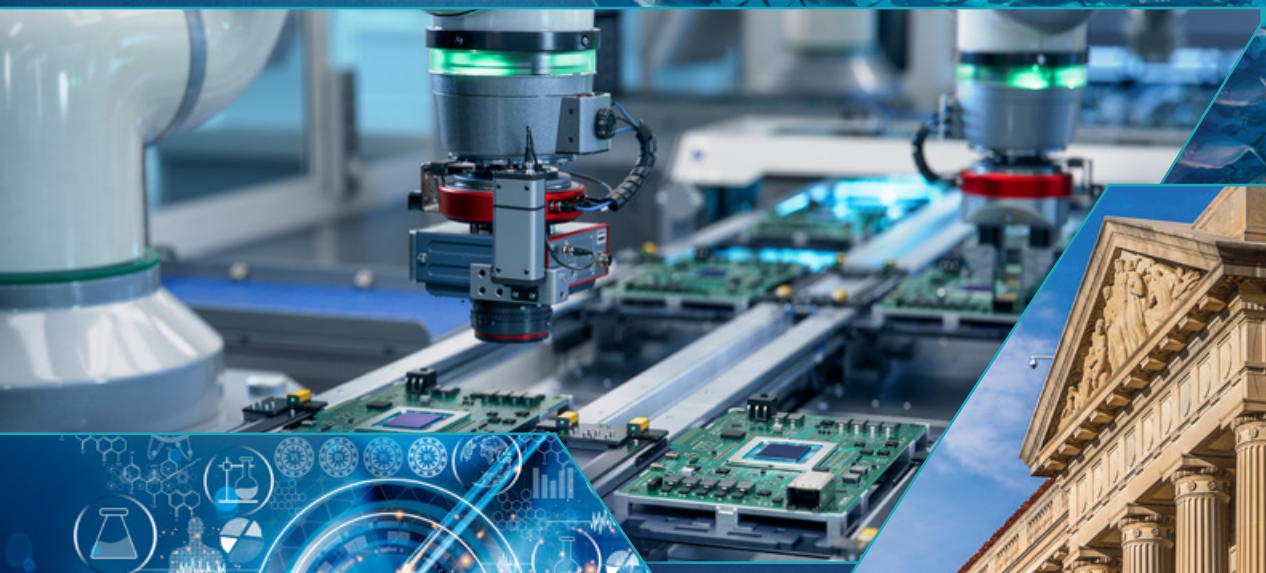
U.S. Department of Commerce
FY 2026 Agency Financial Report











U.S. DEPARTMENT OF COMMERCE AT A GLANCE
2026 Highlights *(Dollars in Billions)*



Balance Sheet as of September 30, 2026

Total Assets: $169.4B



- Fund Balance with Treasury
- Investments
- General Property, Plant, & Equipment, Net
- Other Assets

Total Liabilities $9.2B



- Advances from Others and Deferred Revenue
- Accounts Payable
- Other Liabilities
- Pensions & Other Post-employment Benefits Payable
- Federal Employee Salary, Leave, and Benefits Payable
- Debt

Total Net Position: $160.2B



- National Institute of Standards and Technology
- National Telecommunications and Information Administration
- National Oceanic and Atmospheric Administration
- Economic Development Administration
- U.S. Patent and Trademark Office
- Others

FY 2026 Net Cost of Operations: $(12.2)B



- National Oceanic and Atmospheric Administration
- Undersecretary for Economic Affairs
- Others
- Economic Development Administration
- National Institute of Standards and Technology

FY 2026 Budgetary Resources: $53.2B



- Unobligated Balance from Prior Year Budget Authority, Net
- Appropriations
- Spending Authority from Offsetting Collections
- Borrowing Authority







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Message From Secretary Lutnick



I am proud to present the Department of Commerce's Fiscal Year 2026 Agency Financial Report. This report highlights our achievements in FY 2026, the challenges we navigated, and how we managed taxpayer dollars responsibly while delivering real results for the American economy. Our mission is straightforward: strengthen the U.S. economy, protect and grow American manufacturing, and expand opportunity by helping U.S. businesses innovate, build here at home, and win globally.

In FY 2026, the Department advanced priority initiatives across our bureaus that will shape America's economic leadership for decades. We drove progress in super intelligence, accelerated U.S. semiconductor production, and achieved record results in export promotion and trade facilitation—strengthening the Made-in-America manufacturing base and the workers who power it.

As the government's leading trade enforcement and promotion agency, the Department is committed to protecting U.S. national security and foreign policy interests while helping U.S. companies compete and win in global markets. This year, the International Trade Administration hosted the largest SelectUSA Investment Summit in its history, welcoming more than 5,500 participants from over 100 international markets and catalyzing more than $56 billion in new and planned investment commitments. These investments strengthen American communities, expand domestic production, and support good-paying jobs across the country.

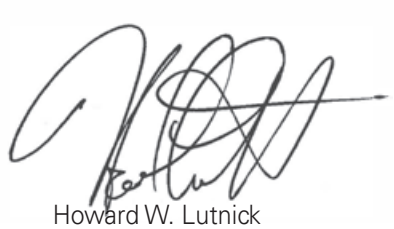
CHIPS for America was established to advance America's leadership in semiconductors, and in FY 2026 CHIPS made meaningful awards to secure America's leadership in this critical technology. In FY 2026, the CHIPS Program Office finalized five awards totaling $765 million in direct funding, finalized a $1.3 billion loan guarantee agreement, and announced an additional letter of intent. In addition, the CHIPS R&D Office finalized nine awards totaling $2.675 billion and has announced an additional ten letters of intent. These awards extend across the semiconductor manufacturing base and its supply chain and advanced cutting-edge microelectronics technology.

We honor America's trust in government through transparency—showing how taxpayer resources translate into growth, innovation, and U.S. job creation. The financial statements in this report demonstrate how resources were allocated and how those investments support economic growth, technological leadership, and expanded global trade.

For the twenty-eighth consecutive year, independent auditors issued an unmodified opinion on the Department's financial statements.

In accordance with the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget Circulars A-123, A-136, and A-11, managers evaluate internal controls to ensure they are in place and operating effectively. Based on FY 2026 activities, the Department provides reasonable assurance that its internal controls and financial management systems meet FMFIA objectives.

I am proud of the work our team accomplished in FY 2026 and confident in the path ahead. As we advance the Department's strategic priorities, we remain focused on disciplined financial management and ensuring that every taxpayer dollar delivers real value. That commitment grounds our mission. Together, we are building a stronger, more competitive, and more resilient American economy that works for communities across the country.



Howard W. Lutnick
Secretary of Commerce
November 10, 2026

How to Use This Report



This Agency Financial Report (AFR) for the fiscal year ended September 30 (FY) 2026 provides the Department of Commerce's financial and summary performance information in accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements.*

The Department has chosen to produce an AFR. The Department will provide performance results in the FY 2028 Congressional Budget in conjunction with performance plan information as the "FY 2026 Annual Performance Report and FY 2028 Annual Performance Plan" for each bureau and will post it on the Department's website at *https://www.commerce.gov/about/budget-and-performance.*

The Department's annual AFR is available on the Department's website at *https://www.commerce.gov/ofm/agency-financial-reports.* The Department welcomes feedback on the form and content of this report, and contact information for providing feedback is located in the Connect with the Department of Commerce section of this report.

This report is organized into the following major components:

Statement from the Secretary of Commerce (Unaudited)

The Secretary's statement includes an assessment of the reliability and completeness of the financial and summary performance information presented in the report and a statement of assurance on the Department's management controls as required by the Federal Managers' Financial Integrity Act (FMFIA).

Management's Discussion and Analysis (MD&A) (Unaudited)

This section provides an overview of the financial and summary-level performance information contained in the Performance Summary, Financial Section, and Other Information. The MD&A includes an overview of the summary of the strategic planning process and performance information, financial performance information to include the analysis of the FY 2026 financial statements, as well as information on financial systems, controls, and legal compliance.

Financial Section

This section contains details of the Department's finances in FY 2026. A message from the Department's Chief Financial Officer (unaudited) is followed by the independent auditors' report, audited financial statements and notes, and required supplementary information (unaudited).

Other Information (Unaudited)

This section provides the Office of Inspector General's (OIG) report on top management and performance challenges, a summary of financial statement audit and management assurances, a report on OIG audit follow-up, payment integrity information, civil monetary penalties' information, biennial review of fees, and a summary of oversight of expired grant and cooperative agreement awards.

Appendix (Unaudited)

This section provides a glossary of acronyms, glossary of technical terms, ways to connect with the Department of Commerce, acknowledgements, and Certificate of Excellence in Accountability Reporting information.

Management's Discussion and Analysis (Unaudited)



Mission and Organization

Mission

The Department of Commerce's mission is to create the conditions for economic growth and opportunity for all communities.

Through its bureaus, the Department works to drive U.S. economic competitiveness, strengthen domestic industry, and spur the growth of quality jobs in all communities across the country. The Department serves as the voice of business in the federal government and, at the same time, touches and serves every American every day.



Organization

The Department's headquarters offices and component bureaus, listed below, implement a wide variety of budgeted programs and activities:

- National Oceanic and Atmospheric Administration (NOAA)
- Under Secretary for Economic Affairs
  - Bureau of Economic Analysis (BEA)
  - Census Bureau
- National Institute of Standards and Technology (NIST)
  - National Technical Information Service (NTIS)
- Economic Development Administration (EDA)
- National Telecommunications and Information Administration (NTIA)
  - First Responder Network Authority (FirstNet)
- International Trade Administration (ITA)
- Departmental Management (DM)
  - Gifts and Bequests
  - Herbert C. Hoover Building Renovation Project
  - Nonrecurring Expenses Fund (NEF)
  - Office of Inspector General (OIG)
  - Salaries and Expenses (S&E)
  - Working Capital Fund (WCF)
- U.S. Patent and Trademark Office (USPTO)
- Others
  - Bureau of Industry and Security (BIS)
  - Minority Business Development Agency (MBDA)



More information on the Department's history, leadership, structure, and workforce is available on the Commerce website under About at *https://www.commerce.gov*

Performance Overview

Strategic Priorities and Objectives

While the Department of Commerce has not yet published its FY 2026–2030 Strategic Plan, the Department continues to establish and track strategic and performance goals and measures. These goals are designed to advance Administration priorities, as reflected in Congressional mandates, executive orders, Presidential memoranda, and other Administration guidance, as well as the Department's mission and key business and operational priorities. FY 2026 performance results will be reported in the Department's FY 2026 Annual Performance Report and FY 2028 Annual Performance Plan, which will be submitted in conjunction with the President's FY 2028 Budget and made publicly available on the Department of Commerce website.

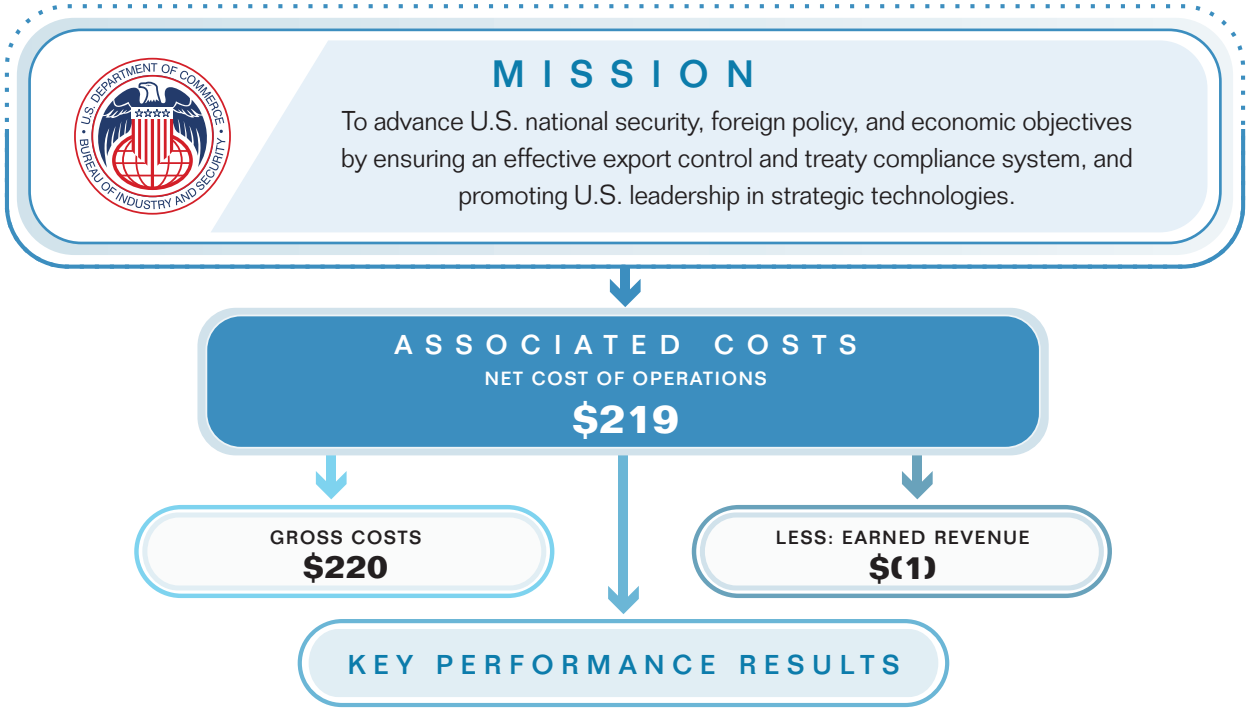
This performance section focuses on the Department's significant bureaus, which provide the most meaningful insight into overall Department performance and strategic priorities. For bureaus that experienced significant changes in financial position and condition, the Department presents the changes most relevant to understanding its overall results. These matters reflect management's assessment of the factors most relevant to bureau performance and priorities.

Financial information presented in the following section reflects bureau-wide costs at the responsibility-segment level, as reported in the Department's Consolidated Statement of Net Cost, and provides financial context for the mission activities and performance results discussed.

FY 2026 Performance Summary by Bureau

(Dollars in Charts are Presented in Millions)

Bureau of Industry and Security (BIS)



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

Key Performance Results

- BIS conducted 10 Section 232 investigations in FY 2026 covering sectors including semiconductors, pharmaceuticals, critical minerals, and commercial aircraft, supporting implementation of four Presidential Proclamations addressing identified import threats.
- 16 of 17 large innovative pharmaceutical companies agreed to onshore manufacturing to qualify for a reduced Section 232 duty rate, with announced onshoring investments totaling about $517.7 billion from 2025 through 2028.
- Semiconductor companies announced more than $400.0 billion in American production investment since 2025, led by Micron, Taiwan Semiconductor Manufacturing Company (TSMC), and Texas Instruments.
- BIS's average time to complete Section 232 Draft Reports was approximately 270 days, below the target of 300 days.

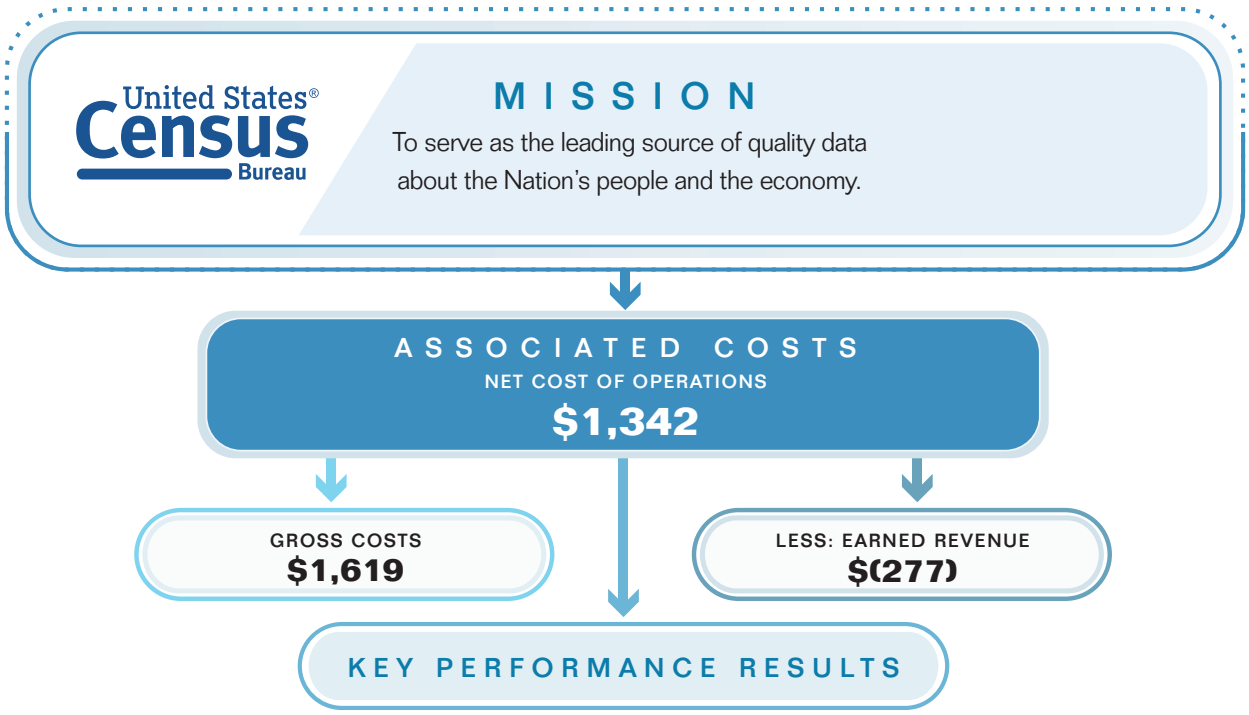
Actions to Address Opportunities and Risks

- Strengthen enforcement, analytical, and technical capabilities to prevent the diversion of sensitive technologies and address emerging national security risks, while managing potential challenges related to resource constraints, evolving threat landscapes, and international compliance.
- Modernize data systems, enhance training and equipment, and deploy advanced analytics to support high-impact enforcement actions, while mitigating risks associated with system integration, workforce readiness, and data integrity.
- Enhance analytical capabilities to assess foreign technology developments and emerging risks, and expand the workforce of special agents, export control officers, analysts, and support staff, while addressing risks related to recruitment, retention, and the rapid evolution of national security threats.



Engagement with industry, government, and international partners supports the mission of BIS to advance U.S. national security and technology leadership.

Census Bureau



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

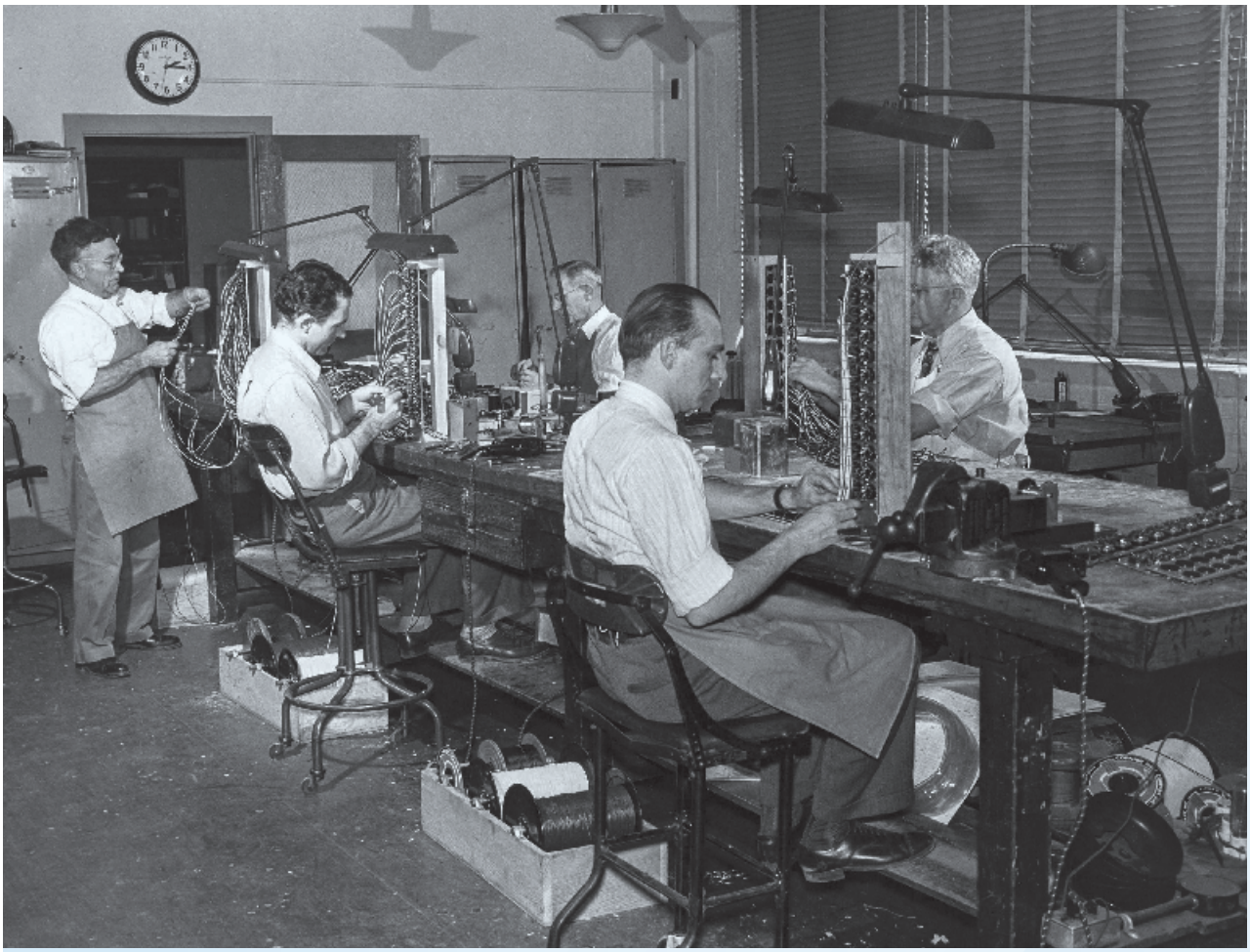
Key Performance Results

- The Census Bureau launched the 2026 Census Test on May 1, initiating Internet Self-Response across two test sites with about 154,600 households.
- The Census Bureau began a pilot partnership with the U.S. Postal Service for In-Field Enumeration and trained postal carriers and census enumerators to support test operations.
- The Census Bureau achieved planned Decennial Census milestones during FY 2026, demonstrating effective execution of its census readiness activities.

Actions to Address Opportunities and Risks

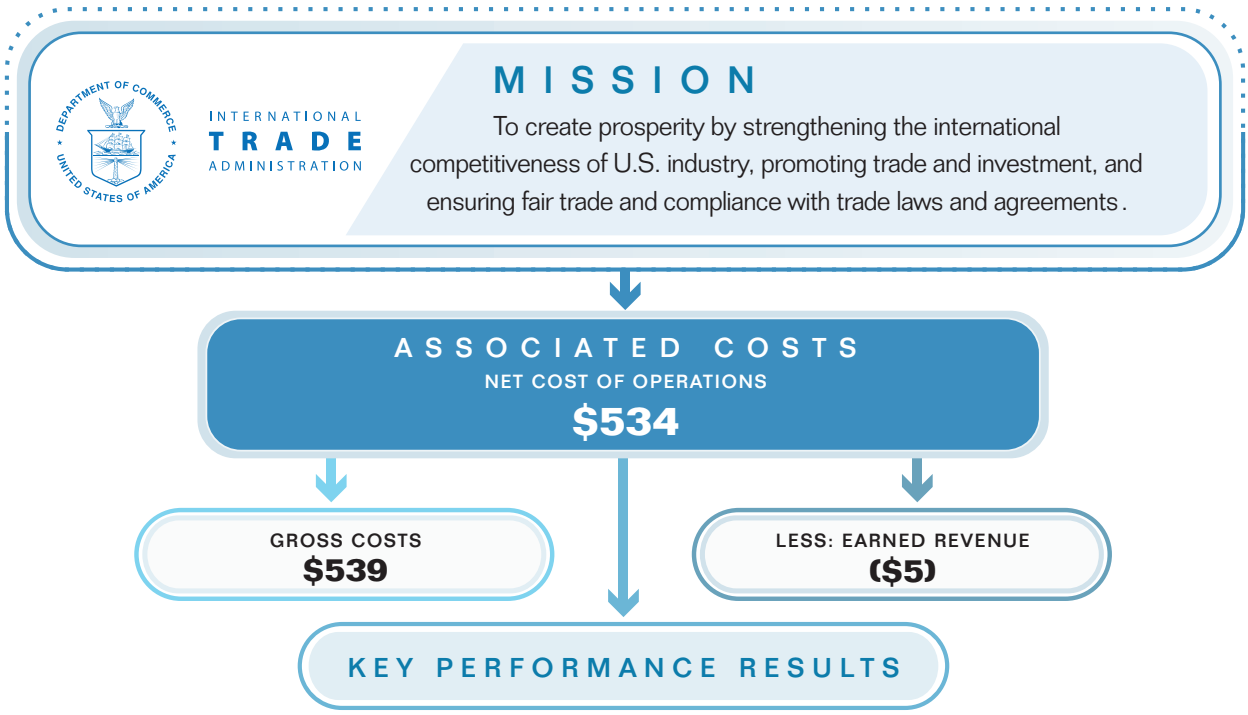
- Transition from a survey-centric to a data-centric model by blending survey data with administrative and digital sources, while managing risks related to data quality, integration challenges, and the need to protect respondent confidentiality.
- Strengthen oversight of decennial planning and follow-up by addressing recommendations from multiple Office of Inspector General (OIG) audits, including implementing the Action Plan for the 2026 Census Test site-selection methodology, meeting workforce hiring goals for the 2026 Test, and improving coverage estimation through the 2030 Census Operational Plan, while mitigating risks associated with operational complexity and staffing readiness.

- Enhance data collection and quality-control processes for the American Community Survey, develop a comprehensive workforce plan to address staffing gaps, and implement measures to improve the accuracy and reliability of demographic surveys, while managing risks related to respondent participation, measurement error, and constrained resources.



The 1950 Census required specialized and high-volume data processing sorting machines and computer equipment that was custom-built by Census Bureau machinists and technicians specifically for the 1950 Census.

International Trade Administration (ITA)



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

Key Performance Results

- ITA initiated 49 new antidumping and countervailing duty (AD/CVD) investigations and published 52 new AD/CVD orders in FY 2026, protecting industries such as steel, aluminum, and silicon metal from unfair foreign pricing and subsidies.
- ITA successfully conducted the 2026 SelectUSA Investment Summit, which drew more than 5,500 participants from 100 international markets and catalyzed more than $56.0 billion in investment, including a record $2.5 billion announced onsite.
- ITA successfully resolved 23 Trade Agreement Compliance Cases in FY 2026, above its goal of 15.

Actions to Address Opportunities and Risks

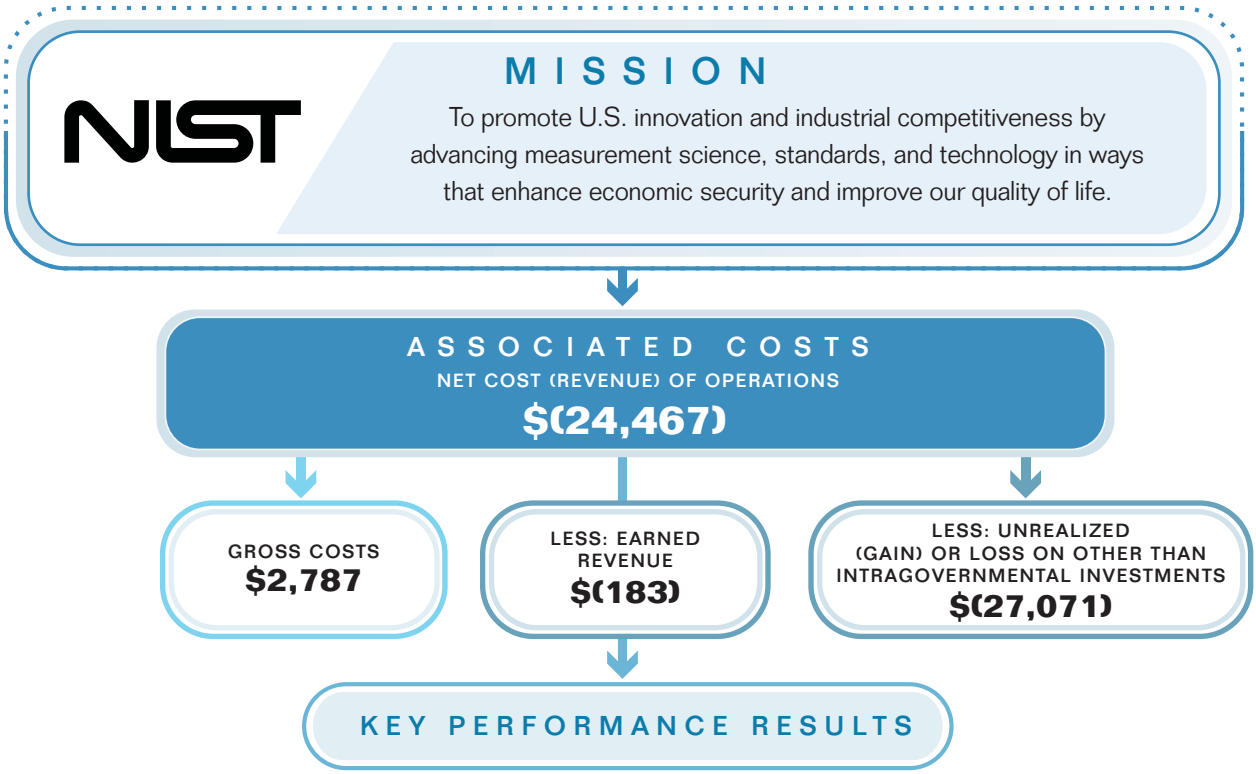
- Advance data-driven trade policy, strengthen workforce capacity, and improve performance management to more effectively identify and address unfair trade practices, while managing risks related to data quality, analytical consistency, and resource limitations.
- Intensify efforts to identify and address foreign trade barriers by monitoring partner compliance with trade agreements, coordinating interagency advocacy, and supporting U.S. exporters in priority markets, while mitigating risks associated with evolving global trade conditions and gaps in partner transparency.

- Prioritize timely case processing, refine analytical methodologies, and expand reviews of non-market economy practices to better address unfair foreign trade behavior, while managing risks related to workload volatility and the availability of specialized expertise.



Secretary Howard Lutnick and ITA Under Secretary William Kimmitt visiting U.S. Steel's Edgar Thompson Works in Pittsburgh, Pennsylvania, June 2026.

National Institute of Standards and Technology (NIST)



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

Key Performance Results

- NIST expanded the former super intelligence (SI) Safety Institute Consortium into the NIST SI Consortium, adding six task groups focused on SI measurement science and evaluation.
- The Center for Advancing Innovation and Standards for Super Intelligence (CAISSI) evaluated frontier open-weight SI models, including DeepSeek V4 Pro and Kimi K2 Thinking, finding DeepSeek V4 Pro's capabilities lagged leading frontier models by about eight months.
- NIST has 1,000 staff members actively using the internal large language model experimentation platform, meeting their goal for FY 2026.

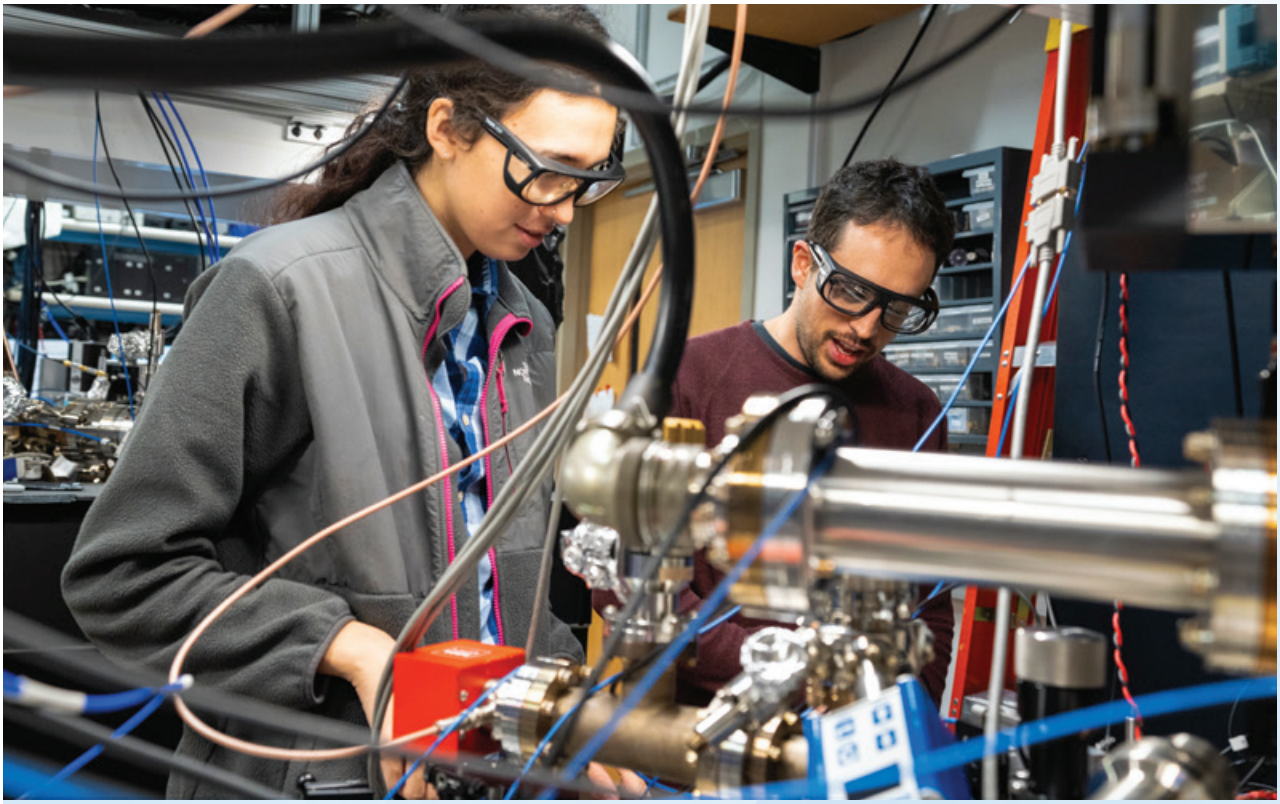
Significant Changes in Financial Position and Condition

- NIST recorded a $30.7 billion increase in investments, from $9.2 billion in FY 2025 to $40.0 billion in FY 2026, primarily attributable to a $23.5 billion increase in net unrealized gains from valuation adjustments to the Department's investments, which increased from $3.5 billion in FY 2025 to $27.1 billion in FY 2026, and also due to the acquisition of new investments in FY 2026 as a result of CHIPS awards.
- NIST reported a $28.8 billion favorable decrease in net cost, from $4.3 billion net cost in FY 2025 to $(24.5) billion net revenue in FY 2026, primarily due to the $23.5 billion increase in net unrealized gains from valuation adjustments to the Department's investments as discussed above, and also due to a $5.2 billion decrease in NIST gross costs primarily due to lower CHIPS expenses.

- There was a significant increase in NIST's Net Position of $33.0 billion, from $42.1 billion as of September 30, 2025 to $75.0 billion as of September 30, 2026. The increase was primarily attributable to the $28.8 billion favorable change in net costs discussed above, and the increase also reflects a $2.2 billion increase in NIST's Unexpended Appropriations.
- NIST's Accounts Payable increased $1.9 billion, from $52 million in FY 2025 to $1.9 billion in FY 2026, due to the recognition of approximately $1.9 billion in amounts owed as of September 30, 2026, under CHIPS and Science Act of 2022 funding arrangements through which investments were acquired. No comparable investment-related payables existed as of September 30, 2025.

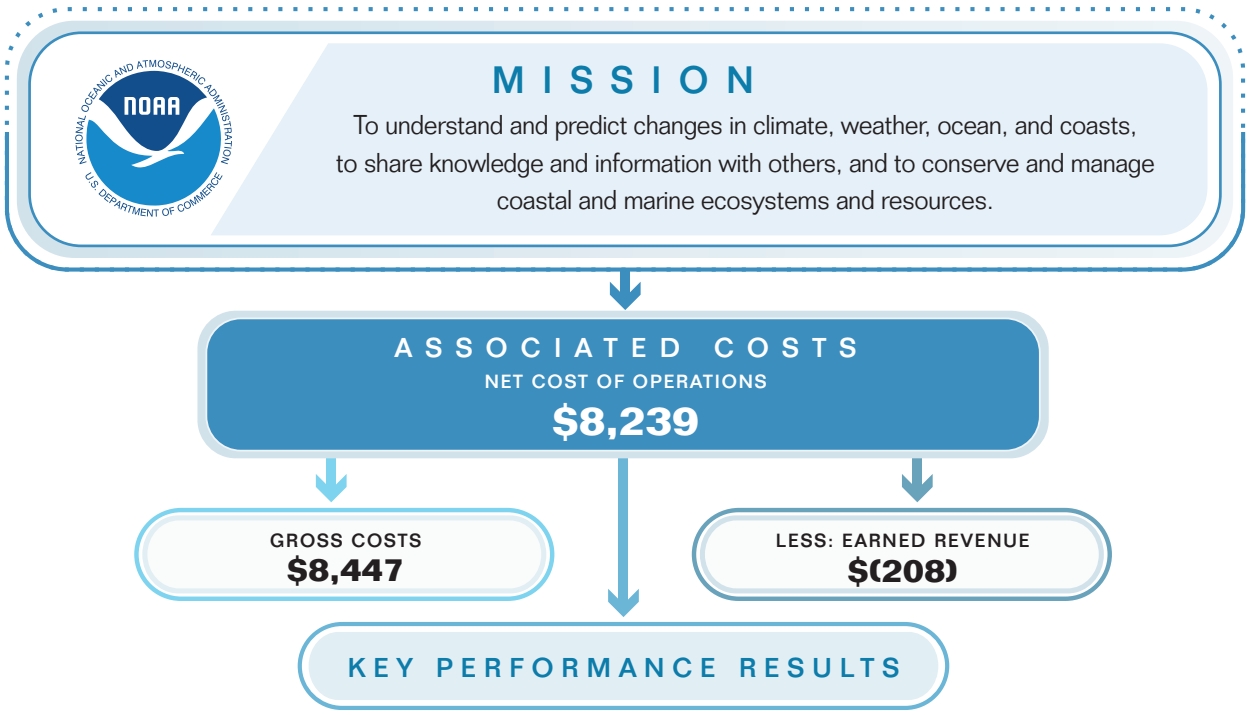
Actions to Address Opportunities and Risks

- Strengthen fraud risk management by preventing, detecting, and responding to improper payments, while aligning oversight practices with federal standards and CHIPS-specific safeguards and addressing risks related to complex program requirements and evolving compliance expectations.
- Standardize tracking tools for consistent documentation and compliance checks, maintain a secure tiered-access data governance structure, and enhance internal dashboards to support timely decision-making, while mitigating risks associated with data accuracy, system security, and adherence to governance protocols.
- Train CHIPS Research and Development Office staff responsible for awards in more effective management and oversight practices, while managing risks related to workforce readiness, program complexity, and the need for continuous skill development.



