025, we made an alternative projection assuming that USPS continues its pattern of not making any CSRS amortization payments and making partial FERS amortization payments. Under this scenario, the unfunded liability for FERS and CSRS would increase to $122.2 billion at the end of fiscal year 2031.

- **Retiree health care.** Using Office of Personnel Management (OPM) data, we project that USPS's unfunded liability for retiree health care benefits will increase from $26.5 billion at the end of fiscal year 2024 to $58.1 billion at the end of fiscal year 2031, when the fund is projected to be depleted.[92] Starting in at least fiscal year 2026, USPS is required to pay into the Postal Service Retiree Health Benefits Fund (PSRHBF) the excess, if any, of USPS's share of retiree premiums over the estimated amount of postal retiree health care net claims costs. OPM estimates these payments to be $0.8 billion in fiscal year 2026 and to total $5.6 billion between fiscal years 2026 and 2030.[93] In addition, OPM estimates that the PSRHBF will run out of money in fiscal year 2031, assuming that USPS makes all of the required "top-up" payments. At that point, if no changes are made, USPS will have to pay the cost of its share of retiree premiums out of its revenue, which OPM estimates will be about $5.8 billion per year by fiscal year 2031.

- **Workers' compensation.** USPS does not prefund workers' compensation and is only required to pay the cost of annual claims plus administrative costs each year. Based on our review of data from USPS's financial reports, we made a baseline estimate that USPS's liability would decline modestly from $16.3 billion at the end of fiscal year 2024 to $15.0 billion at the end of fiscal year 2031.[94]

- **Debt.** USPS is authorized to borrow up to $15 billion from the U.S. Treasury. The amount of USPS's outstanding debt has varied, from $250 million in fiscal year 1972 to the limit of $15 billion in fiscal year 2024. Previously, USPS had reached its borrowing limit in fiscal year 2012 and had decreased its outstanding debt to $10 billion by fiscal year 2022.

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[91]Amortization payments are periodic payments, typically made annually, to pay down a plan's unfunded liability. Note that future unfunded liabilities will often vary up or down from a baseline projection, sometimes significantly, because of changing economic or demographic experience or assumptions.

[92]The Postal Accountability and Enhancement Act established the PSRHBF in 2006 and required USPS to start prefunding it in fiscal year 2007. The Postal Service Reform Act of 2022 terminated this prefunding requirement.

[93]USPS's Office of Inspector General (OIG) estimated in December 2022 that this amount will total $1.3 billion in fiscal year 2026 and $10.7 billion by fiscal year 2031.

[94]Note that future liabilities will often vary from a baseline projection, sometimes significantly, because of discount rate changes and actuarial revaluations of costs, among other factors.

What needs to be done?

While Congress partially addressed USPS's financial viability through the Postal Service Reform Act of 2022 and USPS's actions have had some effect, USPS projects that its large unfunded liabilities will remain relatively stable compared with USPS's projected revenue through fiscal year 2031.[95] (For more information, see "What is the Postal Service Reform Act of 2022 (PSRA)?") Similar to options that some postal stakeholders proposed, USPS sought legislative and administrative actions in its strategic plan that Congress could consider:

- **Reallocate responsibility for Civil Service Retirement System benefits.** For USPS employees and retirees who worked part of their careers at the Post Office Department prior to it becoming USPS, the responsibility for CSRS pension benefits is split between the U.S. Treasury and USPS. USPS has claimed that it is responsible for more than its fair share, and the U.S. Treasury too little.[96] USPS has called for a reallocation of responsibility. Such a reallocation would likely eliminate USPS unfunded liability for CSRS and its required amortization payment (which was $3.2 billion in fiscal year 2024, although USPS did not make the payment).[97]
- **Investment options.** USPS has called for changes to the law allowing it to invest a portion of its retiree funds in the broader market—for example, stocks and private sector bonds—instead of solely in U.S. Treasury securities, as currently required.[98]
- **Debt limit.** USPS plans to request that Congress increase its debt limit of $15 billion, which was set in federal statute over 30 years ago.

(For more information, see "What could Congress do to help improve USPS's business model?")

Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness* (GAO-25-107743)
- *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas* (GAO-23-106203)
- *Postal Retiree Health Benefits: Unsustainable Finances Need to Be Addressed* (GAO-18-602)
- *U.S. Postal Service: Proposed Health Plan Could Improve Financial Condition, but Impact on Medicare and Other Issues Should Be Weighed before Approval* (GAO-13-658)
- *U.S. Postal Service: Allocation of Responsibility for Pension Benefits between the Postal Service and the Federal Government* (GAO-12-146)

[95]USPS's four largest unfunded liabilities include pensions (FERS and CSRS), retiree health benefits, and workers' compensation. USPS projects that its pension and retiree health care unfunded benefit liabilities will increase in aggregate by about 17.2 percent from fiscal years 2025 through 2031.

[96]Some, including the USPS's OIG, have stated that USPS has made overpayments to the CSRS fund. The term "overpayment" can imply an error of some type—mathematical, actuarial, or accounting. In our review of this issue in 2011, we did not find evidence of errors of these types and determined that any relocation of CSRS benefits responsibility would be a policy change from the practice that has been in place since 1974 and not a correction of any actuarial or accounting methodological error. In a memorandum opinion dated March 26, 2024, the Department of Justice opined that the law requires OPM to use its current methodology.

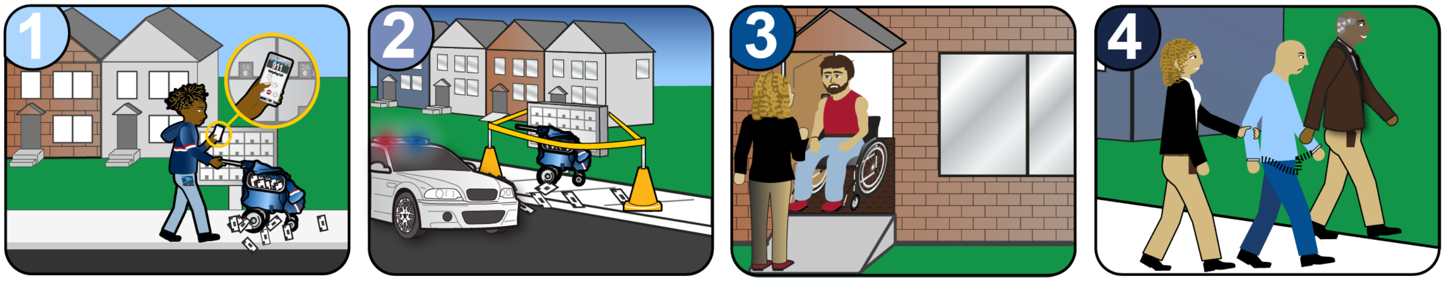
[97]Such a reallocation could lead to a surplus in USPS's CSRS account, some of which would eventually be transferred to USPS's retiree health benefits fund, likely eliminating its unfunded liability for retiree health benefits.

[98]We have previously reported that investing retirement assets in private sector securities can offer the potential for returns significantly in excess of those on U.S. Treasury securities but also with risk of loss. The risks could also include the possibility of a market downturn associated with a more general economic downturn, such that retirement assets and USPS's mail volume and revenue could all be negatively affected at the same time, making recovery more difficult. In addition, we reported that in any allocation of retirement assets to private sector securities, careful consideration would need to be given to the assumed rate of return on plan assets (also known as the discount rate), for example regarding whether there should be safeguards around how aggressive or conservative this assumption should be.

Key question

What is USPS doing to address postal crimes?

Figure 14: Response to a Letter Carrier Robbery, from Incident to Case Closure



1. A letter carrier is robbed and calls 911 to report the robbery. The carrier then reports the robbery to a U.S. Postal Service Supervisor, who alerts the U.S. Postal Inspection Service.
2. Local law enforcement responds to the scene of the robbery, preserves the crime scene, and gathers initial information. Postal inspectors are assigned to the case and start their investigation by coordinating with local law enforcement.
3. Postal inspectors continue their investigation, which may include interviewing witnesses, canvassing neighborhoods near the crime scene, searching for further evidence, and distributing reward information.
4. Postal inspectors partner with the U.S. Attorney's Office, as well as state and local prosecutor offices, to arrest and prosecute individual(s) suspected of the robbery.

Source: GAO depiction of U.S. Postal Inspection Service information. | GAO-26-107657

Answer

The U.S. Postal Service (USPS) and the U.S. Postal Inspection Service have taken steps to reduce instances of crime against USPS employees and property, such as special operations to disrupt and prevent crimes.

