



Testimony

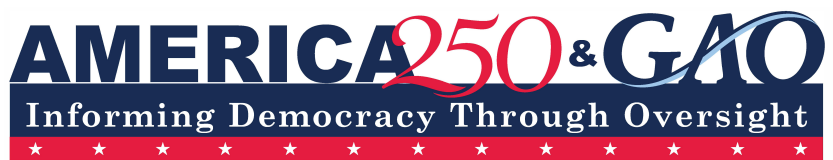
Before the Subcommittee on
Government Operations, Committee
on Oversight and Government Reform,
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U.S. POSTAL SERVICE

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

Statement of David Marroni, Director,
Physical Infrastructure



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GAO-26-109008

March 17, 2026

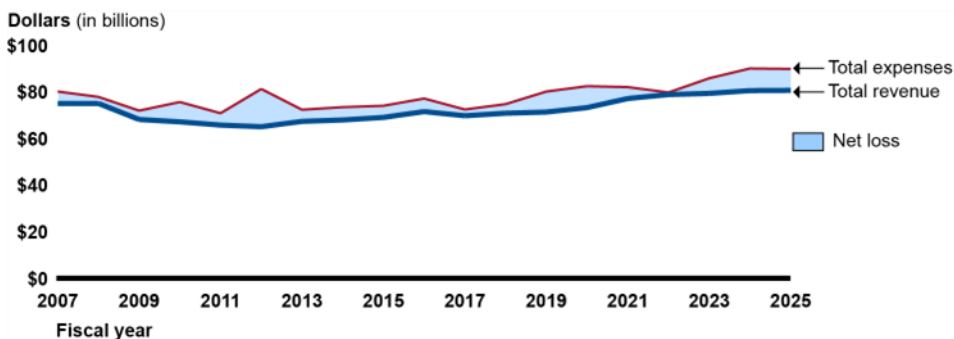
A testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives

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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 The act repealed a requirement to prepay future retiree health benefits and canceled unpaid past due payments for such pre-funding.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.

March 17, 2026

Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee:

Thank you for the opportunity to discuss our work on the U.S. Postal Service's (USPS) financial condition and service performance. USPS's financial viability has been on our High Risk list since 2009 as rising costs and lower mail volume have made its business model unsustainable.¹ There is a fundamental tension between the level of service Congress expects and what revenue USPS can reasonably be expected to generate. While USPS is expected to be self-sufficient, it also must meet requirements such as serving all communities in the United States. As we reported in December 2025, USPS has lost money almost every fiscal year since 2007, even though Congress created it to be financially self-sufficient.²

Both USPS and Congress have taken steps to try to make USPS financially self-sufficient. In 2021, USPS introduced a 10-year strategic plan, designed to restore USPS's financial self-sufficiency.³ In addition, Congress passed the Postal Service Reform Act of 2022, which, among other things, provided USPS about \$57 billion in noncash financial relief.⁴ Despite these efforts, USPS cannot fully fund its current level of services and financial obligations as it continues to lose money—about \$31 billion since fiscal year 2021.⁵ These losses prevent USPS from addressing its large unfunded liabilities for pensions and retiree health care benefits,

¹GAO, *U.S. Postal Service: Restructuring Urgently Needed to Achieve Financial Viability*, [GAO-09-958T](#) (Washington D.C.: Aug. 6, 2009) and High-Risk Series: *Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, [GAO-25-107743](#) (Washington D.C.: Feb. 25, 2025).

²GAO, *U.S. Postal Service: Action Needed to Fix Unsustainable Business Model*, [GAO-26-107336](#) (Washington, D.C.: Dec. 16, 2025). USPS recorded net income of about \$56 billion in fiscal year 2022 due to the effect of the Postal Service Reform Act of 2022. The act, among other things, cancelled USPS's missed retiree health care prefunding payments, which USPS reported as a one-time, noncash benefit of about \$57 billion.

³United States Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence* (Washington, D.C.: March 23 2021). USPS updated its strategic plan in 2024. United States Postal Service, *Delivering for America 2.0: Fulfilling the Promise* (Washington, D.C.: Sept. 30, 2024).

⁴Pub. L. No. 117-108, 136 Stat. 1127.

⁵These losses are from fiscal years 2021 through 2025. This figure does not include the \$57 billion in noncash financial relief from the Postal Service Reform Act of 2022.

putting taxpayers at increased risk of having to meet these liabilities for USPS.