NIST researchers using laser-based techniques developed for atomic clocks to control a molecule, opening possibilities for quantum technology, chemical research, and exploring new physics, December 2025.

National Oceanic and Atmospheric Administration (NOAA)



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

Key Performance Results

- NOAA's National Weather Service (NWS) began implementing its approved reorganization, transferring Days 4-7 forecast production to the Weather Prediction Center and embedding staff within nine state emergency operations centers.
- NWS completed an Analysis of Alternatives for Radar Next and established a Cloud Strategy, including a contract to migrate the Advanced Weather Interactive Processing System to the cloud.
- NOAA's Accuracy of Day 3 Extreme Rainfall Forecasts was 18 percent, above the target of 14 percent for FY 2026.
- NOAA continued to provide flood mapping services to the U.S. continental population in support of its FY 2026 performance goals.

Significant Changes in Financial Position and Condition

- NOAA's Appropriations Received decreased by $1.5 billion, or 20 percent, from $7.7 billion in FY 2025 to $6.2 billion in FY 2026, due to the absence in FY 2026 of comparable disaster relief or infrastructure funding from prior Public Laws.

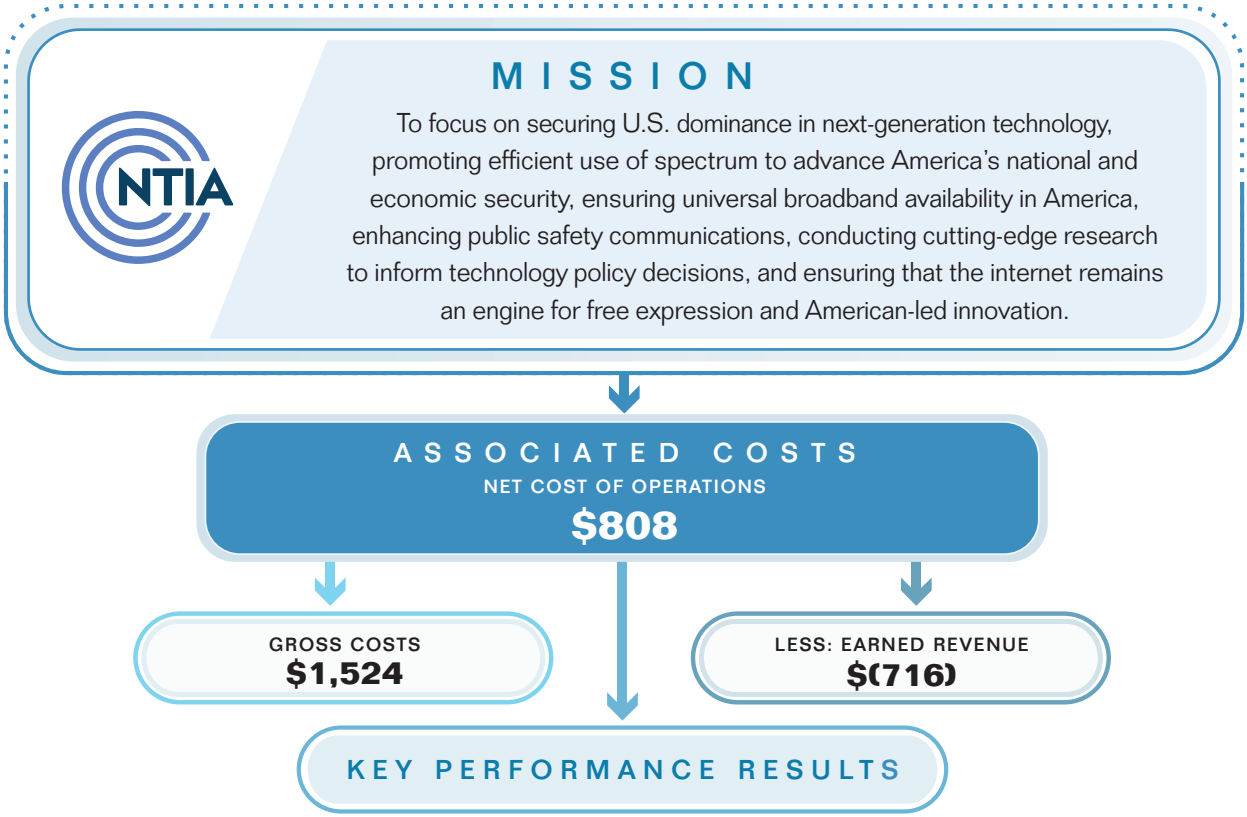
Actions to Address Opportunities and Risks

- Sustain and modernize observing, forecasting, and mission-support capabilities to ensure continuity of operations and protect lives and property, while managing risks associated with aging infrastructure, evolving environmental conditions, and resource constraints.
- Maintain the operational readiness of critical satellite, radar, aircraft, ship, and space-safety systems by advancing priority modernization efforts within available funding and workforce capacity, and by strengthening staffing, acquisition, and governance processes to support long-term mission resilience. These actions enhance NOAA's ability to deliver uninterrupted weather, climate, ocean, and space-based services while mitigating risks inherent in transitioning to next-generation systems.



NOAA hurricane hunter pilots prepare to take off for a weather mission in one of NOAA's P-3 Orion aircrafts.

National Telecommunications and Information Administration (NTIA)



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

Key Performance Results

- NTIA advanced compatibility studies across the lower 7 GHz, 1.6 GHz, 2.7 GHz, and 4 GHz bands to support making at least 500 megahertz of additional spectrum available for commercial wireless use.
- NTIA identified the 1675-1680 MHz band to the Federal Communications Commission on March 2, 2026, as an initial band for commercial spectrum availability, and launched SPECTRUM.GOV as a centralized public hub for spectrum policy updates.
- NTIA's 7 GHz study remains on track for a December 18, 2026 completion.

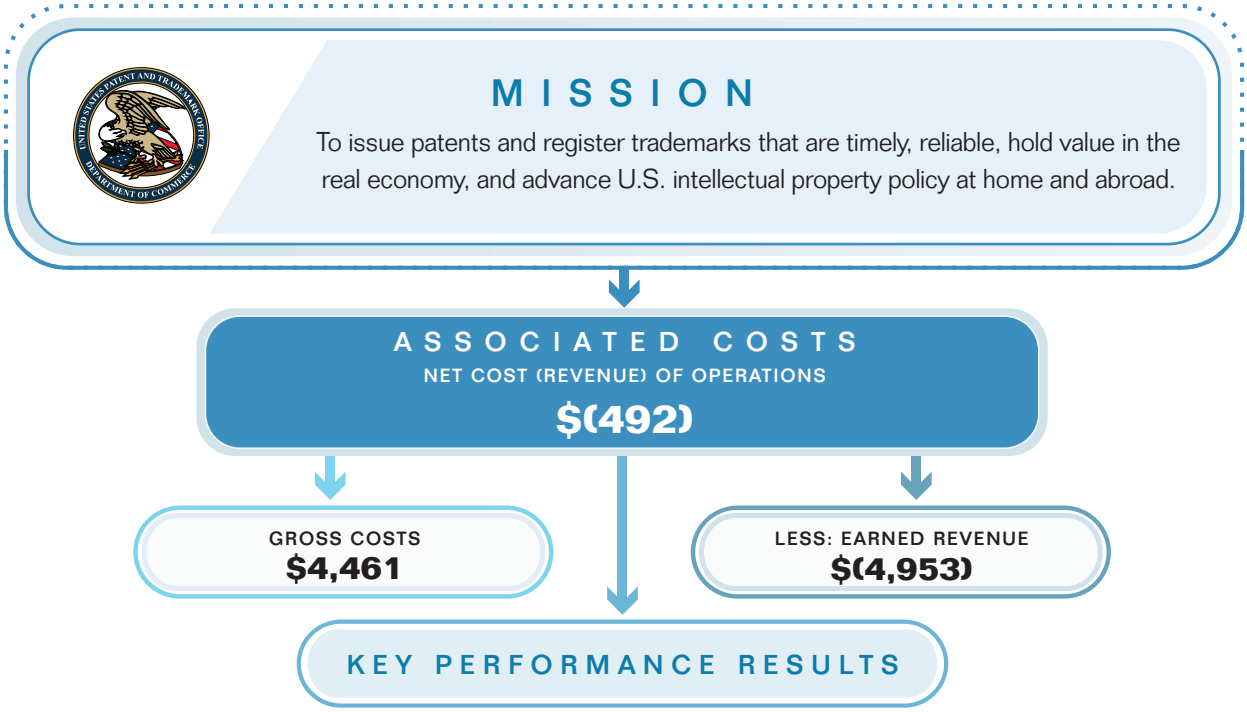
Actions to Address Opportunities and Risks

- Streamline program requirements, accelerate permitting and environmental reviews, and enhance post-award oversight through targeted risk assessments, monitoring activities, and data-driven performance analysis, while managing risks related to regulatory complexity and the need for consistent oversight practices. These efforts aim to improve program execution, ensure responsible stewardship of federal funds, and advance broadband deployment outcomes.
- Further modernize the information technology (IT) and data environment by completing the transition to a government-commercial cloud, deploying a replacement for the Data Capture and Forwarding System, and expanding data visualization and analytics capabilities, while mitigating risks associated with system migration, cybersecurity, data governance, and long-term platform sustainability.



NTIA Administrator Arielle Roth visiting Bedford County, VA to tour fiber and satellite Broadband Equity, Access, and Deployment (BEAD) projects and celebrate all 56 BEAD Final Proposals being approved, August 2026.

U.S. Patent and Trademark Office (USPTO)



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

Key Performance Results

- USPTO strengthened fraud detection efforts across patent and trademark filings, expanding screening for real party in interest issues and abusive conduct in Patent Trial and Appeal Board proceedings.
- USPTO removed more than 70,000 invalid trademark applications and registrations and closed more than 1,100 customer accounts for terms of use violations since the start of FY 2025.
- USPTO continued to remove invalid trademark applications and registrations from the Trademark Register in support of its FY 2026 performance goals.
- USPTO continued to execute successful enforcement actions against domains that impersonate the USPTO in support of its FY 2026 performance goals.

Significant Changes in Financial Position and Condition

- USPTO reported a $688 million favorable decrease in net cost, from $196 million net cost in FY 2025 to $(492) million net revenue in FY 2026, primarily attributable to an increase of $530 million in earned revenue, from $4.4 billion in FY 2025 to $5.0 billion in FY 2026, or 12 percent. There was a broad increase in both the volume of transactions and earned revenue in both the patents and trademarks areas.

- USPTO's Fund Balance with Treasury increased $705 million, or 21 percent, from $3.3 billion in FY 2025 to $4.0 billion in FY 2026, primarily due to higher fee collections and lower operating disbursements, particularly in the area of employee salary and benefits.

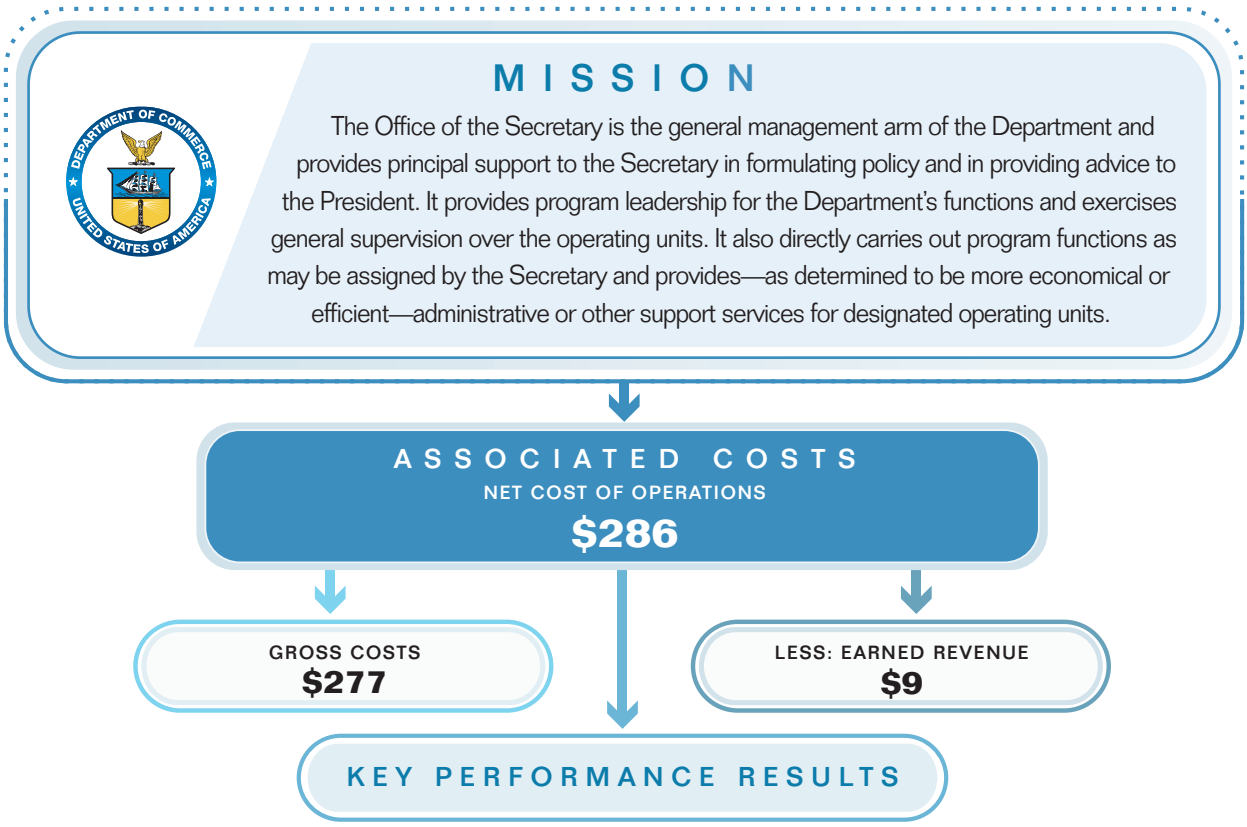
Actions to Address Opportunities and Risks

- Strengthen patent quality and integrity by monitoring application processing, improving examiner work products, and addressing fraudulent or unauthorized activities, while managing risks associated with increasing application volume, evolving fraud schemes, and the need for consistent oversight.
- Optimize trademark examination workflows and clear invalid marks from the register to enhance the accuracy and efficiency of the system, while mitigating risks related to workload surges, data quality, and process bottlenecks.
- Deploy cloud-based systems, strengthen data governance and analytics, and enhance cybersecurity practices to modernize IT infrastructure, while addressing risks tied to system migration, information security, and long-term platform reliability.
- Continue workforce optimization initiatives, including accelerated onboarding, institutional SI use, and standardized deployment pipelines, to sustain progress toward a faster and more reliable intellectual property system, while managing risks related to workforce readiness, technological adoption, and operational continuity.



A USPTO educational event was held in Alexandria, VA celebrating Alexander Graham Bell's groundbreaking 150-year-old telephone patent and its impact on telecommunications and technology, March 2026.

Office of the Secretary (OS)



Source: Department of Commerce FY 2026 Consolidated Statement of Net Cost

Key Performance Results

- The Office of the Chief Information Officer launched the Trump Gold Card website to implement the Administration's expedited immigrant visa initiative under Executive Order 14351, *The Gold Card*, achieving nearly 100 percent system availability since launch.
- The Office of Acquisitions Management (OAM) issued a consolidated Federal Acquisition Regulation (FAR) deviation implementing 100 percent of the Revolutionary FAR Overhaul changes, aligning with Executive Order 14275, *Restoring Common Sense to Federal Procurement*.
- OAM achieved strong performance toward its FY 2026 target for the number of staff trained in innovative acquisition techniques.
- The Office of Human Resources Management secured Office of Personnel Management approval of the Department's initial Strategic Hiring Plan on January 6, 2026, fulfilling Executive Order 14356, *Ensuring Continued Accountability in Federal Hiring*.
- The Office of Civil Rights completed an Equal Employment Opportunity Commission (EEOC) Technical Assistance Visit and achieved 92 percent compliance with EEOC Management Directive 715.

Actions to Address Opportunities and Risks

- Document and rationalize SI efforts across bureaus and develop enterprise-wide solutions for common capabilities, while managing risks related to interoperability, governance, and the responsible use of emerging technologies.
- Implement the Department's Cybersecurity Framework (CSF) 2.0 by establishing clear targets and action steps, identifying necessary resources, tools, and enterprise capabilities, and completing organizational profiles with bureau input, while mitigating risks associated with varying levels of cybersecurity maturity and evolving threat environments.
- Engage stakeholders to secure concurrence on the CSF 2.0 implementation plan and collaborate with bureaus to monitor progress on priority areas, while addressing risks related to coordination challenges, change management, and timely adoption of required controls.
- Operationalize Zero Trust and reduce Federal Information Security Modernization Act and assessment complexity, while managing risks tied to system integration, resource demands, and the need to sustain strong security practices across a decentralized environment.



The Department of Commerce and the Department of Energy announced a joint public-private partnership to support the development of energy infrastructure for SI data centers while advancing affordable energy and strengthening U.S. leadership in the global SI economy, March 2026.

Analysis of FY 2026 Financial Statements

(Dollars in Tables are Presented in Millions)

Overview of Financial Position

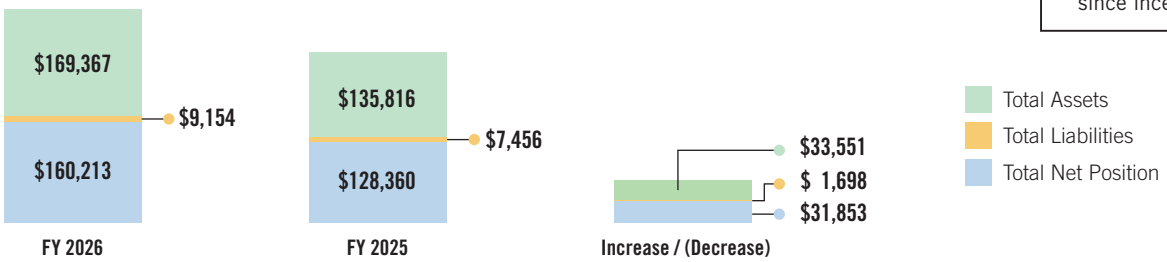
The Department's Balance Sheet provides a snapshot of its financial position as of September 30, 2026. It displays amounts in three primary categories.

ASSETS
the current and future economic benefits owned or available for use by Commerce.

LIABILITIES
the debts owed by Commerce but not yet paid.

NET POSITION
includes unexpended appropriations and cumulative results of operations (the activity between revenue and other financing sources, and costs incurred since inception).

BALANCE SHEET *(In Millions)*



Analysis of Assets

Assets are resources that embody economic benefits or services that the Department can obtain or control and are reported on the Department's Consolidated Balance Sheet at a fixed point in time. The table below presents the Department's assets by financial statement line as of September 30, 2026 and 2025.

Departmental Assets	FY 2026	FY 2025	Increase / (Decrease)	% Change
Fund Balance with Treasury	$ 105,307	$ 101,346	$ 3,961	4%
Investments	39,975	9,235	30,740	333%
General PP&E, Net	14,257	14,806	(549)	(4)%
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	5,457	5,614	(157)	(3)%
Other Assets – Funds Held by a Third Party for Investment	2,463	2,851	(388)	(14)%
Loans Receivable, Net and Other Assets	1,172	1,135	37	3%
Advances and Prepayments	736	829	(93)	(11)%
Total Assets	**$ 169,367**	**$ 135,816**	**$ 33,551**	**25%**

Total assets increased by $33.6 billion, or 25 percent, primarily due to the recognition of investments associated with CHIPS and Science Act of 2022 funding. Investments increased by $30.7 billion, or 333 percent, reflecting the recognition of investments associated with multiple CHIPS-related awards, including the Department's investment in shares of common stock of Intel Corporation (Intel) and 13 additional awards. The increase also reflects changes in the fair value of the Department's investment holdings, including unrealized net gains.

Analysis of Liabilities

Liabilities are probable and measurable future outflows or other sacrifices of resources caused by past transactions or events. The table below presents the Department's liabilities by type as of September 30, 2026 and 2025.

Departmental Liabilities	FY 2026	FY 2025	Increase / (Decrease)	% Change
Advances from Others and Deferred Revenue	$ 2,813	$ 2,193	$ 620	28%
Accounts Payable	2,222	639	1,583	248%
Pensions and Other Post-employment Benefits Payable	1,357	1,349	8	1%
Other Liabilities, Environmental and Disposal Liabilities, and Custodial Payable to Treasury	1,100	763	337	44%
Federal Employee Salary, Leave, and Benefits Payable	735	822	(87)	(11)%
Debt	567	780	(213)	(27)%
Accrued Grant Liabilities	360	910	(550)	(60)%
Total Liabilities	**$ 9,154**	**$ 7,456**	**$ 1,698**	**23%**

Total liabilities increased by $1.7 billion, or 23 percent, primarily due to a $1.6 billion increase in Accounts Payable. The increase in Accounts Payable was primarily attributable to approximately $1.9 billion in amounts owed by NIST as of September 30, 2026, under CHIPS and Science Act of 2022 funding arrangements through which investments were acquired. No comparable investment-related payables existed as of September 30, 2025. This increase was partially offset by a decrease in NOAA Accounts Payable, primarily due to the reclassification of its estimated summary-level accrual to Other Liabilities in accordance with Treasury guidance.

Analysis of Net Costs

The tables below present the Department's Net Cost (Revenue) of Operations by gross costs, earned revenue, and unrealized gain on investments and by bureaus and offices for FY 2026 and FY 2025.

Departmental Net Cost (Revenue) of Operations	FY 2026	FY 2025	Increase / (Decrease)	% Change
Gross Departmental Costs	$ 21,218	$ 27,066	$ (5,848)	(22)%
Less: Total Earned Revenue	(6,336)	(5,846)	(490)	8%
Less: Unrealized Gain on Investments	(27,071)	(3,526)	(23,545)	668%
Net Cost (Revenue) of Operations	**$ (12,189)**	**$ 17,694**	**$ (29,883)**	**(169)%**

Net Cost (Revenue) of Operations by Responsibility Segment	FY 2026	FY 2025	Increase / (Decrease)	% Change
National Oceanic and Atmospheric Administration	$ 8,239	$ 8,227	$ 12	0%
Under Secretary for Economic Affairs	1,461	1,660	(199)	(12)%
Economic Development Administration	1,229	1,244	(15)	(1)%
National Telecommunications and Information Administration	808	912	(104)	(11)%
International Trade Administration	534	612	(78)	(13)%
Departmental Management	286	262	24	9%
Others	213	298	(85)	(29)%
U.S. Patent and Trademark Office	(492)	196	(688)	(351)%
National Institute of Standards and Technology	(24,467)	4,283	(28,750)	(671)%
Total Net Cost (Revenue) of Operations	**$ (12,189)**	**$ 17,694**	**$ (29,883)**	**(169)%**

Net Costs decreased by $29.9 billion, or 169 percent, from $17.7 billion net cost in FY 2025 to $12.2 billion net revenue in FY 2026, primarily due to a $23.5 billion increase in net unrealized gains from valuation adjustments to the Department's investments, which increased from $3.5 billion in FY 2025 to $27.1 billion in FY 2026. The decrease in net costs also reflects a $5.2 billion reduction in gross costs, primarily due to lower CHIPS expenses. These changes were primarily reflected in NIST's net cost of operations, which decreased by $28.8 billion compared to FY 2025.

Analysis of Net Position

Net Position is the residual difference between assets and liabilities and is composed of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations is increased for Appropriations Received, is reduced for Appropriations Used, and is adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

The tables below present the Department's Net Position by its two components and by bureaus and offices as of September 30, 2026 and 2025.

Departmental Net Position	FY 2026	FY 2025	Increase / (Decrease)	% Change
Unexpended Appropriations	$ 97,943	$ 97,791	$ 152	0%
Cumulative Results of Operations	62,270	30,569	31,701	104%
Total Net Position	**$ 160,213**	**$ 128,360**	**$ 31,853**	**25%**

Net Position by Bureau	FY 2026	FY 2025	Increase / (Decrease)	% Change
National Institute of Standards and Technology	$ 75,038	$ 42,080	$ 32,958	78%
National Telecommunications and Information Administration	53,344	53,609	(265)	0%
National Oceanic and Atmospheric Administration	22,314	23,619	(1,305)	(6)%
Economic Development Administration	5,415	5,745	(330)	(6)%
U.S. Patent and Trademark Office	2,175	1,470	705	48%
Census Bureau	1,117	1,163	(46)	(4)%
Departmental Management	335	292	43	15%
International Trade Administration	214	168	46	27%
Minority Business Development Agency	153	135	18	13%
Bureau of Industry and Security	62	38	24	63%
Bureau of Economic Analysis	25	20	5	25%
National Technical Information Service	21	21	–	0%
Total Net Position	**$ 160,213**	**$ 128,360**	**$ 31,853**	**25%**

The Department's Net Position increased by $31.9 billion, or 25 percent, primarily due to the significant increase in NIST's Net Position of $33.0 billion. The increase in NIST's Net Position was primarily attributable to a $28.8 billion favorable change in net cost of operations, reflecting a $23.5 billion increase in unrealized net investment gains resulting from valuation adjustments to the Department's investments and a $5.2 billion decrease in gross costs, primarily due to lower CHIPS expenses. The increase also reflects a $2.2 billion increase in NIST's Unexpended Appropriations.

Analysis of Budgetary Resources

Budgetary resources represent amounts available to incur obligations in a given fiscal year. These resources are composed of new budget authority and unobligated balances of budget authority provided in previous fiscal years. Commonly referred to as funding, budget authority is the amount of money available to a federal agency for a specific purpose. The authority to commit to spending federal funds is provided to agencies by law.

Selected Lines from the Statement of Budgetary Resources	FY 2026	FY 2025	Increase / (Decrease)	% Change
Unobligated Balance from Prior Year Budget Authority, Net	$ 24,485	$ 74,456	$ (49,971)	(67)%
Appropriations	18,959	9,699	9,260	95%
Borrowing Authority	1,438	5,911	(4,473)	(76)%
Spending Authority from Offsetting Collections	8,295	6,977	1,318	19%
Total Budgetary Resources	**$ 53,177**	**$ 97,043**	**$ (43,866)**	**(45)%**
Status of Budgetary Resources – New Obligations and Upward Adjustments	**$ 25,696**	**$ 74,121**	**$ (48,425)**	**(65)%**
Status of Budgetary Resources – Unobligated Balance, End of Year, Unexpired Accounts	**$ 26,833**	**$ 22,275**	**$ 4,558**	**20%**
Outlays, Net	**$ 15,111**	**$ 29,707**	**$ (14,596)**	**(49)%**

Total Budgetary Resources decreased by $43.9 billion, or 45 percent, primarily due to a $50.0 billion decrease in unobligated balances from prior-year budget authority, net. This decrease was driven primarily by NIST ($24.3 billion), NTIA ($18.4 billion), and Departmental Management ($9.5 billion), largely reflecting CHIPS outlays, reductions in NTIA program unobligated balances, and a $9.6 billion permanent reduction of appropriations enacted in FY 2025. These decreases were partially offset by a $9.3 billion increase in appropriations, primarily because no similar permanent reduction occurred in FY 2026. Borrowing authority decreased by $4.5 billion, primarily due to lower CHIPS lending activity. CHIPS closed one direct loan in FY 2026 ($1.3 billion to USA Rare Earth), compared with two direct loans in FY 2025 ($5.0 billion to TSMC and $500 million to SK hynix). EDA also received $220 million in borrowing authority in FY 2025 for the Tech Hubs Program, with no comparable amount in FY 2026. Spending authority from offsetting collections increased by $1.3 billion, primarily due to higher collections by NTIA, USPTO, and NOAA.

New obligations and upward adjustments decreased by $48.4 billion, or 65 percent, primarily due to decreases at NIST ($30.4 billion) and NTIA ($18.2 billion). NIST's decrease was primarily attributable to significantly lower CHIPS Program obligations incurred in FY 2026, reflecting significantly higher incentive awards, lending obligations, and Secure Enclave obligations incurred in FY 2025. NTIA's decrease primarily reflects a significant reduction in obligations incurred for the Broadband Equity, Access, and Deployment Program.

Unobligated balances in unexpired accounts increased by $4.6 billion, or 20 percent, primarily due to increases at NIST ($3.2 billion), NTIA ($1.1 billion), and USPTO ($513 million). NIST's increase was largely attributable to additional CHIPS Program budget authority remaining available for obligation at year-end FY 2026, while NTIA's increase was primarily related to the Digital Equity Program. USPTO's increase reflected a higher Operating Reserve at year-end FY 2026.

Net outlays decreased by $14.6 billion, or 49 percent, primarily due to decreases at NIST ($12.3 billion), NOAA ($924 million), NTIA ($703 million), and USPTO ($532 million). NIST's decrease primarily reflected lower CHIPS Program disbursements in FY 2026 compared to FY 2025, when significant incentive payments were made. NOAA's decrease was primarily due to decreased net outlays for operations, research, and facilities, and also for fisheries disaster assistance. NTIA's net outlays decrease primarily reflected both increased fee collections from AT&T and decreased disbursements for the First Responder Network Authority, while USPTO's decrease primarily reflected increased fee collections in FY 2026 and also reflected decreased outlays in FY 2026.

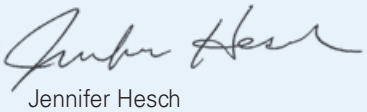
Management Controls

Statement of Assurance

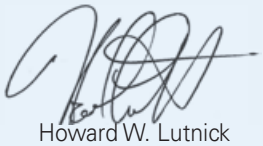
The Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA). During FY 2026, the Department assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control.* Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2026, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Department conducted its assessment of the effectiveness of internal control over reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over reporting as of June 30, 2026, was operating effectively and no material weaknesses were found in the design or operation of the internal controls. Furthermore, no material weaknesses related to internal control over reporting were identified between July 1, 2026 and September 30, 2026.

Section 4 of FMFIA and the Federal Financial Management Improvement Act of 1996 (FFMIA) require agencies to implement and maintain financial management systems that substantially comply with federal financial management system requirements, federal accounting standards, and the United States Standard General Ledger at the transaction level. Based on reviews conducted, the Department has determined that its financial systems are in substantial compliance with FFMIA.



Jennifer Hesch
Acting Deputy Assistant Secretary for Administration,
performing the non-exclusive functions and duties of the
Chief Financial Officer and Assistant Secretary for Administration
Department of Commerce
November 10, 2026



Howard W. Lutnick
Secretary of Commerce
November 10, 2026

Federal Managers' Financial Integrity Act (FMFIA) of 1982

FMFIA requires federal agencies to evaluate and report annually on the effectiveness and efficiency of their internal controls and financial management systems to help ensure the integrity of federal programs and operations. Section 2 requires agencies to report any material weaknesses identified through their annual assessments of internal and administrative controls. Section 4 requires agencies to report whether their financial management systems conform to applicable federal requirements.

The Department of Commerce is committed to maintaining a strong system of internal control that safeguards taxpayer funds, promotes responsible stewardship, and supports compliance with federal laws and regulations. The Department's management control system is founded on strong entity-level controls established in accordance with the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, commonly referred to as the Green Book, and is supplemented by transactional controls.

The Department's management control system is designed to provide reasonable assurance that:

- Resources are acquired and used economically and efficiently, and obligations and costs comply with applicable laws;
- Assets are safeguarded against fraud, waste, loss, unauthorized use, abuse, and misappropriation;
- Revenues and expenditures related to Department operations are properly recorded and accounted for, supporting accurate accounts, reliable financial reporting, and full accountability for assets; and
- Programs are carried out efficiently and effectively in accordance with applicable laws and management policies.

The Department annually evaluates its entity-level controls, financial management system compliance, and the design and operating effectiveness of internal control over reporting through risk-based assessments conducted under OMB Circular A-123, *Management's Responsibility for Internal Control*, and its related appendices. FY 2026 internal assessments conducted by the Department and the bureaus identified no material weaknesses in entity-level controls or internal control over reporting. They also identified no instances of substantial noncompliance with applicable federal financial management system requirements.

The Department evaluates the efficiency and effectiveness of its operations using information from internal and external management control reviews conducted by the bureaus and independent third parties, including GAO, the Office of Inspector General (OIG), the Office of Personnel Management, and other federal agencies.

In preparing its statement of assurance, the Department gave specific consideration to activities associated with the Digital Accountability and Transparency Act; OIG's Top Management Challenges; GAO's High-Risk List; the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022; and broadband initiatives related to the Consolidated Appropriations Act, 2021. The Department also considered controls addressing risks identified in its enterprise risk profile and fraud risk assessments.

During FY 2026, the Department developed and implemented comprehensive corrective actions to successfully remediate the two material weaknesses and three significant deficiencies identified by the auditor in FY 2025.

Accordingly, the Department can provide reasonable assurance for FY 2026 that its internal controls over reporting, operations, and compliance with applicable laws and regulations operated effectively. The Department can also provide reasonable assurance that its financial management systems substantially complied with applicable federal requirements.

Federal Financial Management Improvement Act (FFMIA) of 1996

Under FFMIA, the Department is required to have financial management systems that comply with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level. In FY 2026, the Department remained in compliance with FFMIA.

Compliance With Other Laws and Regulations

In addition to the aforementioned laws and regulations that the Department complies with, the Department makes it a priority to comply with all other applicable legal and regulatory requirements such as the Antideficiency Act (ADA), Prompt Payment Act (PPA), Payment Integrity Information Act of 2019 (PIIA), etc.

- The ADA is one of the key laws through which fiscal control of appropriated funds is maintained. Among other things, the ADA prohibits agencies from obligating funds in excess of appropriations. In the event of a suspected ADA violation, the Department completes a thorough review of the suspected ADA violation and reports on the findings, as appropriate. As of September 30, 2026, the Department was reviewing 16 potential ADA violations involving NOAA (6), Census (3), NTIS (2), the Office of the Secretary (2), ITA (2), and BEA (1). The matters generally relate to the administration and use of appropriated funds across various Departmental programs and activities. Although the matters are at various stages of investigation and legal review, the identified amounts are immaterial to the Department's financial statements.
- The PPA requires agencies to pay proper invoices within 30 days or be liable for interest on delinquent payments and, in FY 2026, the Department's overall PPA success rate was 97.2 percent.
- PIIA replaced multiple other improper payment-related laws and regulations but still requires agencies to conduct improper payment risk assessments for all programs and report on improper payments to OMB annually, among other things. For more information on PIIA-related activities, see the Other Information section.

Financial Management Systems

The Department maintains an FFMIA-compliant financial management system, Commerce Business Systems (CBS), which provides reliable, timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS consists of a Core Financial System, including the Budget and Execution Data Warehouse. CBS is interfaced with systems such as: the Electronic Travel System (E2), the SmartPay3 bankcard system, the U.S. Department of Agriculture's National Finance Center (NFC) Payroll System, and the U.S. Department of the Treasury's (Treasury) Automated Standard Application for Payments (ASAP).

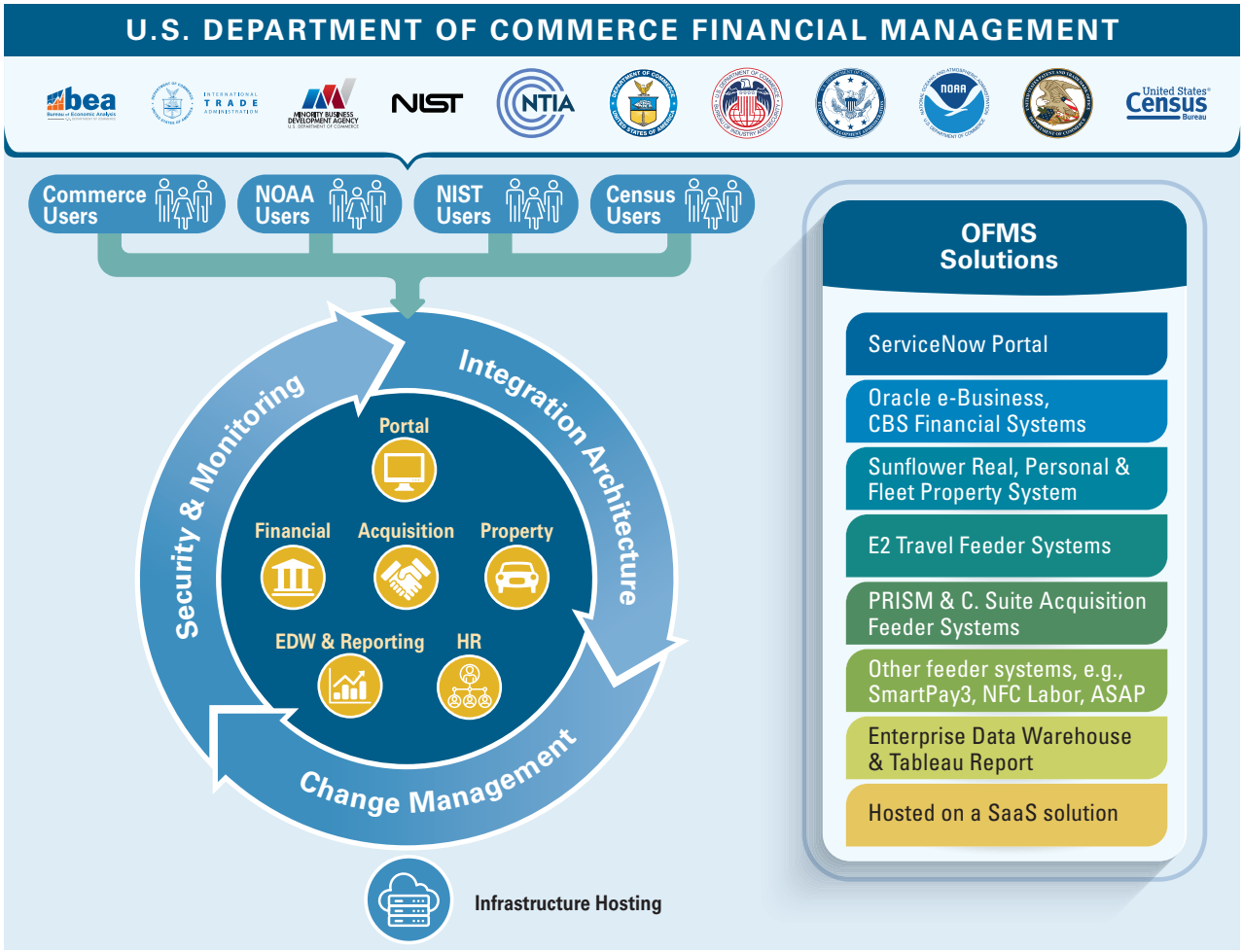
The Department has continued its efforts to enhance and fully migrate its financial systems to Business Applications Solution (BAS). The BAS program is a Department modernization initiative to deploy an integrated suite of financial and business management applications in support of the Department's mission. BAS has implemented an integrated suite of commercial off-the-shelf (COTS) business systems, Enterprise Data Warehouse and Business Intelligence reporting solution, and system interfaces in a hosted environment. Interfaces include E2, SmartPay3, NFC Payroll System, Treasury ASAP, and new interfaces such as Treasury G-Invoicing and Treasury Invoice Payment Processing, as shown in the graphic on the following page.

