



**STATEMENT OF
POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER
LOUIS DEJOY
before the
House Appropriations Subcommittee on
Financial Services and General Government
“Oversight of the U.S. Postal Service”
UNITED STATES HOUSE
March 11, 2021**

Good Morning Chairman Quigley, Ranking Member Womack, and Members of the Subcommittee. Thank you for calling this important hearing to discuss the Postal Service's Fiscal Year (FY) 2022 budget request. I appreciate this opportunity to testify before the Subcommittee to also clarify for the American public that the Postal Service does not receive taxpayer dollars to fund our operations. Additionally, I will discuss the significant ongoing and longstanding challenges the Postal Service faces, and actions we are taking to ensure that we put the organization on firm financial footing in order to continue meeting our universal service obligation (USO) while remaining a self-sufficient entity.

I also want to thank Congress for its support in authorizing reimbursement to the Postal Service for costs incurred as a result of the COVID-19 pandemic — costs which are ongoing as the pandemic continues to impact our organization and the communities we serve.

FISCAL YEAR 2022 BUDGET REQUEST — REIMBURSING THE POSTAL SERVICE FOR MANDATED SERVICES

When Congress created the U.S. Postal Service from the Post Office Department in 1970, it pledged to appropriate funds to pay the cost of subsidized postage for nonprofit and charitable causes that it deemed worthy of public support, such as free mail for the blind and reduced postage for libraries. This promise was consistent with the founding concept of operations for the new postal enterprise: it would be self-sustaining and generate its revenues from the products and services it sold.

Since the Postal Service would forgo the revenue it would ordinarily receive from these discounted and free public services mandated by Congress, the forgone postage would be paid through appropriations. Congress was essentially reimbursing the Postal Service for services we provided to these organizations at the direction of Congress.

Consistent with 39 U.S.C. § 2401 and the requirements for seeking this reimbursement, we request that the FY 2022 budget be fully funded as indicated below. It is only fair that we be fully funded for services rendered that Congress agreed to fund.

For FY 2022, we are requesting a total of \$320.5M for free mail for the blind and overseas voting and revenue forgone debt repayment. Specifically, we request:

- \$42.3M for free mail for the blind and overseas voting, including a reconciliation adjustment for 2019:

- \$40.5M for free mail for the blind: Congress provides for the payment of postage on certain matter mailed for the blind and other handicapped persons who cannot use or read conventionally printed material. We collect the data to identify these pieces based on the required “Free Matter” marking on the mail piece.
- \$537,000 for overseas voting, military and non-military: This is comprised of free Election Mail ballot return service for the military and other citizens serving the country abroad.
- \$1.3M as a reconciliation adjustment for FY2019. Comparing the FY2019 warrant (\$55.2M) to the actual cost for Free Mail and Overseas Voting in FY2019 (\$56.5M) shows that an additional \$1.3M is needed for the Postal Service to cover the actual costs.
- \$278.2M for revenue forgone debt repayment. Under the *Revenue Forgone Reform Act of 1993*, Congress agreed to reimburse the Postal Service \$1.2 billion in 42 annual appropriations of \$29 million through the year 2035 for certain services the Postal Service performed during years 1991 through 1998. During the years 2015 and 2016, Congress appropriated and paid \$29 million for each of the respective annual installments. However, for the years 2011 through 2014, and for the years 2017 through 2021 the installment amounts were either not appropriated, or only a portion of the \$29 million was appropriated, and therefore not received by the Postal Service in full. The total unfunded amount is \$278.2M.

The Postal Service also requests that you make this appropriation without further restricting the Postal Service’s operational flexibility. As discussed in more detail below, we have developed a plan to revitalize the Postal Service and ensure financial sustainability and service excellence. This plan embraces the continuation of 6-day delivery, and therefore is consistent with the long-standing rider mandating such delivery that has been placed on our revenue foregone appropriation. The plan also does not propose to close any small or rural post offices. The plan does propose a number of ways to adjust our network to adapt to changing circumstances while continuing to meet the needs of the American people and meeting our universal service mission. Congress must be willing and receptive to enabling us to make the necessary changes to put us on a sustainable path.

COVID-19 PANDEMIC EXPENSES REIMBURSEMENT

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* provided that the Postal Service could receive up to an additional \$10 billion in financing from the U.S. Treasury to fund

operating expenses associated with the COVID-19 pandemic. The *Consolidated Appropriations Act, 2021*, subsequently amended the *CARES Act* to remove the repayment requirement for any amounts received under the \$10 billion borrowing authority.

In keeping with the *CARES Act* requirements, we reached agreement with the U.S. Treasury on terms and conditions for providing the funding and we made our initial request for approximately \$7.4 billion.

While the Postal Service appreciates this support from Congress, the *CARES Act* funding is limited by statute to cover operating expenses. It is not designed to address the Postal Service's other financial challenges, such as our inability to make needed capital investments, or our massive projected losses over the next 10 years, discussed in more detail below. Receipt of these funds therefore does not obviate the critical need to enact the elements of our plan.

ONGOING AND LONG-STANDING CHALLENGES WILL LEAD TO PROJECTED \$160 BILLION LOSS OVER TEN YEARS

It has been a number of years since the Postal Service testified before any appropriations committee. Since that time, it has only become more evident that we are and must remain a fundamental part of our nation's critical infrastructure — both in terms of the value we deliver to our customers and the role we play in the American economy and society. The more than 645,000 dedicated men and women of the Postal Service live, work, and serve in every community in America.

