

Senate Homeland Security & Governmental Operations Committee – “Hearings to examine reforming the U.S. Postal Service’s business model”

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Executive Summary

The Senate Homeland Security and Governmental Operations Committee held a hearing on June 24th entitled “Hearings to examine reforming the U.S. Postal Service’s business model.” The meeting revolved around solvency issues within the USPS, which have continued for years. Republicans were particularly concerned about the financial situation, with some positing that to get out of the persistent deficit, the USPS ought to lower labor costs, decrease the labor force, and increase prices, as well as enact a slew of other reforms like combining the Postal Regulatory Commission (PRC) and the Board of Governors. Committee Chairman Rand Paul and the Postmaster General seemed particularly adamant that the PRC is regulating in a past era, when the Postal Service had a firm monopoly over the market. However, Congress’ own mandates haven’t helped the situation, as committee members acknowledged, so some sort of legislative reform package may be in order. Democrats, for their part, primarily spoke to a proposed rule, stemming from President Trump’s Executive Order, that would see more USPS control over mail-in/absentee ballots and election administration. They sharply criticized these proposals as federal overreach. Both Democrats and Republicans also rose concerns about on-time package delivery and effective service to rural areas— Steiner attributed these issues to a lack of visibility over each package, resulting in mail getting lost and delayed. Other topics included retirement and pension plans contributing to high costs within the USPS, as well as Zip Code reform actively being legislated by Congress for communities around the country. Generally, Steiner was open to reform, but he consistently highlighted the statutory constraints in place. Without statutory change or congressional support, USPS will likely continue to run a deficit as it serves every address in the nation and operates within the confines of its legal mandates.

Opening Statements

Chair Rand Paul (R-KY) said that once again, the USPS is telling Congress it's out of money, it's now asking taxpayers to front the bill. Private companies that fail to adjust don't merely double their lines of credit to the Treasury, which the Postal Service, in the past, has called reform. When package volume falls, USPS has added thousands of employees, demonstrating that it's been protected from hard choices that would stop the financial bleeding. Congress was told that the 2022 reform would pull USPS out of the hole, and that the Delivering for America plan would modernize the network and restore solvency. But it was no different than previous failed attempts to get the USPS in order. Since 2007, USPS has lost around \$117 billion, with \$9 billion being from just the last year. \$18 billion of the total amount has been controllable losses; this isn't a rough patch but rather a failed business model. As soon as September of this year, USPS could once again run out of cash if it continues to meet all statutory obligations. Again, despite first-class mail greatly decreasing in volume, the workforce has grown. Labor is 80% of the USPS' cost— this is alarming given that UPS, though unionized, is only 60%. The difference is whether management will adjust to reality. Fleet electrification, capital projects without a clear return, and multi-billion-dollar network redesigns are *not* unavoidable costs. At the very least, the Postmaster General should implement a hiring freeze, and USPS should adjust its price rates. Before Congress commits to supporting USPS, it needs to show (1) a real plan to bring labor costs down; (2) proof that private partners will be used when they cost less; (3) commitments to stop capital spending that shows no return; (4) willingness to consolidate facilities that no longer make sense; and (5) proof that the service mandate cannot be met without service losses.

Ranking Member Gary Peters (D-MI) said that the USPS binds our nation together, connecting and supporting Americans and small businesses. It's the only carrier that delivers to every address in America, particularly important for rural communities. In 2022, he passed the bipartisan Postal Service Reform Act, increasing transparency around delivery performance, reforming retiree health care requirements, and codified 6-day delivery service. The Delivering for America plan has not worked, and it hasn't yielded the necessary fiscal results. Postmaster Steiner has posited that USPS will run out of cash by the end of this year— since the DFA, the Postal Regulatory Commission has given USPS flexibility on how it spends revenue from additional rate authority. USPS has also temporarily suspended regular contributions to employee retirement plans. While USPS hasn't provided a formal estimate on when it will go under, it's clear Congress must act. Proposals that Congress has received from USPS include diversifying pension fund investments; raising the borrowing limit; and more. It is now asking Congress to consider reviving appropriations for the USPS. USPS must improve safety standards and become more transparent and accountable. We also must discuss new proposed rules for voting by mail.