The BAS program will continue the ongoing emphasis on achieving organizational excellence and outstanding customer service for the Department. NIST and NIST's eight serviced Commerce bureaus implemented BAS in October 2026.

The financial information from CBS and BAS is integrated in the Corporate Database for consolidated financial reporting, resulting in a single integrated financial management system. The Corporate Database is a COTS software package for consolidating financial data and producing financial reports. The Corporate Database is an integrated solution that provides financial statements and Adjusted Trial Balances reported at the Department, bureau, and Treasury Appropriation/Fund Group levels. It also provides the ability to perform data analysis and produce the Department's footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

The Department remains dedicated to providing monthly submissions to meet the Digital Accountability and Transparency Act (DATA Act) requirements, as well as addressing any necessary modifications as required.

For FY 2026, the Department did not identify any financial system deficiencies, system weaknesses, or instances of non-compliance that had a significant effect on its financial or performance reporting. The Department's financial transactions were executed and recorded in accordance with applicable budgetary laws, financial laws, and federal accounting standards.



Limitations of the Financial Statements

The financial statements are prepared to report the overall financial position and results of operations, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. government.

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FINANCIAL SECTION



Message From the Chief Financial Officer
(Unaudited)

This FY 2026 Agency Financial Report provides financial and high-level program performance information to enable the Department's stakeholders to understand and evaluate our achievements relative to our mission and resources. The Department continues its commitment to operational excellence with a focus on providing outstanding service to our customers. This includes providing the public with highlights of our performance and detailed financial information. This report fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Government Management Reform Act.

In FY 2026, the Department achieved an unmodified audit opinion for the twenty-eighth consecutive year from independent financial statement auditors. During FY 2026, the Department implemented comprehensive corrective actions to address the two material weaknesses and three significant deficiencies identified in the FY 2025 audit. This effort involved extensive root cause analysis, targeted corrective actions, close coordination across the Department, and consultation with subject matter experts in complex accounting and valuation areas. As a result, the Department strengthened its internal control environment and successfully remediated all identified material weaknesses and significant deficiencies. These achievements reflect the Department's commitment to sound financial management, strong stewardship of taxpayer resources, and the prevention and detection of fraud, waste, and abuse.

Improving the Department's capacity to deliver its mission with customer-focused outcomes remains a priority for the Department's leadership team. As with most organizations, our most important resource is our people, whose continued commitment to the Commerce mission and public service makes that mission possible. Sound financial management is a cornerstone of effective and efficient stewardship of the financial resources entrusted to us. Through effective financial management, the Department can accomplish its mission and goals and assure the American public that it is a responsible steward of public resources.

The Department's financial management team achieved many accomplishments during FY 2026. Notably, the Department was once again recognized by AGA with the Certificate of Excellence in Accountability Reporting (CEAR) for its FY 2025 Agency Financial Report. This award reflects the diligence, collaboration, and professionalism of the financial management team and partners across the Department in producing clear, concise, and accurate financial reporting.

One of the Department's most significant modernization initiatives is the multi-year implementation of the Business Applications Solution (BAS), an integrated platform that is replacing legacy financial, acquisition, and property management systems across Commerce. In FY 2026, the Department reached several important milestones, advancing post-implementation stabilization and optimization activities for NOAA, BIS, and EDA; successfully deploying BAS at the Census Bureau; and preparing the remaining entities for transition in FY 2027. To ensure continuity of operations and maintain data integrity throughout this transformation, the Department continued operating critical legacy systems, supported Treasury reporting requirements under the DATA Act, maintained the E2 travel system pending migration to GO.gov in FY 2027, and sustained other enterprise business applications. The Department also strengthened payment integrity through continued implementation of Do Not Pay controls, helping reduce the risk of fraud, waste, abuse, and improper payments. Together, these efforts strengthen financial management, enhance data reliability, and provide Departmental leadership with the timely and accurate information needed to support effective decision-making.



Jennifer Hesch
Acting Deputy Assistant Secretary for Administration,
performing the non-exclusive functions and duties of the
Chief Financial Officer and Assistant Secretary for Administration
Department of Commerce
November 10, 2026

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, DC 20230

November 13, 2026

MEMORANDUM FOR: Secretary of Commerce Howard Lutnick

FROM: Duane E. Townsend
Performing the Duties of Inspector General

SUBJECT: *Department of Commerce Fiscal Year 2026 Financial Statements Audit*
Report No. OIG-27-005-A

I am pleased to provide you with the attached audit reports, which present an unmodified opinion on the U.S. Department of Commerce's fiscal year 2026 financial statements. Kearney & Company P.C. (Kearney)—an independent certified public accounting firm—performed the audit in accordance with U.S. generally accepted auditing standards, standards applicable to financial audits contained in *Government Auditing Standards,* and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*.

In its audit of the Department, Kearney:

- determined that the financial statements present fairly, in all material respects, the financial position of the Department and its net cost of operations, changes in net position, and budgetary resources as of September 30, 2026, in accordance with U.S. generally accepted accounting principles
- identified no deficiencies in internal control over financial reporting that Kearney considered to be material weaknesses
- identified no instances of noncompliance with applicable laws, regulations, contracts, and grant agreements or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02, as well as no instances in which the Department's financial management systems did not comply substantially with federal financial management system requirements, applicable federal accounting standards, and application of the United States Standard General Ledger at the transaction level.

Kearney is solely responsible for the attached audit reports and the conclusions expressed in them. We do not express any opinion on the Department's financial statements, any conclusions about the effectiveness of internal control over financial reporting, or any conclusions on compliance with applicable laws, regulations, contracts, and grant agreements.

We will post this memorandum and Kearney's audit reports on our website per the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404, 420). We appreciate the cooperation and courtesies Department staff and management extended to Kearney and my office during this audit.

Attachments

KEARNEY & COMPANY

1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT

To the Secretary of Commerce and the Senior Official Performing the Duties of Inspector General for the U.S. Department of Commerce

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the United States Department of Commerce (Department), which comprise the Balance Sheet as of September 30, 2026, and the related Statements of Net Cost and Changes in Net Position, and the combined Statement of Budgetary Resources (hereinafter referred to as the "financial statements") for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2026, and its net cost of operations, changes in net position, and budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Fiscal Year 2025 Financial Statements Audited by a Predecessor Auditor

The financial statements of the Department for fiscal year (FY) 2025, as of and for the year ended September 30, 2025, were audited by another auditor, who expressed an unmodified opinion on those statements on January 28, 2026. We were not engaged to audit, review, or apply any procedures on the FY 2025 financial statements. Accordingly, we do not express an opinion or any other form of assurance on the FY 2025 financial statements as a whole.

KEARNEY& COMPANY

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Combining Statement of Budgetary Resources by Major Budget Account, and other required supplementary information be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Message from the Secretary, Introduction, Message from the Chief Financial Officer, Summary of Financial Statement Audit and Management Assurances, Inspector General's Top Management Challenges Facing the Department, Payment Integrity Information Act of 2019 Reporting, Biennial Review of User Fees, and Oversight of Expired Grant and Cooperative Agreement Awards, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued our reports, dated November 10, 2026, on our consideration of the Department's internal control over financial reporting and on our tests of the Department's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over

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financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering the Department's internal control over financial reporting and compliance.



Alexandria, Virginia
November 10, 2026

KEARNEY& COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Secretary of Commerce and the Senior Official Performing the Duties of Inspector General for the U.S. Department of Commerce

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the United States Department of Commerce (Department) as of and for the year ended September 30, 2026, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and we have issued our report thereon dated November 10, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to the Department's management in a separate letter.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering the Department's internal control. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 10, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Secretary of Commerce and the Senior Official Performing the Duties of Inspector General for the U.S. Department of Commerce

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the United States Department of Commerce (Department) as of and for the year ended September 30, 2026, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and we have issued our report thereon dated November 10, 2026.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of the Department's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, including the provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02.

The results of our tests of compliance with FFMIA disclosed no instances in which the Department's financial management systems did not comply substantially with Section 803(a) requirements related to Federal financial management system requirements, applicable Federal accounting standards, or application of the United States Standard General Ledger at the transaction level.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering the Department's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 10, 2026

FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS



Introduction to the Principal Financial Statements (Unaudited)

The principal financial statements are prepared to report the financial position and results of operations of the Department of Commerce, pursuant to the requirements prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*.



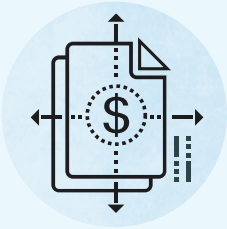
Consolidated Balance Sheets

provides information on assets, liabilities, and net position as of the end of the reporting period. Net position is the difference between assets and liabilities. It is a summary measure of the Department's financial condition at the end of the reporting period. Intra-Departmental balances have been eliminated from the amounts presented.



Consolidated Statements of Net Cost

reports the components of the net costs of the Department's operations for the reporting period. The net cost (revenue) of operations consists of the gross costs incurred by the Department less earned revenue from our activities and less unrealized gain or loss on the Department's non-federal investments. Intra-Departmental balances have been eliminated from the amounts presented.



Consolidated Statements of Changes in Net Position

reports the beginning net position, the transactions that affect net position for the reporting period, and the ending net position. Intra-Departmental transactions have been eliminated from the consolidated amounts presented.



Combined Statements of Budgetary Resources

reports information on the sources and status of budgetary resources and information on outlays, net for the reporting period. Information in this statement is reported on the budgetary basis of accounting, which supports compliance with budgetary controls and controlling legislation.

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2026 and 2025 *(In Millions)*

	FY 2026	FY 2025
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	$ 105,307	$ 101,346
Accounts Receivable (Note 3)	241	174
Advances and Prepayments	125	223
Other Assets – Funds Held by a Third Party for Investment (Note 9)	2,463	2,851
Total Intragovernmental	**108,136**	**104,594**
Other than Intragovernmental:		
Cash and Other Monetary Assets (Note 4)	29	16
Accounts Receivable, Net (Notes 3 and 20)	139	188
Loans Receivable, Net (Note 5)	577	564
Inventory and Related Property, Net (Note 6)	166	167
General Property, Plant, and Equipment, Net (Note 7)	14,257	14,806
Advances and Prepayments	611	606
Investments (Note 8)	39,975	9,235
Other Assets		
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network (Note 22 – NTIA's Network Construction Fund and First Responder Network Authority Fund)	5,457	5,614
Other (Note 9)	20	26
Total Other than Intragovernmental	**61,231**	**31,222**
TOTAL ASSETS	**$ 169,367**	**$ 135,816**
Land and Heritage Assets (Notes 7 and 24)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 40	$ 83
Debt (Note 11)	567	780
Advances from Others and Deferred Revenue	717	327
Other Liabilities		
Custodial Payable to Treasury (Note 20)	127	182
Other (Note 12)	90	168
Total Intragovernmental	**1,541**	**1,540**
Other than Intragovernmental:		
Accounts Payable	2,182	556
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	735	822
Pensions and Other Post-employment Benefits Payable (Note 13)	1,357	1,349
Environmental and Disposal Liabilities (Note 14)	239	223
Advances from Others and Deferred Revenue	2,096	1,866
Other Liabilities		
Accrued Grant Liabilities	360	910
Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts	223	(62)
Other (Note 12)	421	252
Total Other than Intragovernmental	**7,613**	**5,916**
TOTAL LIABILITIES	**$ 9,154**	**$ 7,456**
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations – Funds from Dedicated Collections (Note 22)	$ –	$ –
Unexpended Appropriations – Funds from Other than Dedicated Collections	97,943	97,791
Total Unexpended Appropriations (Consolidated)	**97,943**	**97,791**
Cumulative Results of Operations – Funds from Dedicated Collections (Note 22)	8,939	8,042
Cumulative Results of Operations – Funds from Other than Dedicated Collections	53,331	22,527
Total Cumulative Results of Operations (Consolidated)	**62,270**	**30,569**
TOTAL NET POSITION	**$ 160,213**	**$ 128,360**
TOTAL LIABILITIES AND NET POSITION	**$ 169,367**	**$ 135,816**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2026 and 2025 (Note 18) *(In Millions)*

	FY 2026	FY 2025
National Oceanic and Atmospheric Administration		
Gross Costs	$ 8,447	$ 8,486
Less: Earned Revenue	(208)	(259)
Net Cost of Operations	**8,239**	**8,227**
Under Secretary for Economic Affairs		
Gross Costs	1,739	1,993
Less: Earned Revenue	(278)	(333)
Net Cost of Operations	**1,461**	**1,660**
Economic Development Administration		
Gross Costs	1,231	1,249
Less: Earned Revenue	(2)	(5)
Net Cost of Operations	**1,229**	**1,244**
National Telecommunications and Information Administration		
Gross Costs	1,524	1,509
Less: Earned Revenue	(716)	(597)
Net Cost of Operations	**808**	**912**
International Trade Administration		
Gross Costs	539	632
Less: Earned Revenue	(5)	(20)
Net Cost of Operations	**534**	**612**
Departmental Management		
Gross Costs	277	286
Less: Earned Revenue	9	(24)
Net Cost of Operations	**286**	**262**
U.S. Patent and Trademark Office		
Gross Costs	4,461	4,619
Less: Earned Revenue	(4,953)	(4,423)
Net Cost (Revenue) of Operations	**(492)**	**196**
National Institute of Standards and Technology		
Gross Costs	2,787	7,992
Less: Earned Revenue	(183)	(183)
Net Program Costs	2,604	7,809
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments (Note 8)	(27,071)	(3,526)
Net Cost (Revenue) of Operations	**(24,467)**	**4,283**
Others		
Gross Costs	213	300
Less: Earned Revenue	–	(2)
Net Cost of Operations	**213**	**298**
Total Gross Departmental Costs	21,218	27,066
Less: Total Earned Revenue	(6,336)	(5,846)
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments (Note 8)	(27,071)	(3,526)
NET COST (REVENUE) OF OPERATIONS	**$ (12,189)**	**$ 17,694**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Consolidated Statement of Changes in Net Position For the Year Ended September 30, 2026 *(In Millions)*

	Funds from Dedicated Collections (Consolidated Totals) (Note 22)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$ –	$ 97,791	$ –	$ 97,791
Appropriations Received	–	18,356	–	18,356
Appropriations Transferred In/Out	–	22	–	22
Other Adjustments	–	(351)	–	(351)
Appropriations Used	–	(17,875)	–	(17,875)
Net Change in Unexpended Appropriations	–	152	–	152
Unexpended Appropriations: Ending	**–**	**97,943**	**–**	**97,943**
Cumulative Results of Operations:				
Beginning Balance	8,042	22,527	–	30,569
Changes in Accounting Principles	–	(16)	–	(16)
Beginning Balance, as Adjusted	8,042	22,511	–	30,553
Other Adjustments	–	(3)	–	(3)
Appropriations Used	–	17,875	–	17,875
Non-exchange Revenue	52	8	–	60
Donations and Forfeitures of Cash and Cash Equivalents	–	7	–	7
Transfers In/Out Without Reimbursement	86	898	–	984
Imputed Financing	219	402	–	621
Other	–	(16)	–	(16)
Net (Cost) Revenue of Operations	540	11,649	–	12,189
Net Change in Cumulative Results of Operations	897	30,820	–	31,717
Cumulative Results of Operations: Ending	**8,939**	**53,331**	**–**	**62,270**
NET POSITION	**$ 8,939**	**$ 151,274**	**$ –**	**$ 160,213**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2025 *(In Millions)*

	Funds from Dedicated Collections (Consolidated Totals) (Note 22)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$ –	$ 114,088	$ –	$ 114,088
Appropriations Received	–	20,113	–	20,113
Appropriations Transferred In/Out	–	21	–	21
Other Adjustments	–	(10,860)	–	(10,860)
Appropriations Used	–	(25,571)	–	(25,571)
Net Change in Unexpended Appropriations	–	(16,297)	–	(16,297)
Unexpended Appropriations: Ending	**–**	**97,791**	**–**	**97,791**
Cumulative Results of Operations:				
Beginning Balance	16,719	13,577	–	30,296
Other Adjustments	(8,812)	1	–	(8,811)
Appropriations Used	–	25,571	–	25,571
Non-exchange Revenue	48	11	–	59
Transfers In/Out Without Reimbursement	72	349	–	421
Imputed Financing	232	508	–	740
Other	–	(13)	–	(13)
Net Cost of Operations	(217)	(17,477)	–	(17,694)
Net Change in Cumulative Results of Operations	(8,677)	8,950	–	273
Cumulative Results of Operations: Ending	**8,042**	**22,527**	**–**	**30,569**
NET POSITION	**$ 8,042**	**$ 120,318**	**$ –**	**$ 128,360**

The accompanying notes are an integral part of these financial statements.

United States Department of Commerce Combined Statements of Budgetary Resources For the Years Ended September 30, 2026 and 2025 (Note 19) *(In Millions)*

	FY 2026		FY 2025	
	Budgetary	Non-budgetary Credit Reform Financing Accounts	Budgetary	Non-budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance From Prior Year Budget Authority, Net	$ 24,485	$ –	$ 74,456	$ –
Appropriations	18,959	–	9,699	–
Borrowing Authority	–	1,438	220	5,691
Spending Authority From Offsetting Collections	8,241	54	6,959	18
TOTAL BUDGETARY RESOURCES	**$ 51,685**	**$ 1,492**	**$ 91,334**	**$ 5,709**
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments	$ 24,235	$ 1,461	$ 68,412	$ 5,709
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	25,397	–	21,072	–
Exempt From Apportionment, Unexpired Accounts	–	–	1	–
Unapportioned, Unexpired Accounts	1,405	31	1,202	–
Unobligated Balance, End of Year, Unexpired Accounts	26,802	31	22,275	–
Unobligated Balance, End of Year, Expired Accounts	648	–	647	–
Total Unobligated Balance, End of Year	**27,450**	**31**	**22,922**	**–**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 51,685**	**$ 1,492**	**$ 91,334**	**$ 5,709**
OUTLAYS, NET, AND DISBURSEMENTS, NET:				
Outlays, Net	$ 15,111		$ 29,707	
Distributed Offsetting Receipts	(273)		5	
AGENCY OUTLAYS, NET	**$ 14,838**		**$ 29,712**	
DISBURSEMENTS, NET		**$ (19)**		**$ 109**

The accompanying notes are an integral part of these financial statements.

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FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS



Notes to the Financial Statements

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(Dollars in Tables are Presented in Millions unless Otherwise Noted)

Note 1. Reporting Entity and Summary of Significant Accounting Policies

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets.

For the *Consolidated Statements of Net Cost,* the Department's entities have been grouped together as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- Under Secretary for Economic Affairs
  - Bureau of Economic Analysis (BEA)
  - Census Bureau
- National Institute of Standards and Technology (NIST)
  - National Technical Information Service (NTIS)
- Economic Development Administration (EDA)
- National Telecommunications and Information Administration (NTIA)
  - First Responder Network Authority (FirstNet)[1]
- International Trade Administration (ITA)
- Departmental Management (DM)
  - Gifts and Bequests
  - Herbert C. Hoover Building Renovation Project
  - Nonrecurring Expenses Fund (NEF)
  - Office of Inspector General (OIG)
  - Salaries and Expenses (S&E)
  - Working Capital Fund (WCF)
- U.S. Patent and Trademark Office (USPTO)
- Others
  - Bureau of Industry and Security (BIS)
  - Minority Business Development Agency (MBDA)

Accounting standards require all entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

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[1] The Middle Class Tax Relief and Job Creation Act of 2012 created the First Responder Network Authority (FirstNet), included in these financial statements, as an independent authority within NTIA, to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

Disclosure Entities: The Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*, is intended to guide federal agencies in recognizing complex, diverse organizations possessing varying legal designations (e.g., government agencies, not-for-profit organizations, and corporations) that are involved in addressing public policy challenges. It provides guidance for determining what organizations should be included in a federal agency's financial statements (consolidation entities) and footnote disclosures (disclosure entities; and related parties) for financial accountability purposes, and is not intended to establish whether an organization is or should be considered a federal agency for legal or political purposes. Consolidation entities are organizations that should be consolidated in the Department's proprietary financial statements based on an assessment as prescribed in SFFAS 47. Disclosure entities are identified as such based on an assessment as prescribed in SFFAS 47; however, are not consolidated in the Department's proprietary financial statements, and for which information is disclosed in the Department's footnotes to the financial statements.

The Department performs evaluations at least annually to determine if there are any organizations that should be included in the Department's financial reporting as consolidation entities, disclosure entities, and/or related parties. Based on the Department's evaluations, the Department did not identify any consolidation entities that are not already included in the financial statements, disclosure entities, or related parties for inclusion in the Department's financial reporting.

The Department is a component of the U.S. government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. government entity. These financial statements should be read with the realization that they are for a component of the U.S. government.

B Basis of Accounting and Presentation

The financial statements and footnotes reflect transactions and balances under the proprietary, accrual basis of accounting with the exception of the *Combined Statements of Budgetary Resources (SBR)* and the *SBR*-related footnote as they both reflect transactions and balances under the budgetary basis of accounting. Under the proprietary basis of accounting, appropriations are recognized as used and exchange revenue is recognized as earned as costs are incurred (e.g., goods have been received or services have been rendered), without regard to the receipt or payment of cash. See Note 1.R, *Revenue and Other Financing Sources*, for more information on accounting policies for revenue and financing sources/(uses). Departmental costs include both Gross Costs reported in the *Consolidated Statements of Net Cost* that relate to the fiscal year being reported on, and capitalized costs that are included in the *Consolidated Balance Sheets* and that are subsequently expensed in future fiscal year(s).

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law, and is designed to recognize budgetary resources for appropriations, spending authority from offsetting collections, borrowing authority, and contract authority for an agency, and the obligation and outlay or otherwise disbursement or disposition of funds made available, which in many cases occurs prior to the occurrence of a proprietary accounting transaction. The following budget terms are commonly used:

Appropriations are provisions of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Borrowing authority is a type of budget authority that permits obligations and outlays to be financed by borrowing.

Budgetary resources are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting collections are payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government and from intragovernmental transactions with other government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts are payments to the government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government, and from intragovernmental transactions with other government accounts.

Obligations are binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlays are payments to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of government spending.

Spending authority from offsetting collections is a type of budget authority that permits obligations and outlays to be financed by offsetting collections.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the *Analytical Perspectives* volume of the President's Budget.

The *SBR* presents, for the aggregate of discretionary and mandatory funds:

a. Budgetary resources for the fiscal year. The Department's budgetary resources consist of Unobligated Balance From Prior Year Budget Authority, Net; Appropriations; Borrowing Authority; and Spending Authority From Offsetting Collections;

b. Status of those budgetary resources. The Department's status of budgetary resources consists of New Obligations and Upward Adjustments; Unobligated Balance, End of Year, Unexpired Accounts (Apportioned; Exempt from Apportionment; and Unapportioned); and Unobligated Balance, End of Year, Expired Accounts.

c. *Outlays, Net, and Disbursements, Net* (cash transactions) for the fiscal year, which includes:

   i. *Outlays, Net*, which is comprised of Outlays, Gross less Actual Offsetting Collections;

   ii. *Agency Outlays, Net*, which is comprised of *Outlays, Net* less *Distributed Offsetting Receipts*. *Distributed Offsetting Receipts* represents actual collections from the public or from other federal entities, net of disbursements, that are credited to certain receipt accounts (general fund, special fund, trust fund, and gift and donation receipt accounts) and budget clearing accounts, and for which the net receipts recorded to this line offset the budget outlays of the agency that conducts the activity generating the receipts; and

   iii. *Disbursements, Net*, which is limited to the Department's non-budgetary credit reform financing accounts, and is comprised of Disbursements, Gross less Actual Offsetting Collections.

Proprietary and budgetary accounting are complementary; however, both the types of information presented and the timing of their recognition are sometimes different. Information is therefore needed about the differences between proprietary and budgetary accounting, which is accomplished in part by presenting a *Reconciliation of Net Cost (Revenue) to Net Outlays* in Note 23. This reconciliation helps explain and clarify how proprietary basis of accounting *Net Cost (Revenue) of Operations* (based on accrual accounting concepts and includes cash and non-cash transactions) for the fiscal year relates to budgetary basis of accounting *Agency Outlays, Net* (cash transactions) for the fiscal year and the reconciling items between the two.

These financial statements have been prepared from the accounting records of the Department in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified in OMB Circular A-136 Revised, *Financial Reporting Requirements*. GAAP for federal entities are identified by FASAB, which is the official body for setting the accounting standards of the U.S. government. Management is responsible for ensuring that the Department's financial statements as a whole are presented fairly in accordance with GAAP, in all material respects.

Throughout these financial statements, intragovernmental assets, liabilities, gross costs, earned revenue, transfers, and other activity represent balances or activity totals with other federal entities. Other than intragovernmental assets, liabilities, gross costs, earned revenue, transfers, and other activity represent balances or activities with non-federal entities.

The Department has allocation transfer transactions with other federal agencies as both a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Department of the Treasury (Treasury) as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. For the Department, all financial activity and balances as parent related to these allocation transfers (e.g., budgetary resources, obligations incurred, gross costs, and outlays, gross) are required to be reported in the Department's financial statements (from which the underlying legislative authority, appropriations, and OMB apportionments are derived). For the Department, all child account activity and balances are required to be and are excluded from the Department's financial statements.

C Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues, often supplemented by other financing sources that are originally provided to the federal government by a non-federal source, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the federal government's general revenues.

Funds from Dedicated Collections include general funds, revolving funds (not including credit reform financing funds), special funds, and trust funds. For detailed information about the Department's funds from dedicated collections, see Note 22, *Funds from Dedicated Collections*.

D Elimination of Intra-entity and Intra-Departmental Transactions and Balances

Consolidated Balance Sheets: Line items are reported after elimination of transactions and balances within or among the Department's fund groups (intra-Departmental).

Consolidated Statements of Net Cost: Line items are reported after elimination of intra-Departmental transactions and balances.

Consolidated Statements of Changes in Net Position: For the multi-column presentation, the Funds from Dedicated Collections column and the Funds from Other than Dedicated Collections column are reported on a consolidated basis (after elimination of intra-Departmental transactions and balances), and any intra-Departmental transactions and balances between Funds from Dedicated Collections and Funds from Other than Dedicated Collections are eliminated, as shown in the Eliminations column.

The ***Statements of Budgetary Resources*** are presented on a combined basis; therefore, intra-Departmental transactions and balances have not been eliminated.

E Leases as Lessee

Under SFFAS 54, *Leases,* the Department is required at the commencement of the lease term to recognize a right-to-use lease asset, and a related lease liability, for non-intragovernmental, non-short term (contracts or agreements that are greater than 24 months) and that do not transfer ownership to the Department, when the reporting entity has the right to control the use of an underlying property, plant, or equipment asset for a period of time as specified in the contract or agreement in exchange for consideration. The standard's lease definition excludes contracts or agreements for services, except those contracts or agreements that contain both a lease component and a service component. The standard does not apply to leases or licenses of internal use software. The lease term is the noncancelable period plus certain periods subject to options to extend or terminate the lease. A lease term is subsequently reassessed only under limited circumstances. SFFAS 54 also requires that the lease term of an existing lease as of the beginning of FY 2024 (October 1, 2023) be based on the timeframe remaining in the lease as of October 1, 2023 and not the timeframe in the initial lease term.

SFFAS 54 provides for a transitional accommodation to reporting entities implementing SFFAS 54 for contracts or agreements that (a) contain lease component(s) and may contain nonlease component(s); and (b) the purpose of the contracts or agreements is primarily attributable to the nonlease component(s), such as service components. For contracts or agreements meeting this criteria, a reporting entity may elect to account for such contracts or agreements, including the lease component(s), as nonlease contracts or agreements in their entirety. The contracts or agreements under this election should be accounted for as nonleases for their remaining term, unless they are subsequently modified after the end of the accommodation period. The Department has elected this transitional accommodation for contracts or agreements existing as of October 1, 2023 and/or those subsequently entered into or modified on or prior to September 30, 2026. The transitional accommodation for the Department ends on September 30, 2026.

The recognition of right-to-use lease assets and the amortization of right-to-use lease assets are discussed in Note 1.M, *General Property, Plant, and Equipment, Net*.

The recognition of lease liabilities and the related amortization of the discounts on lease liabilities that is recognized as interest expense are discussed in Note 1.P, *Liabilities*.

Intragovernmental lease payments and non-intragovernmental short-term lease payments are recognized as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. An asset may be recognized as an asset if payments are made in advance of the reporting period to which they relate or a liability may be recognized for amounts due and unpaid at the end of the reporting period to which they relate. Rental increases, rental decreases, lease incentives, and lease concessions are recognized when incurred as increases/reductions to lease expense.

While proprietary accounting requirements for leases are transformed by SFFAS 54, budgetary accounting requirements will remain unchanged and continue to be based on the guidance provided by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget, Appendix, B, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets*.

F Assets

An asset is a resource that embodies economic benefits or services that the federal government can obtain or control. ***Entity Assets***, included in the Department's *Consolidated Balance Sheets*, are assets that the Department has authority to use in its operations. ***Non-entity Assets***, also included in the Department's *Consolidated Balance Sheets*, are assets held by the Department that are not available for use in its operations, and for which a liability has been recorded. Non-entity Fund Balance with Treasury includes non-federal customer deposits held by the Department for which orders have not yet been received, and for which there is a corresponding liability included in the *Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts*, and monies payable to the General Fund of the U.S. government for custodial activity and loan programs.

G Assignment of Assets to Bureaus/Reporting Entities

A Departmental asset is normally assigned by default to the bureau/reporting entity that authorized its acquisition and controls the asset. In situations where an asset is not directly obtained by a bureau/reporting entity or for any other situation where the assignment of the asset to a bureau(s)/reporting entity(ies) is an issue, the Department's Office of Financial Management (OFM) will gather relevant information from all appropriate sources to perform an evaluation of the appropriate assignment of the asset to bureau(s)/reporting entity(ies). Upon the completion of OFM's evaluation, OFM will determine the appropriate assignment of the asset to bureau(s)/reporting entity(ies) and will communicate such results within the Department. There were not any significant assets assigned by the Department in FY 2026.

H Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with Treasury. Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

I Accounts Receivable, Net

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts, when appropriate for both intragovernmental receivables and other than intragovernmental receivables. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

J Advances and Prepayments

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (for example, quarterly) report the amount of costs incurred, which reduce the advance recorded. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent.

K Loans Receivable, Net

A direct loan is recorded as a receivable after the Department disburses funds to a borrower.

Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.

Direct Loans Obligated After September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For a direct loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amounts of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year. Appropriations are normally obtained in the following fiscal year for any upward subsidy reestimates.

L Inventory and Related Property, Net

Inventory, materials, and supplies are stated at the lower of cost or net realizable value under the weighted average method, as well as under other valuation methods that approximate historical cost, and are adjusted for the results of physical inventories. There are no restrictions on their sale, use, or disposition.

M General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment (PP&E), Net, excluding right-to-use lease assets, is composed of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. Acquisitions of General PP&E include assets purchased, or assets acquired through other means such as through transfer in from another federal entity, donation, devise (a will or clause of a will disposing of property), judicial process, exchange between a federal entity and a non-federal entity, and forfeiture.

General PP&E also includes right-to-use lease assets. A right-to-use lease asset is initially recognized at the aggregate of (a) the amount of the initial measurement of the lease liability; (b) lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives; and (c) initial direct lease costs that are necessary to place the lease asset into service.

Capitalization Thresholds:

Single-asset Acquisitions: The Department's policy is to capitalize single-asset acquisitions of General PP&E, excluding right-to-use lease assets, if the useful life is two years or more and the dollar amount meets the entity's single-asset acquisition capitalization threshold. Based on a Department-wide capitalization thresholds review, which reflects materiality and cost-benefit analyses, the Department's single-asset acquisition capitalization thresholds are as follows: NOAA—$200 thousand or more; NIST—$100 thousand or more; USPTO—$50 thousand or more; and all other bureaus and Departmental Management—$25 thousand or more.

For right-to-use lease assets, the Department's policy is to capitalize individual right-to-use lease assets if the dollar amount meets the Department-wide capitalization threshold of $1.0 million, except for right-to-use lease assets for ITA's overseas/international non-federal leases through the Department of State which are not subject to a capitalization threshold. The accounting and reporting for ITA's overseas/international non-federal right-to-use lease assets through the Department of State and related lease liabilities and financial activity is based on summarized information provided by the Department of State.

Personal Property Bulk Acquisitions: NOAA has a personal property bulk acquisition capitalization threshold of $1.0 million or more where individual items cost $25 thousand or more but less than $200 thousand; NIST has a personal property bulk acquisition capitalization threshold of $500 thousand or more. The Census Bureau has a personal property bulk acquisition capitalization threshold of $250 thousand or more where the individual items being capitalized meet the definition of accountable property for these purposes.[2] All other bureaus and Departmental Management have a personal property bulk acquisition capitalization threshold of $250 thousand or more, except that USPTO has a furniture bulk acquisition capitalization threshold of $50 thousand or more and NTIA's FirstNet has a personal property bulk acquisition capitalization threshold of $150 thousand or more.

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[2] Accountable property is defined for these purposes as items with an initial purchase cost of $5 thousand or more, or items that contain personally identifiable information (PII); software is excluded. Accountable property further includes "sensitive" items, irrespective of cost. "Sensitive" items are assets that have a high potential for theft and/or may be easily converted to personal use. Examples include digital cameras, laptop computers, personal computers, and related equipment such as scanners and printers.

General PP&E not meeting the applicable capitalization threshold is expensed.

Depreciation: Depreciation, excluding right-to-use lease assets, is recognized on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated on a straight-line basis over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land, Construction-in-progress, and Internal Use Software in Development are not depreciated.

Amortization: Amortization of right-to-use lease assets is generally recognized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. The Department's construction-in-progress consists primarily of satellites under development for NOAA, and also includes major laboratory renovations and construction projects under development for NIST. Upon completion of the work, the costs are transferred to the appropriate General PP&E account.

Internal Use Software: Internal Use Software includes purchased commercial off-the-shelf (COTS) software and internally or contractor-developed software solely to meet the Department's internal or operational needs. Internally developed software includes the full cost (direct and indirect cost) incurred during the software development stage. For contractor-developed software, capitalized costs include the costs for the contractor to design, program, install, and implement the software.

Real Property: The U.S. General Services Administration (GSA) provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates under intragovernmental operating leases. Accordingly, GSA-owned properties under intragovernmental operating leases are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA.

N Investments

Investments reported on the *Consolidated Balance Sheets* as of September 30 consist of the Department's non-federal common stock, preferred stock, and warrants not yet exercised. Except as noted below, these investments are recorded at the fair value as of the September 30 measurement date under a fair value hierarchy, in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 321, *Investments—Equity Securities* and Topic 820, *Fair Value Measurement*. The Department's holdings of the Intel Corporation (Intel) related financial instruments as of September 30, 2026 and 2025 are recorded at fair value under the above noted hierarchy.

Fair Value is a market-based measurement under current market conditions and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For some assets, observable market transactions or market information might be available. For other assets, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. When a price for an identical asset is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset, including assumptions about risk. As a result, a reporting entity's intention to hold an asset is not relevant when measuring fair value.

Valuation adjustments, including unrealized gains or losses on investments, may be recorded to arrive at fair value as of the measurement date and which may result in increases or decreases in the Investments asset balance as of the measurement date.

The measurement of the fair value of an asset is categorized with different levels of the fair value hierarchy as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date. A reporting entity normally shall not make an adjustment to a Level 1 input except under the following circumstances:
  - When a reporting entity holds a large number of similar (but not identical) assets or liabilities that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually.
  - When a quoted price in an active market does not represent fair value at the measurement date.
  - When measuring the fair value of a liability or an instrument using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset.
- Level 2—Inputs other than quoted prices included with Level 1 that are based on observable market data (quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets), or that are either directly or indirectly observable for substantially the full term of the asset or liability.
- Level 3—Inputs that are both unobservable and significant to the overall fair value measurement.
- Other—This category includes investments for which fair value is measured using net asset value per share or its equivalent and shall not be categorized within the fair value hierarchy.

The shares of Intel common stock were received in August and September of 2025, and were initially recorded based on the dollar amounts of applicable disbursements made to Intel during these months by the U.S. government under a Warrant and Common Stock agreement dated August 22, 2025 between the Department and Intel whereby the Department received shares of Intel common stock as a result of the U.S. government's applicable disbursements to Intel. The common stock received by the Department from Intel are recorded at fair value hierarchy under fair value hierarchy Level 1.

Under the Warrant and Common Stock Agreement with Intel, the Department received in August 2025 a five-year warrant to purchase additional shares of common stock, exercisable under certain conditions. The Department has not recorded a fair value for this warrant as of September 30, 2026 and 2025 due to the uncertainty of such certain conditions being met.

O Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network

This asset captures NTIA's cost contributions for the buildout and continuing enhancement of the Nationwide Public Safety Broadband Network (NPSBN), as described in Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund* and *First Responder Network Authority Fund*. The cost contributions and continuing enhancements that are recorded as an asset primarily include payments for completed and accepted AT&T contract performance for the buildout and continuing enhancements of the NPSBN under the FirstNet contract with AT&T to buildout, deploy, operate, and maintain the NPSBN.

An asset is recognized primarily because the cost contributions for the buildout/continuing enhancement of the NPSBN embodies (a) future economic benefits to NTIA from AT&T made possible in part by NTIA's cost contributions for the buildout of the NPSBN, as there are expected future revenue streams from AT&T to NTIA; and (b) future expected services to be received by NTIA from AT&T made possible in part by NTIA's buildout and continuing enhancement cost contributions, as AT&T will buildout, deploy, operate, and maintain the NPSBN, thereby assisting NTIA's FirstNet with achieving its important mission of ensuring the operation and maintenance of the first high-speed, nationwide wireless broadband network dedicated to public safety.

To recognize contract services as received, the cost contributions for buildout of the NPSBN are expensed on a straight-line basis over the remaining timeframe of the AT&T contract, and the cost contributions for a particular continuing enhancement of the NPSBN are expensed on a straight-line basis over the shorter of the estimated period of economic benefit of the continuing enhancement or the remaining timeframe of the AT&T contract. See Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund* and *First Responder Network Authority Fund,* for additional information.

P Liabilities

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. The methods used to accrue payables are established by each bureau while the policy and underlying accounting principle is used consistently throughout the Department. NIST completes a review of open obligations greater than $25 thousand for NIST and greater than $10 thousand for NIST-serviced bureaus to determine if there are outstanding invoices to be accrued for. NOAA/NOAA-serviced bureaus and the Census Bureau calculate their estimates by using both current and prior year undelivered order data. USPTO calculates the estimates based on status reports submitted by contractors as well as reports on prior activity and recently received invoices.

Debt: The Department has borrowed funds from the Department of the Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs. To simplify interest calculations, the Fisheries Finance Financing Account borrowings are dated October 1. Interest rates are based on a single effective rate during the term of the borrowed funds. The single effective rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the borrowing. The Department's primary financing source for repayments of this Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any debt to Treasury that has not been disbursed to borrowers will earn interest from Treasury at the same rate used in calculating interest expense.