As we have previously reported, it is critical for USPS and Congress to address USPS's unsustainable business model before it will be responsible for billions in new annual expenses for retiree health care, likely in 2031. The sooner actions are taken to improve USPS's financial health, the less drastic those actions will need to be to address the fundamental tension between the expense of providing the level of postal services Congress expects and the revenue USPS can earn from that level of service.⁶

My statement today discusses: (1) USPS's current financial condition, (2) actions USPS and Congress has taken to address its financial condition, and (3) the current state of USPS's service performance. This statement is based primarily on our prior work on USPS's financial condition and GAO's latest High-Risk Update, released in February 2025.⁷ In those reports, we reviewed USPS documentation on its financial condition, analyzed relevant USPS data, and interviewed USPS officials, as well as relevant postal stakeholders. More detailed information on the objectives, scope, and methodology for that work can be found in the issued reports.

For updates on USPS's current financial condition and future projections, we reviewed and summarized its financial reports, original 10-year strategic plan released in 2021, and its most recent update to the strategic plan released in 2024, reports to Congress, and other reports that contained financial information for fiscal year 2025.⁸ To describe USPS's service performance, we consulted recent reports from the USPS Office of Inspector General (OIG) and the Postal Regulatory

⁶[GAO-26-107336](#).

⁷GAO, *U.S. Postal Service: Strategies and Options to Facilitate Progress toward Financial Viability*, [GAO-10-455](#) (Washington, D.C.: Apr. 12, 2010); *U.S. Postal Service: Key Considerations for Restoring Fiscal Sustainability*, [GAO-17-404T](#) (Washington D.C.: Feb. 7, 2017); *U.S. Postal Service: Congressional Action is Essential to Enable a Sustainable Business Model*, [GAO-20-385](#) (Washington, D.C.: May 7, 2020); [GAO-25-107743](#); *U.S. Postal Service Primer: Updated Answers to Key Questions About Reform Issues*, [GAO-26-107657](#), (Washington, D.C.: Dec. 17, 2025); and [GAO-26-107366](#).

⁸United States Postal Service, *Delivering for America; Delivering for America 2.0; Fiscal Year 2025 Integrated Financial Plan* (Washington, D.C.: Dec. 13, 2024); *Form 10-K Fiscal Year 2025* (Nov. 14, 2025); *Fiscal Year 2025 Annual Report to Congress*, (Dec. 29, 2025).

Commission.⁹ We also analyzed publicly available USPS service performance targets and actual performance data.¹⁰ We provided excerpts of our draft statement to USPS for review and comment.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

USPS's Current Financial Condition Is Poor as Expenses Continue to Exceed Revenue

As we previously reported, USPS continues to be in poor financial condition, as its net losses have totaled \$118 billion since it last earned a positive net income in fiscal year 2006.¹¹ Beginning in fiscal year 2007, USPS has recorded consistent net losses in every fiscal year except one, as shown in Figure 1. From fiscal years 2008 through 2012, revenue declined before generally increasing through fiscal year 2025. USPS's expenses, including personnel-related expenses which are more than three-quarters of the total, fluctuated year to year but generally increased from fiscal years 2007 through 2025. In spite of these billions of dollars in annual net losses, USPS has maintained enough cash reserves and short-term investments—approximately \$15 billion at the end of fiscal year 2025—to continue operations.¹² It has done so in part by not making

⁹ United States Postal Service, Office of Inspector General, *Effectiveness of the New Regional Processing and Distribution Center in Richmond, Virginia*, 23-161-1-R24 (Arlington, VA: March 28, 2024); *Effectiveness of the New Regional Processing and Distribution Center in Atlanta, GA*, 24-074-R24 (Arlington, VA: Aug. 28, 2024); *Delivering for America: First-Class Mail and Priority Mail Service Performance Update*, 25-028-R25 (Arlington, VA: May 7, 2025); *The OIG's Oversight of the U.S. Postal Service's Delivering for America Plan, Volume 3*, 25-107-R26 (Arlington, VA: Jan. 20, 2026), *Network Changes: Effectiveness of the New Regional Processing and Distribution Center in Indianapolis, IN*, 25-093-R26 (Arlington, VA: Feb. 2, 2026); and Postal Regulatory Commission, *Operational and Service Standard Changes Related to the Delivering for America Plan*, Docket N2024-1 (Washington, D.C.: January 31, 2025).