Witness:

- **David Steiner**, *Postmaster General, U.S. Postal Service*

Witness Testimony

David Steiner said USPS has driven growth in the U.S. for over 250 years. But today, the levers available to government agencies and private companies aren't given to the USPS. For example, USPS is mandated by law to deliver to every address, and a majority of delivery routes are financially underwater. Moreover, a percentage of our post offices are losing money, with operating costs worsening overall financial burdens. USPS cannot simply close offices or adjust routes; by law, it must deliver. Additionally, USPS cannot unilaterally raise prices, and USPS cannot invest its retirement plans into other assets outside of US treasuries. Furthermore, the USPS pays an unfair share of CSRS benefits for retirees who were with the Post Office Department, before it became the independent Postal Service. USPS is also unable to borrow more than \$15 billion, the statutory limit, which was established decades ago. USPS also doesn't manage employee compensation plans.

But steps are being taken to improve the system. Transportation costs are being reduced, work hours are being reduced, and the overall headcount has shrunk by 28,000 recently. Service scores are also dramatically improved, with on-time delivery numbers increasing. Moving forward, the choice for Congress is clear— either remove the mandates that have created the unsustainable business model or compensate the postal service for those money-losing mandates. Congress already foresaw that the USPS would lose money, yet appropriations to curb the costs of these mandates haven't been disbursed since the 1980s. Public service reimbursement thus ought to reflect the true current costs of these mandates. Subsidizing the post office is a great investment, and it is worth saving.

Member Questioning

Chair Rand Paul (R-KY) said, if he could, he would remove the mandates and treat USPS like a business. One example would be limiting the number of delivery days per week, saving billions of dollars every year. He would also explore imposing a hiring freeze. He asked why USPS hasn't done this. Steiner replied that USPS already enacted a freeze 40 days ago, along with a spending freeze.

Sen. Paul discussed postal price-rate changes, and how the PRC and the Board of Governors interact to carry this out. Steiner said that rates are capped, but he has filed a petition to allow rates to rise while USPS tries to close the revenue gap. It is actively under consideration. The PRC hasn't put financial stability first.

Sen. Paul and Steiner then discussed trying to boost productivity to offset wage increases and overhead cost inflation. Cost increases will be offset this year, but we need the productivity end of things to work.

Sen. Paul said he wants more transparency from Steiner on what the USPS wants from Congress, as well as what the USPS can do to reform itself. He reiterated that labor costs need to be reduced. He also noted that the structure of the USPS needs to be altered to more easily raise prices, such as having one body rather than both the PRC and Board of Governors in play. Steiner replied to these comments by positing that investment in the post office is likely a better route to take than reducing service days and raising prices.

Sen. Paul then discussed a USPS-hired restructuring firm's pending report on what the USPS can do to reduce costs, looking forward to what they have to say. He then asked Steiner to continue the hiring freeze actively in place, potentially saving billions of dollars in future years. He also noted that outsourcing labor and operating costs to cheaper entities also ought to be explored. In response to these comments, Steiner added that CSRS allocation needs to be reformed, and that the asset diversification of employee retirement plans should be included in any conversation. These changes,

in combination with savings on transportation costs and the hiring freeze, would enable the USPS to eat away at the annual deficit.

Sen. Paul also noted that the Postal Regulatory Commission and the Board of Governors ought to be combined, though it would take legislation to carry this out. In doing so, price rates can be changed more quickly, and they would be more in tune with reality. The rates need to increase, and less service days per week would be helpful.