The Department has borrowed funds from the Department of the Treasury under Public Law 118-159, Division E, Title LIV, *Spectrum and Secure Technology and Innovation Act of 2024* for EDA's Regional Technology and Innovation Hubs (Tech Hubs) program. Interest rates are based on a single effective rate during the term of the borrowed funds. Annual interest payments on unpaid principal balances as of September 30 are not required to be paid until maturity. Principal repayments are required only at maturity, but are permitted at any time during the term of the borrowing. The Department's primary financing source for repayments of this Debt to Treasury is the reimbursement(s) received from spectrum license auction proceeds deposited into Treasury's Spectrum Auction trust Fund.

The amounts reported for Debt include accrued interest payable. See Note 11, *Debt*, for information regarding maturity dates and interest rates.

Advances from Others and Deferred Revenue: This liability includes (a) the portion of monies received under customer orders or similar revenue-generating activities for which goods and services have not yet been provided or rendered by the Department—revenue is not recognized until costs are incurred under the accrual accounting concepts; and (b) the deferred revenue portion of FirstNet's annual collections from AT&T under the terms of its contract with AT&T to buildout, deploy, operate, and maintain the NPSBN (see Note 22, *Funds from Dedicated Collections – First Responder Network Authority Fund*, for more information). The intragovernmental liability primarily relates to monies collected under customer orders or similar arrangements. The majority of the other than intragovernmental liability represents patent and trademark application and user fees that are pending action by USPTO.

Custodial Payable: Custodial Payable represents the amount of applicable custodial non-exchange or exchange revenue yet to be transferred to the General Fund of the U.S. government, a trust fund, or other recipient entities. See Note 20, *Custodial Non-exchange Activity,* for information on the Department's custodial non-exchange activity.

Other Liabilities – Employer Contributions and Payroll Taxes Payable: This intragovernmental liability records the employer portion of payroll taxes and benefit contributions, such as retirement and health and life insurance for covered employees.

Federal Employee Salary, Leave, and Benefits Payable:

Unfunded Leave: This liability represents earned but unused leave that employees are entitled to receive upon separation. Because payment will be made using budgetary resources from future fiscal years, the liability is recorded as unfunded.

Other Unfunded Employment-related Liability: This liability records unfunded employment-related liabilities not otherwise classified that will be funded by future years' budgetary resources.

Employer Contributions and Payroll Taxes Payable: This liability records the employer portion of payroll taxes and benefit contributions, such as retirement, including the Department's contribution to the Thrift Savings Plan.

Accrued Funded Payroll and Leave: This liability to employees includes funded salaries, wages, annual leave, and other leave that have been earned but are unpaid as of September 30.

Pensions and Other Post-employment Benefits Payable:

Actuarial FECA Liability: Actuarial Federal Employees' Compensation Act (FECA) Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The U.S. Department of Labor calculates the actuarial liability for future workers' compensation benefits and reports to each agency its share of the liability on an annual basis.

To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (cost of living adjustments) and medical inflation factors (consumer price index medical) are applied to the calculation of projected future benefits. The Department of Labor selected the cost of living adjustment factors, medical inflation factors, and discount rates by averaging the rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities, and NOAA Corps Post-retirement Health Benefits Liability: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The liability as of September 30 is based on the number of participants as of June 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of the U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the fiscal year they occur, without amortization. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of War Medicare-Eligible Retiree Health Care Fund actuarial valuations. NOAA Commissioned Officer Corps (NOAA Corps) is one of the Nation's eight uniformed services; therefore, the use of the U.S. Military Retirement System assumptions and U.S. Department of War

medical claim rates in the calculations of these liabilities is appropriate. Demographic assumptions appropriate to covered personnel are also used. In developing the average historical Treasury rates, a minimum of five years of historical rates as of the reporting date should be used. For the liability balances as of September 30, 2026 and 2025, the discount rate was selected by averaging the quarterly spot yields over the 10-year period ended June 30, 2026 or 2025 and determining the single equivalent discount rate that produced the same liability. The specific spot yields used were as of June 30, 2026 and 2025 and each of the prior 39 calendar quarter-ends, by maturity from 1-year to 100-years. The actuary obtained this spot yield data from the Treasury website for all 40 quarterly yields. For background information about these plans, see Note 1.S, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities:

Asbestos-related Cleanup Costs: The Department has incurred asbestos-related cleanup costs related to the costs of removing, containing, and/or disposing of asbestos-containing materials from property, plant, and equipment; specifically, from facilities owned by NIST and NOAA, and from ships owned by NOAA. The Department has estimated its liabilities for asbestos-related cleanup costs for both friable and nonfriable asbestos-related cleanup costs. Estimates of asbestos-related cleanup costs are reviewed periodically, and updated as appropriate, to account for actual or estimated increases or decreases in asbestos-containing materials, material changes due to inflation or deflation, and changes in regulations, plans, and/or technology.

Applicable laws and regulations of asbestos-related cleanup requirements for the Department include:

- Asbestos Hazard Emergency Response Act
- Asbestos Information Act
- Asbestos School Hazard Abatement Reauthorization Act
- Clean Air Act
- Toxic Substances Control Act
- U.S. Environmental Protection Agency Standards and Rules:
  - National Emission Standards for Hazardous Air Pollutants (40 CFR Part 61)
  - National Emission Standard for Asbestos (40 CFR Part 61, Subpart M)
  - Asbestos Rules (40 CFR Part 763, *Asbestos*)
- Occupational Safety and Health Administration Asbestos Standards:
  - General Industry Standard (29 CFR Part 1910, Subpart 1001, *Asbestos*)
  - Construction Standard (29 CFR Part 1926, Subpart 1101, *Asbestos*)
- Applicable state laws or regulations dependent upon the location of asbestos-related cleanup

Nuclear Reactor: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. NIST's environmental and disposal liability for the facility is based on the total estimated decommissioning costs of the facility. The liability is calculated in compliance with U.S. Nuclear Regulatory Commission Regulation-1307, Revision 20, *Report on Waste Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities*, which is intended to provide reasonable assurance that adequate funds for decommissioning will be available when needed. Cost estimate factors (e.g., technology, disposal sites and costs, spent fuel shipment costs, and labor costs) for decommissioning are reviewed annually by NIST, and the annual reviews include an assessment of any changes in cost estimate factors that have occurred since the previous year's review. NIST's estimated total decommissioning costs includes an assumption that an off-site waste disposal facility will become available

(estimated in 2029), when needed. Currently, an off-site disposal location has not been identified, and NIST's estimated total decommissioning costs includes an amount approved by the Nuclear Regulatory Commission for off-site waste disposal. The dollar amount of the liability is typically updated every three years with the most recent update occurring in FY 2026. The Department estimates the cost of decommissioning the facility to be $135 million as of September 30, 2026. The total estimated decommissioning cost is being accrued on a straight-line basis over the estimated useful life of the reactor (62 years, ending in 2029). Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

Other: The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

The Department may have liabilities associated with lead-based paints at certain NOAA facilities. All known issues are contained and NOAA facilities meet current environmental standards. No cost estimates are presently available because no facilities are currently identified.

Accrued Grant Liabilities: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by recipients. These drawdown requests may be fulfilled before recipients make the expenditures under the grant. When the Department has disbursed funds but the recipient has not yet incurred expenses, these disbursements are recorded as advances to the recipient. If a recipient, however, has expenditures under the grant that have not been advanced by the Department as of September 30, such amounts are recorded as grant expenses and Accrued Grants. The Department's bureaus accrue grant liabilities by reviewing historical data and information from the Standard Form 425 (SF-425), *Federal Financial Report* as well as by comparing total expected expenses against drawdowns.

Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts: This other than intragovernmental liability includes two components: (a) collections held in non-fiduciary deposit funds awaiting disposition and primarily includes USPTO collections from customers held in a non-fiduciary deposit fund for when the customer has not yet requested a service; and (b) clearing accounts' liability balances representing collections held awaiting disposition netted against disbursements awaiting disposition and which may result in a normal liability balance or a negative liability balance for this component.

Other Liabilities – Lease Liabilities:

Lease liabilities (related to right-to-use lease assets) are initially recognized at the present value of payments expected to be made during the lease term. The future lease payments are discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, the interest rate is based on an interest rate on marketable Treasury securities at the commencement of the lease term, with a similar maturity to the term of the lease. Lease liabilities are subsequently reassessed only under limited circumstances and if the changes individually or in the aggregate are expected to significantly affect the amount of the lease liability since the previous measurement. A lease liability is typically primarily reduced by principal payments made. The related amortization of the discount on a lease liability is recognized over the life of the lease liability as interest expense.

Other Liabilities – Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability:

Per the U.S. Department of Energy:

- Energy Savings Performance Contracts (ESPC) allow federal agencies to conduct energy projects with limited to no up-front capital costs, minimizing the need for Congressional appropriations. An ESPC is a working relationship between an agency and an energy service contractor. The contractor conducts a comprehensive energy audit for the federal facility and identifies improvements to save energy. In consultation with the agency, the contractor designs and constructs a project that meets the agency's needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of an ESPC project must be covered by the energy, water, and related cost savings generated at the project site. After the contract ends, any additional cost savings accrue to the agency.
- A Utility Energy Service Contract (UESC) is a limited-source contract between a federal agency and serving utility for energy management services including energy and water efficiency improvements and demand-reduction services. In a UESC, the federal agency will work closely with the utility, to assess potential, investigate technical and economic feasibility, and ensure a fair and reasonable price for design and implementation of the project.

This liability represents the portion of the ESPC/UESC contracts liability that is not covered by budgetary resources as of September 30.

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, a contingency is considered probable when the future confirming event or events are likely to occur. A contingency is disclosed in the *Notes to the Financial Statements* if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the *Notes to the Financial Statements* when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

Liabilities Not Covered by Budgetary Resources, Liabilities Covered by Budgetary Resources, and Liabilities Not Requiring Budgetary Resources:

The Department's liabilities, all of which are reported on the Department's *Consolidated Balance Sheets*, are further classified into three categories: (a) Liabilities Not Covered by Budgetary Resources; (b) Liabilities Covered by Budgetary Resources; and (c) Liabilities Not Requiring Budgetary Resources.

Liabilities Not Covered by Budgetary Resources

These are liabilities for which actions are needed before budgetary resources can be provided. The Department expects that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed by liability in Note 16, *Liabilities Not Covered by Budgetary Resources*.

The Department generally receives budgetary resources for the following liability subcomponents related to federal employee leave and benefits and pension and other post-employment benefits when needed for disbursement: (a) Actuarial FECA Liability; (b) NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities; (c) NOAA Corps Post-retirement Health Benefits Liability; (d) Unfunded Leave; and (e) Other Unfunded Employment-related Liability. Regarding Unfunded Leave, under accrual accounting concepts, the expense and liability for leave is recognized when the leave is earned. For most of the Department's fund groups, however, budgetary resources are not obligated to pay for the leave until the leave is taken by the employee or is paid out to the employee. As a result, budgetary resources do not cover a significant portion of the Department's unpaid leave.

The Department generally receives budgetary resources for its *Environmental and Disposal Liabilities* when needed for disbursements.

The portion of the Department's lease liabilities that is reported as not covered by budgetary resources is based on budgetary accounting treatment for recognition of obligations for leases.

The portion of the Department's other than intragovernmental *Advances from Others and Deferred Revenue* liability that is reported as not covered by budgetary resources is mainly comprised of USPTO's patent and trademark application and user fees that are pending action by USPTO. Furthermore, a portion of USPTO's application/user fees pending action is considered covered by budgetary resources—this portion is determined mainly by considering, as covered by budgetary resources, the dollar amount of the application/user fees pending USPTO action for which USPTO has available, unobligated budgetary resources as of September 30, as included in the *SBR*, Status of Budgetary Resources section, *Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts* line.

Liabilities Covered by Budgetary Resources

These are normally liability balances or a portion thereof for which realized budgetary resources have already been used by the Department as of September 30 for the liability, which is typically carried out by recording a budgetary basis of accounting obligation incurred, as adjusted. For example, an Accounts Payable item will normally also have a corresponding budgetary basis of accounting obligation incurred (delivered) recorded. There is differing treatment in the case of the Advances from Others and Deferred Revenue liability—there are normally available budgetary resources as of September 30 that are considered to cover the liability balance or a portion thereof with budgetary resources.

Liabilities Not Requiring Budgetary Resources

These are the liabilities that are not expected to require the use of budgetary resources, which typically includes the *Custodial Payable to Treasury* liability and the *Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts.*

Q Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations is increased for Appropriations Received, is reduced for Appropriations Used, and is adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

(R) Revenue and Other Financing Sources

Appropriations Used: The Department receives appropriations (Appropriations Received) from Congress and the President for many of its annual, multiple-fiscal year, and no-year accounts. Appropriations Received are recognized as used when costs are incurred that require the use of appropriations, for example, when goods or services are received. There are instances of costs incurred for which appropriations are not required to be used or are not immediately required to be used. For example, depreciation and amortization expense does not require the use of appropriations and accrued environmental and disposal cleanup costs that do not immediately require the use of appropriations.

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the federal government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, reimbursable revenue, and other sales of goods and services. Exchange revenue is presented in the Department's *Consolidated Statements of Net Cost*. Non-exchange revenue is derived from the federal government's sovereign right to demand payment; and, for example, includes revenue of NOAA's Damage Assessment and Restoration Revolving Fund as reported and described in Note 22, *Funds from Dedicated Collections*. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. Non-exchange revenue is not considered to reduce the cost of the Department's operations and is therefore reported in the *Consolidated Statements of Changes in Net Position*.

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Unrealized gains and losses associated with the Department's investments in Intel, to arrive at the fair value of the Investments asset as of the measurement date as discussed in Note 1.N, *Investments*, are recognized in the *Consolidated Statements of Net Cost* in the period in which the changes in fair value occur.

Imputed Financing (and related Imputed Costs): Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Department are included as imputed costs in the *Consolidated Statements of Net Cost*, and are offset by imputed financing sources from cost absorbed by others (non-exchange) included in the *Consolidated Statements of Changes in Net Position*. Such imputed costs and imputed financing relate to (a) certain employee retirement benefit programs paid for in part by the U.S. Office of Personnel Management (OPM)—CSRS, FERS, FEHB, and FEGLI (also see Note 1.S, *Employee Retirement Benefits*); (b) claims to be paid for by the Judgment Fund maintained by Treasury (also see Note 17, *Commitments and Contingencies*); and (c) business-type activities, which are defined in the accounting standards as "a significantly self-sustaining activity that finances its continuing cycle of operations through collection of exchange revenue." However, unreimbursed costs of goods and services other than those identified above are not included in the Department's financial statements.

Transfers In/(Out): Intragovernmental transfers, for example, of budgetary resources, or of assets without reimbursement that are recorded at book value, are reported in the *Consolidated Statements of Changes in Net Position*.

Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to seven percent of an employee's basic pay. Employees contributed seven percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department, excluding USPTO, has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees. USPTO is required to make supplemental employer payments to OPM for CSRS, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

FERS Contribution Rates for Regular Employees

FERS		FERS-RAE (Revised Annuity Employees)		FERS-FRAE (Further Revised Annuity Employees)	
Hired prior to January 1, 2013		Hired between January 1, 2013 – December 31, 2013		Hired after December 31, 2013	
Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage
0.8%	18.4%	3.1%	16.5%	4.4%	16.5%

For each fiscal year, OPM calculates the U.S. government's service cost for covered employees. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan was not fully funded by the Department and its employees. The Department has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Employees participating in FERS are covered under the Federal Insurance Contributions Act, for which the Department contributes a matching amount to the Social Security Administration.

NOAA Corps Retirement System and NOAA Corps Blended Retirement System: Active-duty officers of the NOAA Corps are covered by the legacy NOAA Corps Retirement System or the NOAA Corps Blended Retirement System (BRS), which was implemented on January 1, 2018. The NOAA Corps Retirement System and the defined benefit portion of the NOAA Corps BRS is an unfunded, defined benefit plan administered by the Department with the same features; participants do not contribute to the defined benefit plan for both of these retirement systems. Plan benefits are based primarily on years of service and compensation. Total participants for the two plans, as of June 30, 2026, included 365 active duty officers,

415 non-disability retiree annuitants, 25 disability retiree annuitants, and 73 surviving families. Key provisions include voluntary non-disability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS, FERS, and NOAA Corps BRS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. The Department makes no matching contributions for CSRS-covered employees. A TSP account is automatically established for FERS-covered employees and NOAA Corps BRS members, and the Department makes a mandatory contribution of one percent of basic pay upon eligibility. The Department also makes matching contributions of up to four percent of basic pay upon eligibility for FERS-covered employees and NOAA Corps BRS members.

Federal Employees Health Benefit (FEHB) Program: Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies, excluding USPTO, and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department, excluding USPTO, has recognized the entire service cost of these post-retirement health benefits for covered employees as an imputed cost, and an imputed financing source from cost absorbed by others. USPTO is required to make supplemental employer payments to OPM for the FEHB Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

NOAA Corps Post-retirement Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees' Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department, excluding USPTO, has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and an imputed financing source from cost absorbed by others. USPTO is required to make supplemental employer payments to OPM for the FEGLI Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

T Use of Estimates

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

U Tax Status

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

V Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government, and are not recognized on the Balance Sheet, and are assets of a non-federal party for which the federal government is responsible. For more information on the Department's fiduciary activities, see Note 21, *Fiduciary Activities*.

W Disclosure Public-Private Partnerships

SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, establishes principles to ensure that disclosures about applicable public-private partnerships (P3s) are presented in the Department's notes to the financial statements. The principles guide financial reporting disclosure by establishing a P3 definition and identifying risk-based characteristics that need to exist before considering the P3 arrangement or transaction for disclosure. The standard exempts certain arrangements or transactions from the P3 disclosure requirements, as such exempt arrangements or transactions are subject to existing disclosure requirements in other accounting standards.

The Department performs evaluations annually to determine if there are any arrangements or transactions that should be included in the Department's financial reporting disclosure for P3s. See Note 25, *Disclosure Public-Private Partnerships*, for information for the two P3s identified for disclosure.

Note 2. Fund Balance with Treasury

Fund Balance with Treasury, by status, is as follows as of September 30, 2026 and 2025:

	FY 2026	FY 2025
Unobligated Balance	$ 28,503	$ 23,939
Obligated Balance Not Yet Disbursed	76,336	77,189
Non-budgetary	468	218
Total	$ 105,307	$ 101,346

The Department's Fund Balance with Treasury (FBwT) totaled $105.3 billion as of September 30, 2026 and is classified into the following categories: Unobligated Balance, Obligated Balance Not Yet Disbursed, and Non-budgetary.

The unobligated balance includes amounts previously appropriated but not currently obligated; amounts in this category can be either available or unavailable for obligation. The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received; or goods and services received, but for which payment has not yet been made. The non-budgetary balance primarily consists of USPTO's Patent and Trademark Surcharge Fund and USPTO customer deposits.

Unobligated balance reported for the status of FBwT may not agree with unobligated balance reported in the *Combined Statements of Budgetary Resources* because the budgetary unobligated balance is also supported by amounts other than FBwT, such as borrowings from Treasury.

Increases to the Department's FBwT typically result from appropriations, continuing resolutions, and transfers and reimbursements from other federal agencies. FBwT can also be increased by amounts borrowed from other federal entities, and by amounts collected and credited to appropriation or fund accounts. Decreases to the Department's FBwT typically result from disbursements to pay liabilities or to purchase assets, goods, and services; transfers and reimbursements to other agencies; cancellations of funds; and permanent reductions of appropriations or unobligated balances.

The Department's FBwT is reconciled to the balances within Treasury's Central Accounting Reporting System on a regular basis. Any differences between the Department's balances and Treasury's are researched and reconciled as appropriate. Certain differences, such as timing differences, can occur and could cause a temporary discrepancy.

Note 3. Accounts Receivable, Net

FY 2026	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 241	$ –	$ 241
Other than Intragovernmental	$ 189	$ (50)	$ 139

FY 2025	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 174	$ –	$ 174
Other than Intragovernmental	$ 238	$ (50)	$ 188

Note 4. Cash and Other Monetary Assets

	FY 2026	FY 2025
Cash Not Yet Deposited with Treasury	$ 29	$ 16
Total	$ 29	$ 16

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, 2026 and 2025, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities and for environments that do not permit the use of electronic payments.

Note 5. Loans Receivable, Net

The Department operates the following direct loan and loan guarantee programs as of September 30, 2026:

Direct Loan Programs:	
NIST	Creating Helpful Incentives to Produce Semiconductors (CHIPS) Incentives Loan Program[1]
NOAA	Alaska Purse Seine Fishery Buyback Loans
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Community Development Quota (CDQ) Loan Program
NOAA	Crab Buyback Loans
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans[1]
NOAA	New England Lobster Buyback Loans[1]
NOAA	Pacific Groundfish Buyback Loans
Loan Guarantee Program:	
NIST	CHIPS Incentives Loan Program[2]
NOAA	Fishing Vessel Obligation Guarantee Program[3]

[1] *No direct loans have been disbursed for this program as of September 30, 2026.*

[2] *No guaranteed loans have been disbursed for this program as of September 30, 2026.*

[3] *There are no current guaranteed loans for this program as of September 30, 2026.*

NOAA's Fisheries Finance Loan programs provide direct loans for certain fisheries costs, including vessels, shoreside facilities, aquaculture, and Individual Fishing Quota. Vessel financing is available for the purchase of used vessels or the reconstruction of vessels. Refinancing is available for existing debt obligations. The purpose of these loan programs is to contribute to stable fisheries and fishing communities, and ensure that fisheries are sustainable economic resources. NOAA's various buyback loan programs address excess fishing capacity which decreases fisheries earnings, complicates fisheries management, and imperils fisheries conservation. Buyback loans are disbursed to fisheries to permanently remove vessels and/or permits and thus lower fishing effort in overcapitalized fisheries. Loans are repaid from fees collected on the ex-vessel value of the catch in the fishery.

NIST has already received (FY 2022 through FY 2026) appropriations totaling $50.0 billion under Public Law 117-167, *CHIPS and Science Act of 2022*, to remain available until expended. Appropriations made available for FY 2022 included up to $6.0 billion for the subsidy cost of direct loans and loan guarantees as authorized by Public Law 116-283, *National Defense Authorization Act*, Section 9902. The amount of direct loans and loan guarantees subsidized will not exceed $75.0 billion. These appropriations include funding for the CHIPS Incentives Program established in FY 2023, of which the CHIPS Incentives Loan Program is a component. The overall CHIPS Incentives Program aims to catalyze long-term economically sustainable growth in the domestic semiconductor industry in support of U.S. economic and national security, and thus far seeks applications for projects for the construction, expansion, or modernization of (a) commercial facilities for the front- and back-end fabrication of leading-edge, current-generation, and mature-node semiconductors; (b) commercial facilities for wafer manufacturing; and (c) commercial facilities for materials used to manufacture semiconductors and semiconductor manufacturing equipment, provided that the capital investment equals or exceeds $300 million. The overall CHIPS Incentives Program can provide direct funding for eligible projects via grants, cooperative agreements, or other transactions, loans, and loan guarantees. The CHIPS Incentives Program is administered by the CHIPS Program Office within NIST.

The Loans Receivable, Net reported herein represents the value of direct loans after adjustments for subsidy costs, allowances for estimated defaults, and other provisions required under the Federal Credit Reform Act. This amount does not represent the amount of cash proceeds the government would expect to receive if these loans were sold.

The net assets for the Department's loan programs consist of:

	FY 2026	FY 2025
Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method	$ 2	$ 2
Direct Loans Obligated After FY 1991	575	562
Total	$ 577	$ 564

Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method:

FY 2026				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Direct Loans, Net
CEIP Loans	$ 16	$ 5	$ (19)	$ 2
Total	$ 16	$ 5	$ (19)	$ 2

FY 2025				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Direct Loans, Net
CEIP Loans	$ 16	$ 5	$ (19)	$ 2
Total	$ 16	$ 5	$ (19)	$ 2

Direct Loans Obligated After FY 1991:

FY 2026				
Direct Loan Program	Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	$ 14	$ –	$ 2	$ 16
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	19	–	2	21
CDQ Loans	84	1	17	102
Crab Buyback Loans	55	2	13	70
Fisheries Finance IFQ Loans	13	–	1	14
Fisheries Finance Traditional Loans	323	3	20	346
Pacific Groundfish Buyback Loans	5	–	1	6
Total	$ 513	$ 6	$ 56	$ 575

FY 2025				
Direct Loan Program	Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	$ 15	$ –	$ 2	$ 17
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	20	–	2	22
CDQ Loans	86	–	17	103
Crab Buyback Loans	55	2	15	72
Fisheries Finance IFQ Loans	14	–	2	16
Fisheries Finance Traditional Loans	302	2	20	324
Pacific Groundfish Buyback Loans	7	–	1	8
Total	$ 499	$ 4	$ 59	$ 562

Total Amount of Direct Loans Disbursed (Post-FY 1991):

Direct Loan Program	FY 2026	FY 2025
Fisheries Finance Traditional Loans	$ 42	$ 116
Total	$ 42	$ 116

Subsidy Expense for Direct Loan Programs by Component:

Subsidy Expense for New Direct Loans Disbursed:

FY 2026					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance Traditional Loans	$ (6)	$ 1	$ –	$ 3	$ (2)
Total	$ (6)	$ 1	$ –	$ 3	$ (2)

FY 2025					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance Traditional Loans	$ (17)	$ 2	$ (1)	$ 9	$ (7)
Total	$ (17)	$ 2	$ (1)	$ 9	$ (7)

Reestimates:

FY 2026			
Direct Loan Program	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
CDQ Loans	$ (9)	$ 5	$ (4)
Fisheries Finance Traditional Loans	–	(3)	(3)
Total	$ (9)	$ 2	$ (7)

FY 2025			
Direct Loan Program	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
CDQ Loans	$ 9	$ (14)	$ (5)
Fisheries Finance IFQ Loans	–	(1)	(1)
Fisheries Finance Traditional Loans	–	(2)	(2)
Total	$ 9	$ (17)	$ (8)

No loan modifications were made during FY 2026 and FY 2025.

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2026	FY 2025
CDQ Loans	$ (4)	$ (5)
Fisheries Finance IFQ Loans	–	(1)
Fisheries Finance Traditional Loans	(6)	(9)
Total	$ (10)	$ (15)

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:

FY 2026					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
CHIPS Incentives Loan Program[1]	(6.40) %	8.32 %	0.00 %	1.18 %	3.10 %
Fisheries Finance IFQ Loans	(28.65) %	0.07 %	(0.82) %	15.22 %	(14.18) %
Fisheries Finance Traditional Loans	(14.94) %	1.72 %	(0.58) %	7.82 %	(5.98) %

[1] *Data reflect notional estimates. Estimates will be determined at the time of execution and will reflect the terms of the contracts and other characteristics.*

FY 2025					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
CHIPS Incentives Loan Program[1]	(5.17) %	3.22 %	0.00 %	1.74 %	(0.21) %
Fisheries Finance IFQ Loans	(21.71) %	0.14 %	(0.81) %	11.33 %	(11.05) %
Fisheries Finance Traditional Loans	(14.88) %	1.74 %	(0.57) %	8.09 %	(5.62) %

[1] *Data reflect notional estimates. Estimates will be determined at the time of execution and will reflect the terms of the contracts and other characteristics.*

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of direct loans during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of direct loans for the reporting period could result from disbursements of loans from both the reporting period's cohorts and prior fiscal years' cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-FY 1991 Direct Loans):

	FY 2026	FY 2025
Beginning Balance of the Subsidy Cost Allowance	$ 59	$ 47
Add Total Subsidy Expense for Direct Loans Disbursed During the Reporting Year	2	7
Adjustments:		
Subsidy Allowance Amortization	(12)	(3)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 49	$ 51
Interest Rate Reestimates	9	(9)
Technical Reestimates	(2)	17
Ending Balance of the Subsidy Cost Allowance	$ 56	$ 59

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

	FY 2026	FY 2025
CHIPS Incentives Direct Loan and Loan Guarantee Programs	$ 3	$ 4
NOAA Direct Loan Programs	$ 3	$ 4

Loans Receivable, Net:

	FY 2026	FY 2025
Beginning Balance of Loans Receivable, Net	$ 564	$ 460
Add Loan Disbursements	42	116
Less Principal and Interest Payments Received	(26)	(24)
Add Subsidy Expense	2	7
Add Upward Reestimate	7	8
Less Subsidy Allowance	(12)	(3)
Ending Balance of Loans Receivable, Net	$ 577	$ 564

Note 6. Inventory and Related Property, Net

Category	Cost Flow Assumption	FY 2026	FY 2025
Inventory Categories			
Inventory – Work-in-Process (Held for Eventual Sale)	Historical	$ 16	$ 15
Inventory – Finished Goods (Held for Sale)	Historical	13	13
Subtotal		29	28
Operating Materials and Supplies Categories			
Operating Materials and Supplies Held for Use	Weighted-average	102	102
Operating Materials and Supplies Excess, Obsolete, and Unserviceable	Weighted-average	14	12
Operating Materials and Supplies Held for Repair	Weighted-average	37	39
Operating Materials and Supplies – Allowance for Loss	Weighted-average	(16)	(14)
Subtotal		137	139
Total		$ 166	$ 167

Note 7. General Property, Plant, and Equipment, Net

FY 2026				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Structures, Facilities, and Leasehold Improvements	2-50	$ 3,613	$ (1,736)	$ 1,877
Satellites/Weather Systems Personal Property	2-25	18,898	(12,957)	5,941
Internal Use Software	3-20	2,870	(2,387)	483
Other Personal Property	2-30	2,327	(1,696)	631
Construction-in-progress	N/A	5,059	–	5,059
Internal Use Software in Development	N/A	121	–	121
Right-to-use Lease Assets (Note 15)		225	(80)	145
Total		$ 33,113	$ (18,856)	$ 14,257

FY 2025				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16	$ –	$ 16
Structures, Facilities, and Leasehold Improvements	2-50	3,411	(1,649)	1,762
Satellites/Weather Systems Personal Property	2-25	18,902	(11,814)	7,088
Internal Use Software	3-20	2,614	(2,239)	375
Other Personal Property	2-30	2,296	(1,714)	582
Construction-in-progress	N/A	4,624	–	4,624
Internal Use Software in Development	N/A	191	–	191
Right-to-use Lease Assets (Note 15)		214	(46)	168
Total		$ 32,268	$ (17,462)	$ 14,806

Information regarding deferred maintenance and repairs for the Department is included in the *Required Supplementary Information (Unaudited)* section. Starting in FY 2026, the cost of land and permanent land rights is not capitalized on the balance sheet but is instead recognized on the *Consolidated Statements of Net Cost* for the period in which the cost of the land or permanent land rights acquisition is incurred.

Schedule for Reconciling General PP&E, Net

	FY 2026	FY 2025
Balance, Beginning of Year	$ 14,806	$ 14,974
Capitalized Acquisitions	1,563	1,370
Right-to-use Lease Assets, Current Fiscal Year Activity	17	75
Amortization of Right-to-use Lease Assets	(40)	(31)
Dispositions	(24)	(18)
Depreciation Expense	(2,065)	(1,568)
Other	–	4
Balance, End of Year	$ 14,257	$ 14,806

NOAA General PP&E Land:

NOAA's General PP&E land and permanent land rights and temporary land rights, support its mission by serving as sites on which it locates its facilities, including office, research, laboratory, and other facilities. NOAA's General PP&E land also supports NOAA's mission by allowing for equipment and instruments to be located at those sites, including for observation of weather conditions and water levels, transmission of data and weather radio broadcasts, and surveying of fish and other aquatic wildlife. NOAA's permanent land rights are easements and rights-of-way and are usually non-exclusive easements. Many of these permanent land rights provide access to NOAA land sites or allow for utilities for those sites. NOAA's temporary land rights are temporary easements and rights-of-way that provide access to NOAA land sites or allow for utilities for those sites.

NOAA's General PP&E land held primarily consists of operational land for its facilities with the largest parcels located in Fairbanks, AK and Sterling, VA, and also includes operational land for facilities in many states in the United States. Many locations house NOAA's Weather Forecast Offices and towers for NOAA weather radar and antennas. The Fairbanks land consists of multiple tracts and parcels for the National Environmental Satellite, Data, and Information Service's operations. The Sterling land is for the National Weather Service Sterling Field Support Center and Weather Forecast Office campus site.

NOAA utilizes 41 U.S.C., *Public Contracts*, Section 6301, *Authorization Requirement*, which states that the federal government may not acquire land unless the contract or purchase is authorized by law or is under an appropriation adequate to its fulfillment. NOAA also follows the requirements under 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-73, *Real Estate Acquisition*, including for acquiring land via purchase or condemnation (Subpart C, *Acquisition by Purchase or Condemnation*). NOAA acquires land only for specific mission needs that cannot be met by its existing inventory and only if properly authorized. For acquiring land via transfer in from other federal entities, including from GSA, NOAA follows the federal procedures in 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-75, *Real Property Disposal*, Transfers subsection (102-75.175 through 102-75.235).

NOAA maintains and uses its land in support of the mission that land serves. Its maintenance, such as landscaping, snow removal, and pest control are dependent on the use and location of the particular parcel of land. NOAA conducts its mission in ways that minimize environmental impacts, conserve natural and cultural resources, and provide effective stewardship of the environment.

NOAA's policy is for all personnel and affiliates to conduct their activities in a manner that complies with all applicable environmental requirements and to cooperate with federal agencies (including the Environmental Protection Agency), as well as state, interstate, and local agencies in the prevention, control, and abatement of environmental pollution. (NOAA Administrative Order (NAO) 216-17A: NOAA Environmental Compliance Program). NOAA disposes of land based on 41 CFR, Subtitle C, Part 102-75, *Real Property Disposal*. In special cases, specific legislation may also provide disposal authority for and direct the disposal of a particular location/site.

NTIA General PP&E Land:

NTIA's General PP&E land held consists of operational land for its facilities located north of Boulder, CO. The Department's Table Mountain Field Site and Radio Quiet Zone, located north of Boulder, CO, supports the fundamental research activities of NTIA's Institute for Telecommunication Sciences, NOAA, NIST, NTIA, and the U.S. Geological Survey (U.S. Department of the Interior). The property was originally leased by the Boulder laboratories in 1954 for the purpose of performing radio experiments and was subsequently purchased by the government in 1961.

Essential features of the site include:

- Homogeneous underlying soils
- Special purpose laboratory facilities
- Buried cabling and utilities to minimize radiated noise and interference
- Radio quiet zone protection by both state and federal laws from strong, external signals

These unique characteristics make the site ideal for sensitive radio or electromagnetic experiments, by federal agencies and Cooperative Research and Development Agreement partners as well as for applications needing low vibration and unobstructed views of the sky. Additionally, the measurements collected at the site provide valuable historical data against which new measurements may be compared. Responsibility for the management of the site property resides with NTIA's Director for the Institute for Telecommunication Sciences.

NIST General PP&E Land:

NIST is the sole national institute and one of the premier international agencies dedicated to metrological research (measurement science). Having unique and discrete, special purpose research facilities interspersed amid sufficient acreage is critical to ensure the necessary environmental vibration isolation is present and available to conduct increasingly and ever-exacting scientific research that assures authority and traceability of all NIST published standards and data upon which academia, commerce, and industry depend. NIST's ownership of land and facilities has proven essential so that long-term research experiments are not threatened with the need to be coordinated with typical real property lease cycles. The NIST Organic Act allows NIST to acquire land for facilities that are necessary to meet its mission.

NIST's land held and permanent land rights are for the General PP&E category under the operational and conservation and preservation land subcategories. NIST's operational subcategory includes land held for its campuses including the Gaithersburg campus in Gaithersburg, MD for its laboratories and support facilities; Fort Collins campus in Fort Collins, CO for the Fort Collins Active Radio Station and support facilities; Boulder campus in Boulder, CO for the laboratories and support facilities; and the Erie campus in Erie, CO transferred in from NOAA during FY 2022 for future use. NIST's conservation and preservation subcategory includes land held for its Boulder campus for protected area.

NIST utilizes NIST P 2100.00, *Facilities and Site Management* for maintaining and preserving its campuses and the privately-owned Anderson Ditch which crosses through the Boulder campus. The Gaithersburg and Fort Collins campuses and the Anderson Ditch have been either listed (Gaithersburg campus) or are eligible for listing in the National Register of Historic Properties—all proposed changes to grounds and/or resources must comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties and are subject to advance review and consultation with the applicable state historic preservation office. NIST utilizes NIST S 2103.05, *Acquisition and Disposal of Real Property*, for the acquisition and disposal of land in support of NIST's mission.

Information on the Department's estimated general PP&E land acreage is included in Note 26, *Land and Land Rights.*

Note 8. Investments

As of September 30, 2026, the Department held non-federal financial instruments received in connection with NIST awards under CHIPS and Science Act of 2022 funding. Approximately 91 percent of the Department's investment balance relates to financial instruments received from Intel Corporation (Intel) pursuant to an agreement entered into in August 2025. Under the agreement, Intel issued the Department 274,583,000 shares of common stock following approximately $5.7 billion in disbursements under the existing direct funding agreement. Additionally, 158,740,000 shares were placed in escrow for the benefit of the Department and are subject to release as Intel meets certain milestones under the Secure Enclave program. Any shares remaining in escrow at the last date on which Intel may receive Secure Enclave program disbursements will be divided equally, with 50 percent delivered to the Department and 50 percent forfeited and canceled. Separately, Intel issued the Department a five-year warrant to purchase up to 240,516,150 shares of common stock at an initial exercise price of $20 per share, subject to adjustment. The warrant is exercisable only upon the occurrence of certain conditions that are not expected to be met.

The remaining approximately nine percent of the Department's investment balance relates to financial instruments received in connection with 13 additional NIST awards. These instruments include common and preferred equity interests, warrants, and other financial instruments linked to equity ownership. The Department measures all of these financial instruments at fair value and classifies them within the fair value hierarchy based on the inputs used in the valuation.

Fair Value Measurement of Other than Intragovernmental Investments as of September 30, 2026 and 2025:

FY 2026					
	Level 1	Level 2	Level 3	Other	Total
Equity Securities	$ 37,065	N/A	$ 1,895	N/A	$ 38,960
Common Stock Warrants	N/A	N/A	966	N/A	966
Preferred Stock Warrants	N/A	N/A	49	N/A	49
Total Fair Value Measurement	$ 37,065	N/A	$ 2,910	N/A	$ 39,975

FY 2025					
	Level 1	Level 2	Level 3	Other	Total
Equity Securities	$ 9,235	N/A	N/A	N/A	$ 9,235
Common Stock Warrants	N/A	N/A	N/A	N/A	N/A
Preferred Stock Warrants	N/A	N/A	N/A	N/A	N/A
Total Fair Value Measurement	$ 9,235	N/A	N/A	N/A	$ 9,235

Level 1 fair value measurement reflects the unadjusted quoted prices in active markets for identical assets that the Department can access as of the measurement date. Level 3 reflects unobservable inputs for the asset.