Why does it matter?

The recent increase in, and widespread nature of, robberies, burglaries, and other serious crimes against USPS employees and property has raised questions from lawmakers and USPS employee groups about actions USPS is taking to protect its employees and property.

What you need to know

In recent years, an increasing number of USPS letter carriers across the United States have been robbed at gunpoint, putting their safety and the security of the mail they carried at risk. Further, some USPS facilities and collection boxes across the country have been broken into. A wide range of items can be stolen from the mail, including personal checks, which criminals can alter, then cash or sell, using online criminal marketplaces. This costs consumers money and affects public confidence in USPS mail services.

The U.S. Postal Inspection Service (Inspection Service) is the law enforcement arm within USPS. The Inspection Service is charged with, among other things, protecting USPS employees and property against serious crime—including burglary, robbery, assault, and homicide—and investigating such crimes. The Inspection Service is led by the Chief Postal Inspector, who is supported by a leadership team, and employs postal inspectors, postal police, analysts, and administrative personnel.[99]

We found that cases of serious crime have increased almost every year from fiscal years 2017 through 2023 (see fig. 15). This is largely due to an increase in robberies—nearly sevenfold from fiscal years 2019 through 2023. Criminals typically target letter carriers to obtain the keys used to unlock apartment panels, outdoor parcel lockers, and neighborhood delivery and collection boxes. We reviewed issues related to postal crime and how the Inspection Service uses postal inspectors and postal police in 2024.

[99]Postal inspectors investigate serious crime related to USPS and the mail. Postal police provide facility security and respond to some serious crimes at some USPS facilities.

What are the key takeaways?

The Inspection Service has taken action to address serious crimes and evolved its operations, as needed, to investigate criminal matters. According to USPS, the Inspection Service launched an ongoing initiative in May 2023 to address an increase in mail theft and related violent crimes against letter carriers. The initiative focuses on surging resources into areas where robberies or other serious crime have increased to support ongoing investigations. The initiative also focuses on prevention of crimes through education and awareness, targeting both postal employees and the American public.

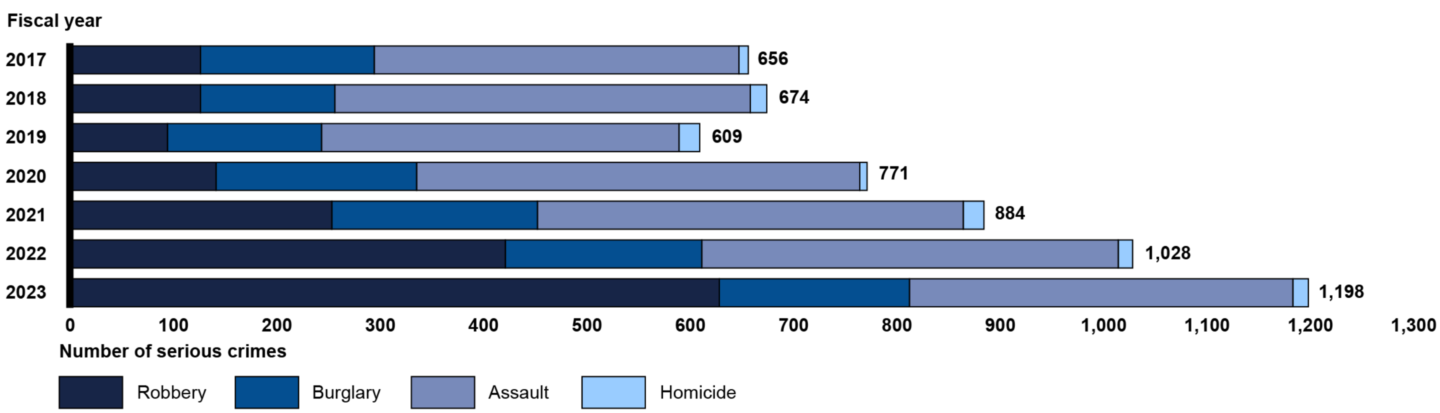
The Inspection Service determines how to allocate postal inspectors across the country, which is important, since robberies or serious crime may take place more frequently in some areas than others. In 2024, we found that the Inspection Service did not document its processes in determining the size and location of its postal inspection workforce. Such actions can help the Inspection Service ensure that the workforce decisions it is making to address serious crime are sound. Similarly, fully documenting its processes for determining the size and location of its postal police workforce, including the factors considered in that process, would provide some assurances that decisions made aligned with agency needs.