Ranking Member Gary Peters (D-MI) noted the proposed vote by mail rule, which only exists at the direction of the President. This is highly concerning, and it steers away from the traditional functions of USPS, forcing the USPS to be a “ballot verification agency.” He asked how USPS would carry out this rule in practice given the numerous legal considerations at play. Steiner replied that the rule isn’t final; he would have to defer to the courts to decide whether USPS has this power.

Sen. Peters reiterated his concern over the proposed rule for vote by mail, citing Steiner’s previous statements that the USPS would have no role in elections. He asked what has changed since that comment. Steiner replied that nothing has changed. The goal is to effectively deliver mail— the proposed rule suggests that a unique barcode and unique envelope are necessary to carry out vote by mail. This isn’t a political question, but more so aims to more efficiently deliver ballots.

Sen. Peters noted that the proposed rule coerces states into providing absentee voter information for a federal database. This is a breach, he claimed, of states’ rights.

Sen. Ron Johnson (R-WI) said there are two problems: the operational problem and the liability problem. The root cause is Congress’ mandates, and he agrees with Chairman Paul that mandates can be set aside to make USPS operationally solvent. He thus wants a detailed plan for what USPS can do, since former reforms haven’t worked. He then asked about ongoing legislative actions that would change zip codes for certain areas across the country, which could cost hundreds of millions of dollars for the USPS to manage. Steiner replied that there are alternative solutions to creating dedicated zip codes for new areas. As it stands, new facilities would have to be built, machines would have to change, and much more.

Sen. Johnson highlighted that the postal reforms of 2022 have done little to nothing to mitigate the financial issues facing the USPS. Steiner replied that while accounting problems have been semi-solved, operational problems weren’t reformed. It actually put down more mandates.

Sen. Maggie Hassan (D-NH) echoed the Ranking Member’s sentiment in regard to the proposed rule on voting by mail. It would allow the federal government to unilaterally block ballots from being sent to certain voters, reducing citizen participation in elections. It’s also “blatantly illegal.” She asked whether USPS would abide by a theoretical court order restricting the rule in the future, to which Steiner replied that he absolutely would.

Sen. Hassan then said that on time delivery in her state for first class mail has been falling for around a decade. Nearly one in five letters fail to arrive on time. She noted that if Congress implements any further reforms, then certain commitments for service would have to be met by the USPS. She asked which commitments Steiner would agree to today to ensure that rural areas get on-time delivery. Steiner replied that he will certainly work on it, though to truly solve the problem nationwide, then USPS needs more end-to-end visibility to ensure that boxes/letters don’t get lost. Delivery effectiveness should be either at, or better than, private competition.

Sen. Hassan then noted that Congress needs more timely analysis from USPS on the cost-saving measures being implemented. Cost cutting can entail transportation savings and more. However, USPS is out of cash, borrowing money from retirement plans, which she disagrees with.

Sen. James Lankford (R-OK) said Congress routinely overspends, so it's surprising for him to listen to the persistent attacks on Steiner. There are high operational costs in the USPS, but there is little statutory flexibility to truly deal with the problem. He did, however, take issue with rising expenses despite slowing delivery times, asking why private companies are pulling ahead in this regard while USPS gets worse. Steiner replied that there are significantly more packages being delivered by the USPS— the postal service needs more visibility over its packages, so he is working on this. Other companies have better end-to-end visibility, while the USPS has failed at implementing better systems and technology due to cash constraints.

Sen. Lankford also discussed the Zip Code reform being legislated in Congress; it's more so about tax collection and revenue going to the right communities than about delivering mail. He asked how Congress can work on this, and why it'd be so difficult to carry this out. Steiner replied that every number means something in a zip code; you'd have to change the entire network and add further operational costs. The underlying problem isn't mail, but it would end up impacting delivery, nonetheless.

Sen. Andy Kim (D-NJ) asked about certain proposals being explored and carried out that would see postal workers help conduct the census. Steiner replied that it's being explored, and he approves of it. There are pilots occurring right now.