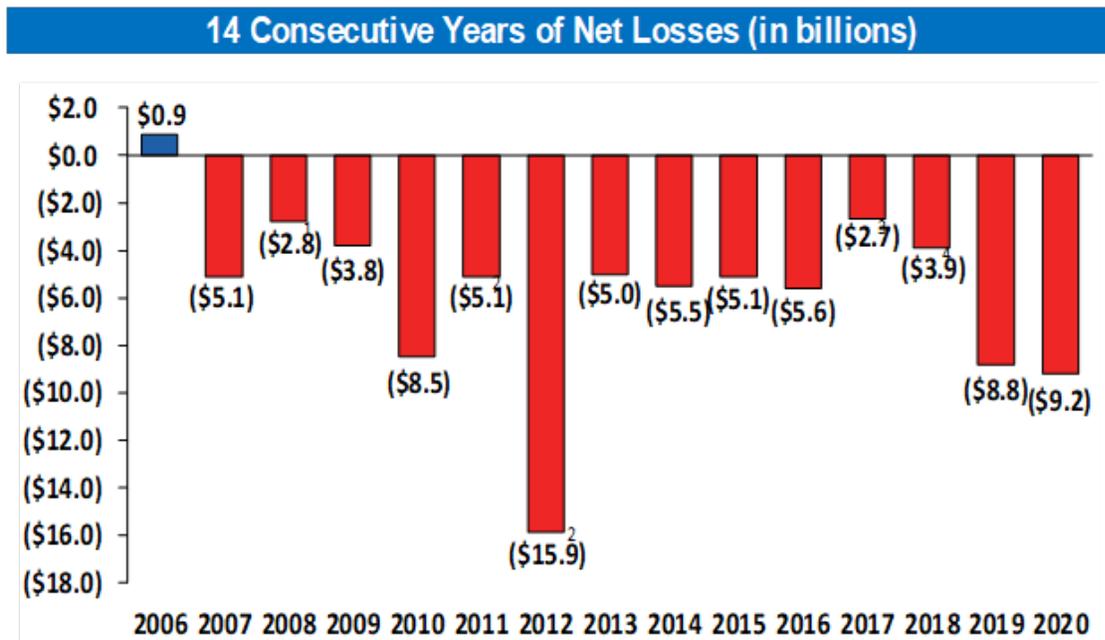
Our mission is to bind the nation together by providing universal delivery service, which has been the foundation of the Postal Service for more than 245 years. The Postal Service is the only organization with the resources, network infrastructure and logistical capability to regularly deliver mail and packages to 161 million residential and business addresses daily.

We enable retailers and e-tailers — no matter their size or geographical location — to market their businesses and meet rising consumer delivery expectations. Our unparalleled last-mile resources ensure universal access to online goods and services. We are a critical channel for the conduct of business and financial activities through the delivery of bills, statements, and other commercial correspondence, and we provide a means for Americans to stay in touch in a more meaningful, personal way than digital channels through the delivery of greeting cards, wedding invitations, holiday mailings, and other personal correspondence.

While we provide an essential service to the American people, we face systemic challenges that render the Postal Service financially unsustainable, and unable to make the investments needed to ensure that our network infrastructure is suitable to meet the Nation’s postal needs for today and for the future. Due to fundamental changes in demand for our services, coupled with a statutory, regulatory and political environment that has not been flexible enough to allow us to adapt to those changes, our financial situation is dire.

Since 2007, we have recorded significant net losses each year. Despite our mandate to be financially self-sufficient, in fiscal year 2020, the Postal Service recorded a net loss of \$9.2 billion, contributing to a decade of losses totaling \$66.8 billion. We have been able to maintain operations only by defaulting on statutory obligations to fund pension and retiree health benefits, and we have large unfunded liabilities. Absent substantial changes, our financial losses will continue to widen, and our ability to invest in the future of the organization will be severely curtailed. We are forecasted to lose \$160 billion over the next ten years, with a negative cash balance of the same size. Our ability to judiciously utilize the increased pricing authority provided to us in the recent Postal Regulatory Commission (PRC) final order on the 10-year regulatory review will mitigate those losses somewhat, but does not come close to solving the problem or fully closing the gap.

USPS Net Income/Loss, FY 2006-FY 2020



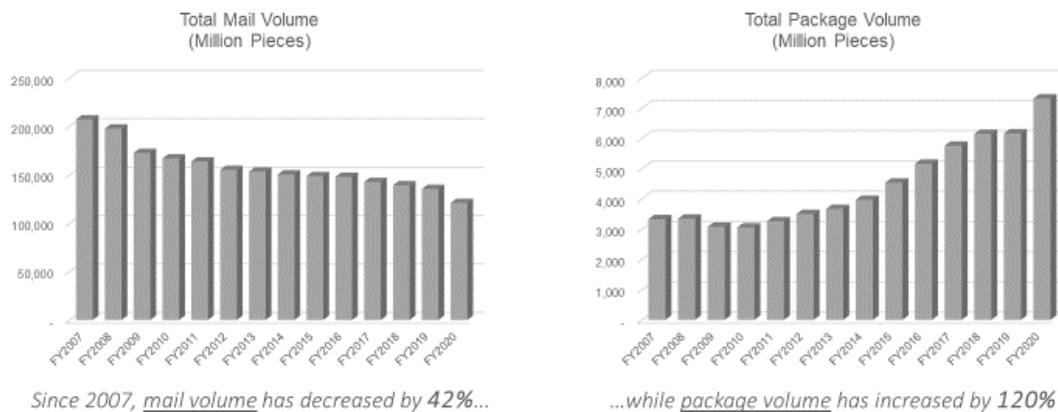
Source: U.S. Postal Service Forms 10-K

Because of these financial challenges, we have suffered from chronic underinvestment over a prolonged period of time, meaning that too much of our infrastructure is outdated, and our network has not been adequately adapted or redesigned to efficiently and effectively process and deliver the current and projected volume of mail and packages.