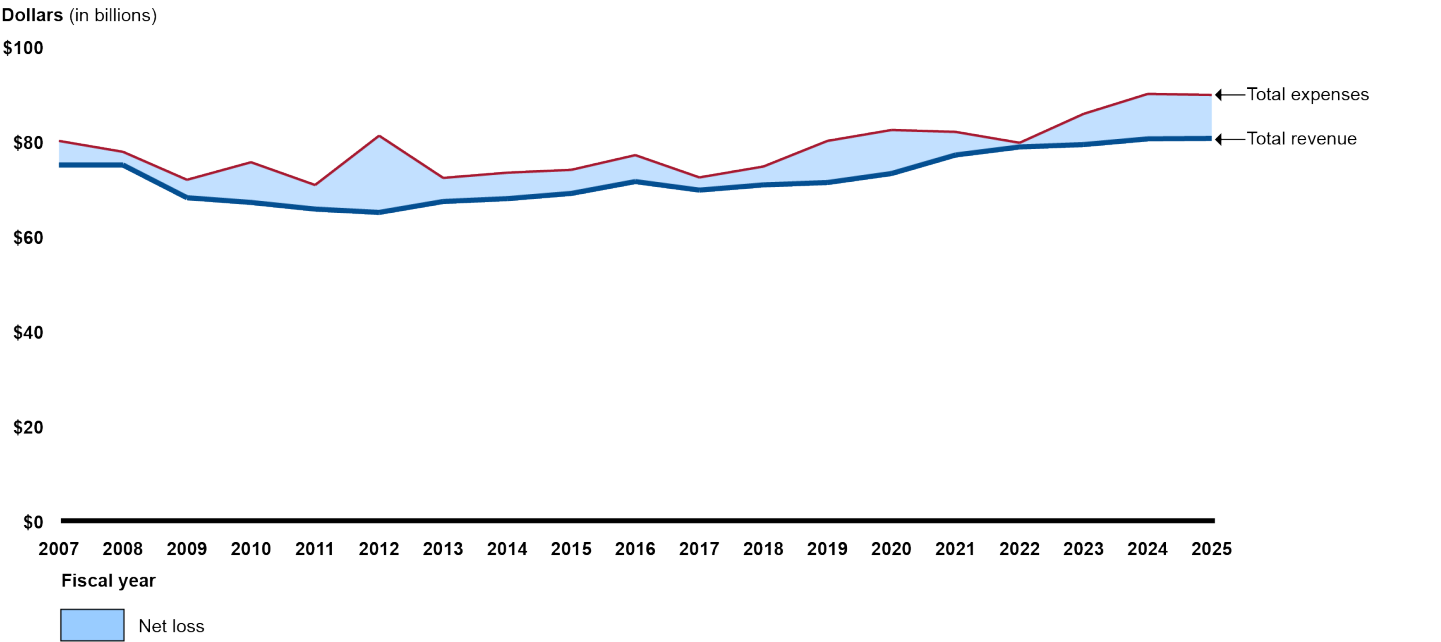
¹⁰U.S. Postal Service, *Fiscal Year 2025 Annual Report to Congress*; and United States Postal Service, Office of Inspector General, 25-028-R25.

¹¹[GAO-26-107366](#). This figure includes USPS's net losses from fiscal year 2007 through fiscal year 2025. USPS's total net losses do not include the \$57 billion noncash positive financial impact from the Postal Service Reform Act of 2022, which resulted in a positive net income in fiscal year 2022 due to this change.

¹²The short-term investments are \$14.1 billion including cash and cash equivalents (\$4.6 billion) and short-term investments in U.S. Treasury securities (\$9.5 billion).

payments or making partial payments for retiree health and pension benefits.¹³ The Postmaster General has stated that USPS could run out of cash in early 2027.

Figure 1: 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 prefunding.

Regarding its revenue, USPS earned about \$29 billion more from fiscal years 2021 through 2025 than was projected in its 2021 strategic plan. USPS attributed its higher-than-projected revenues to a combination of higher prices and higher-than-expected mail volume, resulting from the implementation of its strategic plan. From November 2020 to July 2025, USPS increased market-dominant mail prices eight times and increased competitive mail prices five times.¹⁴ Additionally, USPS delivered about 2 billion more mail pieces than projected for fiscal year 2025.¹⁵ However,

¹³Another potential source of liquidity is borrowing capacity, which by statute, allows USPS to borrow up to \$15 billion from the U.S. Treasury. USPS has borrowed that full amount and the remaining borrowing capacity was zero as of September 30, 2025.

¹⁴This total does not include time-limited price increases for USPS domestic shipping.

