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BEFORE THE COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENT AFFAIRS
UNITED STATES SENATE

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Chairman Johnson, Ranking Member Peters and Members of the Committee, thank you for the opportunity to appear today to discuss the future of the United States Postal Service. This proud institution is the modern-day descendant of an institution with origins in 1775, when Ben Franklin served as the first Postmaster General. The importance of this institution was reinforced in the Constitution insofar as Article I authorized Congress "To establish Post Offices and post Roads¹."

The Postal Service has played a critical role throughout every stage of our country's development, and our Postal workforce's commitment to mission is memorialized in the USPS unofficial motto: "Neither snow nor rain nor heat nor gloom of night, stays these couriers from the swift completion of their appointed rounds." My own family history is connected in a small way to this quintessentially American institution. My paternal grandmother, Sarah Drury Morgan, was a proud Postal Service employee, who emigrated from Ireland in the early 20th Century. For her and my Dad's whole family, employment in the Postal Service was part of their own American Dream story, enabling my grandmother to put two children through college while serving her new country.

¹ US Constitution Article I, Section 8, Clause 7

Unfortunately, due to declining mail volume and legacy structural costs, this cherished American institution is currently on an unsustainable financial path. The Postal Service has run up billions of dollars of debt since 2010, and is behind on \$43 billion in payments for postal worker retiree health care and owes an additional \$5 billion in pension liability payments. That's why the Government-wide Reform and Reorganization recommendations issued by the Administration last summer² recommended restructuring the United States Postal System to achieve three key objectives: 1) better enable it to fulfill its universal service obligation to American citizens; 2) establish a financially sustainable model that doesn't unduly burden American taxpayers and 3) create a realistic path forward for postal employees.

The Reorganization plan outlined an overarching vision for fundamental reform of the postal system, but deferred final reform recommendations to the findings of the Presidential Task Force on the United States Postal System.³ That Task Force issued its report and recommendations in December 2018.

The work of the Task Force was to drive concrete analysis of structural challenges to reform the Postal Service, and build on the vision outlined in the Reform and Reorganization Plan. As such, the Task Force focused on a range of specific ideas, with particular attention to operational changes, cost allocation issues and pricing flexibilities. In addition, significant attention was given to the important work of differentiating critical and essential services envisioned as part of the USPS universal service obligations from more competitive, market-driven offerings.

² Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations, Office of Management and Budget, June 2018.

³ Executive Order 13829 – Executive Order on the Presidential Task Force on the United States Postal System, April 12, 2018. Task Force established the Treasury Secretary as Chair, and included the Director of the Office of Management and Budget and the Director of the Office of Personnel Management as members.

Although there are a range of perspectives on the Task Force recommendations, nearly everyone familiar with Postal Service financial woes will agree that the status quo is economically unsustainable. It is imperative that the Postal Service be structured to provide foundational infrastructure for our democracy and our economy, maintaining communication links for millions while serving as the bedrock distribution network for American commerce. From our oldest citizens to our youngest ones, our rural communities to our most populous cities, all Americans will benefit from a revitalized and economically viable Postal System.

In my role as Deputy Director for Management at the Office of Management and Budget, I am leading a range of efforts to modernize government capabilities to meet the mission, service and stewardship realities of the 21st Century. As technology, e-commerce, and customer needs have evolved, our government institutions must also evolve, and the Postal Service should be no exception. Moreover, as the Acting Director of the Office of Personnel Management (OPM), I am keenly interested in supporting needed structural reforms to the Postal Service that allow the USPS to resolve its nearly \$50 Billion in financial liabilities owed to OPM, which place an added burden on OPM's ability to support our broader mission of providing world class benefits to all government employees, including our 6 million Federal Pension participants. Without Postal reform, these liabilities will continue to grow, further threatening the viability of other OPM services, including a broad range of health, retirement and other benefit programs that are critical not only to postal employees, but also to other public servants, including Members of this body who participate in OPM-managed retirement programs.

Healthy organizations are designed to change and adapt. It is unacceptable that the Federal Government still operates with many capabilities and processes established in the mid-20th

Century -- if not earlier -- despite dramatic changes in technology, society and the needs of the American people in the Digital Age.

As such, the Postal Service is challenged to pursue foundational, structural reform to ensure that universal service to all Americans can be maintained, economic viability can be reestablished, and a reasonable, sustainable plan for taking care of Postal employees can be established. To achieve these objectives, the Task Force outlined operational, pricing and cost-allocation changes that would put the Postal Service on a more sound footing. This Administration looks forward to working with Congress on legislation to move these objectives ahead and reenergize Executive and Legislative branch efforts to find solutions to historical challenges.

Finally, I would like to thank this Committee for confirming two members of the Postal Board of Governors last year. As part of our commitment to Postal reform, the Administration recognizes the importance of improved Postal Service governance and will continue to work with the Committee to nominate and confirm members of the Board. Ultimately we remain hopeful that a fully constituted Board will help craft a new strategic direction for the Postal Service that adopts relevant task force recommendations and begins making the tough choices needed to reform the USPS.

Thank you again for inviting me here today. I look forward to your questions.