Mail volume has continued to decline dramatically, even as the cost of delivering mail to an expanding number of addresses continues to increase. At the same time, package volume attributed to the e-commerce economy has dramatically increased and has become a critical source of revenue to support our ability to provide universal service. However, our network, designed primarily to process and deliver traditional mail, is ill-equipped to accommodate this monumental shift. The impact of the COVID-19 pandemic has only served to exacerbate or hasten these mail and package volume trends.

Historical Mail and Package Volume Trends

Dramatic change in customer demands has resulted in mail volume declines year after year and significant package volume growth. Since 2007, mail volume has decreased by 42%, while package volume has increased by 120%.

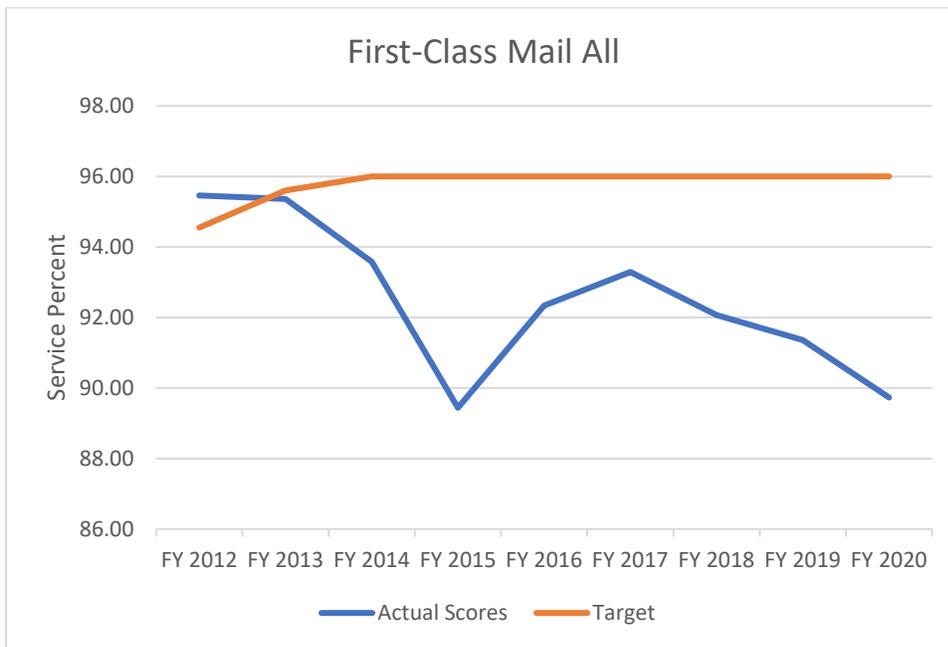


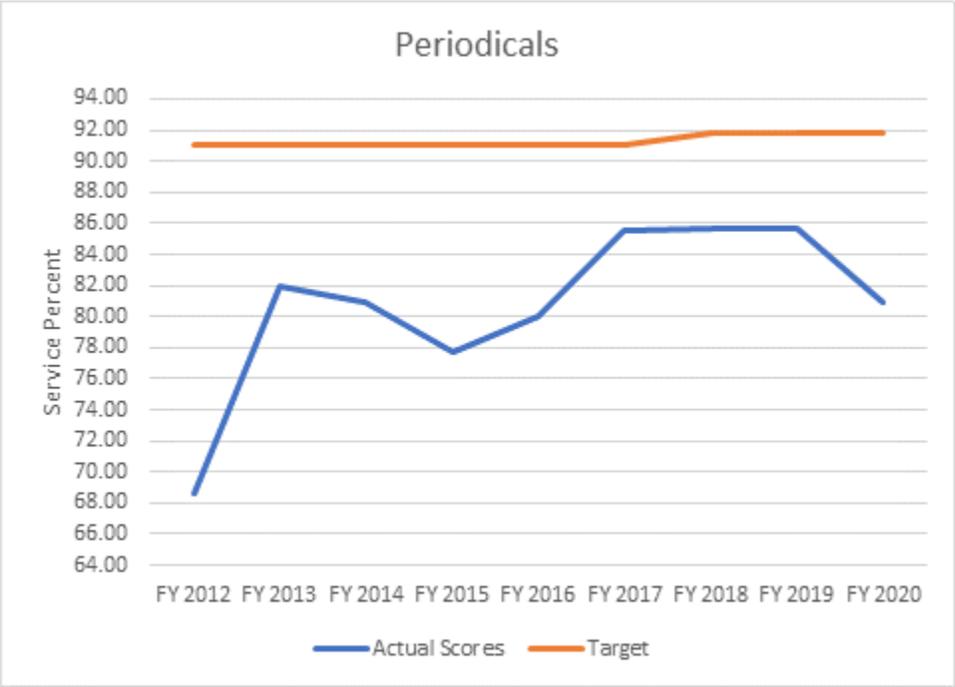
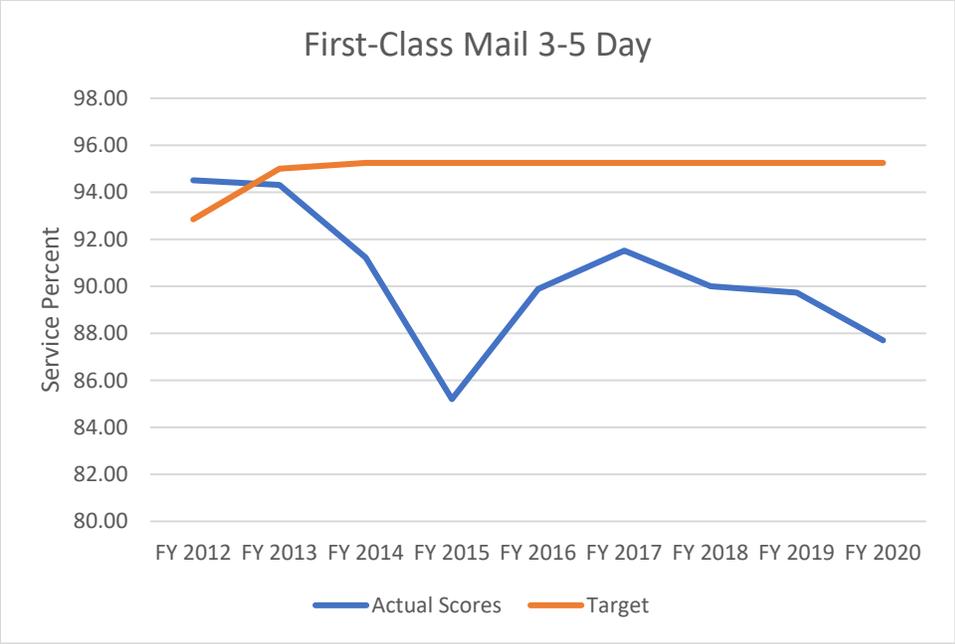
Faced with these challenges and marketplace trends, the Postal Service has made significant efforts over the past decade to reduce costs, increase efficiency, and grow revenue. However, these efforts have not been pursued with the urgency and breadth that is needed to sufficiently address our dire financial condition. This is in large part due to the statutory, regulatory, and political environment under which the Postal Service operates, which has severely limited our ability to adequately adapt our network. While the Postal Service must be more committed to implementing needed reforms, Congress and the PRC also have a role to play. As a start,