Sen. Kim said the census is a specific function of our government, and it's in our constitution. We've tried doing this before under the first Trump administration, and it arguably violates the law. Steiner added that legal departments have examined these issues, and they have been reconciled.

Sen. Rick Scott (R-FL) asked what Steiner would do to fix the financial situation if there were no statutory limitations in place and Congress didn't provide requested support. Steiner replied that, after hiring a restructuring firm to examine the situation, they are finding that the USPS would need to stream down, that delays in service would occur, and that days of service would shrink. A massive number of post offices would also have to shut down.

Sen. Scott then asked about first class mail versus marketing mail, noting differences in their price rates. Steiner replied that the pricing structure, imposed by the Postal Regulatory Commission, is antiquated. Arguably, the existence/structure of the PRC is antiquated as well in the way they operate. Prices can only change once a year under their watch, costing hundreds of millions of dollars in lost revenue.

Sen. Scott questioned why the USPS even needs a PRC, to which Steiner replied that, ostensibly, because the USPS is a monopoly.

Sen. Scott took issue with the fact that first class mail costs more to send than the mail that marketers send to everyone. Price and volume need to be matched.

Sen. Elissa Slotkin (D-MI) noted the importance of the USPS to Americans, particularly those in rural areas. She is concerned about proposed reductions in service due to cash constraints, so she encouraged Steiner to push back on lawmakers aiming to degrade service in place of congressional

support. She then criticized the various proposals to federalize elections, which the President is aiming to loop the USPS into through the proposed rule that would force states to hand over their voter rolls, limiting voting by mail.

Sen. Joni Ernst (R-IA) highlighted the importance of rural delivery, noting that rural folks are still getting left behind despite the Delivering for America plan. In early 2025, the PRC recommended that the DFA plan be reconsidered. She asked what USPS is doing to ensure that all rural constituents are serviced. Steiner replied that the core system of DFA makes sense, but USPS has failed to operate it. It's now improving service since USPS has learned to more efficiently operate the new system. But end-to-end visibility of the package is the true issue, which can lead to mail being left behind for months by accident.

Sen. Ernst noted the Zip Code issues that have been discussed by multiple committee members. She has a bill that would correct a number of zip codes around the country, which as they stand, have led to mail being directed to the wrong post offices. While USPS has claimed that this reform is about tax collection, she views it as a mailing issue. Congress will have to pass this legislation. Echoing Sen. Scott, she then brought up discounted marketing mail rates and her concerns over it; she has a bill that would address this issue by limiting lower prices for political junk mail. Steiner added that this would help— the revenue could increase if this was addressed.

Sen. Reuben Gallego (D-AZ) noted delivery issues for towns along the US-Mexico border. He asked about this, to which Steiner replied that while improvements can occur, it will cost money. Growth in population means that the USPS needs to spend more money to grow alongside it.

Sen. Bernie Moreno (R-OH) said we need to put forward a package of specific reforms. He then asked how the USPS works to combat scams and fraud. Steiner replied that the Postal Inspection Service looks at this constantly— he's moving toward agents who work on computers to stop it before it happens rather than having agents with a gun who do enforcement on the ground.

Sen. Moreno highlighted the importance of the USPS in curbing scamming. In a response to Democrats' concerns, he then tied this into curbing fraudulent mail in ballots, questioning why the USPS can't work towards this end.

Sen. Josh Hawley (R-MO) was highly concerned about a pile of undelivered mail lying in a field in the city of St. Louis, expressing dismay at Steiner and the USPS for not getting back to him on the status of the investigation. He also criticized low on-time delivery rates in his state. He then questioned why Steiner and high-up management are receiving bonuses at a time of financial stress and poor delivery metrics.

Sen. Richard Blumenthal (D-CT) raised concern over the USPS' proposed rules on mail-in voting. It isn't an election administration agency, and it has no constitutional authority over reviewing balloting and mail-in ballots. Steiner added that it would primarily be a check on accuracy.