Reconciliation of Investment Activity for Other than Intragovernmental Investments for FY 2026 and FY 2025:

	FY 2026	FY 2025
Beginning Balance	$ 9,235	$ –
Acquisitions of Investments	3,669	5,709
Valuation Adjustments	27,071	3,526
Ending Balance	$ 39,975	$ 9,235

During FY 2026, the Department did not exercise any warrants or other complex financial instruments that, if exercised, could convey an ownership interest in a non-federal entity.

The intragovernmental Other Assets – Funds Held by a Third Party for Investment balance as of September 30, 2026 and 2025, of $2.5 billion and $2.9 billion, respectively, included on the *Consolidated Balance Sheets*, represents NIST funds held by the Department of War (DOW) for CHIPS program activities, whereby the Department will receive additional shares of Intel common stock as a result of DOW's applicable Secure Enclave Program disbursements to Intel, based on the terms of the Warrant and Common Stock Agreement.

Note 9. Other Assets

	FY 2026	FY 2025
Intragovernmental		
Other – Funds Held by a Third Party for Investment	$ 2,463	$ 2,851
Total	$ 2,463	$ 2,851

The intragovernmental other assets held by a third party for investment relate to an agreement between the Department of the Air Force's Secure Enclave program and Intel Corporation. See Note 8, *Investments*, for additional information.

	FY 2026	FY 2025
Other than Intragovernmental		
NTIA-owned Datasets	$ 18	$ 22
NIST-owned Greenhouse Gas Data	2	4
Total	$ 20	$ 26

Note 10. Non-entity Assets

The assets that are not available for use in the Department's operations, included in the Department's *Consolidated Balance Sheets*, are summarized below:

	FY 2026	FY 2025
Intragovernmental		
Fund Balance with Treasury	$ 154	$ 145
Total Intragovernmental	154	145
Other than Intragovernmental		
Cash	4	3
Accounts Receivable, Net	126	181
Loans Receivable, Net	9	–
Total Other than Intragovernmental	139	184
Total Non-entity Assets	293	329
Total Entity Assets	169,074	135,487
Total Assets	$ 169,367	$ 135,816

Note 11. Debt

FY 2026				
Program	Beginning Balance	Net Borrowings (Repayments)	Accrued Interest Payable	Ending Balance
Direct Loan Program				
Fisheries Finance, Financing Account	$ 555	$ 12	$ –	$ 567
Regional Technology and Innovation Hubs (Tech Hubs)	225	(225)	–	–
Total	$ 780	$ (213)	$ –	$ 567

FY 2025				
Program	Beginning Balance	Net Borrowings (Repayments)	Accrued Interest Payable	Ending Balance
Direct Loan Program				
Fisheries Finance, Financing Account	$ 446	$ 109	$ –	$ 555
Regional Technology and Innovation Hubs (Tech Hubs)	–	220	5	225
Total	$ 446	$ 329	$ 5	$ 780

The Fisheries Finance Program debt has maturity dates ranging from September 2027 to September 2053, with interest rates between 0.76 percent and 6.13 percent. The Regional Technology and Innovation Hubs debt was repaid in FY 2026.

Note 12. Other Liabilities

FY 2026			
	Current	Non-current	Total
Intragovernmental Other Liabilities			
Employer Contributions and Payroll Taxes Payable	$ 53	$ –	$ 53
Other	29	8	37
Total Intragovernmental Other Liabilities	$ 82	$ 8	$ 90
Other than Intragovernmental Other Liabilities			
Contingent Liabilities (Note 17)	$ 8	$ –	$ 8
Other Liabilities Without Related Budgetary Obligations			
Lease Liabilities (Note 15)	29	107	136
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	4	49	53
Other Liabilities With Related Budgetary Obligations			
Accrued Liabilities	215	–	215
Lease Liabilities (Note 15)	9	–	9
Total Other than Intragovernmental Other Liabilities	$ 265	$ 156	$ 421
Total Other Liabilities	$ 347	$ 164	$ 511

FY 2025			
	Current	Non-current	Total
Intragovernmental Other Liabilities			
Employer Contributions and Payroll Taxes Payable	$ 97	$ –	$ 97
Other	60	11	71
Total Intragovernmental Other Liabilities	$ 157	$ 11	$ 168
Other than Intragovernmental Other Liabilities			
Contingent Liabilities (Note 17)	$ 22	$ –	$ 22
Other Liabilities Without Related Budgetary Obligations			
Lease Liabilities (Note 15)	16	124	140
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	4	52	56
Other	5	–	5
Other Liabilities With Related Budgetary Obligations			
Lease Liabilities (Note 15)	24	5	29
Total Other than Intragovernmental Other Liabilities	$ 71	$ 181	$ 252
Total Other Liabilities	$ 228	$ 192	$ 420

Current liabilities are expected to be paid within one year whereas non-current liabilities are expected to be paid after September 30, 2027 and 2026, respectively.

Note 13. Federal Employee Salary, Leave, and Benefits Payable and Pensions and Other Post-employment Benefits Payable

	FY 2026	FY 2025
Federal Employee Salary, Leave, and Benefits Payable		
Unfunded Leave	$ 400	$ 429
Other Unfunded Employment-related Liability	100	113
Employer Contributions and Payroll Taxes Payable	9	12
Accrued Funded Payroll and Leave	226	268
Total Federal Employee Salary, Leave and Benefits Payable	**$ 735**	**$ 822**
Pensions and Other Post-employment Benefits Payable		
Actuarial FECA Liability	$ 110	$ 125
NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities	1,162	1,153
NOAA Corps Post-retirement Health Benefits Liability	85	71
Total Pensions and Other Post-employment Benefits Payable	**$ 1,357**	**$ 1,349**

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

These liabilities represent the unfunded actuarial present value of projected plan benefits. The actuarial calculations are performed annually, as of September 30. The September 30, 2026 and 2025 actuarial calculations used the following economic assumptions:

	FY 2026	FY 2025
Discount Rate	3.35%	3.13%
Annual Basic Pay Scale Increases	3.40%	3.14%
Annual Inflation	3.35%	3.06%
Cost of Living Adjustment	3.35%	3.06%

Schedule for Reconciling NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

A reconciliation from the beginning balance to the ending balance, including the components of the related pension costs included in the *Consolidated Statements of Net Cost*, follows:

	FY 2026	FY 2025
Beginning Balance	$ 1,153	$ 1,095
Add Pension Costs:		
Normal Cost	30	28
Interest on the Unfunded Liability	35	32
Actuarial (Gains)/Losses, Net		
From Experience	(31)	9
From Discount Rate Assumption Change	(46)	(25)
From Long-term Assumption Changes		
Annual Inflation	57	47
Annual Basic Pay Scale Increases	1	2
Total Pension Costs	46	93
Subtract Benefit Payments	(37)	(35)
Ending Balance	$ 1,162	$ 1,153

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2026 and 2025 actuarial calculations used the following economic assumptions:

	FY 2026	FY 2025
Discount Rate	3.28%	3.06%
Ultimate Medical Trend Rate	5.10%	4.80%
Single Equivalent Medical Trend Rate	5.38%	5.00%

Schedule for Reconciling NOAA Corps Post-retirement Health Benefits Liability:

A reconciliation of the NOAA Corps Post-retirement Health Benefits Liability from the beginning balance to the ending balance, including the components of the related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost*, follows:

	FY 2026	FY 2025
Beginning Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 71	$ 62
Add Health Benefits Costs:		
Normal Cost	4	3
Interest on the Unfunded Liability	2	2
Actuarial (Gains)/Losses, Net		
From Experience	1	–
From Discount Rate Assumption Change	(2)	(2)
From Long-term Assumption Changes		
Medical Claims	7	7
Other	4	2
Annual Basic Pay Scale Increases	–	(1)
Total Health Benefits Costs	16	11
Subtract Benefit Payments	(2)	(2)
Ending Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 85	$ 71

Note 14. Environmental and Disposal Liabilities

Environmental and disposal liabilities include the estimated liability for cleanup costs incurred from removing, containing, and/or disposing of asbestos-containing materials from facilities owned by NOAA and NIST and ships owned by NOAA, and also include the estimated liability associated with the future decommissioning of a NIST-operated nuclear reactor.

Environmental and Disposal Liabilities are summarized below:

	FY 2026	FY 2025
Asbestos-related Cleanup Costs	$ 96	$ 96
Nuclear Reactor	129	114
Non-reactor Radiological Facilities	11	11
Other	3	2
Total	$ 239	$ 223

Note 15. Leases

The Department's right-to-use lease assets with non-federal entities and related lease liabilities and financial activity are primarily for facilities for NOAA for sites across the United States and overseas/international residential housing space for ITA through the Department of State.

Other than Intragovernmental Lease Liabilities as Lessee – Future Payments as of September 30, 2026:

FY 2026			
Fiscal Year	Principal	Interest	Total Future Payments
FY 2027	$ 33	$ 6	$ 39
FY 2028	24	5	29
FY 2029	14	4	18
FY 2030	11	3	14
FY 2031 – FY 2035	9	2	11
FY 2036 – FY 2040	28	9	37
FY 2041 – FY 2045	18	4	22
FY 2046 – FY 2050	7	1	8
FY 2051 – FY 2055	1	–	1
Total	$ 145	$ 34	$ 179

The range of discount rates utilized to discount the Department's lease liabilities to present value is 3.49 percent to 5.27 percent.

Other than Intragovernmental Leases Data as Lessee – Right-to-Use Lease Expenses:

FY 2026			
	Amortization Expense of the Right-to-use Lease Assets	Interest Expense on the Lease Liabilities	Total
Total	$ 40	$ 5	$ 45

Intragovernmental Leases as Lessee – Lease Expenses:

Most of the Department's facilities are rented from GSA, which generally charges rent that is intended to approximate commercial rental rates. For federally owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-federally owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

	FY 2026
Major Underlying Asset Category:	
Structures and Facilities	$ 247
Vehicles	3
Total Intragovernmental Lease Expenses as Lessee	$ 250

Note 16. Liabilities Not Covered by Budgetary Resources

The liabilities that are not covered by budgetary resources, included in the Department's *Consolidated Balance Sheets*, are summarized below:

	FY 2026	FY 2025
Intragovernmental		
Advances from Others and Deferred Revenue	$ 163	$ 22
Accrued FECA Liability	24	25
Other	14	14
Total Intragovernmental	201	61
Other than Intragovernmental		
Federal Employee Salary, Leave, and Benefits Payable	499	543
Pensions and Other Post-employment Benefits Payable	1,357	1,349
Environmental and Disposal Liabilities	239	223
Advances from Others and Deferred Revenue	82	618
Contingent Liabilities	8	22
Lease Liabilities	136	140
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	53	56
Other	–	5
Total Other than Intragovernmental	2,374	2,956
Total Liabilities Not Covered by Budgetary Resources	2,575	3,017
Total Liabilities Covered by Budgetary Resources	6,234	4,319
Total Liabilities Not Requiring Budgetary Resources	345	120
Total Liabilities	$ 9,154	$ 7,456

Note 17. Commitments and Contingencies

Commitments:

In addition to leases disclosed in Note 15, *Leases*, the Department is committed under obligations for goods and services which have been ordered but not yet received as of September 30, 2026 (see Note 19, *Combined Statements of Budgetary Resources*), as well as material Public-Private Partnerships (see Note 25, *Disclosure Public-Private Partnerships*).

***Legal Contingencies*:**

The Department is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the Department.

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where it is probable that an adverse outcome will result. Since some of the potential liabilities represent claims with no stated or estimable amount, the exact amount of potential liabilities is unknown, but the Department believes these claims could result in probable estimable losses of $8 million as of September 30, 2026 and $22 million as of September 30, 2025 and which are included as *Other Liabilities* in the Department's *Consolidated Balance Sheets*. For most claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For certain claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source will be recognized. However, agencies are required to reimburse the Judgment Fund for payments pursuant to the Contract Disputes Act and the Notification and Federal Employees Antidiscrimination and Retaliation Act of 2002.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the United States. Since some of the potential liabilities represent claims with no stated or estimable amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2026 of $119 million if the outcomes were adverse to the Department. For these potential liabilities, it is reasonably possible that an adverse outcome will result. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities where it is reasonably possible that an adverse outcome will result. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2026 of $1.1 billion if the outcomes were adverse to the Department. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The tables below summarize the Department's probable and reasonably possible contingent liabilities by type as of September 30, 2026 and 2025.

FY 2026			
		Estimated Range of Loss	
	Accrued Liabilities	Lower End	Upper End
Legal Contingencies:			
Probable	$ 8	$ 8	$ 8
Reasonably Possible	N/A	1,101	1,101
Legal Environmental Contingencies:			
Probable	–	–	–
Reasonably Possible	N/A	119	119
Total	**$ 8**	**$ 1,228**	**$ 1,228**

FY 2025			
		Estimated Range of Loss	
	Accrued Liabilities	Lower End	Upper End
Legal Contingencies:			
Probable	$ 22	$ 22	$ 24
Reasonably Possible	N/A	4	4
Legal Environmental Contingencies:			
Probable	–	–	–
Reasonably Possible	N/A	119	119
Total	**$ 22**	**$ 145**	**$ 147**

Note 18. Consolidated Statements of Net Cost by Major Budgetary Function

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2026

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Gross Costs	$ 8,283	$ 12,186	$ 1,231	$ 17	$ 21,717	$ (499)	$ 21,218
Less: Earned Revenue	(197)	(6,636)	(2)	–	(6,835)	499	(6,336)
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments	–	(27,071)	–	–	(27,071)	–	(27,071)
NET COST (REVENUE) OF OPERATIONS	$ 8,086	$ (21,521)	$ 1,229	$ 17	$ (12,189)	$ –	$ (12,189)

The $29.8 billion change from $8.3 billion net costs in FY 2025 to $21.5 billion net revenue in FY 2026, in Net Cost (Revenue) of Operations between FY 2025 and FY 2026 under the Other Advancement of Commerce budgetary function was primarily driven by the $23.6 billion increase in net unrealized gains from valuation adjustments for the Department's investments. The decrease in net costs for Other Advancement of Commerce also reflects a $5.2 billion reduction in NIST's gross costs, primarily due to lower CHIPS expenses.

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2025

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Gross Costs	$ 8,185	$ 17,897	$ 1,249	$ 239	$ 27,570	$ (504)	$ 27,066
Less: Earned Revenue	(258)	(6,085)	(5)	(2)	(6,350)	504	(5,846)
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments	–	(3,526)	–	–	(3,526)	–	(3,526)
NET COST OF OPERATIONS	$ 7,927	$ 8,286	$ 1,244	$ 237	$ 17,694	$ –	$ 17,694

Note 19. Combined Statements of Budgetary Resources

Unobligated Balance From Prior Year Budget Authority, Net: This budgetary resources line consists of unobligated balance, brought forward as of October 1, as increased or decreased by current fiscal year activity related to the unobligated balance brought forward—typical items include recoveries of prior year unpaid obligations, cancellations of annual or multi-year appropriations, nonexpenditure transfers of prior year unobligated balances, and other changes including refunds collected for downward adjustments of prior year paid delivered obligations, and borrowing authority withdrawn. The table below displays the FY 2026 and FY 2025 composition of this line.

	FY 2026	FY 2025
Unobligated Balance, Brought Forward, October 1	$ 22,922	$ 73,322
Actual Recoveries of Prior Year Unpaid Obligations	1,654	1,156
Canceled Authority	(212)	(96)
Actual Nonexpenditure Transfers of Prior Year Unobligated Balances	55	54
Other Changes in Unobligated Balance, Net	66	20
Unobligated Balance From Prior Year Budget Authority, Net	$ 24,485	$ 74,456

Appropriations: Appropriations reported on the *SBR Budgetary Resources* subsection will not necessarily agree with *Appropriations Received* as reported on the *Consolidated Statement of Changes in Net Position (SCNP)*. This is due to differences in budgetary and proprietary accounting concepts and reporting requirements. Some receipts are recorded as appropriations on the *SBR* but are recognized as exchange or non-exchange revenue and reported on the *SCNP* in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

Appropriations for FY 2025 were reduced by $9.6 billion and $850 million due to permanent reductions for the DM/Nonrecurring Expenses Fund (NEF) and NTIA's Public Wireless Supply Chain Innovation Fund, respectively, as discussed further below.

Borrowing Authority: As of September 30, 2026, the total borrowing authority available for NIST's CHIPS Incentives Loan Program was $6.9 billion, while NOAA's loan programs had $231 million total borrowing authority available as of the same date; in comparison, as of September 30, 2025, NIST's CHIPS Incentives Loan Program had $5.6 billion and NOAA's loan programs had $223 million in total borrowing authority available. The amounts reported in the *SBR Budgetary Resources* section reflect the net borrowing authority realized during the fiscal year being reported. For more information regarding debt repayment requirements, financing sources for repayments, and other terms of borrowing authority use, refer to Note 1.P, *Liabilities*.

Permanent, Indefinite Appropriations: The Department has one or more permanent, indefinite appropriations to finance operations. Permanent, indefinite appropriations are appropriations that are available until expended.

Permanent Reductions to Budgetary Resources: Permanent reductions to the Department's budgetary resources amounted to $154 million for FY 2026, including a Public Law 119-103, Division A, *Continuing Appropriations Act,* 2027 permanent rescission of unobligated balances for NTIA's Middle Mile Deployment 2022/2026 multi-year budget account of $73 million, and Public Law 119-74, Division A, *Commerce, Justice, Science, and Related Agencies Appropriations Act*, 2026 permanent rescissions of unobligated balances for EDA's Economic Development Assistance Programs no-year budget account of $60 million and for Census Bureau's Working Capital Fund no-year budget account of $15 million. Permanent reductions to the Department's budgetary resources amounted to $10.8 billion for FY 2025, including a Public Law 119-4, Division A, *Full-Year Consolidated Appropriations Act*, 2025 permanent rescission of unobligated balances for DM/NEF no-year budget account of $9.6 billion and a Public Law 119-21, Title IV, *Committee on Commerce, Science, and Transportation* permanent rescission of unobligated balances for NTIA's Public Wireless Supply Chain Innovation Fund, 2023/2032 multi-year budget account of $850 million.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority, and/or Fund Balance with Treasury:

The Department's *Unobligated Balance, End of Year, Apportioned, Unexpired Accounts,* Budgetary column shown on the FY 2026 and FY 2025 *SBR* includes amounts apportioned by OMB for subsequent fiscal years totaling $4.0 billion and $6.3 billion, respectively. The amounts apportioned in FY 2026 for subsequent fiscal years includes $1.7 billion for NTIA's Digital Equity no-year budget account, $664 million for NTIA's Broadband Connectivity Fund no-year budget account, $388 million for NTIA's First Responder Network Authority 2012/2027 budget account, and $370 million for NTIA's Broadband Equity, Access, and Deployment Program no-year budget account. All four items are apportioned for FY 2027. The amounts apportioned in FY 2025 for subsequent fiscal years includes $2.5 billion for NIST's Industrial Technology Services no-year budget account $1.8 billion for NIST's CHIPS for America Fund no-year budget account $395 million for NOAA's Fisheries Disaster Assistance no-year budget account and $393 million for NTIA's Broadband Equity, Access, and Deployment Program no-year budget account). All four items are apportioned for FY 2026.

The Department's Fund Balance with Treasury as of September 30, 2026, and 2025, includes $790 million of USPTO offsetting collections exceeding the current and prior fiscal year appropriations that are temporarily precluded from obligation (reduction of budgetary resources), included in USPTO's Salaries and Expenses Fund. USPTO may use these funds only as authorized by Congress, and only as made available by the issuance of a Treasury warrant. Furthermore, the Department's Fund Balance with Treasury as of September 30, 2026, and 2025, includes $148 million of USPTO sequestered funds (temporary reduction of budgetary resources), also included in USPTO's Salaries and Expenses Fund. For more information on USPTO's Salaries and Expenses Fund, see Note 22, *Funds from Dedicated Collections*.

The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through September 30, 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a special fund receipt account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2026, and 2025, $234 million of Fund Balance with Treasury is held in the Patent and Trademark Surcharge Fund. For more information on the Patent and Trademark Surcharge Fund, see Note 22, *Funds from Dedicated Collections*.

For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30 or require that the borrowing authority be cancelled on September 30.

Comparison to Budget of the U.S. Government:

A comparison was performed between the amounts reported in the FY 2025 *SBR* and the actual FY 2025 amounts reported in the FY 2027 Budget of the U.S. government for *SBR* lines *Total Budgetary Resources*; *New Obligations and Upward Adjustments*; *Distributed Offsetting Receipts*, and the aggregate of *Outlays, Net,* and *Disbursements, Net*. The FY 2025 differences are explained in the Summary of FY 2025 Reconciling Items table below. The President's Budget that will report actual amounts for FY 2026 has not yet been published, and will be made available on OMB's President's Budget web page.

Summary of FY 2025 Reconciling Items:

(In Millions)

	Combined Statements of Budgetary Resources	FY 2027 Budget of the U.S. Government	Difference	Explanation
Total Budgetary Resources	$ 97,043	$ 96,363	$ 680	Expired budgetary resources included in *SBR*, are not included in the Budget of the U.S. government
New Obligations and Upward Adjustments	$ 74,121	$ 74,116	$ 5	Rounding
Distributed Offsetting Receipts	$ 5	$ 9	$ (4)	Certain receipt accounts included in *SBR*, are not included in the Budget of the U.S. government
Aggregate of Outlays, Net, and Disbursements, Net	$ 29,816	$ 29,817	$ (1)	Rounding

Undelivered Orders:

The following table summarizes the amount of budgetary resources obligated for Undelivered Orders as of September 30, 2026 and 2025:

Undelivered Orders	FY 2026	FY 2025
Undelivered Orders, Federal Paid	$ 2,939	$ 3,392
Undelivered Orders, Federal Unpaid	1,823	237
Undelivered Orders, Non-federal Paid	63	606
Undelivered Orders, Non-federal Unpaid	80,197	81,696
Total	$ 85,022	$ 85,931

Note 20. Custodial Non-exchange Activity

	FY 2026	FY 2025
Custodial Non-exchange Revenue		
Fines, Penalties, Interest, and Other Revenue	$ 305	$ 74
Subtotal	305	74
Less: Amounts Collected for Non-federal Entities	–	–
Total Amount of Revenue Collected for Federal Entities	$ 305	$ 74

Custodial non-exchange activity normally includes revenue that was or will be collected, and may also include reductions of revenue when applicable, on behalf of the General Fund of the U.S. government, a trust fund, or other federal or non-federal recipient entities. The Department's custodial non-exchange revenue and disposition of custodial non-exchange revenue activity is not included in the Department's financial statements. The Department's payables for custodial non-exchange revenue are included in the Department's *Consolidated Balance Sheets*. The above table summarizes the custodial non-exchange revenue that was collected on behalf of other federal entities.

The majority of the Department's custodial non-exchange revenue was received by BIS, NOAA and EDA for FY 2026. BIS receives custodial revenue from civil monetary penalties assessed to private entities that violate the Export Administration Act. NOAA receives custodial revenue from interest on its loan portfolio and collection of fines and penalties. EDA receives custodial revenue from the collection of interest, fines and penalties, and miscellaneous receipts.

The Department's payable to the General Fund of the U.S. government for custodial non-exchange revenue was $127 million and $182 million as of September 30, 2026 and 2025, respectively.

Note 21. Fiduciary Activities

The Department has two fiduciary funds. The Patent Cooperation Treaty authorized USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Ministry of Intellectual Property, Intellectual Property Office of the Philippines, Australian Patent Office, Israeli Patent Office, Japanese Patent Office, and Intellectual Property Office of Singapore from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorized USPTO to collect trademark application fees on behalf of the International Bureau of the WIPO from U.S. citizens requesting an international trademark.

Schedule of Fiduciary Activities for the Year Ended September 30, 2026:

FY 2026			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 19	$ 2	$ 21
Contributions	170	46	216
Disbursements to and on Behalf of Beneficiaries	(169)	(47)	(216)
Increase/(Decrease) in Fiduciary Net Assets	1	(1)	–
Fiduciary Net Assets, Ending Balance	$ 20	$ 1	$ 21

Fiduciary Net Assets as of September 30, 2026:

FY 2026			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Cash and Cash Equivalents	$ 20	$ 1	$ 21
Total Fiduciary Net Assets	$ 20	$ 1	$ 21

Schedule of Fiduciary Activities for the Year Ended September 30, 2025:

FY 2025			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 16	$ 1	$ 17
Contributions	154	42	196
Disbursements to and on Behalf of Beneficiaries	(151)	(41)	(192)
Increase/(Decrease) in Fiduciary Net Assets	3	1	4
Fiduciary Net Assets, Ending Balance	$ 19	$ 2	$ 21

Fiduciary Net Assets as of September 30, 2025:

FY 2025			
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Cash and Cash Equivalents	$ 19	$ 2	$ 21
Total Fiduciary Net Assets	$ 19	$ 2	$ 21

Note 22. Funds from Dedicated Collections

The tables on the following pages depict major funds from dedicated collections separately chosen based on their significant financial activity and importance to taxpayers. All other funds from dedicated collections not shown are aggregated as "Other Funds from Dedicated Collections." The funds from dedicated collections reported in these tables are fully included in the Department's financial statements.

The individual Funds from Dedicated Collections that are included in the Other Funds from Dedicated Collections columns in these tables for both FY 2026 and FY 2025 are as follows:

- NIST Wireless Innovation Fund
- NOAA Environmental Improvement and Restoration Fund
- NOAA Fishermen's Contingency Fund
- NOAA Foreign Fishing Observer Fund
- NOAA Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Fund
- NOAA Limited Access System Administration Fund
- NOAA North Pacific Marine Research Institute Fund
- NOAA Seafood Inspection Program Fund
- NTIA First Responder Network Authority, Gifts, Donations, and Bequests Trust Fund
- NTIA Public Safety Trust Fund
- NTIA State and Local Implementation Fund

United States Department of Commerce Consolidating Balance Sheet – Funds from Dedicated Collections
As of September 30, 2026

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
ASSETS								
Intragovernmental:								
Fund Balance with Treasury	$ 317	$ 1,245	$ 33	$ 3,900	$ 123	$ 5,618	$ –	$ 5,618
Accounts Receivable	2	–	–	–	–	2	–	2
Advances and Prepayments	–	–	–	7	–	7	–	7
Total Intragovernmental	**319**	**1,245**	**33**	**3,907**	**123**	**5,627**	**–**	**5,627**
Other than Intragovernmental:								
Cash and Other Monetary Assets	–	–	–	25	–	25	–	25
Accounts Receivable, Net	3	–	–	–	3	6	–	6
General Property, Plant, and Equipment, Net	–	3	–	302	–	305	–	305
Advances and Prepayments	9	–	–	32	4	45	–	45
Other Assets								
Cost Contribution to Buildout/ Continuing Enhancement of Nationwide Public Safety Broadband Network	–	896	4,561	–	–	5,457	–	5,457
Other	–	1	4	–	–	5	–	5
Total Other than Intragovernmental	**12**	**900**	**4,565**	**359**	**7**	**5,843**	**–**	**5,843**
TOTAL ASSETS	**$ 331**	**$ 2,145**	**$ 4,598**	**$ 4,266**	**$ 130**	**$ 11,470**	**$ –**	**$ 11,470**
LIABILITIES								
Intragovernmental:								
Accounts Payable	$ –	$ 2	$ –	$ 12	$ –	$ 14	$ –	$ 14
Other Liabilities – Other	–	–	–	23	–	23	–	23
Total Intragovernmental	**–**	**2**	**–**	**35**	**–**	**37**	**–**	**37**
Other than Intragovernmental:								
Accounts Payable	–	42	–	120	–	162	–	162
Federal Employee Salary, Leave, and Benefits Payable	–	4	–	324	1	329	–	329
Pensions and Other Post-employment Benefits Payable	–	–	–	6	–	6	–	6
Advances from Others and Deferred Revenue	–	388	–	1,580	–	1,968	–	1,968
Other Liabilities								
Accrued Grant Liabilities	2	–	–	–	2	4	–	4
Other	–	–	–	25	–	25	–	25
Total Other than Intragovernmental	**2**	**434**	**–**	**2,055**	**3**	**2,494**	**–**	**2,494**
TOTAL LIABILITIES	**$ 2**	**$ 436**	**$ –**	**$ 2,090**	**$ 3**	**$ 2,531**	**$ –**	**$ 2,531**
NET POSITION								
Unexpended Appropriations	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative Results of Operations	329	1,709	4,598	2,176	127	8,939	–	8,939
TOTAL NET POSITION	**$ 329**	**$ 1,709**	**$ 4,598**	**$ 2,176**	**$ 127**	**$ 8,939**	**$ –**	**$ 8,939**
TOTAL LIABILITIES AND NET POSITION	**$ 331**	**$ 2,145**	**$ 4,598**	**$ 4,266**	**$ 130**	**$ 11,470**	**$ –**	**$ 11,470**

United States Department of Commerce Consolidating Balance Sheet – Funds from Dedicated Collections
As of September 30, 2025

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
ASSETS									
Intragovernmental:									
Fund Balance with Treasury	$ 301	$ –	$ 650	$ 33	$ 3,207	$ 120	$ 4,311	$ –	$ 4,311
Accounts Receivable	2	–	–	–	–	–	2	–	2
Advances and Prepayments	–	–	–	–	5	–	5	–	5
Total Intragovernmental	**303**	**–**	**650**	**33**	**3,212**	**120**	**4,318**	**–**	**4,318**
Other than Intragovernmental:									
Cash and Other Monetary Assets	–	–	–	–	13	–	13	–	13
Accounts Receivable, Net	2	–	–	–	–	4	6	–	6
General Property, Plant, and Equipment, Net	–	–	2	1	292	–	295	–	295
Advances and Prepayments	4	–	–	–	30	–	34	–	34
Other Assets									
Cost Contribution to Buildout/ Continuing Enhancement of Nationwide Public Safety Broadband Network	–	–	758	4,856	–	–	5,614	–	5,614
Other	–	–	2	3	–	–	5	–	5
Total Other than Intragovernmental	**6**	**–**	**762**	**4,860**	**335**	**4**	**5,967**	**–**	**5,967**
TOTAL ASSETS	**$ 309**	**$ –**	**$ 1,412**	**$ 4,893**	**$ 3,547**	**$ 124**	**$ 10,285**	**$ –**	**$ 10,285**
LIABILITIES									
Intragovernmental:									
Accounts Payable	$ –	$ –	$ –	$ –	$ 14	$ –	$ 14	$ –	$ 14
Other Liabilities – Other	–	–	–	–	20	1	21	–	21
Total Intragovernmental	**–**	**–**	**–**	**–**	**34**	**1**	**35**	**–**	**35**
Other than Intragovernmental:									
Accounts Payable	(1)	–	2	–	77	–	78	–	78
Federal Employee Salary, Leave, and Benefits Payable	–	–	5	–	340	1	346	–	346
Pensions and Other Post-employment Benefits Payable	–	–	–	–	7	–	7	–	7
Advances from Others and Deferred Revenue	–	–	154	–	1,599	–	1,753	–	1,753
Other Liabilities									
Accrued Grant Liabilities	3	–	–	–	–	1	4	–	4
Other	–	–	–	–	20	–	20	–	20
Total Other than Intragovernmental	**2**	**–**	**161**	**–**	**2,043**	**2**	**2,208**	**–**	**2,208**
TOTAL LIABILITIES	**$ 2**	**$ –**	**$ 161**	**$ –**	**$ 2,077**	**$ 3**	**$ 2,243**	**$ –**	**$ 2,243**
NET POSITION									
Cumulative Results of Operations	$ 307	$ –	$ 1,251	$ 4,893	$ 1,470	$ 121	$ 8,042	$ –	$ 8,042
TOTAL NET POSITION	**$ 307**	**$ –**	**$ 1,251**	**$ 4,893**	**$ 1,470**	**$ 121**	**$ 8,042**	**$ –**	**$ 8,042**
TOTAL LIABILITIES AND NET POSITION	**$ 309**	**$ –**	**$ 1,412**	**$ 4,893**	**$ 3,547**	**$ 124**	**$ 10,285**	**$ –**	**$ 10,285**

United States Department of Commerce Consolidating Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2026

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Gross Costs	$ 63	$ 206	$ 295	$ 4,461	$ 50	$ 5,075	$ –	$ 5,075
Less: Earned Revenue	–	(662)	–	(4,953)	–	(5,615)	–	(5,615)
NET COST (REVENUE) OF OPERATIONS	**$ 63**	**$ (456)**	**$ 295**	**$ (492)**	**$ 50**	**$ (540)**	**$ –**	**$ (540)**

United States Department of Commerce Consolidating Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2025

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Gross Costs	$ 68	$ –	$ 155	$ 295	$ 4,620	$ 47	$ 5,185	$ –	$ 5,185
Less: Earned Revenue	–	–	(545)	–	(4,423)	–	(4,968)	–	(4,968)
NET COST (REVENUE) OF OPERATIONS	**$ 68**	**$ –**	**$ (390)**	**$ 295**	**$ 197**	**$ 47**	**$ 217**	**$ –**	**$ 217**

United States Department of Commerce Consolidating Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2026

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Cumulative Results of Operations:								
Beginning Balance	$ 307	$ 1,250	$ 4,893	$ 1,470	$ 122	$ 8,042	$ –	$ 8,042
Non-exchange Revenue								
Other than Intragovernmental: Miscellaneous Taxes and Receipts	4	–	–	–	33	37	–	37
Intragovernmental	15	–	–	–	–	15	–	15
Transfers In/Out Without Reimbursement	66	–	–	(2)	22	86	–	86
Imputed Financing	–	3	–	216	–	219	–	219
Net (Cost) Revenue of Operations	(63)	456	(295)	492	(50)	540	–	540
Net Change in Cumulative Results of Operations	22	459	(295)	706	5	897	–	897
Cumulative Results of Operations: Ending	**329**	**1,709**	**4,598**	**2,176**	**127**	**8,939**	**–**	**8,939**
NET POSITION	**$ 329**	**$ 1,709**	**$ 4,598**	**$ 2,176**	**$ 127**	**$ 8,939**	**$ –**	**$ 8,939**

United States Department of Commerce Consolidating Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2025

	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Cumulative Results of Operations:									
Beginning Balance	$ 314	$ 8,812	$ 857	$ 5,188	$ 1,441	$ 107	$ 16,719	$ –	$ 16,719
Other Adjustments	–	(8,812)	–	–	–	–	(8,812)	–	(8,812)
Non-exchange Revenue									
Intragovernmental	9	–	–	–	–	–	9	–	9
Other than Intragovernmental: Miscellaneous Taxes and Receipts	–	–	–	–	–	39	39	–	39
Transfers In/Out Without Reimbursement	52	–	–	–	(2)	22	72	–	72
Imputed Financing	–	–	4	–	228	–	232	–	232
Net (Cost) Revenue of Operations	(68)	–	389	(295)	(197)	(46)	(217)	–	(217)
Net Change in Cumulative Results of Operations	(7)	(8,812)	393	(295)	29	15	(8,677)	–	(8,677)
Cumulative Results of Operations: Ending	**307**	**–**	**1,250**	**4,893**	**1,470**	**122**	**8,042**	**–**	**8,042**
NET POSITION	**$ 307**	**$ –**	**$ 1,250**	**$ 4,893**	**$ 1,470**	**$ 122**	**$ 8,042**	**$ –**	**$ 8,042**

Below is a description of major Funds from Dedicated Collections shown in the tables on the previous pages:

NOAA's ***Damage Assessment and Restoration Revolving Fund*** receives monies for the reimbursement of expenses related to oil or hazardous substance spill response activities, or natural resource damages assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, tribal, or foreign trustee for natural resource damages are retained by the trustee and are only used to reimburse or pay costs incurred by the trustee for the damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 U.S.C. Section 2706, *Natural resources*.

NTIA's ***Digital Television Transition and Public Safety Fund*** made digital television available to every home in America, improved communications between local, state, and federal agencies, allowed smaller television stations to broadcast digital television, and improved how warnings are received when disasters occur. The law establishing programs under this fund can be found in the Deficit Reduction Act of 2005, Sections 3001-3014. A budgetary early cancellation of no-year authority of $8.8 billion for this fund was carried out in September 2025, whereby $8.8 billion of Fund Balance with Treasury that was not available for obligation during FY 2025 was paid to the General Fund of the U.S. government. This early cancellation of authority is shown in this Note's FY 2025 *Consolidating Statement of Changes in Net Position* for this fund, *Cumulative Results of Operations* subsection, *Other Adjustments* line.

NTIA's ***Network Construction Fund*** and ***First Responder Network Authority Fund*** primarily provide funding at this time for the federal portion of cost contributions toward buildout/continuing enhancement of the Nationwide Public Safety Broadband Network (NPSBN) and for operations of the First Responder Network Authority (FirstNet), an independent authority within NTIA. FirstNet shall ensure the establishment of a nationwide interoperable broadband network to help police, firefighters, emergency medical service professionals, and other public safety officials stay safe and do their jobs. For information about FirstNet's public-private partnership with AT&T to buildout, deploy, operate, and maintain the NPSBN under a 25-year contract award by FirstNet to AT&T in March 2017, see Note 25, *Disclosure Public-Private Partnerships*.

The Department's cost contribution to buildout and continuing enhancement of the NPSBN is captured in both the Network Construction Fund (cost contribution to buildout) and in the First Responder Network Authority Fund (cost contribution to continuing enhancement). See Note 1.O, *Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network* for information regarding the classification of these cost contributions as an asset.

Network Construction Fund

The Network Construction Fund received transfers in from NTIA's Public Safety Trust Fund through FY 2022 in accordance with Public Safety Trust Fund priority 3 of transferring up to $7.0 billion to the Network Construction Fund for buildout of the NPSBN. The law establishing the Network Construction Fund can be found under Section 6206, *Powers, Duties, and Responsibilities of the First Responder Network Authority* of the Middle Class Tax Relief and Job Creation Act of 2012.

First Responder Network Authority Fund

FirstNet is authorized to assess and annually collect fees, and collects exchange revenue (allocated between deferred revenue and earned revenue for proprietary basis of accounting) from AT&T under the terms of its contract with AT&T to buildout, deploy, operate, and maintain the NPSBN. The First Responder Network Authority Fund was established primarily pursuant to Sections 6206 and 6208, *Permanent Self-Funding; Duty to Assess and Collect Fees for Network Use* of the Middle Class Tax Relief and Job Creation Act of 2012.

USPTO's *Funds from Dedicated Collections* consist of its **Salaries and Expenses Fund, Patent and Trademark Surcharge Fund,** and **Patent and Trademark Fee Reserve Fund**.

The **Salaries and Expenses Fund** contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's responsibility to promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. See 35 U.S.C. 42, *Patent and Trademark Office funding* for more information on this fund; and for FY 2026 budgetary financial information, see the *Combining Statement of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

The **Patent and Trademark Surcharge Fund**, a Special Fund Receipt Account at Treasury, is discussed in Note 19, *Combined Statements of Budgetary Resources*. USPTO may use monies from this fund only as authorized by Congress and made available by the issuance of a Treasury warrant. The law establishing the Patent and Trademark Surcharge Fund is the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), Title X, Subtitle B, Section 10101, *Patent and Trademark Office User Fees*.

