

Urgent Action Needed to Fix Unsustainable Business Model and Improve Service Performance

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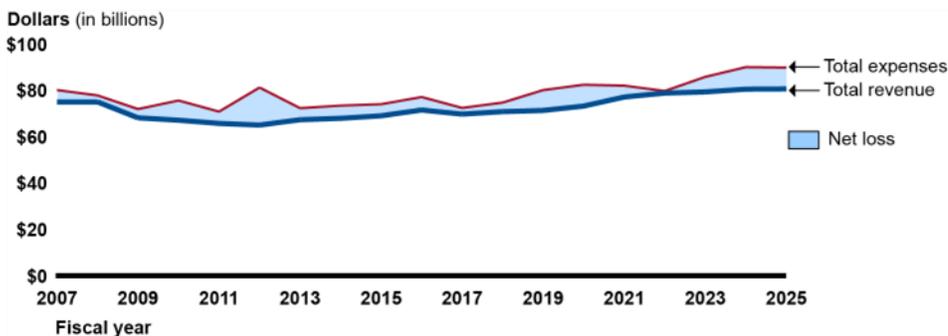
A testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives

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What GAO Found

The U.S. Postal Service (USPS) continues to be in poor financial condition. It has lost money every fiscal year but one since 2007 (see figure). While accumulating \$118 billion in net losses over that time, USPS has maintained enough cash reserves to continue operations. It has done so in part by borrowing from the U.S. Treasury the maximum \$15 billion it is allowed by statute and by either not making or only partially making required annual funding payments towards its liabilities for retiree health and pension benefits. With billions in new expenses expected by 2031, USPS's financial condition is at a critical point. The Postmaster General has stated that USPS could run out of cash in early 2027.

U.S. Postal Service (USPS) Total Expenses and Total Revenue, Fiscal Years 2007-2025



Source: GAO analysis of USPS data. | GAO-26-109008

Note: This figure does not include USPS's reported one-time, non-cash benefit of \$57 billion as a result of the Postal Service Reform Act of 2022. The act repealed a requirement to prepay future retiree health benefits and canceled unpaid past due payments for such pre-funding.

In 2021, USPS introduced a 10-year strategic plan designed to improve its financial condition while fulfilling its statutory mandates. Since then, USPS has taken several actions to increase revenue and reduce expenses, such as raising prices, realigning its transportation network, and redesigning its processing operations. In addition, Congress provided some financial relief through the Postal Service Reform Act of 2022. However, these actions have not been enough to fix USPS's unsustainable business model. As GAO has reported, USPS will need to continue to take actions within its own authority to increase its revenues and reduce expenses. Additionally, Congress should take timely action to determine the services it wants USPS to provide and the extent to which USPS should be self-sustaining, consistent with GAO's prior recommendations.

USPS's service performance has continued to decline in recent years despite lower service standards. Specifically, in fiscal year 2022, USPS revised certain First-Class Mail service standards from a 1-to-3-day delivery window to a 1-to-5-day window. However, since then, USPS data shows that on-time performance has generally declined. For example, First-Class Mail on-time performance declined from 91 percent to about 86 percent from fiscal year 2022 to 2025. Both the USPS Office of the Inspector General and the Postal Regulatory Commission have raised concerns about USPS's service standards and performance, including possible service impacts on customers in rural areas.

Why GAO Did This Study

USPS's financial viability has been on GAO's High-Risk List since 2009 as rising costs and lower mail volumes have made its business model unsustainable. There is a fundamental tension between the level of service Congress expects USPS to provide and the revenue USPS can reasonably be expected to generate. It is critical for USPS and Congress to address USPS's unsustainable business model before it is responsible for billions in new annual expenses for retiree health care within the next 5 years.

This statement discusses: 1) USPS's current financial condition, 2) actions USPS and Congress have taken to address its financial condition, and 3) USPS's service performance.

GAO's description of USPS's current financial condition and the actions it has taken to address that condition is based on GAO's prior work, including the 2025 High-Risk Update. GAO's description of USPS's service performance is based on GAO's prior work and recent reports from the USPS Office of the Inspector General and the Postal Regulatory Commission.

What GAO Recommends

GAO previously reported that USPS should continue to take actions to address its financial condition. GAO also reiterates that Congress should consider, among other things, fully addressing the level of postal service the nation requires and the extent to which USPS should be financially self-sustaining.