¹⁵U.S. Postal Service, Fiscal Year 2025 Integrated Financial Plan and [GAO-26-107366](#).

despite better than projected volumes, there has been a continuing decline in First-Class Mail volume, which is USPS's most profitable product.¹⁶ USPS reported that First-Class Mail and Marketing Mail volumes have declined 50 percent between 2007 and 2025, resulting in a drop of pieces of mail delivered per day per delivery point from 5.5 in 2007 to 2.4 in 2025.¹⁷ In addition, USPS faces an increasingly competitive package delivery market.

While USPS's revenue exceeded projections, so did its expenses. USPS's total expenses increased by about 10 percent from about \$82.4 billion in fiscal year 2020, the year before USPS's original strategic plan was introduced, to about \$90 billion in fiscal year 2025.¹⁸ USPS attributed these higher-than-expected expenses to, among other things, higher-than-expected inflation and the noncash impact of its workers' compensation expense.

In addition, USPS's long-term unfunded liabilities, mostly for retiree health and pension benefits and debt, are a significant financial burden for USPS. As an entity that is intended to be self-sufficient, USPS is supposed to fund these benefits out of its own revenues. However, since 2012, USPS has either not made, or only partially made, its required annual funding payments towards these liabilities, contributing to substantial growth in USPS's unfunded benefit liabilities.¹⁹ USPS also increased its debt to the U.S. Treasury from \$14 billion in fiscal year 2020 to its statutory maximum of \$15 billion by the end of fiscal year 2025.

¹⁶[GAO-25-107743](#).

¹⁷Marketing Mail is a separate category that accounts for commercial and other bulk mail. This information is reported in the U.S. Postal Service Form 10-K for fiscal year 2025. USPS files a 10-K report each year that includes a Statement of Operations and a Balance Sheet determined in accordance with applicable accounting standards. The per piece calculation reflects the pieces of mail delivered per delivery point, per day.

¹⁸The about 10 percent increase in USPS's total expenses from fiscal year 2020 through fiscal year 2025 does not fully reflect USPS's operational performance in controlling expenses over this period due to certain non-cash components of workers compensation expenses. These non-cash components of USPS's workers' compensation expense are highly variable as they are a result of actuarial and discount (or interest) rate changes and are not directly tied to its operations. Additionally, the Postal Service Reform Act of 2022 changed USPS's reporting of its retiree health benefits expenses in a way that affects the comparability of USPS expense over the period from fiscal year 2020 through fiscal year 2024.

¹⁹USPS's benefits liabilities include pensions benefits, retiree health benefits, and workers compensation. An unfunded liability measures the difference between a program's actuarial accrued liabilities and its assets.

These factors have contributed to USPS's unfunded benefit liabilities and debt increasing from 82 percent of USPS revenues at the end of fiscal year 2007 to 204 percent of revenues at the end of fiscal year 2025. USPS's total unfunded benefit liabilities and debt were \$166 billion at the end of fiscal year 2025.²⁰

As we reported in December 2025, while USPS's unfunded benefit liabilities will likely grow, USPS's unfunded liability for retiree health benefits is of particular concern as future benefits are still being accrued by current employees, while only minimal amounts of additional funding are projected to go into the Postal Service Retiree Health Benefits Fund.²¹ The Office of Personnel Management (OPM) estimates the first required USPS payment into the fund, in fiscal year 2026, to be about \$750 million. We project that USPS's unfunded liability for retiree health benefits will be about \$58.1 billion at the end of fiscal year 2031, after the fund has been depleted. OPM estimates that USPS will have to pay about \$6 billion in retiree health care premiums per fiscal year out of its operating revenues when the fund is depleted if nothing is changed.²²

²⁰The total of USPS's workers' compensation, retiree health and pension unfunded liabilities and debt decreased from fiscal years 2021 to 2022. This decrease was mainly due to provisions in the Postal Service Reform Act of 2022, which, among other things, reduced USPS's unfunded retiree health care liability by \$61 billion via the integration of postal retiree health care benefits with Medicare.

²¹The USPS's share of retiree health benefit premiums is paid from the Postal Service Retiree Health Benefits Fund. Since USPS did not make required prefunding payments from 2012 through 2021 and has not been required to make such payments since 2022, this fund's balance has been steadily declining. Starting no later than the end of fiscal year 2026, USPS is required to pay into the Postal Service Retiree Health Benefits Fund amounts known as "top-up" payments, which OPM estimates will start at about \$750 million in fiscal year 2026. See [GAO-26-107336](#) for more information about these required payments.

²²For additional information on this topic, see [GAO-26-107336](#).