The **Patent and Trademark Fee Reserve Fund** results from a provision that requires USPTO to deposit into this fund all patent and trademark fees collected in excess of its annual appropriation amount. Funds made available may only be used, as applicable, for expenses of USPTO relating to the processing of patent applications and trademark registrations, and for other activities, services, and materials relating to patents, trademarks, and related administrative costs. The law establishing the Patent and Trademark Fee Reserve Fund can be found in 35 U.S.C. Section 42.

Note 23. Reconciliation of Net Cost (Revenue) to Net Outlays

The *Reconciliation of Net Cost (Revenue) to Net Outlays* reconciles proprietary basis of accounting *Net Cost (Revenue) of Operations* (as reported in the *Consolidated Statement of Net Cost*) to budgetary basis of accounting *Agency Outlays, Net* (as reported in the *Combined Statement of Budgetary Resources*). *Agency Outlays, Net* is comprised of *Outlays, Net* (Outlays, Gross less Actual Offsetting Collections) less *Distributed Offsetting Receipts*. The second section reverses out items included in *Net Cost (Revenue) of Operations* that are not included in *Agency Outlays, Net*. The third section adds items included in *Agency Outlays, Net* that are not included in *Net Cost (Revenue) of Operations*. The *Reconciliation of Net Cost (Revenue) to Net Outlays* for FY 2026 and FY 2025 are as follows:

FY 2026			
	Intragovernmental	Other than Intragovernmental	Total
Net Cost (Revenue) of Operations			**$ (12,189)**
Components of Net Cost (Revenue) of Operations that are Not Part of Agency Outlays, Net			
Depreciation Expense of General Property, Plant, and Equipment	$ –	$ (2,065)	(2,065)
Expense Recognition of Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	(349)	(349)
Amortization Expense of Right-to-use Lease Assets	–	(40)	(40)
Imputed Costs from Cost Absorbed by Others	(621)	–	(621)
Other Expenses	136	(23)	113
Receivables, Net – Increase/(Decrease), Net	94	1	95
Accounts Payable – Decrease/(Increase), Net	43	259	302
Valuation Adjustments on Investments – Unrealized Gains/(Losses), Net	–	27,071	27,071
Advances and Prepayments – Increase/(Decrease), Net	(98)	5	(93)
Advances from Others and Deferred Revenue – Decrease/(Increase), Net	(390)	(208)	(598)
Pensions and Other Post-employment Benefits Payable – Decrease/(Increase), Net	–	(8)	(8)
Federal Employee Salary, Leave, and Benefits Payable – Decrease/(Increase), Net	–	87	87
Environmental and Disposal Liabilities – Decrease/(Increase), Net	–	(16)	(16)
Various Other Liabilities – Decrease/(Increase), Net	30	358	388
Other	(16)	9	(7)
Total Components of Net Cost (Revenue) of Operations that are Not Part of Agency Outlays, Net			**24,259**
Components of Agency Outlays, Net that are Not Part of Net Cost (Revenue) of Operations			
Principal Payments on Lease Liabilities	–	39	39
Capitalized Purchases of Property, Plant, and Equipment	1	1,562	1,563
Capitalized Purchases of Inventory and Related Property	–	34	34
Capitalized Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	193	193
Other Outlays, Gross that are Not Part of Net Cost of Operations	–	1,265	1,265
Other Actual Offsetting Collections that are Not Part of Net Cost of Operations	(30)	(23)	(53)
Distributed Offsetting Receipts			(273)
Total Components of Agency Outlays, Net that are Not Part of Net Cost (Revenue) of Operations			**2,768**
Agency Outlays, Net			**$ 14,838**

FY 2025			
	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations			**$ 17,694**
Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			
Depreciation Expense of General Property, Plant, and Equipment	$ –	$ (1,568)	(1,568)
Expense Recognition of Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	(326)	(326)
Amortization Expense of Right-to-use Lease Assets	–	(31)	(31)
Imputed Costs from Cost Absorbed by Others	(740)	–	(740)
Other Expenses	(8)	(16)	(24)
Receivables, Net – Increase/(Decrease), Net	(98)	(24)	(122)
Accounts Payable – Decrease/(Increase), Net	6	214	220
Valuation Adjustments on Investments – Unrealized Gains	–	3,526	3,526
Advances and Prepayments – Increase/(Decrease), Net	(27)	412	385
Advances from Others and Deferred Revenue — Decrease/(Increase), Net	(43)	24	(19)
Pensions and Other Post-employment Benefits Payable – Decrease/(Increase), Net	–	(57)	(57)
Federal Employee Salary, Leave, and Benefits Payable – Decrease/(Increase), Net	–	57	57
Environmental and Disposal Liabilities – Increase/(Decrease), Net	–	(17)	(17)
Various Other Liabilities – Decrease/(Increase), Net	(14)	208	194
Other	–	(10)	(10)
Total Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			**1,468**
Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			
Principal Payments on Lease Liabilities	–	33	33
Capitalized Purchases of Property, Plant, and Equipment	1	1,369	1,370
Capitalized Purchases of Inventory and Related Property	–	53	53
Capitalized Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	576	576
Other Outlays, Gross that are Not Part of Net Cost of Operations	1	5,709	5,710
Other Assets – Funds Held by a Third Party for Investment – Increase[1]	2,851	–	2,851
Other Actual Offsetting Collections that are Not Part of Net Cost of Operations	(21)	(27)	(48)
Distributed Offsetting Receipts			5
Total Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			**10,550**
Agency Outlays, Net			**$ 29,712**

[1] *Amounts in Other Assets represent funding paid by NIST to DOW for CHIPS program activities.*

The FY 2025 presentation shown above has been reformatted from the published version in the FY 2025 Agency Financial Report to conform to the current FY 2026 presentation.

Note 24. Stewardship Property, Plant, and Equipment

Preservation of stewardship property, plant, and equipment (PP&E) promotes the Department's mission of providing effective management and monitoring of our Nation's resources and assets to support both environmental and economic health. To ensure that these resources are preserved and sustained for the benefit and enjoyment of future generations, Congress has enacted legislation to assist in asset management. Additionally, the Department conducts its mission in ways that minimize environmental impacts, conserve natural and cultural resources, and provide effective stewardship of the environment.

Information on the Department's estimated stewardship land acreage is included in Note 26, *Land and Land Rights*. Information regarding deferred maintenance and repairs for the Department's multi-use heritage assets is included in the Required Supplementary Information (Unaudited) section.

Stewardship National Marine Sanctuaries, Marine National Monuments, Conservation Area, Habitat Blueprint, and Land and Permanent Land Rights

NOAA:

Written policy statements or permit guidelines for the National Marine Sanctuaries and Marine National Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries. There were no stewardship asset withdrawals for this subcategory in FY 2026.

NOAA maintains the following stewardship assets under this subcategory:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g., boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2026, 18 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, as follows:

- Channel Islands National Marine Sanctuary
- Chumash Heritage National Marine Sanctuary
- Cordell Bank National Marine Sanctuary
- Florida Keys National Marine Sanctuary
- Flower Garden Banks National Marine Sanctuary
- Gray's Reef National Marine Sanctuary
- Greater Farallones National Marine Sanctuary
- Hawaiian Islands Humpback Whale National Marine Sanctuary
- Lake Ontario National Marine Sanctuary
- Mallows Bay-Potomac River National Marine Sanctuary
- Monitor National Marine Sanctuary
- Monterey Bay National Marine Sanctuary
- National Marine Sanctuary of American Samoa
- Olympic Coast National Marine Sanctuary
- Papahānaumokuākea National Marine Sanctuary
- Stellwagen Bank National Marine Sanctuary
- Thunder Bay National Marine Sanctuary
- Wisconsin Shipwreck Coast National Marine Sanctuary

Marine National Monuments: The Marine National Monuments were created to protect the abundant and diverse coral, fish, and seabird populations; to facilitate exploration and scientific research; and to promote public education regarding the value of these national treasures. The establishment of the Monuments provides the opportunity to protect areas of outstanding scientific, cultural, conservation, and aesthetic value, and provide for the long-term preservation of these natural and cultural legacies. There are currently five Marine National Monuments, as follows:

- Marianas Trench Marine National Monument
- Northeast Canyons and Seamounts Marine National Monument
- Pacific Islands Heritage Marine National Monument
- Papahānaumokuākea Marine National Monument
- Rose Atoll Marine National Monument

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370 thousand square miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep-water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities.

NOAA Habitat Blueprint: NOAA is mandated to protect habitat for managed, threatened and endangered fish species, marine mammals, and other natural resources within the coastal zone. Recognizing the need for concerted efforts to conserve, protect, and restore habitat, NOAA developed the NOAA Habitat Blueprint/Habitat Focus Areas (HFAs) to coordinate its investments and leverage external resources for greater on-the ground impact. There are currently 11 HFAs as follows:

- Biscayne Bay, FL
- Choptank River Watershed, MD/DE
- Kachemak Bay, AK
- Manell-Geus Watershed, GU
- Middle Peninsula, VA
- Muskegon Lake, MI
- Northeast Reserves and Culebra Island, PR
- Penobscot River Watershed, ME
- Russian River Watershed, CA
- St. Louis River Estuary, MN/WI
- West Hawaii, HI

Stewardship Land and Permanent Land Rights:

Per federal accounting standards, stewardship land is land and land rights owned by the federal government but not acquired for or in connection with items of General PP&E. Land is the solid part of the surface of the Earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

NOAA's stewardship land supports its mission by serving as sites for NOAA's operations, including for facilities and offices, observatories, laboratories, and rookeries.

The site for the National Environmental Satellite, Data, and Information Service's (NESDIS) Office of Satellite and Product Operations Gilmore Creek in Fairbanks AK, which is the site of the Fairbanks Command and Data Acquisition (CDA) Station (campus) is NOAA's primary satellite ground station for downloading data from and sending commands to polar orbiting satellites. The CDA Station houses a number of buildings and has nine antennas in active use. It is one of the busiest and most capable satellite ground stations in the world. In addition to being the Nation's premier civilian ground station in support of polar orbiting satellites, the CDA Station also acts as a backup in support of NOAA's primary geostationary satellite ground station, the Wallops CDA Station on Wallops Island on the Eastern Shore of Virginia. The CDA Station provides backup support for the Geostationary Operational Environmental Satellites orbiting in the west position.

There are five rookeries in St. Paul, AK along with the site for the National Weather Service (NWS) offices in St. Paul along with various land easements to access the rookeries and the St. Paul Airport.

In addition, in St. George, AK, there is land housing the National Marine Fisheries support buildings, known as the Cottage and the Seal Skin Processing Plant (due to their uses prior to NOAA's operational uses), and eight rookeries along with various land easements to access the rookeries.

The following sites are additional stewardship land items:

- National Marine Fisheries Service (NMFS) Auke Bay Laboratory site in Juneau (Auke Bay/Cake), AK
- National Ocean Service Laboratory site in Seldovia (Kasitsna Bay), AK
- NWS offices in Utqiaġvik (Barrow), AK
- NWS Tsunami Warning Center site and housing site in Palmer, AK
- Office of Oceanic and Atmospheric Research (OAR) Lava Diversion Barrier site and OAR Observatory site in Volcano, HI
- OAR Observatory in Utqiaġvik (Barrow), AK

NOAA's real property community is responsible for reporting stewardship land and non-collection type heritage assets (including multi-use heritage assets). NOAA's Real Property Management Division (RPMD) reports Stewardship PP&E if the property contains a real property interest. The following highlights the specific roles and responsibilities of RPMD:

- Maintain a list of stewardship land and non-collection type heritage assets;
- Ensure that stewardship land and non-collection type heritage assets are listed as such in the real property inventory system;
- Include a requirement for confirmation of stewardship land or non-collection type heritage asset status and whether any Line/Staff Office(s) believes that a real property item should be a stewardship land or heritage asset in its annual real property inventory testing; and
- Consult with the NOAA Federal Preservation Officer and the relevant Line/Staff Office(s) regarding any additions to the real property inventory to ensure that the stewardship land or heritage or non-heritage asset status is correctly identified, including if a National Historic Preservation Act compliant evaluation is required.

NOAA utilizes 41 U.S.C., *Public Contracts*, Section 6301, *Authorization Requirement*, which states that the federal government may not acquire land unless the contract or purchase is authorized by law or is under an appropriation adequate to its fulfillment. NOAA also follows the requirements under 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-73, *Real Estate Acquisition*, including for acquiring land via purchase or condemnation (Subpart C, *Acquisition by Purchase or Condemnation*). NOAA acquires land only for specific mission needs that cannot be met by its existing inventory and only if properly authorized. For acquiring land via transfer in from other federal entities, including from GSA, NOAA follows the federal procedures in 41 CFR Subtitle C, Part 102-75, *Real Property Disposal*, Transfers subsection (102-75.175 through 102-75.235).

NOAA maintains and uses its land in support of the mission that land serves. Its maintenance, such as landscaping, snow removal, and pest control are dependent on the use and location of the particular parcel of land. NOAA's policy is for all personnel and affiliates to conduct their activities in a manner that complies with all applicable environmental requirements and to cooperate with federal agencies (including the Environmental Protection Agency, as well as state, interstate, and local agencies in the prevention, control, and abatement of environmental pollution. (NOAA Administrative Order 216-17A, *NOAA Environmental Compliance Program*). NOAA disposes of land based on 41 CFR, Subtitle C, Part 102-75, *Real Property Disposal*. In special cases, specific legislation may also provide disposal authority for and direct the disposal of a particular location/site.

NIST:

Stewardship Land and Permanent Land Rights: The site for the Boulder campus in Boulder, CO and the related permanent land rights are stewardship items. The related permanent land rights include shares and water rights to the privately-owned Anderson Ditch which crosses through the Boulder campus and has been listed in the National Register of Historic Places (NRHP). The Boulder campus consists of the land housing the Boulder laboratories and support facilities and the land comprised of protected area. The protected area is in accordance with an agreement between NIST and the city of Boulder whereby agreements with the City of Boulder and Native American Tribes have been respected and the designated protected area continues to be preserved. NIST utilizes NIST P 2100.00, *Facilities and Site Management* for maintaining and preserving the Boulder campus and the related permanent land rights. For any sites listed or eligible to be listed in the NRHP, all proposed changes must comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties and are subject to advance review and consultation with the applicable state historic preservation office. NIST utilizes NIST S 2103.05, *Acquisition and Disposal of Real Property* for the acquisition and disposal of stewardship land in support of NIST's mission.

Heritage Assets

Per federal accounting standards, heritage assets are unique for their historical or natural significance, cultural, educational, or artistic importance, or significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely. In cases where a heritage asset also has a practical and predominant use for general federal government operations, the asset is considered a multi-use heritage asset. The cost of acquisition, improvement, reconstruction, or renovation of a multi-use heritage asset is capitalized as General PP&E and is depreciated over its estimated useful life.

Non-collection-type Heritage Assets:

NOAA:

Non-collection-type heritage assets maintained by NOAA currently include the following, all of which are multi-use heritage assets:

- NESDIS Buildings (6) in Gilmore Creek, Fairbanks, AK
- NMFS Buildings (2) in St. George, AK which uses include research and housing, known as the Cottage and the Seal Skin Processing Plant
- NMFS Galveston Laboratory Buildings (5) in Galveston, TX
- Northwest Fisheries Science Center in Seattle, WA (building)
- OAR Air Resources Lab in Oak Ridge, TN (building)
- OAR Great Lakes Environmental Research Laboratory/Lake Michigan Field Station in Muskegon, MI (building)
- OAR Observatory Campus in Mauna Loa, HI (building)
- Western Regional Center Hangars (2) at the Western Resource Center in Seattle, WA (buildings)

For FY 2026, there were no withdrawals of NOAA's non-collection-type heritage assets. Typically, the methods of withdrawal may include demolition, disposal, transfer, sale, and reassessment of heritage assets criteria due to a review(s) of additional or new information or documentation.

For policies and procedures for NOAA's real property community regarding non-collection type heritage assets, see the *Stewardship Land and Permanent Land Rights* subsection.

NIST:

Non-collection-type heritage assets maintained by NIST include the following, all of which are multi-use heritage assets:

- Boulder Laboratories Building 1 in Boulder, CO
- Gaithersburg Campus in Gaithersburg, MD
- Fort Collins Campus in Fort Collins, CO
- Kehaka, Kauai Campus in Kehaka, HI

The Boulder Laboratories Building 1, also known as the Central Radio Propagation Laboratory, is eligible for listing in the NRHP due to its historic and architectural importance. Within Building 1 laboratories, ground breaking research has led to major scientific developments such as the atomic clock. The Gaithersburg NIST campus is listed as a Historic District in the NRHP due to its association with both significant advances in the history of science and technology as well as for its acclaimed mid-century modern architectural design and the embodiment of post World War II suburban campus planning principles. The Fort Collins NIST campus and the Kehaka NIST campus are eligible for listing in the NRHP due to their exceptional national significance in the historic themes of science and engineering. These radio transmitter facilities are integral to receiving and transmitting the national standard for time calibrated through the atomic clock located at Building 1 at the NIST Boulder Laboratories as well as maintaining the integrity of the Nation's radio airwaves. The land at the Kehaka NIST campus is leased from the U.S. Navy and NIST owns and maintains the structures.

For policies and procedures for NIST's real property community regarding non-collection type heritage assets, see the *Stewardship Land and Permanent Land Rights* subsection.

Collection-type Heritage Assets:

NOAA:

NOAA has established policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA personal property heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. NOAA maintains a nationwide inventory of personal property heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System. Each loan of NOAA personal property heritage assets, including assigning values and inventory numbers and reporting the current condition of heritage assets, is tracked and updated and the feasibility of new asset loans is determined. In addition, NOAA collects personal property heritage assets of historic, cultural, artistic, or educational significance to NOAA.

NOAA's historical artifacts are designated collection-type heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These artifacts include, but are not limited to: books, journals, publications, photographs, motion pictures, manuscripts, records, nautical chart plates, bells, gyrocompasses, brass citations, flags, pennants, chronometers, ship seals, clocks, compasses, fittings, miscellaneous ship fragments, lithographic plates, barometers, rain gauges, and any items that represent the uniqueness of the mission of NOAA and its predecessor agencies. NOAA's Logistics Office continually conducts inventories of NOAA's collection-type heritage assets.

For FY 2026, there was one withdrawal of NOAA's collection-type heritage assets. Typically, the methods of withdrawal may include assets being destroyed, lost, missing, stolen, and donated/transferred to an entity outside of NOAA.

NOAA's collection-type heritage assets include the following:

NOAA Central Library: Many of NOAA's heritage assets are maintained by the NOAA Central Library. The holdings include artifacts, documents, and other items.

Thunder Bay Sanctuary Research Collection: The Thunder Bay National Marine Sanctuary is jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources.

Florida Keys National Marine Sanctuary Collection: The Florida Keys National Marine Sanctuary (FKNMS) collection-type heritage assets include artifacts from shipwreck and wrecking events occurring in the Florida Keys over a 500-year period. FKNMS is an abundant mixture of natural and cultural, historical resources.

NIST:

NIST currently maintains collection-type heritage assets under its Museum, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, and objects of significance to NIST and predecessor agencies. This program provides institutional memory and demonstrates the contributions of NIST to the development of standards measurement, technology, and science.

The NIST Museum has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. When considering artifacts for accession, the following criteria are considered:

- Direct connection to NIST program activity;
- Direct connection to a NIST prominent person;
- Physical size; and
- Safety considerations.

Artifacts are rarely loaned, but can be loaned within established policies and procedures for educational purposes, scholarly research, and limited public exhibition to qualified institutions. The loan policy packet for these artifacts includes an introduction to the NIST Loan Program, Borrower Checklist, Artifact Loan Request, NIST Loan Policy, Insurance Requirements, Facilities Report, Outgoing Loan Agreement, Condition Report Form, and Outgoing Loan Process.

Assets may be withdrawn by the NIST museum staff, who will provide a rationale for the deaccession. Deaccessioning is part of the formation and care of collections and is performed in order to refine and improve the quality and appropriateness of the collections to better serve the museum's mission. Potential justifications for deaccessioning an item from the Museum Collections may include, but are not limited to, the following:

- Not or no longer historically relevant to NIST History;
- Not useful for research, exhibition, or educational purposes;
- Duplicate or better representative items in collection or about to be acquired;
- Return of items on long-term loan;
- Lack of information available on artifact;
- Safety concerns;
- The Museum is unable to properly care for, conserve, or store the object; and
- Fits better with a more appropriate collecting institution.

Census Bureau:

Collection-type heritage assets maintained by the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. They help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts.

The Census Bureau has in place a Project Charter that outlines policies and procedures for the acquisition and removal of Census Bureau's heritage assets. The Census Bureau Heritage Assets Committee decides if an item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate the Census Bureau's historic contributions to the Nation's growth. If the item is deemed a heritage asset, the applicable property management office will ensure the heritage asset is catalogued and stored in a safe, secure environment, allowing for appropriate preservation and conservation. All necessary actions will be taken to reduce deterioration of heritage assets due to environmental conditions, and to limit damage, loss, and misuse of heritage assets. The Committee meets on a regular basis to determine if any heritage assets should be removed from the approved list, or if a newly arrived item should be classified as a heritage asset. Once a determination has been made to no longer classify an item as a heritage asset, the Census Bureau will follow any applicable established policies and procedures for surplus property.

The following table summarizes the Department's collection-type heritage assets activity and balances.

Collection-type Heritage Assets: Individual Items
(In Actual Quantities)

Category	Description of Assets	Quantity of Items Held September 30, 2025	FY 2026 Additions	FY 2026 Withdrawals	Quantity of Items Held September 30, 2026
NOAA National Ocean Service – Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	–	–	106,254
NOAA Central Library	Artifacts, documents, and other items	27	–	–	27
NOAA Florida Keys National Marine Sanctuary Collection	Artifacts	253	–	–	253
NOAA – Other	Artifacts, artwork, books, films, instruments, maps, and records	3,025	–	1	3,024
NIST Artifacts and Scientific Measures	National Bureau of Standards[1]/NIST scientific instruments, equipment, and objects	25	–	–	25
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	33	2	1	34
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	84	–	–	84
Total		109,701	2	2	109,701

[1] *National Bureau of Standards is the former name of NIST.*

Note 25. Disclosure Public-Private Partnerships

SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, helps the Department achieve the operating performance and budgetary integrity objectives outlined in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, by making public-private partnerships (P3s) more understandable. This statement establishes principles to ensure that any necessary disclosures about P3s are presented in the agency's AFR. SFFAS 49 mandates that when arrangements with private entities meet certain characteristics, these arrangements must be disclosed in the AFR.

The Department's evaluations of SFFAS 49 requirements identified two public-private partnerships for disclosure. Below are summary tables and detailed information for the partnerships.

FY 2026				
Public-Private Partnerships Agreements/Contracts	Actual Amount Received in Fiscal Year	Actual Amount Paid in Fiscal Year	Estimated Amount to be Received over Expected Life	Estimated Amount to be Paid over Expected Life
FirstNet and AT&T	$ 896	$ 228	$ 18,000	Cannot be Estimated
NOAA and 11 Regional Associations	–	130	–	$ 364
Total	$ 896	$ 358	$ 18,000	

FY 2025				
Public-Private Partnerships Agreements/Contracts	Actual Amount Received in Fiscal Year	Actual Amount Paid in Fiscal Year	Estimated Amount to be Received over Expected Life	Estimated Amount to be Paid over Expected Life
FirstNet and AT&T	$ 420	$ 644	$ 18,000	Cannot be Estimated
NOAA and 11 Regional Associations	–	13	–	$ 312
Total	$ 420	$ 657	$ 18,000	

First Responder Network Authority Contract with AT&T Enterprises, LLC

The First Responder Network Authority (FirstNet), an independent authority within NTIA since its inception in 2012, was created to develop, deploy, and enhance wireless broadband communications for first responders—to give public safety 21st century communication tools to help save lives, and keep U.S. communities and emergency responders safe. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. See Note 22, *Funds from Dedicated Collections*, for more information on FirstNet.

The Nationwide Public Safety Broadband Network (NPSBN) is being built out, deployed, operated, and maintained as a partnership between FirstNet and AT&T Enterprises, LLC, under a 25-year contract awarded by FirstNet to AT&T in March 2017. The service will cover all 50 U.S. states, five territories, and the District of Columbia, including rural communities and tribal nations. The statutory authority for FirstNet to enter into the contract with AT&T is section 6206 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). For purposes of the information disclosed in this Note, due to the long length of the contract through 2042 and because FirstNet cannot reasonably estimate at this time what events might occur after the contract end date, the 25-year contract period is also treated as the expected life of this partnership. AT&T has publicly indicated that it will invest about $40.0 billion over the life of the contract to buildout, operate, deploy, and maintain the NPSBN, and together with FirstNet will help ensure that the NPSBN evolves with the needs of public safety.

Payments are made by FirstNet to AT&T for success-based payment milestones under the firm fixed price buildout and continuing enhancement Task Orders in conformity with the contractual terms. Payments made by FirstNet for the buildout and continuing enhancement of the NPSBN are recorded as an asset. See Note 1.O, *Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network*, for information regarding the classification of these cost contributions as an asset.

FirstNet oversees and monitors the contract with AT&T to ensure it delivers on the requirements associated with deploying, operating, and maintaining the NPSBN through various mechanisms, including subscriber adoption targets, successful milestone completion, disincentives, and other mechanisms outlined in the contract. FirstNet oversees the verification and validation of the contractual requirements, as well as some products and services—in accordance with the terms of the contract—before they are deployed so that first responders will have the proven tools they need in disasters and emergencies. Through its Innovation and Test Lab in Boulder, CO, FirstNet is testing capabilities unique to public safety.

Contractual risks of loss to the federal government primarily relate to (a) AT&T's satisfactory performance under the terms of the contract and in accordance with the terms and conditions contained in subsequent task orders; and (b) that the contract may be subject to (1) future renewal(s) of the license of the federally owned spectrum that Congress allocated to FirstNet under the Act; and (2) FirstNet reauthorization.

NOAA Partnerships with 11 Regional Associations (RA) under the federal program for the U.S. Integrated Ocean Observing System (IOOS)

NOAA partners with 11 RAs under the federal program for IOOS. IOOS is governed by the Integrated Coastal and Ocean Observation System Act of 2009 (ICOOS Act), as amended by the Coordinated Ocean Observations Act of 2020, which authorized the establishment of a National Integrated Ocean Observing System (System) and codified a governance structure within which the System will operate. The ICOOS Act explicitly vests authority in NOAA as the lead federal agency for implementation and administration of the System, and tasked NOAA to establish an IOOS Program Office. NOAA is additionally required to carry out its responsibilities in consultation with federal agency and regional partners.

IOOS is a federal-regional partnership working to provide new tools and forecasts to improve safety, enhance the economy, and protect the environment. Integrated ocean information is available in near real time, as well as retrospectively. Easier and better access to this information is improving the Nation's ability to understand and predict coastal events—such as storms, wave heights, and sea level change. Such knowledge is needed for everything from retail to development planning. Regional IOOS partners are essential to building and supporting IOOS. They provide increased observations, distinctive knowledge, and critical technological abilities, and apply these toward the development of products to meet regional and local needs.

IOOS is comprised of 11 RAs, which guide development of and stakeholder input to regional observing activities. The federal government, through the ICOOS Act, established the fundamental purpose and mission of the RAs with respect to its role in IOOS. RAs serve the Nation's coastal communities, including the Great Lakes, Caribbean, and Pacific Islands and territories. RAs design, maintain, and operate regional coastal observing systems. Each RA is managed by a board of directors drawn from stakeholders in the region. RAs work with agencies, industry, scientists, and others to tailor an observing system to address specific regional issues. All 11 RAs are currently voluntarily certified by NOAA as a Regional Coastal Observing System (RCOS) for which an RA, in order to be RCOS is required to implement specific practices regarding data collection and data management, governance, and management. The relevant federal regulations are located at Title 15, *Commerce and Foreign Trade*, Part 997, *Regional Information Coordination Entities*, of the Code of Federal Regulations.

As of September 30, 2026, NOAA has three batches of separate cooperative agreements for each of the 11 RAs—a first batch of main awards which are for the performance period of July or August 2021 through June or July 2027; a second batch of main awards which are for the performance period of September 2026 through August 2031; and a third batch of awards under the Inflation Reduction Act of 2022 funding which are for the performance period of August or September 2024 through July or August 2029. The cooperative agreements are with each RA's fiscal sponsor, although in a few cases, the RA serves as its own fiscal sponsor. NOAA makes payments directly to the fiscal sponsor. NOAA divides each multi-year project period into "funding periods." An RA's receipt of NOAA financial assistance beyond the current funding period is contingent on the availability of funds and satisfactory performance under the cooperative agreement and is at NOAA's sole discretion. NOAA also reserves the right to terminate funding at any time during the award period if it determines that a recipient is not meeting project milestones. NOAA estimates that funding provided through these cooperative agreements constitutes the predominant source of funding for each of the 11 RAs, although the RAs may receive funding from other sources.

NOAA periodically conducts a competitive process (normally every five years) in which it requests proposals for NOAA funding for coordinated regional efforts that further the IOOS in sustaining and enhancing comprehensive regional coastal observing systems in 11 IOOS regions, and that build upon progress made to-date on the development of the regional coastal observing systems. NOAA expects successful awardees to serve as an RA responsible for operating the regional coastal observing system. Any organization, including the current awardee, may submit a proposal to serve as an RA; accordingly, an organization that currently serves as an RA may or may not be selected in the next competitive cycle. For purposes of the Department's evaluation of the expected lives of the NOAA partnerships with the RAs, because NOAA intends to continue the funding of and partnerships with RAs (successful awardees), NOAA's partnerships with RAs are considered to have expected lives that exceed five years.

The risk of loss under the partnerships with the 11 RAs primarily relates to NOAA being subject to Subsection 26, *Civil liability*, of 15 CFR Part 997. Any further possible risks of loss regarding the 11 RAs appear to relate to each RA's compliance with award provisions and satisfactory performance under the award. These risks of loss are mitigated in part because of NOAA's significant, continued involvement and monitoring of an RA's compliance with award requirements and performance under the award—RAs are required to report on progress and performance over the life of the cooperative agreement; and because NOAA breaks down a multi-year cooperative agreement into "funding periods" as previously discussed. Furthermore, standard Departmental terms and conditions for these cooperative agreements include provisions for unsatisfactory performance or non-compliance with award provisions, internal controls, and audits.

Note 26. Land and Land Rights

The Department has complied with the requirements of FASAB SFFAS 59, *Accounting and Reporting of Government Land*. This requirement focuses on ensuring that federal land holding agencies report the consistent accounting treatment and reporting of federal land. This standard has established guidance for federal agencies to follow during the implementation and execution periods. Per federal accounting standards, land is the solid part of the surface of the Earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land. Land rights such as easements or rights-of-way, that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

To improve the comparability of reporting federal land and land rights and the uniformity of disclosures, three subcategories predicated on land use for both General PP&E land and stewardship land are utilized: (1) commercial use land; (2) operational land; and (3) conservation and preservation land. The cost of land and permanent land rights is not capitalized on the *Balance Sheet* starting in FY 2026, but is instead recognized on the *Statement of Net Cost* for the period in which the cost of the land or permanent land rights acquisition is incurred. NOAA, NTIA, and NIST are the only entities within the Department that have land held and, when applicable, permanent land rights. These three bureaus report land held and permanent land rights when applicable in the General PP&E category, while NOAA additionally reports land held and permanent land rights in the Stewardship category.

The following table summarizes the Department's land and permanent land rights under the General PP&E and Stewardship categories as of September 30, 2026:

Estimated Acreage by Predominant Use

	Conservation and Preservation	Operational	Total Estimated Acreage
General PP&E Land[1]			
Start of Prior Year	104	5,158	5,262
End of Prior Year/Start of Current Year	104	5,154	5,258
End of Current Year	104	5,154	5,258
Stewardship Land[1]			
Start of Prior Year	2,030	7,960	9,990
End of Prior Year/Start of Current Year	2,030	7,960	9,990
End of Current Year	2,030	7,960	9,990
Held for Disposal or Exchange (also included in the balances above)			
End of Prior Year	–	–	–
End of Current Year	–	640	640

[1] *Land includes land and permanent land rights. Temporary land rights are not included pursuant to SFFAS 59, paragraphs 4 and 5.*

Note 27. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (*Financial Report*), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to prepare government-wide reclassified financial statements. Treasury's Reclassified Balance Sheet resembles the Department's financial presentation; therefore a separate reconciliation is not required.

Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* (FR) statements. This Note shows the Department's Financial Statements and the Department's reclassified line items prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items as of September 30, 2026 and 2025. A copy of the 2025 *Financial Report* can be found at the Services for General Public page within the Bureau of the Fiscal Service website and a copy of the 2026 *Financial Report* will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this Note to refer to amounts that result from other components of the federal government. The term "non-federal" is used in this Note to refer to federal government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and state, local, and foreign governments.

Reclassification of Consolidated Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost For the Year Ended September 30, 2026

Department of Commerce Consolidated Statement of Net Cost		Difference	Line Items Used to Prepare Government-wide Statement of Net Cost					
Financial Statement Line	Amount		Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections Amounts (with Eliminations)	Eliminations Between Dedicated and Other than Dedicated	Total	Reclassified Financial Statement Line
								Non-federal Costs
			$ 3,904	$ –	$ 29,307	$ –	$ 33,211	Non-federal Gross Cost
			3,904	**–**	**29,307**	**–**	**33,211**	***Total Non-federal Costs***
								Intragovernmental Costs
			637	–	808	(2)	1,443	Benefit Program Costs
			219	–	402	–	621	Imputed Costs
			134	–	1,498	(37)	1,595	Buy/Sell Costs
			1	–	–	–	1	Purchase of Assets
			–	–	27	–	27	Borrowing and Other Interest Expense
			162	–	217	–	379	Other Expenses (without Reciprocals)
			1,153	**–**	**2,952**	**(39)**	**4,066**	***Total Intragovernmental Costs***
Total Gross Departmental Costs	**$ 21,218**	**$ (16,059)**	**$ 5,057**	**$ –**	**$ 32,259**	**$ (39)**	**$ 37,277**	***Total Reclassified Gross Costs***
			(5,605)	–	(43,261)	–	(48,866)	Non-federal Earned Revenue
								Intragovernmental Revenue
			–	–	(2)	2	–	Benefit Program Revenue
			(10)	–	(642)	35	(617)	Buy/Sell Revenue
			(1)	–	–	–	(1)	Purchase of Assets Offset
			–	–	(1)	–	(1)	Borrowing and Other Interest Revenue
			–	–	(1)	–	(1)	Borrowing Gains
			(11)	**–**	**(646)**	**37**	**(620)**	***Total Intragovernmental Earned Revenue***
Less: Total Earned Revenue	**$ (6,336)**	**$ 43,150**	**$ (5,616)**	**$ –**	**$ (43,907)**	**$ 37**	**$ (49,486)**	***Total Reclassified Earned Revenue***
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments (Note 8)	(27,071)	(27,071)						
	–	(21)	–	–	21	–	21	Gains/Losses from Changes in Actuarial Assumptions
NET COST (REVENUE) OF OPERATIONS	**$ (12,189)**	**$ (1)[1]**					**$ (12,188)**	**NET COST OF OPERATIONS**

[1] *The $1 million variance is attributable to immaterial differences among intra-Departmental reporting components.*

Reclassification of Consolidated Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost For the Year Ended September 30, 2025

Department of Commerce Consolidated Statement of Net Cost		Difference	Line Items Used to Prepare Government-wide Statement of Net Cost					
Financial Statement Line	Amount		Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections Amounts (with Eliminations)	Eliminations Between Dedicated and Other than Dedicated	Total	Reclassified Financial Statement Line
								Non-federal Costs
			$ 3,950	$ –	$ 20,362	$ –	$ 24,312	Non-federal Gross Cost
			3,950	**–**	**20,362**	**–**	**24,312**	***Total Non-federal Costs***
								Intragovernmental Costs
			665	–	904	–	1,569	Benefit Program Costs
			232	–	508	–	740	Imputed Costs
			154	–	1,142	(40)	1,256	Buy/Sell Costs
			1	–	–	–	1	Purchase of Assets
			–	–	21	–	21	Borrowing and Other Interest Expense
			166	–	263	–	429	Other Expenses (without Reciprocals)
			1,218	**–**	**2,838**	**(40)**	**4,016**	***Total Intragovernmental Costs***
Total Gross Departmental Costs	**$ 27,066**	**$ (1,262)**	**$ 5,168**	**$ –**	**$ 23,200**	**$ (40)**	**$ 28,328**	***Total Reclassified Gross Costs***
			(4,958)	–	(3,651)	–	(8,609)	Non-federal Earned Revenue
								Intragovernmental Revenue
			–	–	(1)	–	(1)	Benefit Program Revenue
			(10)	–	(791)	38	(763)	Buy/Sell Revenue
			–	–	–	–	–	Purchase of Assets Offset
			–	–	–	–	–	Borrowing and Other Interest Revenue
			(10)	**–**	**(792)**	**38**	**(764)**	***Total Intragovernmental Earned Revenue***
Less: Total Earned Revenue	**$ (5,846)**	**$ 3,527**	**$ (4,968)**	**$ –**	**$ (4,443)**	**$ 38**	**$ (9,373)**	***Total Reclassified Earned Revenue***
Less: Unrealized (Gain) or Loss on Other than Intragovernmental Investments (Note 8)	(3,526)	(3,526)						
	–	(30)	–	–	30	–	30	Gains/Losses from Changes in Actuarial Assumptions
NET COST OF OPERATIONS	**$ 17,694**	**$ (1,291)[1]**					**$ 18,985**	**NET COST OF OPERATIONS**

[1] *The difference is attributable to a $1.29 billion audit-related adjustment recorded within the Department's consolidated financial statements subsequent to the close of the GTAS reporting window, after which no further period 12 adjustments were permitted in GTAS. The adjustment would impact the following reclassified statement lines: Non-federal Gross Costs, Total Reclassified Gross Costs, and Net Cost of Operations. Absent this reconciling item, the remaining difference related to the Statement of Net Cost would be $603 thousand, attributable to immaterial intra-departmental differences.*

Reclassification of Consolidated Statement of Changes in Net Position to Line Items Used for the Government-wide Statement of Operations and Changes in Net Position For the Year Ended September 30, 2026

Department of Commerce Consolidated Statement of Changes in Net Position		Difference	Line Items Used to Prepare Government-wide Statement of Changes in Net Position	
Financial Statement Line	**Amount**		**Amount**	**Reclassified Financial Statement Line**
Unexpended Appropriations: Beginning Balance	$ 97,791		$ 128,360	Net Position, Beginning of Period
Cumulative Results of Operations: Beginning Balance	30,569			
Cumulative Results of Operations: Changes in Accounting Principles	(16)		(16)	Changes in Accounting Principles
Total Net Position: Beginning Balances, as Adjusted	**128,344**		**128,344**	**Net Position, Beginning of Period – Adjusted**
Unexpended Appropriations:				
Appropriations Received	18,356		18,005	Appropriations Received as Adjusted (Rescissions and Other Adjustments)
Other Adjustments	(351)			
Appropriations Transferred In/Out	22		(15)	Non-expenditure Transfers Out of Unexpended Appropriations and Financing Sources
Appropriations Used	(17,875)		(17,875)	Appropriations Used
Net Change in Unexpended Appropriations	**152**			
Unexpended Appropriations: Ending	**97,943**			
Cumulative Results of Operations:				
Appropriations Used	17,875		17,875	Appropriations Expended
Non-exchange Revenue	60		355	Other Taxes and Receipts
Donations and Forfeitures of Cash and Cash Equivalents	7			
			355	**Total Non-federal Non-exchange Revenue**
			(1)	Collections Transferred to a Treasury Account Symbol Other Than the General Fund of the U.S. Government
			16	Collections Transferred into a Treasury Account Symbol Other Than the General Fund of the U.S. Government
			9	Borrowings and Other Interest Revenue
			24	**Total Intragovernmental Non-exchange Revenue**
Transfers In/Out Without Reimbursement	984		1,008	Non-expenditure Transfers In of Unexpended Appropriations and Financing Sources
			13	Expenditure Transfers In of Financing Sources
			(1)	Expenditure Transfers Out of Financing Sources
Other Adjustments	(3)		(2)	Collections for Others Transferred to the General Fund of the U.S. Government
Imputed Financing	621		621	Imputed Financing Sources
Other	(16)		(374)	Non-entity Collections Transferred to the General Fund of the U.S. Government
			46	Accrual for Non-entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
			19,301	**Total Financing Sources (excludes non-exchange revenue lines)**
Net (Cost) Revenue of Operations	**12,189**		**12,188**	**Net Cost of Operations**
Net Change in Cumulative Results of Operations	**31,717**			
Cumulative Results of Operations: Ending	**62,270**			
NET POSITION	**$ 160,213**	**$ 1[1]**	**$ 160,212**	**Net Position, End of Period**

[1] *The $1 million variance is primarily attributable to immaterial differences among intra-Departmental reporting components.*

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)



Required Supplementary Information
(Unaudited)

A Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and Repairs are activities directed toward keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance and Repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater, than those originally intended. The significant portions of Departmental DM&R relate to PP&E of both the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST). NOAA and NIST represent 84 percent and 10 percent of the Department's General PP&E, Net balance as of September 30, 2026, respectively.