along with all of our stakeholders, Congress and the PRC must be willing and receptive to enabling us to make the necessary changes to put us on a sustainable path.

The Postal Service also has long-standing problems from a service performance perspective: over the past 8 years, the Postal Service has chronically failed to meet our service performance targets. The charts below show how there has been a persistent gap between actual service performance and the service targets for First-Class Mail (particularly First-Class Mail traveling longer distances) and Periodicals. This is partly a consequence of the inability to adequately invest in, and adapt, our network. It is also a consequence of establishing service standards that are not achievable through efficient and effective operations, and an organizational reluctance to change those service standards to be more realistic in the face of the past political resistance to operational changes. Finally, it is a consequence of the fact that the Postal Service has failed to adopt best practices to ensure the operational precision that is necessary to provide reliable and consistent service.

Service Performance Results





Operating a nationwide network that reliably and efficiently accepts, processes, transports, and delivers mail and packages in accordance with even realistic service expectations requires careful development of, and adherence to, integrated operating plans that can be executed in practice and that are designed to achieve such service standards. The Postal Service has not

sufficiently cultivated an operational environment in which this occurs on a consistent and disciplined basis.

These long-standing financial, operational, and service problems predate the COVID-19 pandemic, but have been exacerbated by it. Overall, these problems fundamentally threaten the Postal Service's ability to continue achieving our public service mission over the long-term. If our service, reliability, and costs do not improve — and improve soon — our ability to meet our USO will be threatened, and our relevancy diminished. It is impossible to expect service performance to meaningfully improve in an environment where costs are increasing, the network needs significant attention, customer expectations are growing, and we are losing \$10 billion a year.

Simply put, the Postal Service needs better operating and business strategies, and greater investment, to meet our public service mission. We must acknowledge that the Postal Service has been on a dangerous trajectory for years and needs significant fundamental change to how we operate, and not just legislation to address our discrete benefit funding challenges, or just additional pricing authority. We need those things, but also require rapid implementation of operational best practice strategies.

For too many years, Postal employees have been asked to do more with less — forced to employ antiquated systems, utilize outmoded equipment, and drive outdated vehicles. This drives up costs and slows down service for customers. We cannot afford to continue on this path.

OUR CHALLENGES IN 2020 FURTHER ILLUSTRATE THE NEED FOR CHANGE

Our plan seeks to revitalize the Postal Service to ensure that the Postal Service can develop and maintain a network that provides excellent, predictable, and reliable service for our customers, which consistently meets the standards that we set. The years of financial stress, underinvestment, unachievable service standards, and lack of operational precision discussed above have resulted in a system that does not have adequate resiliency to adjust and adapt to changing circumstances. This was made evident during 2020, which presented a number of fundamental challenges for the Postal Service. I am proud of the dedication of our employees, who worked tirelessly to meet our public service mission during the most trying of circumstances. While our performance during the Election was tremendous, the service

performance issues that we otherwise experienced during much of the year, and particularly during peak season, demonstrate why we must make fundamental changes to provide our customers with the service they expect and deserve.