USPS Has Taken Several Actions to Improve Its Financial Condition, but Congressional Action Is Needed

USPS Has Taken Several Actions to Increase Revenue and Reduce Expenses

In 2021, USPS introduced *Delivering for America*, its 10-year strategic plan to achieve financial self-sufficiency while continuing to meet its statutory obligations. USPS stated that the plan seeks to modernize its network, meet a changing marketplace, and prompt changes from Congress. Since the introduction of the strategic plan, USPS has taken many actions, including²³:

- **Raising prices.** The Postal Regulatory Commission gave USPS new pricing authority in November 2020.²⁴ Since then, USPS has raised prices on market dominant products (such as First-Class Mail) eight times, increasing the cost of a First-Class Mail postage stamp from 55

²³[GAO-26-107336](#).

²⁴The Postal Regulatory Commission is an independent establishment of the executive branch that regulates USPS. The Postal Regulatory Commission makes annual determinations on how well USPS is complying with mail delivery standards and postal rate requirements. When the 2006 Postal Accountability and Enhancement Act limited postal price increases it included a provision for the Postal Regulatory Commission to evaluate the price cap system 10 years after enactment and modify it if necessary to meet the objectives of the law. Following the Postal Regulatory Commission's December 2017 evaluation, in November 2020 it announced new rules on prices for market-dominant postal products. The Postal Regulatory Commission allowed USPS to increase its prices beyond consumer price index increases and account for additional costs incurred. As a result, USPS could now base rate increases on factors including (1) decreased mail density (increasing the cost-per-piece of mail), and (2) raising revenue to meet its required payments for retirement-related obligations.

cents in fiscal year 2020, to 78 cents in fiscal year 2025 (about 42 percent).²⁵

- **Realigning its transportation network.** USPS aimed to reduce expenses and improve efficiency by implementing new mail transportation strategies. In its strategic plan, USPS stated these strategies included facilitating the efficient movement of full trucks, which resulted in fewer transportation trips, and moving mail volume from air to ground routes to save money. As a result of these changes, USPS reported collectively saving over \$1 billion annually between fiscal years 2023 and 2024.²⁶ These strategies include USPS's Regional Transportation Optimization (RTO) initiative, which we discuss later in this statement.
- **Redesigning its mail and package processing operations.** USPS is redesigning its processing network (i.e., its network of facilities to receive, sort, and transport mail between its origin and destination) and has begun to make significant capital investments in its processing facilities. According to USPS, these changes and capital investments are designed to reduce costs and increase revenues by improving USPS's operational efficiency.
- **Introducing new products.** USPS has offered new shipping products with the aim of competing more effectively in the package delivery business and generating more revenue to fund operations. The most

²⁵Market dominant products are those for which USPS exercises sufficient market power that it can effectively increase costs, decrease quality, or decrease output without losing a significant level of business to competitors. See 39 U.S.C. § 3642. Market dominant products include those that have no direct alternative, such as First-Class Mail, Marketing Mail, and Periodicals. A First-Class Mail postage stamp cost 55 cents in November 2020, and cost 78 cents by the end of fiscal year 2025. The cumulative rate of inflation in the U.S. over that period was about 21 percent, based on the Consumer Price Index from the U.S. Department of Labor, Bureau of Labor Statistics. According to USPS officials, the increased prices are needed to generate enough revenue to cover costs and produce retained earnings, and prior to receiving the new pricing authority they were unable to do that. According to USPS, the price increases have helped generate more revenue, but they are only expected to partially offset the effect of declining mail volume, growing delivery points, and other increasing costs not reflected in the consumer price index.

²⁶USPS's total transportation expense was about \$8.4 billion in fiscal year 2025, about 10 percent of its total expenses of about \$90 billion.

prominent new product is Ground Advantage, which USPS introduced in July 2023.²⁷

- **Beginning to make partial payments toward its unfunded pension liability.** From 2014 through 2021, USPS did not make its required annual amortization payments to OPM for its two pension programs.²⁸ Since 2022, USPS has been making partial payments towards its Federal Employee Retirement System (FERS) pension benefit liability.²⁹ USPS has not made any payments towards its unfunded Civil Service Retirement System (CSRS) pension benefit liability for a total of \$20.1 billion in missed payments from fiscal years 2017 to 2025. According to USPS, this is because it cannot make these payments and still meet its statutory obligations to provide postal services throughout the nation.³⁰

USPS has faced challenges in taking some of these actions, including implementing the redesign of its processing and delivery network. For example, the USPS OIG found that when USPS launched its first new regional facility and implemented its new surface transportation network in Richmond, VA, in October 2023, USPS experienced significant service performance problems that did not abate fully even after the peak holiday mail season concluded.³¹ The OIG found similar issues after USPS launched its new regional facility in Atlanta in February 2024; it also found

²⁷USPS's Ground Advantage combines three of its former products into one simplified ground shipping product. According to USPS, it provides a simple, reliable, and more affordable way to ship packages weighing up to 70 pounds with delivery in 2 to 5 days across the continental U.S. It includes insurance, package forwarding, and free package pickup service.

