

USPS Financial Crisis 2026: What Postal Workers Need to Know

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Bottom line up front: USPS will run out of cash by early 2027 without action from Congress. Your pension and TSP are legally protected. Your paycheck faces real risk if lawmakers don't act. Here's what you actually need to know.

Postmaster General David Steiner delivered a stark warning to Congress on March 17, 2026: without legislative action, the United States Postal Service will be unable to deliver the mail — or pay its workers — within a year. It's the most serious financial warning USPS has issued in decades, and it's generating real anxiety across a workforce of more than 600,000 employees.

This post separates the facts from the fear. We'll cover what's actually happening, what Congress is being asked to do, what the 8% shipping surcharge means, what the FERS contribution suspension does and doesn't affect, and — most importantly — what it all means for your pay, your pension, and your job security.

What Steiner Told Congress

On March 17, Steiner testified before the House Oversight and Government Reform Committee with a direct message: less than a year from now, the Postal Service will be unable to deliver the mail if it maintains the status quo.

He laid out the core problem: USPS lost \$9 billion in fiscal year 2025 and is burning through its cash reserves at an unsustainable rate. Without relief, the agency will exhaust its cash by approximately early 2027. He has since asked Congress for several specific fixes:

- **Raise the borrowing cap.** USPS can currently borrow up to \$15 billion from the U.S. Treasury, a limit set in the early 1990s that hasn't been adjusted since. Steiner wants it raised.
- **Raise stamp prices.** He proposed allowing first-class stamps to rise toward \$0.95, giving the Postal Regulatory Commission more pricing flexibility.
- **Reform retirement cost accounting.** A longstanding dispute over how USPS's CSRS pension obligations are calculated has cost the agency tens of billions over the years.
- **Reform workers' compensation.** Workers' comp costs rose by \$634 million in just the first quarter of FY2026 alone.

The most politically achievable ask is the borrowing cap increase — it doesn't require agreeing on a long-term fix, it just buys time. But House Republicans who helped pass the 2022 Postal Service Reform Act expressed skepticism, with Committee Chairman James Comer telling Steiner that everything being asked for now had already been addressed five years ago.

Why Is USPS in Crisis?

The financial problems aren't new — they've been building for two decades. The root causes are structural:

- First-class mail volume has been in freefall for 20 years as digital communication replaced physical letters
- A 2006 law (since partially repealed by the 2022 reform act) forced USPS to pre-fund 75 years of retiree health benefits — a burden no other agency or company faced
- Package delivery competition from Amazon, UPS, and FedEx has intensified

- USPS delivered about 6.8 billion packages in fiscal 2025, down from 7.3 billion the year before
- Gas prices have risen sharply — the average gallon now costs around \$3.94 — spiking transportation costs

USPS also hired restructuring firm Alvarez & Marsal in early 2026 — the same firm brought in when organizations need to map out all options, including service cuts and workforce reductions. That hire alone signaled how serious the situation had become.

The 8% Shipping Surcharge (Effective April 26)

On March 25, USPS officially filed notice with the Postal Regulatory Commission of a time-limited 8% price increase on its core shipping products. Pending PRC approval, it takes effect at midnight Central Time on April 26, 2026 and runs through midnight January 17, 2027.

PRODUCT	AFFECTED?
Priority Mail Express	✓ +8%
Priority Mail	✓ +8%
USPS Ground Advantage	✓ +8%
Parcel Select	✓ +8%
First-Class Stamps	✗ Not affected
First-Class Mail	✗ Not affected

USPS framed the surcharge as a bridge measure driven by rising fuel and transportation costs, and noted that even with the increase, its rates remain significantly lower than competitors — UPS and FedEx charge fuel surcharges that are more than three times larger.

For postal workers, the surcharge is relevant in two ways: it may shift package volume to competitors in the short term, and it signals that USPS is willing to take pricing actions it has historically avoided — a sign of how serious the cash situation is.

FERS Employer Contributions Suspended (April 9 Update)

On April 9, USPS announced it will temporarily suspend employer contributions to FERS effective April 10. The agency pays approximately \$200 million every two weeks to OPM for the defined benefit pension. Suspending these payments frees up roughly \$2.5 billion for the remainder of fiscal year 2026.

USPS CFO Luke Grossmann emphasized that employee FERS contributions, TSP contributions (both employee and agency matching), and pension accrual are all unaffected. Current retirees will continue receiving their annuity payments from the FERS trust fund managed by OPM. For the full breakdown — including the union responses and what to watch for next — see our [FERS suspension explainer](#).

The Amazon Deal (April 6 Update)

On April 6, Reuters reported that Amazon and USPS reached a new delivery agreement. Under the deal, USPS retains about 80% of Amazon's package volume — over 1 billion packages per year. The remaining 20%, roughly 340 million packages, shifts to Amazon's own delivery network.