COVID-19 Pandemic Impacts

Like nearly every organization in the country, the Postal Service workforce and operations were very significantly impacted by the COVID-19 pandemic (55,935 positive/presumed positive employees/170 employee fatalities). These impacts exacerbated our long-standing financial, operational, and service performance problems. Even so, we continued to deliver 471 million mail pieces to the best of our ability to 160 million addresses six or seven times a week. The responsibilities of continued connection and commerce amidst a national and global pandemic demanded it, and our employees worked tirelessly to meet our public service mission to the American people as essential workers that are vital to the critical infrastructure of the nation.

The Postal Service is an organization powered by people. While focusing on protecting employee health, there is no question that the pandemic has impacted our workforce. In addition to, and in part because of, the toll on the workforce, the impacts of the pandemic have also been felt operationally and financially – exacerbating our already tenuous financial condition.

- Employee Availability: The number of employees quarantined due to their own illness or due to exposure reached 126,719 of our more than 645,000 workforce thus far. For a service operation, this has a very real impact. This was fully in evidence during our peak holiday season and profoundly impacted our service performance during that two-month period.
- Transportation: An economy-wide logistics upheaval has directly disrupted the Postal Service's supply chain and transportation resources. The scarcity of airplane and truck capacity, and the industry competition for both of those transportation modes, impacted our ability to deliver throughout 2020 and especially during the peak holiday season.
- Hastened shift in mail/package composition: An existing trend in the decline in First-Class Mail was forced into steeper decline by the pandemic. This had both financial and operational impacts. At the same time, package volume increased due to e-commerce and social distancing. For a logistics and delivery operation dependent on the correct complement of people, plants, volume-relevant machinery and

transportation, this shift has further stressed an already misaligned and outdated mail network.

The strains of the COVID-19 pandemic and record volume of packages that resulted from it during our holiday season would have been difficult for the Postal Service to absorb under the best of circumstances. But it is also fair to conclude that because the long-standing challenges noted above were allowed to persist for entirely too long, the Postal Service's network was less resilient, and hence less capable of responding to the dramatic impacts of the global pandemic than would otherwise have been the case. For example, our inability to sufficiently invest in package processing machines and updated delivery vehicles exacerbated the demands of the shift in mail mix.