Further, USPS has taken steps to improve the physical security of mail collection and delivery boxes. This effort includes the rollout of new, high-security mail collection boxes. Additionally, USPS piloted new electronic locks on mail collection boxes, as well as modified keys for letter carriers to access these boxes in areas with high instances of mail theft.

What needs to be done?

Documenting processes to ensure that the postal inspector workforce and postal police are the right size and in the right places, as we recommended, could help the Inspection Service ensure that it allocates law enforcement resources to areas most needing them. For example, in 2024, USPS officials said they were planning to conduct a new security force assessment for the postal police, but they could not provide a time frame for doing so. Therefore, it is unclear how long the Inspection Service will rely on outdated information to determine how to align its postal police workforce with current security needs.

Figure 15: U.S. Postal Inspection Service Serious Crime Cases, Fiscal Years 2017 Through 2023



Source: GAO analysis of U.S. Postal Inspection Service data. | GAO-26-107657

Open Recommendations and Related GAO Report

Recommendations: We recommended that the Postmaster General ensure that the Chief Postal Inspector

- documents the Inspection Service's processes for determining the size and location of the postal inspector workforce across divisions, including factors that should be considered, and documents the results of those processes;
- documents the Inspection Service's processes for determining the size and location of the postal police workforce, including factors that should be considered; and
- sets a time frame for completing a security force assessment to determine the size and location of the postal police workforce.

Related GAO Report

- *U.S. Postal Service: Inspection Service Should Document Its Law Enforcement Workforce Decision-Making Processes* (GAO-24-106497)

Key question

What could Congress do to help improve USPS's business model?

Figure 16: U.S. Capitol Building

Source: Skip/stock.adobe.com. | GAO-26-107657

Matter for Congressional Consideration

The U.S. Postal Service (USPS) made substantial changes since 2021 to address its financial and other challenges, but its business model will continue to be unsustainable without Congress making difficult, fundamental policy decisions. We have recommended that Congress consider what postal services the nation needs; how those services should be funded; and determine the most appropriate institutional structure for USPS, one that enables USPS to develop a sustainable business model.

Why does it matter?

USPS plays a critical role in the nation's communications and commerce, and USPS's stakeholders include businesses, governments, and individual households. Congress designed USPS to be self-sustaining; however, USPS's current business model does not allow it to meet that goal and led to multibillion-dollar annual losses, as well as growing unfunded liabilities and debt. If action is not taken, this financial situation will worsen, and the critical services USPS provides the nation will be at risk.

What needs to be done?

Since 2009, we have called for Congress to consider options to improve USPS's financial sustainability. In 2020, we reported that congressional action is essential to enable a sustainable business model for USPS. In 2021, we found that USPS's financial viability had progressively worsened since 2010. As a result, we recommended that Congress consider fundamentally reassessing what postal services the nation needs, how those services should be funded, and the most appropriate institutional structure for USPS. Congress passed the Postal Service Reform Act of 2022 (PSRA), which instituted some significant changes to USPS and partially addressed the level of universal postal service the nation requires and USPS's level of financial self-sufficiency. However, Congress was silent on USPS's institutional structure.

While USPS and Congress have taken substantial actions since 2021 to improve USPS's financial condition, USPS's current business model is still not financially sustainable, as USPS has experienced continued losses and has large, unfunded long-term liabilities. In 2025, we reported on additional options that Congress could pursue to help improve USPS's financial viability. However, each of these options presents benefits and challenges, such as increased costs to taxpayers or reduced levels of postal services (see fig. 17).

Given the magnitude of USPS's $200 billion in projected losses over the next 10 years, we continue to believe that Congress should consider fundamental reform of USPS's business model.[100]

[100]USPS stated in its 2021 strategic plan that the projected $200 billion loss would in part be due to USPS not being able to achieve $50 billion in savings through reduced workhours, aligned with declining mail volume. U.S. Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (Washington, D.C.: Mar. 23, 2021).