²⁸Amortization payments are amounts intended to pay down an unfunded benefit liability over a set number of years.

²⁹USPS has authority to increase postage prices to raise revenue to meet its pension and retiree health benefits liabilities. Postal Regulatory Commission regulations require that USPS make payments towards these liabilities equal to the revenue it receives from price increases from such authority. For the FERS system, USPS paid \$500 million of its required \$1.6 billion payment in 2022, \$600 million of its required \$2.1 billion payment in 2023, \$1 billion of its required \$2.3 billion payment in 2024, and \$1.5 billion of its required \$2.2 billion payment in 2025.

³⁰OPM began invoicing USPS for amortization payments towards its CSRS liability in 2017.

³¹United States Postal Service, Office of Inspector General, 23-161-1-R24. The OIG made 10 recommendations to USPS in this report. Recommendations documentation of lessons learned for use in future facility activations, better alignment of transportation schedules with local management, and improving communication with the public that might affected by service delays.

that USPS did not build on lessons learned from the performance problems at the Richmond facility.³²

USPS management told the OIG they had developed plans to address these issues going forward to avoid a repeat of these obstacles when they launch future regional facilities. However, the OIG reported in February 2026 that while USPS had some success in launching a new regional facility in Indianapolis, IN, it has also faced persistent challenges identified after other regional facility launches. For example, the facility faced high employee absenteeism and operational difficulties that led to congestion and lengthy wait times for trucks waiting to unload mail at the facility. Further, the OIG found that USPS's process of launching these facilities incurred greater costs than projected, offsetting anticipated savings.³³

Congressional Action Is Needed to Fix USPS's Unsustainable Business Model

Congress has taken some action to help USPS achieve financial viability. For example, the Postal Service Reform Act of 2022 significantly reduced USPS's retiree health liability although a substantial and growing unfunded liability still remains. However, further congressional action is needed soon to fix USPS's unsustainable business model. As we have noted above, USPS could run out of cash as soon as fiscal year 2027, and USPS will be responsible for billions in new annual expenses for retiree health care, likely in 2031.

We have previously reported that actions USPS could take under its own authority are likely to be insufficient to fully address its financial situation.³⁴ USPS has stated that its actions alone will not result in it becoming financially self-sufficient.³⁵ We have previously suggested that Congress consider various options in the past.³⁶ While Congress has taken some actions to address the matters we previously identified; other

³²United States Postal Service, Office of Inspector General, 24-074-R24. The OIG made seven recommendations to USPS. Recommendations included working with the labor unions to successfully staff future facilities and improving management training.

³³United States Postal Service, Office of Inspector General, 25-093-R26. The OIG made seven recommendations to USPS in this report. Recommendations included a plan to stabilize leadership at the facility, staffing facility management positions to authorized levels, and strengthening controls over scanning, among others.

³⁴[GAO-17-404T](#) and [GAO-20-385](#).

³⁵[GAO-26-107336](#).

³⁶[GAO-26-107336](#).

matters we have made for congressional consideration remain open. Specifically:

- In 2020, we stated that Congress should consider reassessing and determining: (1) the level of postal services the nation requires, (2) the extent to which USPS should be financially self-sustaining, and (3) the appropriate institutional structure for USPS.³⁷ Congress partially addressed the first two issues in the Postal Service Reform Act of 2022 by codifying the requirement that USPS generally deliver mail at least 6 days a week, among other things.³⁸ The act was silent on USPS's institutional structure. As of March 2026, at least two bills that could partially address USPS's financial issues have been introduced.³⁹
- We reported in 2018 that the financial outlook for the Postal Service Retiree Health Benefits Fund was poor, as USPS had not made any payments into it since 2010. Therefore, we stated that Congress should consider passing legislation to put postal retiree health benefits on a more sustainable financial footing. The Postal Service Reform Act of 2022 partially addressed this issue by integrating USPS's retiree health care plans with Medicare. However, USPS is still responsible for paying its share of retiree health benefit premiums, which are currently paid out of the Postal Service Retiree Health Benefits Fund. OPM estimates that the fund supporting postal retiree health benefits will be depleted in fiscal year 2031. At that point, USPS would be required to pay its share of retiree health care premiums out of its revenues, which OPM estimates to be about \$6 billion per year.