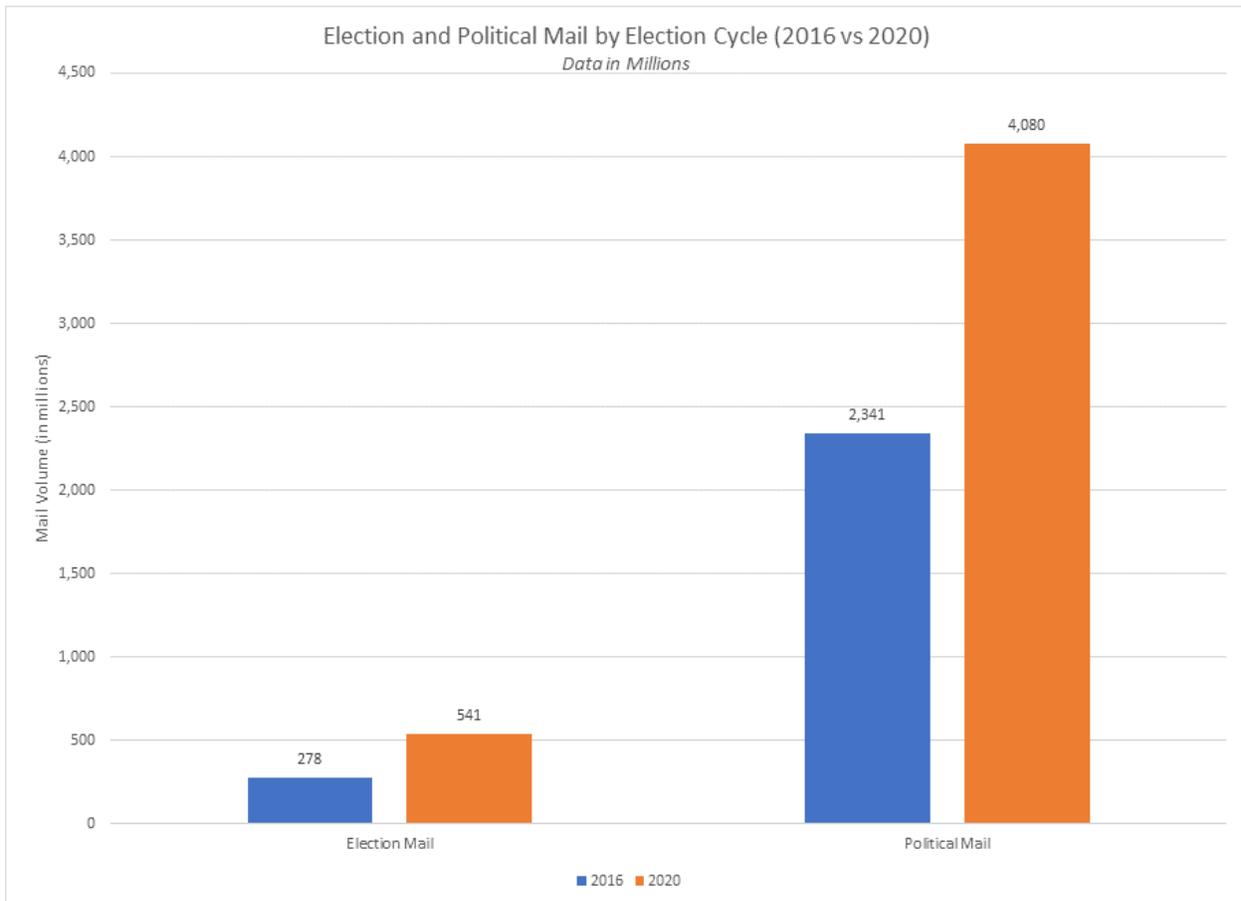
Election Mail in 2020

The performance of the Postal Service and our employees in connection with Election Mail was a great success story, but also illustrative of the problems we face as a result of the unreasonable expectations and unfunded mandates that are imposed upon the Postal Service. Throughout the 2020 election cycle, the Postal Service faced unprecedented challenges, though our hard-working employees went to extraordinary lengths to fulfill our public service mission. Starting in March, it became increasingly clear that our preparation for the 2020 election would require additional resources, planning and outreach. The COVID-19 pandemic, and the increased demand for and availability of mail-in voting options, caused the Postal Service to dramatically expand our overall approach.

As detailed in our 2020 Post Election Analysis (https://about.usps.com/newsroom/national-releases/2021/usps_postelectionanalysis_1-12-21_georgia.pdf), the Postal Service delivered for the American public during the 2020 election cycle. We did so in every community in America, as thousands of jurisdictions turned to the U.S. Mail more than ever before to enable greater public participation in the nation's electoral process. It is the task of policymakers to decide the role that the U.S. Mail should play in our electoral system. Our task, as the Postal Service, is to ensure that we provide secure and timely delivery of the ballots that are entrusted to us for mailing, as well as to ensure that both elections officials and individual voters who choose to utilize the mail understand how to do so effectively.

A record 159 million voters cast ballots in the 2020 general election — 22 million more than in 2016 — and the turnout percentage was the highest in a U.S. election since 1900. In a year when COVID-19 made voting in-person less desirable, these dramatic increases were achieved

in part because the public had the convenient and safe option of voting via a mailed ballot. The Postal Service delivered over 135 million ballots to or from voters in the general election, a subset of the broader 541 million election mail pieces delivered during the 2020 general election.



We are proud of our performance as a delivery organization. We delivered 99.89 percent of ballots within seven days, consistent with the guidance we provided voters throughout the election cycle and delivered 97.9 percent of ballots from voters to election officials within three days. Overall, on average, we delivered ballots to voters in 2.1 days. Most importantly, on average, we delivered ballots from voters to election officials in just 1.6 days.

The Postal Service went to extraordinary lengths to achieve these results (as detailed in our report). These extraordinary ballot mail measures were planned and in place in advance of any court review or orders.

The wide-ranging Election Mail efforts and achievements documented in our report demonstrate that the Postal Service continues to play an indispensable role in the lives of the American

public and in the life of the nation. We take great pride in the achievements of the women and men of the Postal Service in fulfilling our public service mission, meeting the public's high expectations, and in delivering the nation's Election Mail amid the significant challenges of the COVID-19 pandemic.

And yet the expectations and demands are well beyond our typical operations and impose a significant cost and burden on the organization. This is in a large part because the timelines permitted by state Election Mail laws do not take into account the Postal Service's operational realities. We adopted extraordinary measures to nevertheless ensure that the ballots reached their destination in time, recognizing the importance of Election Mail, but every departure from normal processing practices brings with it inherent risk, as well as cost. There needs to be broader alignment between electoral rules and Postal Service operations; and as discussed throughout this testimony, we must work to implement changes necessary for a sustainable Postal Service that provides operational precision and reliable and consistent service.

2020 Peak Season Challenges

Throughout the peak season, the Postal Service faced multiple challenges, including significant employee shortages as a result of the COVID-19 pandemic, multiple winter storms in the Northeast, capacity issues with airlifts and trucking, and a historic high level of mail and package volumes.

Compounding matters, we did not refuse volumes, consistent with our universal service mission. By contrast, many of our competitors did so during peak season as their own networks reached capacity. We received their overflow volume in many instances.

Altogether, the Postal Service still managed to deliver more than 1.1 billion packages, with a more than 40 percent increase in full network packages this holiday season. I am proud of our employees who made this happen and thank them for their efforts amidst historically challenging circumstances.

At the same time, we must acknowledge that during this peak season, we fell far short of meeting our service targets. Too many Americans were left waiting weeks for important deliveries of mail and packages.

This is unacceptable, and I apologize to those customers who felt the impact of our delays. All of us at the Postal Service, from our Board, to our leadership team, to our union and association leadership, to every employee strive to do better in our service to the American people.

During the peak season, Postal Service management took a number of steps to try and address our issues head-on.

- We hired over 50,000 seasonal workers and then increased full-time career staffing — by more than 10,000 positions in total — in key facilities across the country.
- We continued to utilize employee overtime as necessary to stabilize operations; and ran a significant number of extra transportation trips throughout the country.
- We extended lease agreements on annexes to provide additional package processing and dispatch capacity beyond the holiday peak season — and bought as much air capacity as we had access to.

All in all, we threw everything we had at the situation — no cost cutting — no efficiency initiatives — no relaxation of any effort anywhere. We “muscled through” as the Postal Service always does. And yet we missed our service standards by far and disappointed the nation. Fortunately, we have now returned to pre-peak operating conditions. Service levels have substantially improved and remain a focus, but as noted above the only way to truly create a reliable, predictable, and resilient network is through the enactment of fundamental reforms, rather than perpetuating the unsustainable status quo.