What you need to know

While USPS was intended to be financially self-sufficient, statutory constraints and societal changes have led to its current unsustainable situation. USPS has incurred billions of dollars of net losses each year since 2007, as mail use decreased at the same time as its costs and unfunded liabilities increased. As a result, we have long reported that USPS's business model is unsustainable, and USPS's financial viability has been on our High Risk List since 2009.

Congress has played a key role in shaping postal policy throughout history. USPS's efforts to make changes to address its financial challenges are limited by statutory requirements. These requirements include provisions governing not only the 6-day delivery schedule but also several aspects of USPS's pricing, products, and costs. (See app. I for selected legal provisions applicable to USPS.) Thus, congressional action is essential in transforming USPS's business model in a way that will lead USPS to financial sustainability.

What has been done?

Congress passed the PSRA in 2022 to address USPS's finances and operations. The PSRA included changes that have alleviated some of USPS's financial strain by (1) removing USPS's obligation to prefund retiree health benefits, (2) cancelling past due prefunding payments for those benefits, and (3) integrating USPS's retiree health benefits with Medicare. The act also included language related to the level of postal services the nation requires. Specifically, the act (1) codified the requirement that USPS generally provide at least 6-day delivery; and (2) granted USPS flexibility to develop nonpostal products and services with state, local, and tribal governments. (For more information on USPS's strategic plan and the PSRA, see "What is the *Delivering for America* plan and how is it changing USPS? and "What is the Postal Service Reform Act of 2022 (PSRA)?")

While USPS's actions under its strategic plan and the PSRA's provisions have helped USPS's finances, USPS continues to face decreasing mail volume; rising costs; and persistently large, unfunded liabilities. As a result, USPS cannot fully fund its current level of services and meet its financial obligations as it continues to lose money—over $21 billion between the issuance of its strategic plan and the end of fiscal year 2024.[101]

Related GAO Reports

- *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model* (GAO-26-107336)
- *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness* (GAO-25-107743)
- *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas* (GAO-23-106203)
- *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas* (GAO-21-119SP)
- *U.S. Postal Service: Congressional Action Is Essential to Enable a Sustainable Business Model* (GAO-20-385)
- *U.S. Postal Service: Additional Guidance Needed to Assess Effect of Changes to Employee Compensation* (GAO-20-140)

[101]The losses are from fiscal year 2021 through 2024 and do not include a one-time, noncash benefit of $57 billion financial relief resulting from the repeal of the prepayment requirement and cancellation of the unpaid past due retiree health care prefunding payments from the Postal Service Reform Act of 2022.

Figure 17: Potential Congressional Options Most Often Mentioned by Stakeholders to Improve the U.S. Postal Service's (USPS) Financial Self-Sufficiency

Options for congressional action	Description	Potential benefits	Potential challenges
Reduce USPS's universal service obligations	Change USPS's statutory service requirements, such as reducing required mail delivery days or small post offices.	Could reduce USPS's costs.	Would reduce value of USPS's postal services.
Reduce USPS's Civil Service Retirement System pension liability	Assign more of USPS's pension liability under the Civil Service Retirement System to the federal government.	Reduce USPS's expenses by about $3 billion a year and possibly increase USPS's retiree health care funding balance.	Transfers additional responsibility for funding these pensions from USPS to taxpayers.
Modify USPS investment options	USPS could invest a portion of its pension and retiree health care funds in the broader market instead of solely in Treasury bonds.	USPS's asset funds could increase without taxpayer funds, potentially reducing or eliminating its unfunded pension and retiree health care liabilities and, therefore USPS's expenses.	Could lose money when USPS and their retirees need it the most, which could cost the taxpayers, USPS, or the retirees more.
Increase nonpostal services	USPS could provide banking services, licensing, lease out office space, ship alcohol.	Could earn more revenue from existing facilities.	May not cover costs, competes with private sector.
Privatize USPS	Make USPS into a private company.	Privatized entity could have more flexibility to change prices and reduce costs.	Prices could increase, service levels could change.
Make USPS into a traditional federal agency	Make USPS into a traditional federal agency that is not expected to be financially self-sustaining, such as the Post Office Department prior to 1971.	USPS could receive annual appropriations, and finances would be consolidated with the rest of the federal government.	USPS would compete with other federal agencies for federal funds for operational expenses and capital investments.
Federal capital investment	Congress appropriates funds for USPS capital investments, not for operations.	Allows USPS to make capital investments and preserve cash to meet operating costs, could lower USPS costs through greater efficiencies/productivity.	Transfers responsibility for funding these investments from USPS to taxpayers.
Federal compensation for postal services[a]	Additional direct appropriation for services such as nonprofit mail, Alaska by-pass service, or rural delivery.	Would increase USPS's revenue while preserving current postal services.	Transfers responsibility for funding services from USPS to taxpayers.