³⁷[GAO-20-385](#).

³⁸Additionally, the statute includes language granting USPS more flexibility to develop certain non-postal products and services, and a statement on an integrated delivery network for packages and other mail. However, the act did not fundamentally reassess the level of universal postal service the nation requires, which we continue to believe is the starting point for reexamining USPS's business model.

³⁹One bill would require, among other things, that the U.S. Treasury invest a specified percentage of the Postal Service Retiree Health Benefits Fund in indexed funds. Under this provision, the U.S. Treasury would have to, to the maximum extent practicable, ensure that this portion of fund investments replicates the performance of the longest-term target date asset allocation investment fund established by the Federal Retirement Thrift Investment Board. H.R. 3004, 119th Cong. (1st Sess. 2025). See [GAO-26-107336](#) for considerations regarding such an investment approach. Another bill would authorize USPS to mail alcoholic beverages which could help address USPS's financial issues. H.R. 3011, 119th Cong. (1st Sess. 2025).

USPS's Service Performance Continues to Fall Despite Lower Service Standards

As we reported in December 2025, we continue to believe that both USPS and congressional action is necessary, given the magnitude of the challenges to restoring USPS to financial sustainability. While USPS can and should continue to act under its own authority to increase revenue and reduce USPS's expenses, timely congressional action is also needed. Specifically, Congress should establish what services it wants USPS to provide and the extent to which USPS should be self-sustaining.

The USPS OIG reported in May 2025 that balancing service performance with the need to remain financially viable in a changing market presents a significant challenge for USPS. To support the ongoing changes to its processing and delivery network, USPS has made changes in recent years to its service standards.⁴⁰ Specifically, USPS has lowered the service standard by increasing the number of days for its delivery window. The OIG reported that even with the additional time allowed for delivery, USPS has struggled to meet its standards and is delivering fewer mail pieces on time.⁴¹

USPS sets its own service standards for each mail product. These standards establish how many days it should take for a piece of mail to be delivered.⁴² In fiscal year 2022, USPS revised certain First-Class Mail service standards, adding up to 2 additional days to its delivery window; this change expanded the delivery standards from a 1-to-3-day window to a 1-to-5-day window. According to USPS, this change was intended to reduce transportation costs by transitioning from air to ground transportation and to support ongoing Delivering for America plan cost-cutting initiatives, while improving overall service performance.⁴³ However, as shown in Figure 2, USPS has experienced an overall decline in its on-time performance since it initiated this change.

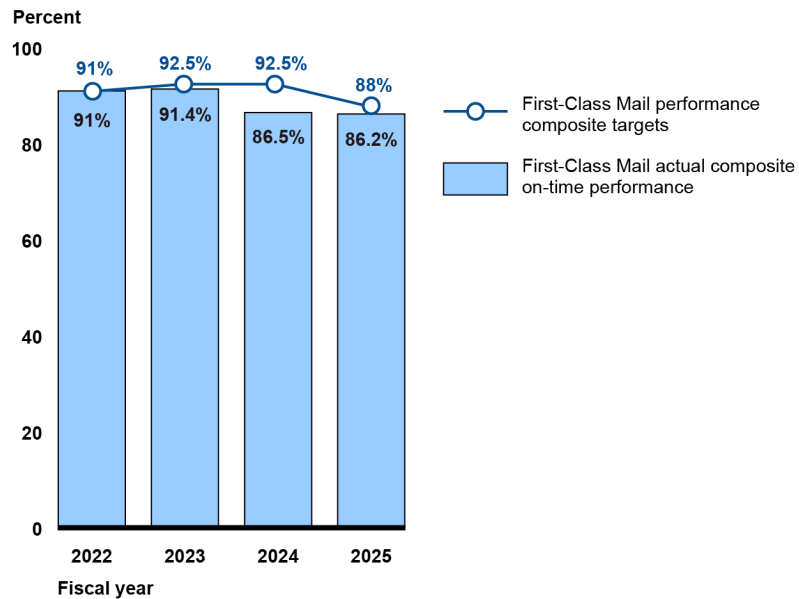
⁴⁰United States Postal Service, Office of Inspector General, 25-028-R25. The OIG made seven recommendations to USPS in this report. Recommendations included improving transparency regarding how long service performance might be affected by operational changes and develop targeted improvement plans for underperforming facilities, among others.

⁴¹United States Postal Service, Office of Inspector General, 25-028-R25.

⁴²Service standards vary based on the mail product and the distance from origination to destination.

⁴³[GAO-26-107657](#).