TEN-YEAR STRATEGIC PLAN TO RESTORE FINANCIAL SUSTAINABILITY AND SERVICE EXCELLENCE

To confront these urgent issues our team has been working on a 10-year strategy that will reinforce the Postal Service’s obvious strengths and address our obvious weaknesses, including all aspects of our management strategy, employee engagement, service products and features, plant processing, transportation, and unachievable service standards. It offers solutions to the challenges touched upon earlier in this testimony:

- **Changing customer demands**

Dramatic change in customer demands has put downward pressure on First-Class Mail volume, which currently provides the greatest contribution toward covering our fixed costs. Since 2007, pieces per delivery destination per day dropped by 45 percent, and overall mail volume has decreased by 42 percent, substantially eroding our cost coverage and nullifying the financial model enacted in the Postal Accountability and Enhancement Act (PAEA) of 2006.

- **Current price regulation scheme**

We have not had the flexibility to use prudent pricing strategies to address our challenges. Pricing restrictions have resulted in prices that are insufficient to provide adequate revenue to pay for our fixed Universal Service Obligation costs and other legally mandated costs. The recent rule changes by the PRC mitigate the problem, but do not come close to solving the entire shortfall, nor do they compensate for years of inadequate pricing flowing from the delayed regulatory response.

- **Resistance to operational change**

Deep rooted internal and external resistance to change has resulted in a vagueness of mission and ongoing systemic inefficiencies that have weakened our ability to adapt and innovate and ultimately degrades service.

- **Pension and healthcare costs**

The Postal Service is required to participate in federal pension, health benefits, and worker's compensation programs, which often do not reflect private sector best practices. In addition, Congress has imposed extremely large funding obligations on the Postal Service, which means we are subject to much more onerous funding burdens than other comparable private or public entities.

- **Processing capabilities that are not aligned to the changing customer demands**

The entire processing and distribution network was built off the backbone of an organization that primarily delivered mail. With that, we have a lack of space and equipment necessary for package processing given its explosive growth and underutilized mail processing facilities and equipment. Much more must be done to adapt our network to reflect the changing demand and ensure that we have the ability to deliver package volume in an efficient, effective, and timely manner.

- **Inconsistent transportation network**

The transportation network is not optimized for providing reliable and efficient service. A significant portion of volume must travel by air given existing service standards; the reliability of air transportation is subject to a number of factors outside of the Postal Service's control. Surface transportation is more reliable and cost-effective, but the efficiency of that network can be enhanced using best-in-class operating practices. In a capacity-stressed transportation industry with increasing demand, the need to improve transportation reliability, predictability, and visibility becomes even more important.

- **No clear operational strategy**

The Postal Service has not had a focused operational strategy, resulting in the lack of clear and measurable objectives, inconsistent flow of communications, and an unclear organizational structure.

- **Inadequate growth plan**

Historically, the path towards a self-sustaining organization has been primarily through cost cutting measures, and while the Postal Service has grown revenues from packages it has not engaged a sufficient strategy to enhance the Postal Service's competitiveness and improve our ability to be financially self-sufficient. While measures to rationalize costs are necessary, the path towards a sustainable Postal Service also needs to include more robust growth strategies through the implementation of innovative mail and parcel delivery and digital solutions.

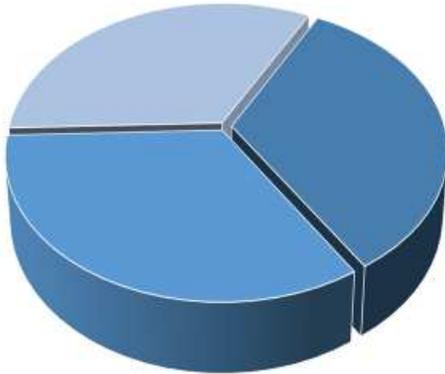
Transformational Goals and Impactful Initiatives

Through our Get it Right (GIR) portfolio of strategic initiatives, we have identified core strategies necessary for the Postal Service to deliver the services the American public values while also being a financially sustainable. The phrase "Get it Right" reflects a mindset that shapes the postal decision-making: prepare relentlessly for and strategically execute on today's opportunities and those ahead.

Our GIR portfolio of strategic initiatives are designed to achieve the following goals:

- **Goal 1: Delivery.** Become the preferred delivery service provider for the American public.
- **Goal 2: Retail.** Transform Postal Service Post Offices™.
- **Goal 3: Commerce.** Implement innovative parcel delivery solutions.
- **Goal 4: Network.** Increase operating efficiency of the mail-and-package processing network.
- **Goal 5: Employee Engagement.** Equip, connect, engage, and empower employees.
- **Goal 6: Fiscal Stewardship.** Create a financially sustainable Postal Service.

A BALANCED APPROACH TO REVITALIZING THE POSTAL SERVICE



1 Self-Help

Boldly transform our network, delivery, and retail operations while building new capabilities that will position the Postal Service to meet the rapidly changing needs of our household and business customers for e-commerce and digital solutions.

2 Regulatory Flexibility

Obtain the necessary regulatory approval, advice, and flexibility so that we can respond to market forces.

3 Legislative Changes

Pursue legislative changes necessary to achieve financial sustainability.

18

The plan goals demonstrate our commitment to:

- **People**

We are committed to developing and engaging employees to create an exceptional and desired workplace. We are committed to stabilizing and strengthening our workforce — especially for our associates who are not yet in a career position. We want every postal employee to have the tools, training, and supportive environment necessary to enjoy a long-term career with us. We want them to feel empowered.

- **Service**

We are committed to improving operational performance to enable service excellence. We are committed to six day a week delivery service to every address in the nation, not just because it is the law – but because it is the right thing to do and a key ingredient to our future success.