Source: GAO illustrations and analysis of USPS information, reports from GAO and others, and interviews. | GAO-26-107657

Note: Stakeholders we interviewed included labor unions, an organization representing commercial mailers, a consultant to commercial mailers, and individuals with subject matter expertise. We selected these stakeholders from our prior postal work and from their public statements on postal issues, such as comments submitted to the Postal Regulatory Commission on USPS's strategic plans.

[a]USPS's Alaska by-pass mail service is mail which bypasses USPS facilities to be prepared by third-party shippers for transportation and delivery to rural Alaska by third-party air carriers.

Agency Comments

We provided a draft of this report to USPS for review and comment. USPS provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Postmaster General, and other interested parties. In addition, the report is available at no charge on the GAO website athttps://www.gao.gov.

If you or your staff have any questions about this report, please contact David Marroni at MarroniD@gao.gov or Frank Todisco at TodiscoF@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

//SIGNED//

David Marroni, Director
Physical Infrastructure Issues

//SIGNED//

Frank Todisco, Chief Actuary
Applied Research and Methods

Mr. Todisco meets the qualification standards of the American Academy of Actuaries to render the actuarial findings regarding employee benefit costs, liabilities, and funding contained in this report. For information on the methodology used to project unfunded liabilities for pension, retiree health, and workers' compensation benefits, see GAO-26-107336.

Appendix I: Selected Legal Provisions Applicable to the U.S. Postal Service

Table 1: Selected Legal Provisions Applicable to the U.S. Postal Service (USPS)

Citation(s)	Legal provisions
Geographic scope of service 39 U.S.C. §§ 101(a), 403(a)	USPS is required to provide prompt, reliable, and efficient services to patrons in all areas, render postal services to all communities, and serve as nearly as practicable the entire population of the United States. USPS is specifically required to receive, transmit, and deliver written and printed matter, parcels, and like matter throughout the United States, its territories and possessions and, pursuant to certain agreements, throughout the world.
Degree of service and post office closings 39 U.S.C. §§ 101(b), 404(d); 39 C.F.R. § 241.3	USPS is required to provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. No small post office can be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be ensured to residents of both urban and rural communities. Statutory and regulatory requirements specify the process and criteria for post office closings, including appellate review by the Postal Regulatory Commission (PRC).
Access to facilities 39 U.S.C. § 403(b)	USPS is required to establish and maintain postal facilities of such character, and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.
Processing/logistics facilities Pub. L. No. 109-435, § 302(c)(5), 120 Stat. 3198, 3221 (2006)	USPS is required to provide public information and opportunities for public input and comment before closing or consolidating any processing or logistics facilities and to take comments into account when making a final decision.
Mail delivery quality and frequency 39 U.S.C. § 101(b),(e),(f)	USPS is generally required to make deliveries at least 6 days a week. In determining all policies for postal services, USPS is required to give the highest consideration to the requirement for the most expeditious collection, transportation, and delivery of important letter mail. In selecting modes of transportation, USPS is required to give the highest consideration to the prompt, economical, consistent, and reliable delivery of all mail in a manner that increases operational efficiency and reduces complexity.
Service standards 39 U.S.C. § 3691, 39 C.F.R. part 121	USPS is required to establish service standards for each market-dominant product (e.g., delivery of First-Class Mail within 1-5 delivery days). These service standards are defined in the Code of Federal Regulations.
Integrated network 39 U.S.C. § 101(b)	USPS is required to maintain an integrated network for the delivery of market-dominant and competitive products.
Letter mail monopoly 18 U.S.C. §§ 1693—99; 39 U.S.C. §§ 601—06	USPS's letter delivery monopoly is codified in criminal and civil laws known as the Private Express Statutes. These laws generally prohibit anyone other than USPS from carrying letters for compensation on regular trips or at stated periods over postal routes or between places where mail regularly is carried.
Mailbox monopoly 18 U.S.C. § 1725	The mailbox monopoly effectively grants USPS exclusive access to mailboxes by prohibiting anyone from knowingly and willfully placing mailable matter without postage in any mailbox.
Price cap 39 U.S.C. § 3622(d); 39 C.F.R. part 3030	The PRC is required by statute to generally establish an inflation-based price cap for market-dominant products, such as First-Class Mail and USPS Marketing Mail, and review it later for necessary modifications or alternatives. The price cap is established in 39 C.F.R. part 3030 and generally limits rate increases for market-dominant products based on factors such as the consumer price index, decrease in mail density, and USPS's retirement obligations.