Amazon is USPS's largest single customer, generating an estimated \$6 billion in annual revenue. Losing 20% of that volume means approximately \$1.2 billion less per year — painful at any time, but especially so during a cash crisis. The deal is better than the complete loss some feared, but it adds to the revenue pressure on an agency already burning through its reserves.

For a full breakdown of what this means for staffing, workload, and your job, see our [Amazon-USPS deal analysis](#).

Could USPS Cut Delivery Days or Close Post Offices?

Steiner raised both possibilities in his congressional testimony — not as plans, but as options on the table if Congress refuses to act. His framing was blunt: if lawmakers want the same number of delivery days and post offices, that's possible — but someone has to pay for it.

It's worth noting that the 2022 Postal Service Reform Act requires USPS to maintain six-day delivery for mail and packages — so cutting delivery days would require Congress to change that law first. That's a significant political and legal hurdle.

Post office closures are a separate matter. Steiner noted that approximately half of current post offices fail to cover their own operating costs. A review of leases on nearly 31,000 retail locations was already underway as of early 2026. Rural post offices are most at risk — they serve communities that often have no alternative for essential services.

What this means for your station or office: No specific closure list has been released. If your office is in a rural or low-volume location, it's worth staying current with your union on any announced reviews. Urban and suburban offices are at significantly lower risk.

What About DOGE and Privatization?

Earlier in 2026, then-PMG Louis DeJoy signed an agreement with DOGE to identify efficiencies, and announced plans to cut 10,000 positions through a voluntary early retirement program. DeJoy has since been replaced by David Steiner, a former FedEx executive, which renewed privatization concerns given his private-sector background.

The current picture on privatization: it remains unlikely in the near term. Section 208 of the Postal Reorganization Act likely prohibits a unilateral executive transfer of USPS, and over 159 House members have already signed a letter opposing privatization. Any move would require legislation and would face immediate union legal challenges. The APWU, NALC, NPMHU, and NRLCA have been unified and vocal in opposition.

What's Actually at Risk for You as an Employee

Your Pension (FERS Annuity)

Your FERS annuity is **not at risk**. FERS is administered by OPM — the Office of Personnel Management — not USPS. Even if USPS were to stop operating tomorrow, your earned pension benefit would be paid by the federal government. It's legally protected under federal statute. The April 9 suspension of employer FERS contributions does not change this — your accrual continues, your deductions continue, and your benefits remain guaranteed.

Your TSP

Your TSP account is held in a federal trust under 5 U.S.C. § 8437(e) and is completely separate from USPS finances. It cannot be touched by USPS management, Congress, or any restructuring process. Whatever is in your TSP is yours. Agency matching contributions are continuing normally even with the FERS suspension in place.

Your Paycheck

This is the real short-term risk. If USPS runs out of cash and Congress hasn't acted, payroll disruption becomes possible. This isn't a prediction — it's what Steiner himself warned about. Congressional action before the cash runs out in early 2027 remains the most likely outcome, but it isn't guaranteed.

Your Health Insurance (PSHB)

PSHB — the Postal Service Health Benefits program — is administered through OPM and isn't funded by USPS operating cash. Your coverage isn't directly at risk from the financial crisis. However, if you're planning retirement, note that the five-year continuous enrollment rule still applies for carrying PSHB into retirement.

The short version: Pension — safe. TSP — safe. Health insurance — safe. Paycheck — at risk if Congress doesn't act before early 2027. Stay informed through your union and watch for legislative developments through the rest of 2026.

What to Do Right Now

- **Know your retirement numbers.** If you're within 5 years of eligibility, run your FERS numbers now. A VERA could be announced with short notice — you want to know if you qualify and what your annuity would look like before that happens.
- **Review your TSP allocation.** Market volatility tied to economic uncertainty is real. Make sure your allocation matches your timeline, not just your optimism.
- **Stay current with your union.** APWU, NALC, NRLCA, and NPMHU are all monitoring this closely. The APWU is hosting a livestream forum titled “Are we broke or is there hope?” on Tuesday, April 14 at 7:00 PM ET — open to all postal employees.
- **Check your pay stub each pay period.** Verify your employee FERS contribution and TSP deductions are still being processed correctly. See our [pay stub guide](#).
- **Don't make major financial decisions based on fear.** The situation is serious but not hopeless. Congress has acted before — including during COVID — and has strong political incentives to avoid a USPS collapse.

Understanding Your USPS Paycheck

Your take-home pay depends on pay schedule, grade/step, and deductions. Career employees contribute to **FERS** (0.8%–4.4%), **Social Security** (6.2% up to \$176,100), and **Medicare** (1.45%).

Premium pay rates: **Overtime** is 1.5x base rate. **Penalty overtime (V-time)** is 2x base rate for hours over 10/day or 56/week. **Night differential** is +10% for hours between 6PM–6AM. **Sunday premium** is +25% for non-OT hours on Sunday. **Holiday worked** pay is your base rate on top of regular holiday pay (effectively double time).

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