- **Infrastructure**

We are committed to fully utilizing our unparalleled infrastructure to provide efficient, frictionless, and secure logistics solutions. We are committed to investing in our infrastructure, including vehicles, technology, and package sortation equipment.

- **Innovation**

We are committed to creating new product and service offerings to meet the needs of the American public and today's changing marketplace.

- **Sustainability**

We are committed to championing sustainable and environmentally focused solutions.

- **Diversity**

We are committed to infusing diversity, inclusion and acceptance throughout our culture.

In the weeks ahead, I look forward to sharing more information about this strategy with this committee, other public policymakers, our unions and management associations, our employees, our stakeholders, and with the American people.

Legislative Elements

While the vast majority of initiatives outlined thus far are ones we ourselves may execute, there are components to our plan relating to our workforce that require legislative action – many of which have advanced through Congress in the past but fell short of enactment. They have an exceptionally large financial impact on our balance sheet.

The single largest component for us to achieve financial sustainability relates to our retiree benefits expense. In particular, retiree health insurance is one of the most prized benefits offered by the Postal Service to our employees. Any legislative reforms we advocate for will be focused on ensuring these benefits remain available, but also affordable. I am pleased to note that we are aligned with our employee unions in support of these proposals, which in the past have also won the support of the mailing industry. Collectively, these proposals have a financial benefit to the Postal Service of over \$57 billion over the 10 years of our strategic plan, all while sustaining benefits, lowering costs, and improving coverage of health and retirement benefits so vital to our workforce.

While the Postal Service will continue to request appropriations to reimburse us pursuant to 39 U.S.C. § 2401, the following two legislative proposals, and one administrative action, comprise our key requests of the 117th Congress and will have benefits for decades to come.

- **Medicare Integration:**

Medicare Integration continues to be the top priority legislative proposal we are advancing to improve cost and coverage. The Postal Service participates in the Federal Employees Health Benefits Program (FEHBP), which does not require that retirees

enroll in Medicare when they become eligible. For those state and local government entities and private sector employers who still provide retiree health benefits (and most do not), virtually all fully integrate their programs with Medicare. The lack of such integration for the Postal Service has a direct and substantial impact on our financial viability both in the near term and long term. Integration would favorably impact health insurance costs not only for the Postal Service, but also for the current workforce and our retirees. The proposal would also require the retiree health benefits liability be calculated only for those employees and retirees eligible to receive immediate benefits (vested liability). In previous Congresses, versions of Medicare Integration legislation have advanced in the Senate and House but fallen short of enactment. This action would reduce our cumulative expenses by \$36.3 billion over 10 years based on fiscal year **2021** enactment and **2022** implementation.

- **Repeal of the Retiree Health Benefit (RHB) Prefunding mandate:**

The RHB pre-funding mandate that applies to the Postal Service is not imposed on any private sector or state or local government entities that still provide retiree health benefits. Indeed, except in rare instances, the rest of the federal government does not prefund this benefit at all. It is important to note that repeal of the mandate, when coupled with Medicare Integration, does not equate to our retiree health benefits program being underfunded or placed in any financial jeopardy. Repealing the prefunding mandate in addition to the Medicare integration proposal noted above will relieve a very substantial amount of expenses of approximately \$8 billion over ten years. I want to clarify that prefunding repeal is an important legislative complement to Medicare Integration, but it is not as financially meaningful as a standalone bill. They need to travel together. This proposal has bipartisan support and passed the House in the 116th Congress with over 300 House cosponsors.

- **CSRS Benefit Reallocation Resolving Longstanding Unfairness of the Methodology Used for Apportioning Liability:**

We plan to urge the Biden Administration to take administrative action to correct the methodology used by the Office of Personnel Management (OPM) to allocate postal employees' Civil Service Retirement System (CSRS) liability allocations. This fix addresses a longstanding responsibility to more fairly reallocate CSRS benefits liability between Treasury and the Postal Service for employees who worked for both the

predecessor Post Office Department (POD) and the Postal Service. CSRS benefits are determined by an employees' high-3 average salary multiplied by years of service (with benefits accruing more slowly in the first ten years of service). These salary amounts were unjustly frozen for purposes of retirement benefit calculations for the years after POD employees became Postal Service employees. As stated, it is our hope that this can be resolved through Administration action, but encouragement from Congress in some form will be important to achieve a successful outcome.

We look forward to the opportunity to work with you in the near term to address these important priority provisions for the Postal Service. We stand ready to work with urgency toward achieving broad policymaker support and enactment, and we are rolling up our sleeves to execute on the "self-help" portions of our strategic plan.

CONCLUSION

We will continue to do all that we can within our current authorities to effectively manage the Postal Service while we work with the Administration, Congress, and the PRC to implement the necessary changes that will enable financial sustainability, ensure excellent service for our customers, and best meet the needs of the American public. The legislative actions Congress can take are specific and doable. They benefit our workforce and put us on clear path to financial viability so that we can continue to serve the American people for decades to come.

We are pleased to note some recent collaboration with the House Committee on Oversight and Reform on these proposals. We also urge this Subcommittee to provide full funding of the Postal Service's FY 2022 budget request.

I also want to conclude by expressing my long-term commitment to leading the Postal Service through this necessary transformational change. I am committed, because the privilege to serve as Postmaster General brings together three things I've been interested in as a private citizen — how things work in business, in my community, and our country.

Thank you Chairman Quigley and Ranking Member Womack for the opportunity to submit this testimony. I welcome any questions that you and the Subcommittee members may have.

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