Figure 2: U.S. Postal Service (USPS) Performance Targets and Actual Performance for First-Class Mail, Fiscal Years 2021-2025



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

Note: First-Class Mail Composites include targets and actual on-time performance for Single-Piece-First-Class Mail and Presorted First-Class Mail.

As we discussed above, USPS is currently implementing significant changes to its processing delivery network to address its financial condition and improve service. However, some of these initiatives—especially the RTO initiative—have directly affected USPS’s service standards and performance. The RTO initiative has made significant changes to how mail enters USPS’s processing and delivery network.⁴⁴

The RTO initiative is intended to optimize transportation between delivery units and processing facilities at the local and regional levels.⁴⁵ To do so, the RTO initiative aims to reduce the number of trips and mail collections at USPS facilities located more than 50 miles from selected processing facilities. Currently, when a customer drops off mail, it is collected at the delivery unit and processed the same night. However, under the RTO initiative, some areas will collect and process mail from delivery units the

⁴⁴Postal Regulatory Commission, Docket N2024-1; and United States Postal Service, Office of Inspector General, 25-028-R25.

⁴⁵USPS defines a delivery unit as a Post Office, station, branch, or carrier annex that has mail delivery functions.

next day, adding an extra day to service. USPS has estimated these changes could save at least \$36 billion over the next decade through reductions in costs for transportation, mail and package processing, and real estate.

In February 2025, USPS announced a refinement of its service standards due to the new RTO initiative.⁴⁶ This refinement left standards generally the same but anticipated that some locations could experience slower mail. For example, the First-Class Mail standard retained its 1-to-5-day delivery window, but the changes added 1 day to the delivery expectation for mail and packages sent from a zip code more than 50 miles from a processing facility. This change means that mail that used to take 3 to 4 days to be delivered could take 4 to 5 days, making delivery slower but still within the service standard.

USPS has said the RTO initiative's operational changes will not disproportionately affect specific populations or areas.⁴⁷ However, the Postal Regulatory Commission has raised concerns that the changes could do so. In its advisory opinion issued in January 2025, the Postal Regulatory Commission stated that USPS's RTO initiative downplayed the significant adverse effects that it would have on certain mail classes, and rural communities.⁴⁸

Specifically, in its opinion, the Postal Regulatory Commission noted that rural communities would experience disproportionate downgrading of service standards. Additionally, some First-Class Mail (such as individual letters and postcards, the type of mail most likely to be used by a household) and 49.5 percent of zip code pairs (which account for origin to destination of mail) would experience downgraded service. The Postal Regulatory Commission also raised concerns that USPS likely overstated the savings these changes would net.⁴⁹ USPS disagreed with the advisory opinion and has continued to implement the RTO initiative. The

⁴⁶These adjustments were scheduled to take effect in April and July of 2025 and affect First-Class Mail, Periodicals, Marketing Mail, Package Services (including Bound Printed Matter, Media Mail, and Library Mail), USPS Ground Advantage, Priority Mail, and Priority Mail Express.

⁴⁷U.S. Postal Service, U.S. Postal Service Announces Refined Service Standards and Cost Reductions (Washington, D.C.: Feb. 26, 2025).

⁴⁸Postal Regulatory Commission, Docket N2024-1.

⁴⁹Postal Regulatory Commission, Docket N2024-1.

OIG recently reported that as of September 2025, USPS had implemented the initiative in 158 of 165 planned regions.⁵⁰

In closing, recent USPS and congressional actions have reduced some USPS expenses and increased USPS's revenue, but these actions collectively have not restored USPS's financial self-sufficiency. Additionally, declines in mail volume and service performance could further erode USPS's financial condition. USPS should continue to take actions to address its condition. Given the current and potential future state of USPS's finances, we also believe that Congress should take action to consider the matters we previously made. This includes fully addressing the level of postal service the nation requires, the extent to which USPS should be self-sustaining, and a sustainable financial path for retiree health benefits.

Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact David Marroni, Director, Physical Infrastructure at MarroniD@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Frank Todisco (Chief Actuary); Kyle Browning (Assistant Director); Betsey Ward-Jenks (Analyst in Charge), and Rosa Leung. In addition, Sarah Green, Gary Guggolz, Greg Hanna, Alexandra Jeszeck, Bonnie Leer, Thanh Lu, John Shumann, Michael Soressi, Laurel Voloder and Alicia Wilson. Other staff who made key contributions to the reports cited in the testimony are identified in the source products.

⁵⁰United States Postal Service, Office of Inspector General, 25-107-R26.

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