Restriction on nonpostal lines of business 39 U.S.C. §§ 102(5), 404(e), 3703–04	Generally, USPS is limited in providing nonpostal services to those offered as of January 1, 2006, that PRC has authorized USPS to continue. The Postal Service Reform Act of 2022 authorized USPS to provide nonpostal services to the public on behalf of state, local, or tribal governments, under certain conditions. USPS also has authority for providing services to federal agencies. Nonpostal service is defined to mean any service that is not a postal service. A postal service is defined as the delivery of letters; printed matter; or mailable packages, including acceptance, collection, sorting, transportation, or other ancillary functions.
PRC review 39 U.S.C. §§ 501, 3622, 3633; 39 C.F.R. parts 3030, 3035	The PRC, an independent establishment of the executive branch, must review USPS proposals to change postal rates and fees.
Advisory opinions 39 U.S.C. § 3661	Whenever USPS proposes a change in the nature of postal services that will generally affect service on a substantially nationwide basis, it must request an advisory opinion from the PRC on the proposal.
Revenue 39 U.S.C. § 2401(a)	All revenue received by USPS is appropriated to USPS.
Other appropriations 39 U.S.C. § 2401; *See, e.g.,* Pub. L. No. 118-47, 138 Stat. 460, 565 (2024)	USPS generally receives annual appropriations to cover revenue forgone by providing free and reduced mail to various groups, such as blind mailers. Funds are also authorized to be appropriated to USPS for public service costs incurred by USPS in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining.[a]
Appropriations restrictions *See, e.g.*, Pub. L. No. 118-47, 138 Stat. 460, 565 (2024)	Generally, provisions in annual appropriations acts have prohibited USPS from using such funding to consolidate or close small rural or other small post offices.
Debt limits 39 U.S.C. § 2005	USPS has authority to borrow up to $15 billion. The annual net increase of obligations for capital improvements and defraying operating expenses is limited to $3 billion.[b]
Pension benefits programs 39 U.S.C. § 1005(d); 5 U.S.C. §§ 8348(h), 8423	USPS is required to participate in federal civilian employee pension programs, with specific provisions regarding the required level of USPS's funding of these programs. For employees employed by the Post Office Department before working for USPS, the Office of Personnel Management calculates the pension contributions for which USPS is responsible.
Health benefits programs 39 U.S.C. § 1005(f); 5 U.S.C. §§ 8906(g), 8909a	USPS is required to participate in federal civilian employee health benefits programs, including retiree health benefits. The Postal Service Reform Act of 2022 repealed a requirement for USPS to prefund future retiree health benefits.
Medicare integration 5 U.S.C. § 8903c	The Postal Service Reform Act of 2022 integrated the Postal Service Health Benefits program with Medicare, by generally requiring future retirees to enroll in Medicare Part B in order to be eligible for retiree health benefits, and by requiring plans within the program to participate in Medicare Part D for prescription drugs benefits.
Level of benefits 39 U.S.C. § 1005(f)	The law requires USPS's fringe benefits to be, on the whole, at least as favorable as those in effect when the Postal Reorganization Act was enacted in 1970.
Comparability 39 U.S.C. §§ 101(c), 1003(a)	Compensation for USPS officers and employees is required to be comparable to the rates and types of compensation paid in the private sector of the U.S. economy. As established in statute, USPS's policy is to maintain compensation and benefits for all officers and employees on a standard of comparability to comparable levels of work in the private sector.