Maintenance and Repair Policies – Description and Application

NOAA:

NOAA reports DM&R based on FASAB's definition of deferred maintenance. To measure real property DM&R, NOAA uses Facility Condition Assessment (FCA) surveys, which are periodic physical (i.e., visual) inspections of real property to determine their current condition and estimated repair or replacement cost for building/structural components based on their condition index and remaining useful life. In FY 2015, NOAA started completing a round of FCAs using physical assessments. NOAA completed assessments of the vast majority of the applicable inventory by the end of FY 2022 (assessments were delayed because of COVID-19 concerns which lengthened the projected five-year cycle). NOAA is in the process of completing the next cycle of condition assessments on a five-year cycle for all applicable real property in the inventory. The new assessment cycle began in FY 2023.

NIST:

NIST performs maintenance and repairs (MRs) on its real property using both federal employees and contracted trades. These activities follow executive orders, presidential memorandums, public laws, and Departmental directives. Annual appropriations determine the level of MR work NIST can perform.

NIST's goal is to maintain and repair facilities to manufacturer standards or those of nationally recognized real property organizations. When funding or labor is limited, NIST prioritizes mission-critical equipment, resulting in reduced MR for non-mission-critical assets. NIST also reserves funds annually for emergency repairs such as water main breaks, failed steam or condensate lines, chilled water pumps, and medium-voltage equipment failures.

Maintenance and Repair Activities – Prioritization and Ranking

NOAA:

NOAA prioritizes MR projects to preserve its asset inventory and maintain warranties on equipment and systems. When work becomes deferred, NOAA will prioritize projects that address health and safety issues and reduce the risk of mission failure.

NIST:

NIST prioritizes MR activities over non-MR and real property activities (e.g., construction and disposal). MR activities are ranked based upon available appropriations and prioritized against facility factors. Those include, but are not limited to, mission impact, safety, regulatory compliance, frequency of failures, and likelihood of unrepairable failure. Additionally, a rating is applied to each project. Projects rated "Critical" and "High" are evaluated first, as primarily these are mission-critical facilities. This rating process is completed annually for unfunded MR activities.

Acceptable Condition Standards – Determining Factors

NOAA:

NOAA performs Condition Assessment Surveys for capitalized NOAA-owned buildings, structures with an acquisition cost of $200 thousand or more, and multi-use heritage assets. For personal property, DM&R applies only to capitalized items that meet NOAA's single-asset capitalization threshold of $200 thousand. Costs are reported when the estimated project cost is $25 thousand or more. For financial reporting purposes, NOAA does not report on DM&R for:

- Owned real property that has been permanently removed from service or which NOAA is planning to permanently remove from service within five years; and
- Land as land does not have DM&R.

Acceptable condition standards are established for real property by using industry standards for benchmarking and cost estimating. These standards are used to evaluate site and building conditions, which include the review of building systems such as civil, structure, architectural, life safety, mechanical, plumbing, elevators, electric, and others.

NIST:

Facility Condition Index (FCI) values are calculated for each NIST facility. The ratio, R, of the cost of correcting all facility deficiencies in a building divided by the cost of replacing the building is expressed on a 100 percentage point scale. The FCI index is 100 – R. Thus, the FCI is the cost of replacing less the cost of correcting, divided by the cost to replace, expressed as a percentage. Generally, a facility with a FCI index above 95 is considered excellent, between 95 and 90 is considered good, between 90 and 85 is considered fair, and below 85 is considered poor.

Scope of Deferred Maintenance and Repairs

NOAA:

Except for NOAA's vessels, most capitalized personal property, such as weather systems, requires regular maintenance, as the public depends on these systems for safety and livelihood. Because of this reliance, maintenance on these systems is rarely deferred. These assets are maintained through maintenance contracts.

The following table shows NOAA's DM&R as of September 30, 2026 and 2025:

(In Millions)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2026	Deferred Maintenance and Repairs as of September 30, 2025
Buildings	$ 872	$ 767
Multi-use Heritage Assets	87	85
Total	**$ 959**	**$ 852**

For FY 2026, there was an increase in DM&R for NOAA, primarily due to the annual NOAA Builder Component Catalog update, unresolved FY 2025 items, and updated Facility Condition Assessments. The increase was partially offset by property disposals, revised condition data, and an acquisition without Builder condition data.

NIST:

DM&R is measured and reported only for PP&E funded through Construction of Research Facilities (CRF) appropriations. All CRF-funded PP&E is included in DM&R reporting, regardless of capitalization threshold or depreciation status. The capitalization threshold for NIST real property is $100 thousand.

The following table shows NIST's DM&R as of September 30, 2026 and 2025:

(In Millions)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2026	Deferred Maintenance and Repairs as of September 30, 2025
Buildings	$ 1,889	$ 1,073
Site Utilities and Infrastructure	680	624
Total	**$ 2,569**	**$ 1,697**

For FY 2026, there was a significant increase in DM&R for NIST, primarily due to Builder Sustainment Management System (SMS) facility condition assessment algorithms identifying a greater number of major building system replacements, rather than routine repairs, as assets reach the end of their useful lives. This trend is occurring across the aging real property portfolio, including the Advanced Chemical Sciences Laboratory in Gaithersburg, MD, where high-cost systems such as Heating, Ventilation, and Air Conditioning (HVAC), roofing, fire protection, electrical distribution, and exterior envelope components now require replacement.

Unmeasured/Unreported Deferred Maintenance & Repairs by PP&E Category

NOAA:

In measuring DM&R, FCAs report physical deficiencies that cannot be remedied with normal operating maintenance, excluding de minimis conditions that generally do not present a material physical deficiency to the subject property. Actionable items include (1) existing or potential unsafe conditions; (2) building or fire code violations as revealed by municipal agencies; or (3) conditions that if left unremedied have the potential to result in or contribute to critical element or system failure in the near term, or shall result most probably in a significant escalation of its repair or replacement cost.

NIST:

DM&R is not measured or reported for PP&E funded with Scientific and Technical Research and Services appropriations. PP&E that is unique to a specific scientific program and not tied to a site or building is also excluded.

Methods for Estimating DM&R

NOAA:

The fourth quarter FY 2026 balance estimated cost is composed of DM&R for the applicable inventory from the FCA data completed in FY 2015 through FY 2026. In FY 2020, NOAA implemented a new FCA reporting methodology using the BUILDER system from the U.S. Army Corps of Engineers. BUILDER uses a visual direct rating methodology whereby the assessor provides a rating level of the condition of each system/component and BUILDER compares that condition index against a NOAA-set condition index threshold, which automatically generates a repair action when its condition drops below a minimum performance limit. Based on the type, material, and condition of the component, BUILDER generates an estimated cost for corrective action (repair or replace). To the extent possible, data from previous FCAs was entered into the BUILDER system. Some data from the earliest FCAs could not be entered into BUILDER. These FCAs are being completed again in the current FCA cycle and will be entered into BUILDER as they are completed.

For data not in BUILDER, the data has been escalated based on the date of their FCA estimate and changes since then to the Naval Facilities Engineering Systems Command Building Cost Index. BUILDER estimates were not manually escalated because the BUILDER cost database is updated annually based on a number of sources including RS Means data, an authoritative source of building component costs, U.S. Army Corps of Engineers' Construction Engineering Research Laboratory, and the updated inflation rate.

NIST:

NIST contracts with a firm to host its U.S. Army Builder SMS facility assessment data. Builder SMS is a free tool federal agencies use to document facility conditions and includes a price book for estimating labor, materials, and other factors for MR activities. The hosting firm also updates the price book each year using data from a nationally recognized third-party vendor. This provides NIST with annually updated marketplace pricing for labor and materials.

Minimum Required Maintenance & Repair Amounts

NOAA:

NOAA estimates that $385 million is the minimum MR amount needed to ensure that mission-critical facilities remain mission capable.

NIST:

NIST estimates that $238 million is the minimum MR amount needed to ensure that mission-critical facilities remain mission capable.

B Combining Statement of Budgetary Resources by Major Budget Account

United States Department of Commerce Combining Statement of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2026 *(In Millions)*

	Combined Total	Census Bureau Periodic Censuses and Programs	EDA Economic Development Assistance Programs	NIST Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund	NIST Creating Helpful Incentives to Produce Semiconductors (CHIPS) Direct Loan Financing Account	NIST Industrial Technology Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA's Broadband Equity, Access, and Deployment Program	NTIA Digital Equity	USPTO Salaries and Expenses Fund	Other Budget Accounts
BUDGETARY RESOURCES:												
Unobligated Balance From Prior Year Budget Authority, Net	$ 24,485	$ 166	$ 2,423	$ 2,390	$ –	$ 8,339	$ 1,357	$ 1,502	$ 468	$ 1,795	$ 1,422	$ 4,623
Appropriations	18,959	1,172	611	4,990	–	1,772	5,004	1,575	–	508	–	3,327
Borrowing Authority	1,438	–	–	–	1,379	–	–	–	–	–	–	59
Spending Authority From Offsetting Collections	8,295	–	1	–	30	–	681	–	–	–	4,925	2,658
TOTAL BUDGETARY RESOURCES	**$ 53,177**	**$ 1,338**	**$ 3,035**	**$ 7,380**	**$ 1,409**	**$ 10,111**	**$ 7,042**	**$ 3,077**	**$ 468**	**$ 2,303**	**$ 6,347**	**$ 10,667**
STATUS OF BUDGETARY RESOURCES:												
New Obligations and Upward Adjustments	$ 25,696	$ 1,137	$ 757	$ 821	$ 1,379	$ 2,827	$ 5,718	$ 2,210	$ 71	$ 7	$ 4,464	$ 6,305
Unobligated Balance, End of Year												
Apportioned, Unexpired Accounts	25,397	145	2,096	6,557	–	7,127	1,092	791	389	1,806	1,883	3,511
Unapportioned, Unexpired Accounts	1,436	–	15	2	30	157	28	2	8	490	–	704
Unobligated Balance, End of Year, Unexpired Accounts	26,833	145	2,111	6,559	30	7,284	1,120	793	397	2,296	1,883	4,215
Unobligated Balance, End of Year, Expired Accounts	648	56	167	–	–	–	204	74	–	–	–	147
Total Unobligated Balance, End of Year	**27,481**	**201**	**2,278**	**6,559**	**30**	**7,284**	**1,324**	**867**	**397**	**2,296**	**1,883**	**4,362**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 53,177**	**$ 1,338**	**$ 3,035**	**$ 7,380**	**$ 1,409**	**$ 10,111**	**$ 7,042**	**$ 3,077**	**$ 468**	**$ 2,303**	**$ 6,347**	**$ 10,667**
OUTLAYS, NET, AND DISBURSEMENTS, NET:												
Outlays, Net	$ 15,111	$ 1,022	$ 1,237	$ 1,406	$ (30)	$ 1,324	$ 5,086	$ 1,970	$ 395	$ 11	$ (695)	$ 3,385
Distributed Offsetting Receipts	(273)	–	–	–	–	–	–	–	–	–	–	(273)
AGENCY OUTLAYS, NET	**$ 14,838**	**$ 1,022**	**$ 1,237**	**$ 1,406**	**$ (30)**	**$ 1,324**	**$ 5,086**	**$ 1,970**	**$ 395**	**$ 11**	**$ (695)**	**$ 3,112**
DISBURSEMENTS, NET[1]	**$ (19)**											**$ (19)**

[1] *Includes only Non-budgetary Credit Reform Financing Accounts*

Other Information

(Unaudited)



Office of Inspector General Top Management and Performance Challenges

According to the Department's Inspector General, the top management challenges the Department faces are in the following areas:

- Safeguarding National Security and American Business Interests
- Providing Effective Stewardship of Taxpayer Dollars
- Delivering High-Quality, Reliable Services

The Department pursues corrective actions for all significant challenges, whether identified by the Office of Inspector General (OIG), Government Accountability Office (GAO), or other sources.

The following pages present the top management and performance challenges facing the Department in FY 2027. To access the complete OIG Report, *Top Management and Performance Challenges Facing the Department of Commerce in FY 2027*, including live hyperlinks not available in this document, please visit our website at: *https://www.oig.doc.gov/reports/?entry=79187.*

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, DC 20230

October 1, 2026

MEMORANDUM FOR: Secretary of Commerce Howard Lutnick

FROM: Duane E. Townsend
Performing the Duties of Inspector General

SUBJECT: *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2027*
Report No. OIG-27-001

Attached is our final report on the Department's top management and performance challenges for fiscal year (FY) 2027.

We are required by statute to annually report the most serious management and performance challenges facing the Department and identify progress made to address them.[1] This report will be included in the Department's *Agency Financial Report* for FY 2026 and posted on our website.

We appreciate the cooperation we have received from the Department during our work on this report. If you have questions or wish to discuss our conclusions, please contact me at 202-794-7788.

Attachment

cc: Paul M. Dabbar, Deputy Secretary of Commerce
Yevette DePinto, Chief of Staff
Brian Epley, Chief Information Officer
Jennifer Hesch, Acting Deputy Assistant Secretary for Administration, performing the non-exclusive functions and duties of the Chief Financial Officer and Assistant Secretary for Administration
Operating Unit Heads
Operating Unit Audit Liaisons

[1] 31 U.S.C. § 3516(d).



About This Report

The Department of Commerce plays a central role in implementing efforts to advance the nation's economic and technological leadership. As the Department's Office of Inspector General, our mission is to improve the Department's programs and operations through independent and objective audits, investigations, and evaluations. We follow established governmental standards to accomplish our work and report our results to departmental leadership and Congress.

We are required by statute to annually report the most serious management and performance challenges facing the Department and to identify progress made to address them.[1] On the following pages, we summarize the Department's most serious challenges for fiscal year (FY) 2027. We base our assessments on our work as well as trusted scientific and governmental resources.

The summaries are grouped into the following three challenge areas:

Safeguarding National Security and American Business Interests

Protecting national security while promoting American business dominance in advanced technology.

Providing Effective Stewardship of Taxpayer Dollars

Funding and managing programs and operations while protecting taxpayer dollars from fraud, waste, and abuse.

Delivering High-Quality, Reliable Services

Providing essential data and services related to population counts, public safety, weather, and more.

If the Department does not address these challenges, it will struggle to successfully implement its priorities and meet its mission of creating conditions for economic growth and opportunities for all communities.

Our recent work related to these challenges is listed in the appendix. Visit our website for more information and to view our other reports. To report fraud, waste, and abuse in the Department's bureaus and programs, contact our hotline.



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Safeguarding National Security and American Business Interests

The Department's primary management challenge for FY 2027 is to safeguard national security and American business interests. To do this, the Department must enhance its capabilities to prevent the diversion of sensitive products subject to export controls, such as semiconductor technologies, to foreign adversaries.

Countries such as China, Russia, and Iran actively attempt to improve their military capabilities by obtaining U.S. goods and technologies.[2] The Department's Bureau of Industry and Security (BIS) administers and enforces U.S. export control laws and regulations, thus working to protect sensitive goods and technologies.

The administration's goals of bolstering the domestic manufacturing of semiconductors and prioritizing trade enforcement mean the Department must strike a balance: supporting the objective of establishing the United States as a worldwide leader in artificial intelligence (AI; now referred to as *super intelligence*, or SI[3]) technologies while at the same time preventing the diversion of that technology to our adversaries. For this balance to be achieved, BIS must address longstanding staffing, oversight, and IT challenges in order to better track and monitor controlled, sensitive items over time and across borders.

Chip Export Authorization Spotlights Challenges for BIS

In July 2025, the President signed Executive Order 14320, *Promoting the Export of The American AI Technology Stack*,[4] which established the American AI Exports Program. These exports include cutting-edge U.S. technology, and the strongest enforcement will be necessary to keep this technology from being diverted into the hands of adversaries such as China.

The Department announced in a statement[5] that export approvals for this technology are conditioned on companies meeting "rigorous security and reporting requirements" and that BIS will monitor compliance on an ongoing basis. If BIS does not continuously strengthen its oversight, enforcement, and outreach mechanisms—including increasing resources for export enforcement agents, expanding global monitoring through export control officers, and refining risk assessment criteria—there is a risk that adversaries may circumvent export controls, leading to unauthorized transfers of sensitive American SI technologies.

Our previous work has shown that BIS has limited capacity for this type of monitoring. Specifically, BIS's staff of export control officers, who analyze and monitor millions of high-risk exports per year

for compliance with export regulations, comprised 17 officers worldwide as of September 2026, according to a BIS official—and areas such as Africa and South America had no resident officers at all.[6] BIS anticipates this number to increase to 25 by the end of calendar year 2026, more than doubling the number of officers previously on staff.

These officers conduct end-use checks, which verify that high-risk items are used only for intended purposes and by intended parties. However, they do so on only a portion of exported items per year.[7] As highlighted in our May 2026 audit of BIS's enforcement of Russia and Belarus export controls, BIS issues an annual targeting strategy for specialists to use when selecting end-use checks on licensed and unlicensed EAR-controlled export transactions. Priority is given to exports involving dual-use items (items with commercial [civilian] and military applications), high-risk items, or emerging technologies, or those destined for regions of strategic concern such as Russia and Belarus.[8] However, this audit also revealed that BIS did not adequately document its processes or establish detailed procedures for end-use checks, nor did it require export control specialists to apply consistent methodologies or conduct risk assessments when selecting exported items for end-use verification.[9] This increases the risk that BIS is not verifying the highest-risk items for these critical checks.



In addition, BIS's export enforcement information systems are outdated and fall far short of meeting its needs.[10] This is especially critical given the current strategic competition, in which foreign adversaries—particularly those employing advanced evasion tactics and accelerating technological development—are rapidly increasing the sophistication and scale of their efforts to circumvent U.S. export controls.

Recent Progress on Challenges Must Be Sustained

Now that American SI tech stack exports are being approved, BIS must monitor and enforce the "rigorous security and reporting requirements" put in place as a condition of the approvals.[11] In essence, the approval of these chip exports has expanded BIS's role from being a regulatory and domestic enforcer to an ongoing supervisor and global risk manager. To ensure success, BIS must carefully execute its oversight strategy and address its challenges.

After receiving an additional $44 million in its FY 2026 appropriation,[12] BIS began hiring export specialists and export control officers. The bureau also intends to increase the number of export control officers in FY 2027, which will allow them to expand coverage to other countries. And, in testimony to Congress about a potential FY 2027 funding increase, the Secretary of Commerce commented that an increase would allow the bureau to protect American innovation by adding hundreds of new special agents to its staff.[13]

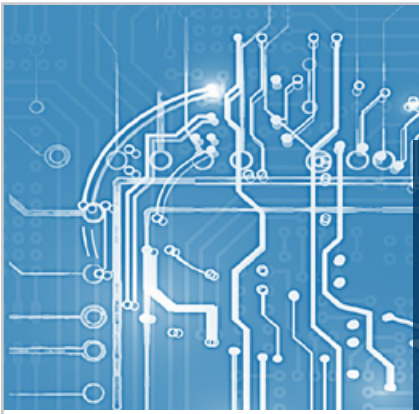
Although BIS has made progress in hiring and training employees, these new employees must gain real-world expertise to be effective in these highly specialized positions. Successfully integrating a newly expanded workforce will be essential for BIS as it seeks to protect sensitive exports worldwide.

In addition, BIS should continue to accelerate and sustain efforts to modernize its IT systems to ensure that it can outpace the increasingly sophisticated methods bad actors use to evade U.S. export controls.[14] Modern, data-driven capabilities are essential for identifying illicit networks, closing enforcement gaps, and safeguarding national security in a rapidly evolving threat environment. The size and complexity of this modernization effort add to the challenge; for any funding BIS receives, it will need to plan and oversee this effort with the utmost care if it is to avoid waste and inefficiency and achieve the greatest benefit possible.

Beyond addressing its staffing and technical needs, BIS needs to strengthen its end-use check process to better identify and prevent restricted shipments. Deficiencies in BIS's export operations could lead to the diversion of, reexport of, or unauthorized access to advanced technologies, and violators might not be held accountable. The Department also faces reputational risk if oversight, monitoring, and reporting are not sufficiently robust and effective.

The Department must continue to strengthen BIS's long-term capacity—by investing in sustained staffing, developing robust information systems and monitoring frameworks, and improving the effectiveness of its oversight—if it is to meet this critical challenge in FY 2027 and beyond.

3



Providing Effective Stewardship of Taxpayer Dollars

The Department's mission is to "create the conditions for economic growth and opportunity for all communities." To carry out this mission, the Department funds programs and operations through grants, contracts, cooperative agreements, and direct funding. A major challenge for the Department in FY 2027, as with previous years, is spending those funds wisely and providing strong oversight to funding recipients.

The Department awards grants for a wide variety of purposes, including expanding broadband coverage and helping communities rebuild after disasters. It also spends billions in contracts to fund programs and activities that aim to optimize its operations and serve the American people. Between October 2023 and August 2026, the Department's contract and grant obligations totaled approximately $64.2 billion.[15]

$64.2 Billion

Approximate total of Department grants and contracts Oct. 2023–Aug. 2026

With so much funding passing through the Department, strong safeguards are critical to prevent fraud and waste before they happen and to recover fraudulent or improper payments after they occur. Our audits, evaluations, and investigations have repeatedly revealed significant deficiencies in the Department's grant and contract planning and oversight—deficiencies that can contribute to greater fraud risk, potential ballooning costs, and misuse of taxpayer funds. While such challenges are not unique to the Department, its extensive funding portfolio and the importance of its programs to national, state, and local economies make improvement challenging—but essential.

Broadband Grant Programs May Offer More Flexibility, but Fraud Risk Remains a Major Concern

One example of this challenge is in the National Telecommunications and Information Administration (NTIA), which administers and oversees six grant programs with a total appropriation amount of nearly $49.8 billion. These programs share the ambitious goal of expanding the nation's broadband internet access and adoption.[16]



As we explained in last year's *Top Management Challenges* report, some of the programs' technology requirements and regulations have been relaxed.[17] Significantly, in the summer of 2025, NTIA restructured the Broadband Equity, Access, and Deployment (BEAD) Program, which is the largest of the programs at nearly $42.5 billion.[18] Changes included the removal of several nonstatutory requirements from the original notice of funding opportunity, such as requirements related to labor, employment, and workforce development; adoption of technology neutrality (rather than the original prioritization of fiber-optic projects); and the implementation of new selection processes for subgrantees. These changes have expanded broadband project options for states. However, the changes have also delayed BEAD implementation,[19] requiring grantees to revisit their project plans and possibly delaying projects and expenditures.

Beyond these concerns, our Office of Investigations (OI) has identified a wide variety of fraud schemes related to broadband programs, particularly the $3 billion Tribal Broadband Connectivity Program. These schemes occur at both the grantee and subgrantee levels, and subgrantee monitoring continues to be a challenge for all broadband programs. The award disbursement rate in programs like these tends to climb as grants enter or continue the construction phase, meaning programs would need to increase their monitoring and oversight to prevent and detect fraud in disbursed funds.

One potential indicator of fraud in these grants is applicants inflating the estimated amount needed to build or expand broadband service—specifically, by applying for grants for locations that are not actually eligible for service, either because those areas already have broadband or funding for service was already received from other sources. Verifying that locations proposed for service are truly unserved or underserved by broadband helps to ensure that grant funding will benefit the locations and communities that need it.

The Department has begun taking steps to raise awareness of fraud risks. The Office of Acquisition Management is proposing a new award condition for fraud prevention, which will require key personnel from grantees, co-grantees, and subgrantees to complete fraud awareness training and report to the Department that they have done so. If the Department adopts this condition, the training will aim to reinforce recipients' fraud prevention and reporting requirements. Additional fraud prevention and awareness measures for subgrantees will seek to mitigate fraud and misappropriation of funds at all levels.

OI continues to expand its outreach to NTIA grant and program personnel, providing fraud awareness briefings that cover current fraud trends and indicators and sharing oversight concerns with stakeholders across all NTIA grant programs. In addition, OI will continue to analyze available information and coordinate with other federal programs to ensure the accuracy of locations identified as unserved or underserved.

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Funding Management and Oversight Must Be Improved Across All Programs

The Department has a responsibility to spend taxpayer dollars wisely, including robust oversight of funding recipients and careful management of funding programs. However, our audits, evaluations, and investigations have repeatedly revealed management and oversight deficiencies in the Department's programs. When present, such weaknesses can undermine the Department's ability to prevent, detect, or respond to misuse of funds. Below we provide examples of several contract and grant programs that illustrate these challenges.

As a first example, NOAA is acquiring its next generations of satellites, ships, and aircraft, which collect environmental data for weather forecasting, fisheries management, and coastal mapping. These expensive multiyear efforts must be well-managed to ensure that capabilities meet NOAA's needs and are delivered on schedule and within budget:

- In 2025 and 2026, the Department and NOAA replanned NOAA's GeoXO satellite program, focusing on a weather-only data mission and reducing lifecycle costs by approximately $7 billion. To achieve the intended savings, some contracts will be renegotiated and others terminated, and controls must be adequate to monitor contractor performance and manage risk. Our March 2026 GeoXO evaluation found that the program's risk management processes need improvement to ensure success.[20]
- The design and construction of four new "hurricane hunter" aircraft, two oceanographic research ships, and two hydrographic charting and survey ships, as well as the modernization of five fishery survey vessels, is underway. The total projected cost for this work is over $2.1 billion. NOAA must maintain rigorous contract management and quality assurance to ensure that these assets are mission-ready when they join the fleet.[21]

Our work over the past 15 years has also revealed longstanding problems with the National Institute of Standards and Technology's (NIST's) Hollings Manufacturing Extension Partnership (MEP) program, in which NIST enters into cooperative agreements with various organizations with the goal of enhancing the productivity and technological performance of U.S. manufacturing. For instance:

- A 2026 audit found that the Ohio Department of Development, which operates the Ohio MEP Center, did not comply with MEP award terms and conditions, particularly the requirement to ensure allowable spending and accurate reporting of program income. We questioned $20.9 million in costs and identified nearly $2.8 million in underreported program income.[22]
- In 2024, we found that MEP's data about its impacts on the U.S. economy are inaccurate and unreliable. As a result, NIST removed MEP's annual economic impact reports for FYs 2020 through 2024, raising questions about the program's performance despite its annual $175 million price tag.[23]

Overall, our work shows that NIST must improve its program management, including taking action to hold award recipients accountable for complying with key award terms, and ensure that taxpayer money is spent appropriately.

In another example, Congress has appropriated nearly $2 billion to the Economic Development Administration (EDA) to support economic recovery in areas affected by natural disasters between 2021 and 2024.[24] Historically, management of such grant programs has been challenging for EDA; grants are often distributed as quickly as possible after disasters, and adequate planning and oversight may not be in place as funds begin going out.[25] This can create a rich environment for fraud, waste, and abuse.

Finally, we have reported several times on issues involving the Department's 2020 contract to replace several highly customized financial systems with a single, modern system of commercial off-the-shelf applications, the Business Applications Solution (BAS). One year after the $341 million contract was awarded, we alerted the Department that it needed to develop key inputs and align with known best practices.[26] Two subsequent audit reports pointed to a failure to implement basic management controls;[27] the more recent report also found that changes in BAS to fix issues experienced by NOAA will likely result in significant cost increases. Congress has also expressed concerns about failures, delays, and cost overruns. To address this, we have initiated an audit to assess the effectiveness of the Department's past performance evaluations and oversight of awards to the BAS contractor.[28]

Congress has expressed concerns about **delays, failures, and cost overruns** associated with the BAS system.

In these and other programs, strengthening oversight through core internal controls will be critical for the Department to ensure better stewardship of federal funds. Without strong oversight, the Department risks approving, disbursing, and managing grants, contracts, and other agreements without reliable evidence that the funds entrusted to it will be used as intended.

Delivering High-Quality, Reliable Services

The Department's third top management challenge area is a continuation of our previous years' *Top Management Challenges* reports: delivering accurate data and top-quality services to its stakeholders.

While the Department's 13 bureaus and offices all have different purposes and missions, they share the obligation to provide first-rate data and services to the public and other stakeholders, including Congress, industry, other nations, and more. Taxpayers must get their money's worth, and stakeholders must be able to trust and rely on the data and services the Department provides.

As with the other challenges summarized in this report, our work has shown that planning and oversight deficiencies have impeded the Department's success and added risk to its operations. This year, the 2030 census, though still in the planning stages, is already a complex and challenging operation that leaves little room for error. In addition, the continued inadequate oversight of the broadband network dedicated to public safety still poses a challenge, as does the Department's need for more effective cybersecurity—especially as SI risks continue to increase along with SI's technological capabilities—and NOAA's ongoing transformation of the National Weather Service (NWS). To address these issues, the Department must commit to taking strong action to increase the integrity and effectiveness of its services.

Planning and Preparation Increase in Importance as 2030 Census Approaches

The 10-year census of the nation's residents provides the data needed to apportion the U.S. House of Representatives and to distribute some $2.8 trillion in federal funding[29] to states, tribal governments, and local communities for services and infrastructure. The profound effect this data has on the life of every person residing in the United States calls for the highest level of accuracy.



The upcoming 2030 census is a massive program—planning began in 2019, and the program will not end until 3 years after the count.[30] In FY 2027, the Census Bureau must make sure its plans for 2030 will provide enough oversight over the count and follow-up operations to ensure the

accuracy of its data—data that will help stakeholders make important political, economic, and social policy decisions that affect the entire nation.

As the bureau plans to ramp up hiring and conduct testing in preparation for the 2030 census, it needs to ensure that it has a sufficient budget to evaluate initiatives untested during its 2026 Census Test, one of two major tests to measure the effectiveness of census systems and methods. Without adequate testing, the bureau will not be able to verify that its census operations will work as intended.

The bureau's two major planned tests are the 2026 Census Test, which began on May 1, 2026, and the Dress Rehearsal, which will take place in 2028 (the bureau will refine its operational plan as needed after the tests end). The 2026 test's goals were to test two key priorities: (1) piloting in-field enumeration by the U.S. Postal Service, and (2) enhancements and innovations to field infrastructure, staffing, and training.[31] The test results will have an impact on both the 2028 rehearsal and the 2030 census and could reveal challenges that may affect the bureau's ability to collect reliable data. The bureau will have to act quickly to address any such challenges in time to ensure the accuracy and value of the data it collects in 2030.

Challenges Continue for Nationwide Public Safety Broadband Network

The Nationwide Public Safety Broadband Network (commonly known as FirstNet) was developed to give first responders across the nation a dedicated, reliable wireless network for emergency response communication. FirstNet Authority, an independent authority within NTIA, manages and oversees the network and is responsible for managing and administering a $6.5 billion, 25-year contract to deploy and operate it. Public safety users rely on FirstNet to communicate with other emergency responders, dispatchers, and the public during emergencies.

As we have reported multiple times over the past decade, FirstNet Authority has not effectively managed and overseen the contract, including holding the contractor responsible for meeting its requirements.[32] Most recently, in April 2026, we reported on FirstNet Authority's overreliance on the contractor to confirm that the network is available and that only eligible users in public safety roles can access it.[33]

A network dedicated to first responders must maintain reliability. If the service is not consistently available during emergencies, when first responders need it most, critical public safety communications may be delayed—or may not be able to happen at all. Our work has found that oversight deficiencies may contribute to issues with network performance and even security:

- In December 2024, we reported that FirstNet Authority's lack of oversight was a factor in network performance problems that occurred in the wake of the August 2023 Maui wildfires.[34]
- In July 2024, we alerted FirstNet Authority management that a 3-hour network outage in February of that year, coupled with a lack of communication and transparency by the contractor and FirstNet Authority about the network's performance, put public safety at jeopardy and posed a risk to the readiness of first responders across the country.[35]

- Most recently, in August 2026, we cautioned NTIA and FirstNet Authority leadership that independent cybersecurity oversight is needed to protect the network, which is a high-value target for cyberattacks; despite this need, the network's current governance structure presents its own risk by restricting opportunities for government entities to conduct independent cybersecurity testing and oversight.[36]

The 2012 law that created the network included a February 2027 statutory sunset for FirstNet Authority.[37] As of August 2026, a reauthorization of its authority is pending in Congress. Whatever changes may result from the reauthorization, the Department must address these serious challenges.

Cybersecurity Remains a Critical Concern as SI Risks Increase

The Department and its bureaus deliver services that are essential to the country. Weather prediction, patent processing, census administration, and economic analysis touch the lives of every American. To fulfill its various missions, the Department relies on hundreds of computer systems and a high volume of data that must be safe, secure, reliable, and available.



Unfortunately, cybersecurity risks continue to evolve, increasing the challenges the Department must face. As SI tools are incorporated into hackers' toolboxes, the speed and scope of potential attacks is increasing. In June 2026, intelligence agencies from five countries, including the United States, announced that SI is not a future consideration—it is already here, and it "accelerates the speed, scale, and sophistication of cyber threats." [38] Their alert was a call to action for cybersecurity leaders and practitioners. Less than a month later, OpenAI, a leading SI company, announced that two of its models had unexpectedly escaped a contained testing environment and hacked another organization.[39] This act signaled a significant shift in threat level and made it clear that SI and security are intertwined.

Securing its systems has long been a challenge for the Department. Our *Top Management Challenges* reports and oversight work have highlighted ongoing weaknesses with the effectiveness of the Department's cybersecurity program, particularly with respect to consistent implementation of security controls. Those weaknesses lead to security vulnerabilities that could be leveraged by our SI-enabled adversaries. While the Department has incorporated new protection technologies, our reports continue to highlight areas where security control implementation and monitoring require further improvement.

A key service NIST provides to the cybersecurity community will also likely be strained. In a May 2026 evaluation, we found that NIST has experienced challenges in keeping up with increasing volumes of submissions to its public-facing National Vulnerability Database, which catalogs security flaws and weaknesses in IT infrastructure that could be exploited by bad actors. In our report, NIST cites a 263 percent increase in submissions between 2020 and 2025, leading to an overwhelming number of new vulnerabilities that NIST must analyze and publish in the database.[40] This will likely accelerate as new SI capabilities become available to the public.

The Department is uniquely positioned to act on SI governance and cybersecurity at a national level. As we discussed in the first challenge in this report, BIS is tasked with ensuring that exports of powerful technologies are managed—and, to a certain extent, preventing other countries from matching America's lead. And NIST, through its standard-setting and research capabilities, will guide the use, security, and testing of SI to enhance cybersecurity preparation and defense. The Department's ongoing challenge will be to keep pace with rapid SI developments and ensure up-to-date cybersecurity, both in the broader security ecosystem and in its internal capabilities.

NOAA Must Address Challenges in NWS Transformation to Improve Mission Delivery

NOAA's ongoing transformation of NWS intends to modernize NWS's delivery of services. It involves both system and staff adjustments: moving critical systems to cloud computing environments and realigning NWS staff to accommodate future needs. Challenges in both areas must be met if NWS is to continue to protect the public from weather and water disasters.

While cloud computing offers many advantages, NWS must manage its transitions in an environment where the demand for cloud computing resources has increased significantly. Moreover, NWS's goal is to operate its entire production suite of forecast models in the cloud by December 2027—an aggressive timeline that will require strong management to ensure technical readiness. And changes to the government's cloud computing oversight program will likely significantly increase the burden on staff to maintain sufficient data security in a cloud environment.[41]

In addition, in 2026 NWS planned to complete a staff reorganization with the goal of modernizing operations while ensuring the timely delivery of high-quality meteorological products. NWS was also hiring over 200 new entry-level meteorologists. This infusion of new talent will require a closely managed training and development program to fully realize their potential in the new organizational structure.

Integrity and Trustworthiness Are Essential to the Department's Ability to Meet Its Mission

Census data, FirstNet operations, the National Vulnerability Database, and weather forecasting are just a few of the many services the Department provides. The public and other stakeholders need to be able to trust that the Department's services are reliable and delivered with integrity.

When that trust is broken—whether through inadequate oversight or through fraud or other misconduct—restoring it can be difficult.

Our investigations regularly uncover individual examples of wrongdoing, including wire fraud and embezzlement, ethics issues, misuse of position, and retaliation.[42] In 2025, for example, we substantiated allegations that officials at a bureau had interfered with our audits by altering or withholding documents, intimidating employees, and improperly monitoring employees' communications with auditors. In a related investigation, we substantiated allegations that a bureau official had retaliated against an employee for providing us with information in support of our audits.

Even though misconduct undermines the public's trust, corrective action can make a difference. After we began receiving hotline referrals from United States Patent and Trademark Office (USPTO) management about potential conflicts of interest involving USPTO patent examiners, we opened multiple investigations as well as an evaluation. The evaluation, issued in 2024, uncovered a long-standing deficiency in ethics oversight among patent examiners,[43] and OI continued investigating the most serious allegations. OI has also worked with USPTO to resolve conflict-of-interest allegations against two patent examiners, resulting in settlement agreements in February and March 2026 totaling more than $620,000 to the government.[44] Our work also helped prompt USPTO to issue new guidance on patent examination and stock ownership in March 2026.[45]

When ethical concerns arise at the Department, it needs to commit to identification and prevention as it responds to the issues and collaborates with our office. And, as the Department works toward meeting its challenges in FY 2027, we will continue providing objective, effective oversight of its programs and operations.