Workers' compensation 39 U.S.C. § 1005(c)	USPS is required to participate in the Federal Employees' Compensation Act (FECA) program, which provides, among other benefits, compensation to federal employees or their dependents in the event of an employee's disability or death resulting from work-related injuries or diseases.
Investment of postal retiree funds 5 U.S.C. §§ 8348(c), 8909a(c)	Funds set aside for postal pensions and retiree health benefits are required to be invested in U.S. Treasury securities.
Collective bargaining 39 U.S.C. §§ 1004,1206—07	USPS negotiates collective bargaining agreements with its labor unions. If the parties are unable to reach an agreement, binding arbitration by a third-party panel will ultimately be used to establish agreement. USPS is also required to consult with postal supervisory and managerial organizations concerning changes in pay, benefits, and other programs that affect their membership.

Source: GAO analysis of selected statutes and regulations. | GAO-26-107657

Note: Additionally, USPS is not subject to many federal laws that other federal agencies may be subject to dealing with public or federal contracts, property, works, officers, employees, budgets, or funds. *See* 39 U.S.C. § 410(a). However, USPS is required to comply with specific laws that relate to federal purchases of products and services, such as the Davis-Bacon Act. Under the Davis-Bacon Act, USPS's contracts for the construction, alteration, or repair of public buildings and public works in a given locality worth more than $2,000 must require the contractors involved to pay their on-site laborers and mechanics at least the locally prevailing wage, as determined by the U.S. Department of Labor. *f* 40 U.S.C. §§ 3141–47; 39 U.S.C. § 410(b)(4)(A).

[a]Additionally, USPS has periodically received appropriations for specific purposes, such as $3 billion to purchase zero-emission vehicles and purchase, design, and install associated infrastructure from the Inflation Reduction Act of 2022. Pub. L. No. 117-169, § 70002, 136 Stat. 1818, 2086–87.

[b]In response to the COVID-19 emergency, the CARES Act provided USPS with authority to borrow an additional $10 billion from the U.S. Treasury to cover operating expenses. The statute made the funds available if USPS determined that, due to the COVID-19 emergency, USPS would not be able to fund operating expenses without borrowing money. Pub. L. No. 116-136, div. A, tit. VI, § 6001, 134 Stat. 281, 504-05 (2020). The Consolidated Appropriations Act, 2021 amended the CARES Act by providing that USPS shall not be required to repay such amounts borrowed. Pub. L. No. 116-260, div. N, tit. VIII, § 801, 134 Stat. 1182, 2119 (2020).

Appendix II: Comments from the U.S. Postal Service

LUKE THOMAS GROSSMANN
CHIEF FINANCIAL OFFICER
EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

October 14, 2025

David Marroni
Director, Physical Infrastructure
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548-0001

Dear Mr. Marroni:

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft GAO audit report entitled *U.S. Postal Service Primer.* We greatly appreciate the ongoing dialogue as we continue implementing our Delivering for America (DFA) plan.

The DFA plan constitutes a historic level of transformational change that seeks to achieve the fundamental goals of service excellence and financial sustainability, and hence to achieve our statutory mission to provide universal services to the American people in a financially self-sufficient manner.

As part of our DFA plan, we are implementing changes across the organization. Of the many strategies being implemented, we are working to evolve our processing and transportation network, streamline the movement of mail and packages, and increase operational efficiencies. When challenges arise during the implementation of these changes, we are working diligently to address the obstacles through necessary adjustments and to incorporate lessons learned as we expand our efforts to ensure successful implementation. We are also working to grow revenue through more judicious pricing and developing new products and services that meet the needs of the marketplace.

So far, we have made significant progress, as discussed in our three-year update to the DFA, which is also reflected in our short-term financial projections published annually, including current constraints. However, our financial situation remains untenable. Therefore, in addition to the continuation of our self-help efforts, further actions need to be taken to address legislative and administrative factors that are beyond the Postal Service's control, such as burdensome retirement obligations, and worker's compensation liabilities that are not in alignment with private sector best practices. We look forward to working with all stakeholders to identify and implement solutions that will enable us to continue our mission in a financially self-sustaining manner. As we continue to implement the strategies of the ten-year plan, we are encouraged by the progress made to modernize the Postal Service to best meet the needs of the American people while being fiscally responsible.

Please find attached our technical comments and detailed feedback regarding the content discussed within this paper.

Luke T. Grossmann

Attachment

cc: Corporate Audit & Response Management

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Appendix III: GAO Contacts and Staff Acknowledgments

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Staff Acknowledgments

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