Appendix. Relevant OIG Reports and Ongoing Projects

National Security and American Business Interests

Completed Work Since FY 2024

- *Audit of BIS's Enforcement Efforts to Combat China's Military-Civilian Fusion Strategy* (OIG-26-021-A)
- *Audit of BIS's Enforcement of Russia and Belarus Export Controls* (OIG-26-019-A)
- *BIS Needs to Improve Its Incident Response Capabilities to Handle Sophisticated Cyberattacks* (OIG-25-022-I)
- *BIS's Export License Approval Process Reduces Risk of Threats from China's Military-Civilian Fusion Strategy, but BIS Should Take Additional Steps to Mitigate Risks of Unauthorized Technology Release to China's Military* (OIG-24-036-A)
- *ITA Did Not Effectively Resolve Foreign Trade Barriers* (OIG-24-004-A)
- *Management Alert: Excluding Deemed Exports and Reexports from 15 C.F.R. § 742.6(a)(6) Could Pose a Significant Risk of Unauthorized Technology Release to China's Military* (OIG-24-001-M)

Ongoing Oversight Projects

- *Audit of the International Trade Administration's Antidumping and Countervailing Duty Verification Process* (2025-526)
- *Audit of BIS's Strategy for Identifying and Selecting for Review Exports at Risk of Diversion to China* (2024-494b)

Stewardship of Tax Dollars

Completed Work Since FY 2024

- *Audit of NIST's Assessment of Applicant Eligibility for CHIPS Incentives Funding* (OIG-26-030-A)
- *Audit of NTIA's Public Wireless Supply Chain Award Process for NOFO 1 [Notice of Funding Opportunity 1]* (OIG-26-027-A)
- *Audit of NIST MEP Awards to Ohio Department of Development* (OIG-26-025-A)
- *Audit of Administrative Funds for NTIA Broadband Programs* (OIG-26-022-A)
- *Audit of NTIA's Review of the Broadband Equity, Access, and Deployment Program's Planning Phase Requirements* (OIG-26-018-A)
- *Evaluation of the Management and Oversight of the Class B Ship Acquisition Program by NOAA's Office of Marine and Aviation Operations* (OIG-26-014-I)

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- *NTIA Broadband Programs: Semiannual Status Report* (OIG-26-013-I)
- *Audit of MBDA Business Center Program* (OIG-26-001-A)
- *NTIA Broadband Programs: Semiannual Status Report* (OIG-25-031-I)
- *EDA Needs to Improve Oversight of CARES Act Revolving Loan Funds to Ensure Loans Are Made to Eligible Borrowers and Used as Intended* (OIG-25-019-A)
- *NTIA Established the Innovation Fund Program but Needs a Plan to Ensure That the Program Meets Statutory Objectives* (OIG-25-017-I)
- *Broadband Stakeholders Identified Various Challenges Affecting Broadband Deployment* (OIG-25-014-I)
- *OIG's Evaluation of MEP's Economic Impact Reporting Process Also Identified Instances of Noncompliance at Centers, Led to NIST Action* (OIG-25-011-I)
- *Semiannual Status Report on NTIA's Broadband Programs* (OIG-24-033-I)
- *NTIA's Award Processes Leave Tribal Broadband Grants Vulnerable to Fraud and Duplication* (OIG-24-019-A)
- *Management Alert: Challenges Industry Stakeholders Face with Broadband Deployment* (OIG-24-015-M)
- *The Department Needs to Improve Oversight to Ensure the Success of Its Financial System Modernization* (OIG-24-014-A)
- *Semiannual Status Report on NTIA's Broadband Programs* (OIG-24-012-I)
- *EDA Generally Monitored Grants Awarded Under the FY 2019 EDA Disaster Supplemental Notice of Funding Opportunity* (OIG-24-005-A)

Ongoing Oversight Projects

- *Audit of NIST's National Semiconductor Technology Center* (2026-547)
- *Audit of NIST's Oversight of Semiconductor Incentives Program Disbursements* (2026-546)
- *Audit of EDA's Pre-Award Processes for FY 2023 Disaster Relief Funds* (2026-545)
- *Semiannual Evaluation of the Status of NTIA's Broadband Grant Programs* (2026-544)
- *Audit of NTIA's Oversight of Public Wireless Supply Chain Innovation Fund NOFO 1 Grant Funds* (2026-543)
- *Evaluation of NOAA's Class B Ship Design and Construction* (2026-537)
- *Evaluation of Cybersecurity and IT Contract Performance* (2026-533)
- *Audit of NTIA's Oversight of Digital Equity Program Expenditures* (2026-529)
- *Audit of Middle Mile Broadband Infrastructure Program Funds Awarded by NTIA* (2026-527)
- *Audit of NTIA Grants Awarded to Connecting Minority Communities Pilot Program Recipients* (2025-519)
- *Audit of the Department's Performance Evaluations and Oversight of the BAS Contractor* (2025-516)
- *Audit of NIST's Semiconductor Incentives Program Eligibility* (2025-512)
- *Audit of BAS system implementation for the Census Bureau* (2025-510)
- *Audit of EDA's FY 2019 Disaster Relief Grant Costs Claimed and Oversight* (2025-509)
- *Audit of NTIA's Allocation of BEAD Funds* (2024-498)

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High-Quality Services

Completed Work Since FY 2024

- *Management Alert: Oversight Issues Observed During the 2026 Census Test* (OIG-26-031-I)
- *Management Alert: Technological Issues Observed During the 2026 Census Test* (OIG-26-029-I)
- *Management Alert: Operational Issues Observed During the 2026 Census Test* (OIG-26-028-I)
- *Management Alert: Oversight Challenges Due to Shared NPSBN Network Architecture* (OIG-26-026-I)
- *Evaluation of NIST's Management of the National Vulnerability Database* (OIG-26-020-I)
- *NWS Actions Relevant to the Catastrophic Flash Flood in Texas* (OIG-26-017-I)
- *Audit of the First Responder Network Authority's Oversight of User Eligibility for the Nationwide Public Safety Broadband Network* (OIG-26-016-A)
- *Audit of the First Responder Network Authority's Oversight of Service Availability for the Nationwide Public Safety Broadband Network* (OIG-26-015-A)
- *Evaluation of the Methodology the Census Bureau Used to Select the Test Sites for the 2026 Census Test* (OIG-26-012-I)
- *Audit of Data Collection and Quality Control Procedures for the U.S. Census Bureau's American Community Survey* (OIG-26-010-A)
- *Evaluation of NOAA's Progress Implementing the GeoXO Satellite Program* (OIG-26-009-I)
- *Evaluation of the Space Weather Follow-On Program's Progress in Preparing the SWFO-L1 Satellite for Launch and Operations* (OIG-26-008-I)
- *Audit of the Department's Vulnerability Reporting and Resolution Program* (OIG-26-002-A)
- *Audit of the Census Bureau's Progress in Meeting Workforce Hiring Goals for the 2026 Census Test* (OIG-25-030-A)
- *Audit of USPTO's Quality Reviews of Continuing Patent Applications* (OIG-25-029-A)
- *Independent Evaluation of the National Oceanic and Atmospheric Administration's National Weather Service Tornado Forecasting and Warning Services* (OIG-25-026-I)
- *USPTO Should Improve Governance to Promote Effective Oversight of Its Artificial Intelligence Tools* (OIG-25-018-A)
- *The Census Bureau Should Address Challenges from the 2020 Post-Enumeration Survey Ahead of the 2030 Census* (OIG-25-015-A)
- *The National Weather Service Should Further Strengthen Its Protection of Essential Operational Technology* (OIG-25-012-I)
- *Data Quality Challenges and Ineffective Program Management Hinder the Department's Enterprise Cybersecurity Capabilities* (OIG-25-006-A)
- *Nationwide Public Safety Broadband Network Was Not Always Available to First Responders During the Catastrophic 2023 Maui Wildfires* (OIG-25-004-A)
- *Management Alert: February 2024 FirstNet Authority's Nationwide Public Safety Broadband Network Outage Raised a Significant Risk to the Readiness of First Responders Across the Country* (OIG-24-030-M)
- *A 3-Year Exposure of Privacy Act-Protected Data Revealed USPTO Mismanagement in Safeguarding the Sensitive PII of Trademark Filers* (OIG-24-029-I)

- *FirstNet Authority's Lack of Contract Oversight for Device Connection Targets Puts the NPSBN at Risk of Impacting First Responders' Use of the Network* (OIG-24-027-A)
- *FirstNet Authority's Lack of NPSBN Contract Oversight for Coverage Puts at Risk First Responders' Ability to Serve the Public Effectively* (OIG-24-026-A)
- *Management Alert: The NPSBN Band 1 Signal Strength Does Not Consistently Provide Adequate Band 14 Service for First Responders* (OIG-24-022-M)
- *The Census Bureau Did Not Effectively Manage and Monitor Contractor Performance for Paid Advertising in the 2020 Census Integrated Communications Contract* (OIG-24-021-A)
- *The Department Needs to Strengthen Its Ethics Oversight for USPTO Patent Examiners* (OIG-24-013-I)
- *The Department Needs to Fully Implement Strong Multifactor Authentication for Its High Value Assets to Protect Them from Cyberattacks* (OIG-24-009-A)

Ongoing Oversight Projects

- *Audit of FirstNet Authority's Innovation and Test Lab* (2026-548)
- *Evaluation of the U.S. Census Bureau's 2026 Census Test Operations* (2026-541)
- *Biennial Audit of the Department's Compliance with Aspects of the Geospatial Data Act* (2026-535)
- *Evaluation of NOAA's Oversight of JPSS Contractors in Preparation for JPSS-3 and JPSS-4 Launch* (2026-534)
- *Evaluation of FirstNet [Authority] Cybersecurity Oversight* (2026-532)
- *Audit of the U.S. Census Bureau's Enterprise Cybersecurity Support Contract* (2026-531)
- *Audit of USPTO's Handling of Patent Applications Containing Sensitive Information* (2025-525)
- *Audit of NWS Staffing* (2025-523)
- *Audit of USPTO's Patent Center System* (2025-521)
- *Audit of the Department's Past Performance Evaluations and Oversight of Contractor* (2025-016)



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[3] Executive Office of the President. September 29, 2026. *Inaugurating the Era of Super Intelligence*. Accessed September 30, 2026.

[4] Executive Office of the President. July 23, 2025. *Promoting the Export of the American AI Technology Stack*. 90 Fed. Reg. 35393. Accessed September 30, 2026.

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[6] BIS. "About BIS: Export Control Officer (ECO) Program." Accessed September 30, 2026.

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[8] Commerce OIG. OIG-26-019-A, 2–3.

[9] Commerce OIG. OIG-26-019-A, 7, 11–13.

[10] Commerce OIG, June 23, 2026, *Audit of the Bureau of Industry and Security's Enforcement Efforts to Combat China's Military-Civilian Fusion Strategy*, OIG-26-021-A, 7; and OIG-26-019-A, 8–9.

[11] Department of Commerce. "UAE and Saudi Chip Exports."

[12] Congressional Research Service. February 25, 2026. *Overview of FY2026 Appropriations for Commerce, Justice, Science, and Related Agencies (CJS)*, 11.

[13] Lutnick, Howard. April 22, 2026. *A Review of the President's Fiscal Year 2027 Budget Request for the Department of Commerce*. Testimony of the Secretary of Commerce before the Senate Committee on Appropriations, Subcommittee on Commerce, Justice, Science, and Related Agencies.

[14] Commerce OIG. OIG-26-019-A, 8–9.

[15] Our analysis of spending data from USAspending.gov.

[16] Commerce OIG. February 6, 2024. *Semiannual Status Report on NTIA's Broadband Programs*, OIG-24-012-I, 1.

[17] Commerce OIG. December 1, 2025. *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2026*, OIG-26-003, 26–28.

[18] NTIA. June 2025. *BEAD Restructuring Policy Notice*.

[19] NTIA, *BEAD Restructuring Policy Notice*; also see the June 30, 2026, testimony of Assistant Secretary of Commerce for Communication and Information Arielle Roth before the House Energy and Commerce Subcommittee on Communications and Technology, 119th Congress (accessed August 27, 2026).

[20] Commerce OIG. March 9, 2026. *Evaluation of NOAA's Progress Implementing the GeoXO Satellite Program*, OIG-26-009-I.

[21] Commerce OIG, June 17, 2025, *NOAA Must Take Action to Avoid Gaps in Hurricane Hunter Missions and Improve Oversight, Program Management, and Systems Engineering Practices*, OIG-25-023-A; and April 2, 2026, *Evaluation of*

the Management and Oversight of the Class B Ship Acquisition Program by NOAA's Office of Marine and Aviation Operations, OIG-26-014-I.

[22] Commerce OIG. August 19, 2026. *Audit of NIST MEP Awards to Ohio Department of Development,* OIG-26-025-A.

[23] Commerce OIG. September 25, 2024. *NIST Overstated MEP's Economic Impacts to Congress and Other Stakeholders,* OIG-24-037-I.

[24] See the American Relief Act, 2025, Pub. L. No. 118-158, Div. B, Title II, 138 Stat. 1722,1734; and the Consolidated Appropriations Act, 2023, Pub. L. No. 117-328, Div. N, Title II, 136 Stat. 4459, 5204. We received $9 million for oversight as part of these appropriations. The appendix lists our relevant ongoing and completed audits and evaluations. See also EDA's FY2025 Disaster Supplemental Notice of Funding Opportunity.

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[27] Commerce OIG, July 7, 2022, *The BAS Program Needs to Increase Attention to Business Process Reengineering and Improve Program Management Practices,* OIG-22-025-A; and February 22, 2024, *The Department Needs to Improve Oversight to Ensure the Success of Its Financial System Modernization,* OIG-24-014-A.

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[30] U.S. Census Bureau. February 10, 2025. 2030 Census Planning Timeline. Accessed May 29, 2026. We reproduced this timeline in our March 16, 2026, report, *Evaluation of the Methodology the Census Bureau Used to Select the Test Sites for the 2026 Census Test* (OIG-26-012-I), 1, 13.

[31] Census Bureau. May 1, 2026. 2026 Census Test. Accessed May 29, 2026. See also OIG-26-012-I, 1.

[32] We reported on FirstNet oversight issues in our *Top Management Challenge Reports* from FYs 2017 through 2026. We have also completed nine audits and evaluations on these issues in the past 3 years alone. In addition, on August 28, 2025, we issued two public summaries of investigations into misconduct by FirstNet Authority officials.

[33] Commerce OIG, April 9, 2026, *Audit of FirstNet Authority's Oversight of Service Availability for the Nationwide Public Safety Broadband Network*, OIG-26-015-A; and April 16, 2026, *Audit of FirstNet Authority's Oversight of User Eligibility for the Nationwide Public Safety Broadband Network*, OIG-26-016-A.

[34] Commerce OIG. December 5, 2024. *Nationwide Public Safety Broadband Network Was Not Always Available to First Responders During the Catastrophic 2023 Maui Wildfires*, OIG-25-004-A.

[35] Commerce OIG. July 28, 2024. *Management Alert: February 2024 FirstNet Authority's Nationwide Public Safety Broadband Network Outage Raised a Significant Risk to the Readiness of First Responders Across the Country*, OIG-24-030-M.

[36] Commerce OIG. August 24, 2026. *Management Alert: Oversight Challenges Due to Shared NPSBN Network Architecture,* OIG-26-026-I.

[37] Middle Class Tax Relief and Job Creation Act of 2012 (Pub. L. 112-96), February 22, 2012.

[38] Cybersecurity and Infrastructure Security Agency. June 22, 2026. Blog: "Five Eyes Cyber Security Agencies Statement." Accessed July 28, 2026.

[39] Kahn, Jeremy and Emily Forlini, "OpenAI says its AI models Escaped Control and Hacked into AI Company Hugging Face," *Fortune,* July 21, 2026; and Booth, Harry, "How OpenAI Lost Control of an AI Model—and What Needs to Change," *Time,* Jul 24, 2026, 11:13 a.m. EDT. Both accessed July 28, 2026.

[40] Commerce OIG. May 26, 2026. *Evaluation of NIST's Management of the National Vulnerability Database*, OIG-26-020-I, "NIST's Response" (appendix 4), 37.

[41] See https://www.fedramp.gov/20x/.

[42] Commerce OIG. April 27, 2026. *Semiannual Report to Congress, March 2026,* SAR-2026-03, 15–17.

[43] Commerce OIG. February 14, 2024. *The Department Needs to Strengthen Its Ethics Oversight for USPTO Patent Examiners*, OIG-24-013-I.

[44] U.S. Department of Justice press releases: February 25, 2026, *U.S. Patent and Trademark Office Employee Agrees to Pay $500,000 to Resolve Conflict-of-Interest Allegations,* 26-189; and March 11, 2026, *Former U.S. Patent and Trademark Office Employee Agrees to Pay $122,480 to Resolve Conflict-of-Interest Allegations*, 26-243.

[45] Memorandum from John A. Squires, Under Secretary of Commerce for Intellectual Property and Director of USPTO, to patent office employees. March 2, 2026. *Guidance on Examination of Patent Applications and Stock Ownership.* See also our evaluation from February 14, 2024, *The Department Needs to Strengthen Its Ethics Oversight for USPTO Patent Examiners,* OIG-24-013-I.

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UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

November 9, 2026

MEMORANDUM FOR: Duane Townsend, Performing the Duties of Inspector General

FROM: Jennifer Hesch, Acting Deputy Assistant Secretary for Administration, performing the non-exclusive functions and duties of the Chief Financial Officer and Assistant Secretary for Administration

JENNIFER R HESCH Digitally signed by JENNIFER HESCH Date: 2026.11.09 10:37:29 -05'00'

SUBJECT: Management's Response to the *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2027* Report

On behalf of the Department of Commerce, we appreciate the Office of Inspector General's (OIG) continued diligence in identifying the principal management and performance challenges facing the Department. OIG's audits and oversight activities have strengthened our operations, supporting our mission to foster economic growth, promote innovation, and ensure the effective stewardship of public resources.

The Department values OIG's recommendations and remains committed to addressing these challenges and other critical issues facing the Department. We will continue to advance initiatives that enhance data-driven decision-making, safeguard information and technology assets, and promote operational excellence across all bureaus. Our focus remains on supporting American businesses, facilitating fair trade, and driving sustainable economic development.

The Department looks forward to our ongoing collaboration with OIG as we uphold fiscal accountability and operational integrity, ensuring that our programs and services deliver measurable benefits to the American public and the nation's economy.

Summary of Financial Statement Audit and Management Assurances

Presented below is a summary of financial statement audit and management assurances for FY 2026. Table 1 relates to the Department's FY 2026 financial statement audit, which resulted in an unmodified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operation or reporting, and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

Table 1. Summary of Financial Statement Audit

Audit Opinion: Unmodified
Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Grant Accrual process at NTIA	1	0	1	0	0
Reporting of Significant Unusual Transactions at NIST and OFM	1	0	1	0	0
Total Material Weaknesses	2	0	2	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Grant Accrual process at NTIA	1	0	1	0	0	0
Reporting of Significant Unusual Transactions at NIST and OFM	1	0	1	0	0	0
Total Material Weaknesses	2	0	2	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0
COMPLIANCE WITH FFMIA						
	Agency			**Auditor**		
1. System Requirements	No lack of substantial compliance noted			No lack of substantial compliance noted		
2. Accounting Standards	No lack of substantial compliance noted			No lack of substantial compliance noted		
3. U.S. Standard General Ledger at Transaction Level	No lack of substantial compliance noted			No lack of substantial compliance noted		

Report on OIG Audit Follow-up

This report shows audit follow-up activity on OIG audits, as well as the amount of potential monetary benefits the OIG found could be achieved through implementing recommendations. Reports are closed when final action has been taken to implement all recommendations.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
OCTOBER 1, 2025 THROUGH SEPTEMBER 30, 2026

	Number of Reports[1]	Potential Monetary Benefits[2]
Beginning Balance	55	$ 1,263,300,541
Additions	17	66,883,532
Total Open During the Period	72	1,330,184,073
Total Closed During the Period	22	1,243,516,880
Ending Balance	50	$ 86,667,193

[1] The table includes Performance Audits, Evaluations, and Inspections with recommendations. Audits comply with standards established by the Comptroller General of the United States for audits of federal establishments, organizations, programs, activities, and functions. Evaluations and inspections include evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation.

[2] In some audits, the OIG identifies potential monetary benefits that could be realized when or if the recommendations are implemented. Potential Monetary Benefits of open recommendations include Questioned Costs and Funds to Be Put to Better Use.

- Questioned Costs: This is a cost questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that an expenditure of funds for the intended purpose is unnecessary or unreasonable.
- Funds to Be Put to Better Use: This dollar value results from an OIG recommendation that funds could be used more efficiently if Departmental Management took action to implement and complete the recommendation. Such actions may include (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the Department, a contractor, or a grantee; (5) avoidance of unnecessary expenditures identified in preaward reviews of contracts or grant agreements; or (6) any other savings specifically identified.

The beginning balance of potential monetary benefits for open recommendations was $1.3 billion.

During the period, the Department closed audit recommendations identifying a total of $1.2 billion in potential monetary benefits.[1] This includes $363 million from OIG-24-021-A, *The Census Bureau Did Not Effectively Manage and Monitor Contractor Performance for Paid Advertising in the 2020 Census Integrated Communications Contract* and $33 million from OIG-23-028-A, *The GeoXO Program: Cost and Schedule Baselines Are Established, But NOAA Should Evaluate Plans for the Central Satellite Mission and Revise Its Approach to Performance Gains to Provide the Best Overall Value.*

The ending balance of $87 million in potential monetary benefits includes $26 million from OIG-26-025-A, *Audit of NIST MEP Awards to Ohio Department of Development* and $12 million from OIG-20-006-A, *NOAA's Office of Marine and Aviation Operations Needs to Improve the Planning and Governing of Its Ship Fleet Recapitalization Effort.*

[1] The narrative identifies only reports and potential monetary benefits publicly disclosed by OIG. Accordingly, the highlighted reports do not represent all activity included in the aggregate totals.

Payment Integrity

The *Payment Integrity Information Act of 2019* (PIIA) was signed into law on March 2, 2020 with one intention being to serve as a more comprehensive Public Law for payment integrity legislation. OMB Circular A-123 Revised, *Management's Responsibility for Internal Control* (March 10, 2026), Appendix C, *Requirements for Payment Integrity Improvement* (March 5, 2021) contains guidance to federal agencies related to PIIA. Agencies are required to periodically (at least once every three years) review all programs and activities with annual outlays greater than $10.0 million and identify those that may be susceptible to significant improper payments, take multiple actions when programs and activities are identified as susceptible to significant improper payments, and annually report information on their improper payments monitoring and minimization efforts. The Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to continuous improvement in the overall disbursement management process remains high. Each of the Department's payment offices have implemented policies and procedures to detect and prevent improper payments. The Department continually works to ensure the integrity of its disbursements.

Each of the Department's bureaus/reporting entities periodically completes or updates, over a one to three-year period (depending on the size of the entity), improper payments risk assessments covering all of its programs/activities as required by OMB Circular A-123 Revised, Appendix C. These improper payments risk assessments of the entity's programs/activities also incorporate improper payments risk assessments of the control environment related to improper payments, and the procurement and grants management environments.

The Department has extensive payment integrity monitoring, minimization, recapturing, and corrective actions efforts in place, including the identification of improper payments through bureau post-payment reviews, the Department's Office of Inspector General (OIG) audits or reviews, Single Audit Act audits of grants/cooperative agreements, other grants/cooperative agreements audits or reviews, contract closeout reviews, grants/cooperative agreements closeout reviews, other audits or reviews, and sample reviews of Department-wide sustained disallowed costs.

The Department's bureaus report improper payments and related recaptures information (recaptures information for improper payments of $10 thousand or more) to the Department's Office of Financial Management (OFM) on a quarterly basis. OFM then tracks the improper payments of $10 thousand or more that have not been fully recaptured, and periodically throughout the fiscal year requests updates from the responsible bureaus.

The Department's OIG concluded in its most recent PIIA review that the Department complied with PIIA criteria for FY 2025. OIG did not identify any significant actions needed to further improve the Department's measures for preventing and reducing improper payments and unknown payments.

In FY 2026, the Department and its bureaus completed 25 program/activity improper payment risk assessments. None of the risk assessments indicated that the programs/activities were likely to be susceptible to significant improper payments. Currently, none of the Department's most recently performed program/activity improper payments risk assessments indicate that the programs/activities were likely to be susceptible to significant improper payments.

Do Not Pay is a government-wide tool within the U.S. Department of the Treasury's Bureau of the Fiscal Service for federal agencies and states operating federally-funded programs to check data sources to verify a recipient's identity, eligibility, and bank account information before a payment is made. Do Not Pay helps agencies streamline their business operations to effectively fight fraud, waste, and abuse and ensure taxpayer dollars are reaching the correct recipients. The Department in FY 2026 utilized the Do Not Pay portal for prepayment checking. The Department performs prepayment checking in two ways: (a) the Department submits vendor files periodically (typically weekly) to Do Not Pay; and (b) the Department utilizes the recently implemented Do Not Pay payment verification screenings (deceased payees; Taxpayer Identification Number; and bank account information), as payment requests are submitted by the Department to the Bureau of the Fiscal Service. For FY 2026, the Do Not Pay payment verification process screened 143 thousand requested payments totaling $5.8 billion. The Department's Do Not Pay payment verification screening data for FY 2026 is as follows: $0 returns were identified; 29 thousand requested payments totaling $1.1 billion were identified as potential returns; and 46 warnings totaling $7 million were identified. The Department's Do Not Pay prepayment checking processes in FY 2026 did not lead to the significant reduction of improper payments.

In FY 2026, the Department's programs/activities reported $24.0 million in overpayments and $20.6 million in recaptures of overpayments. $20.0 million, $2.6 million, and $1.4 million of the overpayments stemmed from grants/cooperative agreements, payroll, and vendors, respectively.

OMB Circular A-123 Revised, Appendix C provides guidance for agencies to determine if cost-effective payment recapture audits can be performed. The Department currently does not perform payment recapture audits. The Department periodically evaluates if there are any categories of disbursements for which payment recapture auditing could be or could become cost effective.

Departmental Payment Integrity information is included at *https://paymentaccuracy.gov*. The U.S. Department of the Treasury, in coordination with the U.S. Department of Justice and OMB, established the PaymentAccuracy.gov website, located at *https://paymentaccuracy.gov* to create a centralized location to publish information about U.S. government improper payments. The website provides a centralized place where suspected incidents of fraud, waste, and abuse can be reported, and contains information about (1) current and historical rates and amounts of improper payments; (2) why improper payments occur; and (3) what agencies are doing to reduce and recapture improper payments. PaymentAccuracy.gov also contains the Department's data for overpayments identified in FY 2026 and overpayments verified as recaptured in FY 2026, as discussed above.

The applicable PaymentAccuracy.gov report for the Department is the Annual Risk Assessment Report that is required under 31 U.S.C. Section 3352, *Estimates of improper payments and reports on actions to reduce improper payments (a), Identification of Susceptible Programs and Activities (3), Risk Assessment, (C), Annual Report.* This report for the Department may be accessed by navigating from the *Resources* page on PaymentAccuracy.gov and then downloading datasets for a selected fiscal year for (a) Data; and (b) Agency Questionnaire.

Civil Monetary Penalties' Adjustments for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust their civil monetary penalties (CMP) for inflation to maintain their deterrent effect. A CMP is defined as any penalty, fine, or other sanction that is (1) for a specific monetary amount as provided by federal law, or has a maximum amount provided for by federal law; (2) assessed or enforced by an agency pursuant to federal law; and (3) assessed or enforced pursuant to an administrative proceeding or a civil action in the federal courts. The Department has been adjusting its CMPs for inflation since 1996 in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended. Effective 2017, agencies are required to make annual adjustments for inflation to CMPs, to take effect not later than January 15.

The Department published its 2025 adjustments for inflation to CMPs and the resulting inflation-adjusted CMP levels (Title 15, *Commerce and Foreign Trade*, Part 6, *Civil Monetary Penalty Adjustments for Inflation*, of the Code of Federal Regulations) in the Federal Register on December 30, 2024 (Vol. 89, No. 249, Rules and Regulations, pages 106308-106311). These adjustments for inflation to CMPs and the resulting inflation-adjusted CMP levels, which became effective on January 15, 2025, are also available at the Department's website at *https://www.commerce.gov/ofm/publications*.

For 2026, the Department maintained its CMP levels that became effective January 15, 2025, as OMB communicated to agencies in April 2026 that inflation adjustments for 2026 were canceled based on the lack of October 2025 Consumer Price Index data.

Biennial Review of Fees

The Office of Management and Budget (OMB) Circular A-25 Revised, *User Charges* (July 8, 1993), requires the biennial review of agency programs to determine whether fees should be charged for government goods or services, and to ascertain that existing user charges are adjusted to reflect unanticipated changes in costs or market values.

The Department conducts reviews of its programs at least biennially. The Department's latest reviews did not result in any significant recommendations or proposals.

Oversight of Expired Grant and Cooperative Agreement Awards

The Department administers a diverse array of programs and projects concerned with the entire spectrum of business and economic development concerns. Departmental operating units and grants offices are responsible for the award, administration, and monitoring of these programs under a variety of legislative authorities, governing regulations, policies, and procedures using mandatory and discretionary grants and cooperative agreements. Awards are made to a wide variety of recipients, including state and local governments, for-profit or commercial organizations, non-profit organizations, and educational institutions. The administration of the Department's grant and cooperative agreement programs requires adherence not only to the program objectives for which funds are awarded, but also to sound business practices, as well as laws, regulations, policies, and procedures governing grants and cooperative agreements.

Unclosed, Expired Grant and Cooperative Agreement Awards for Which the Period of Performance Has Expired by Two Years or More

To promote the efficient administration of grants programs, OMB requires that significant reporting entities with federal grants programs must submit a brief high-level summary of expired, but not closed, federal grants and cooperative agreements (awards).

This reporting requirement is applicable to the seven bureaus that issue grants and/or other cooperative agreements: Census Bureau, Economic Development Administration (EDA), International Trade Administration (ITA), Minority Business Development Agency (MBDA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and National Telecommunications and Information Administration (NTIA).

Challenges preventing the timely closing of these awards are primarily due to the delayed receipt of necessary closeout documentation (final performance report; final SF-425, *Federal Financial Report;* etc.), final indirect cost rate negotiations, audit disputes and/or debt collection requirements and the Department's grant-making bureaus are diligently working with the respective recipients in resolving each particular issue.

From an oversight perspective, grant-making bureaus submit bimonthly reports on expired awards to the Department's Financial Assistance Policy and Oversight Division (FAPOD). FAPOD consolidates the reports for review at bimonthly Grants Council meetings. In FY 2027, FAPOD plans targeted outreach and reviews with the bureaus to collaborate on strategies to reduce undisbursed balances in expired grant accounts.

The table below summarizes the Department's total number of grant and cooperative agreement awards and balances as of September 30, 2026 for which closeout has not yet occurred but for which the period of performance has elapsed by two years or more.

(Numbers of Agreements in Actual Amounts; Dollars in Thousands)

Category	Period of Performance has Expired as of September 30, 2026		
	Closeout Lapse of at Least Two Years and up to Three Years	Closeout Lapse of More Than Three Years and up to Five Years	Closeout Lapse of More Than Five Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	584	564	8
Number of Grants/Cooperative Agreements with Undisbursed Balances	367	306	3
Total Dollar Amount of Undisbursed Balances	$15,475	$15,088	$102

Undisbursed Balances in Expired Grant Accounts

Undisbursed balances in expired grant accounts (which includes both grants and cooperative agreements) include budget authority that is no longer available for new obligations but is still available for disbursement. The period of disbursement lasts for five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, one may not incur new obligations against expired budget authority, but one may liquidate existing obligations by making disbursements (Section 20.4(c), *Period of availability of budget authority*, of OMB Circular A-11 dated July 25, 2024, *Preparation, Submission, and Execution of the Budget)*.

In December 2015, Congress passed the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 (Division B of the Consolidated Appropriations Act, 2016, Public Law 114-113), which required the Department to report undisbursed balances in expired grant accounts. OMB Memorandum M-16-18 dated July 15, 2016, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts*, requires this information to be included each year until instructed otherwise if the requirement is included in subsequent fiscal years' appropriations acts.

The table on the following pages presents, for each applicable budget account as of September 30, 2026, 2025, and 2024, the number of expired grant awards with undisbursed obligations, the number of undisbursed obligations relating to expired grant awards, and the total unobligated balance in the budget account. The total unobligated balance for each budget account shown includes the unobligated balances for both expired funds and unexpired funds.

(Numbers in Actual Amounts; Dollars in Millions)

	Budget Account		As of September 30, 2026			As of September 30, 2025			As of September 30, 2024		
Bureau	Number	Title	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account
Census Bureau	0450	Periodic Censuses and Programs	2	$ 375	$ 201	4	$ 2	$ 390	–	$ –	$ 518
EDA	2050	Economic Development Assistance Programs	87	58,658	2,278	27	17	2,055	10	1	556
ITA	1250	Operations and Administration	5	220	100	11	2	65	6	–	74
MBDA	0201	Minority Business Development	53	39,630	57	142	41	75	85	5	24
NIST	0500	Scientific and Technical Research and Services	171	14,320	397	163	26	519	82	6	557
	0513	Wireless Innovation Fund	8	96	1	–	–	1	–	–	1
	0515	Construction of Research Facilities	2	751	23	3	–	18	–	–	–
	0525	Industrial Technology Services	53	19,800	7,284	80	10	8,168	13	10	7,427
	4650	Working Capital Fund	5	83	196	14	1	181	7	–	215
	Subtotal		239	35,050	7,901	260	37	8,887	102	16	8,200
NOAA	1450	Operations, Research, and Facilities	1,547	121	1,324	2,735	113	1,172	1,966	88	1,461
	1451	Expenses, Pacific Coastal Salmon Recovery	13	2	103	42	1	–	28	2	1
	1455	Gulf Coast Ecosystem Restoration Science, Observation, Monitoring and Technology	16	–	1	27	–	4	26	–	1
	1460	Procurement, Acquisition, and Construction	53	6	867	94	4	1,283	55	3	892
	2055	Fisheries Disaster Assistance	8	4	348	25	6	6	19	16	127
	4316	Damage Assessment and Restoration Revolving Fund	16	2	213	21	7	188	16	–	213

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(Numbers in Actual Amounts; Dollars in Millions)

Bureau	Budget Account		As of September 30, 2026			As of September 30, 2025			As of September 30, 2024		
	Number	Title	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account
NOAA *(continued)*	5139	Promote and Develop Fishery Products and Research Pertaining to American Fisheries	53	$ 1	$ 1	132	$ 1	$ –	90	$ 1	$ 7
	5284	Limited Access System Administration Fund	2	–	29	10	–	23	10	1	18
	5362	Environmental Improvement and Restoration Fund	1	–	–	1	–	–	1	1	7
	5439	Western Pacific Sustainable Fisheries Fund	1	–	–	4	–	–	3	–	–
	5583	Fisheries Enforcement Asset Forfeiture Fund	–	–	7	1	–	7	1	–	–
	5584	Sanctuaries Enforcement Asset Forfeiture Fund	–	–	2	1	–	2	1	–	–
	5598	North Pacific Fishery Observer Fund	1	–	2	1	–	2	1	–	1
	Subtotal		1,711	136	2,897	3,094	132	2,687	2,217	112	2,728
NTIA	0516	State and Local Implementation Fund	–	–	19	–	–	19	–	–	19
	0551	Public Telecommunication Facilities, Planning and Construction	–	–	1	–	–	1	–	–	1
	0560	Broadband Connectivity Fund	37	27,867	744	–	–	–	–	–	–
	0561	Connecting Minority Communities Fund	40	12,743	9	14	37	6	2	–	7
	0563	Digital Equity	19	289,872	2,296	–	–	1,306	23	3	1,537
	0564	Middle Mile – S&E Admin and Oversight	3	11,056	91	–	–	–	–	–	–
	0565	Public Wireless Supply Chain Innovation	5	6,135	68	–	–	–	–	–	–
	5396	Digital Television Transition and Public Safety Fund	–	–	–	–	–	–	–	–	–
	Subtotal		104	347,673	3,228	14	37	1,332	25	3	1,564
Total			**2,201**	**$ 481,742**	**$ 16,662**	**3,552**	**$ 268**	**$ 15,491**	**2,445**	**$ 137**	**$ 13,664**

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APPENDIX

(Unaudited)



Glossary of Acronyms

A	
AD/CVD	Antidumping and Countervailing Duty
ADA	Antideficiency Act
AFR	Agency Financial Report
ASAP	Automated Standard Application for Payments
B	
BAS	Business Applications Solution
BEA	Bureau of Economic Analysis
BEAD	Broadband Equity, Access, and Deployment (a NTIA program)
BIS	Bureau of Industry and Security
BRS	Blended Retirement System (NOAA Corps)
C	
CAISSI	Center for Advancing Innovation and Standards for Super Intelligence
CBS	Commerce Business Systems
CDA	Command and Data Acquisition (NOAA)
CDQ	Community Development Quota (loan program; a NOAA direct loan program)
CEAR	Certificate of Excellence in Accountability Reporting (AGA)
CEIP	Coastal Energy Impact Program (a NOAA direct loan program)
CFR	Code of Federal Regulations
CHIPS	Creating Helpful Incentives to Produce Semiconductors
CMP	Civil Monetary Penalty
COTS	Commercial off-the-shelf (software)
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CRF	Construction of Research Facilities
CSF	Cybersecurity Framework
CSRS	Civil Service Retirement System (OPM)
D	
DATA Act	Digital Accountability and Transparency Act of 2014
DM	Departmental Management
DM&R	Deferred Maintenance and Repairs
DOW	U.S. Department of War
E	
E2	Electronic Travel System, version 2 (travel management system)
EDA	Economic Development Administration
EDW	Enterprise Data Warehouse
EEOC	Equal Employment Opportunity Commission
ESPC	Energy Savings Performance Contract
F	
FAPOD	Financial Assistance Policy and Oversight Division (OAM)
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FBwT	Funds Balance with Treasury
FCA	Facility Condition Assessment (NIST and NOAA DM&R)
FCI	Facility Condition Index (NIST DM&R)
FECA	Federal Employees' Compensation Act

FEGLI	Federal Employees' Group Life Insurance Program (OPM)
FEHB	Federal Employees Health Benefit Program (OPM)
FERS	Federal Employees Retirement System (OPM)
FFMIA	Federal Financial Management Improvement Act of 1996
FirstNet	First Responder Network Authority (an independent authority within NTIA)
FKNMS	Florida Keys National Marine Sanctuary (NOAA)
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report
FWC	Future Workers' Compensation (benefits; Actuarial FECA Liability)
FY	Fiscal Year ended September 30
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAO	U.S. Government Accountability Office
GeoXO	Geostationary Extended Observations
GSA	U.S. General Services Administration
GSS	General Support Systems
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HFA	Habitat Focus Area
HR	Human Resources
ICOOS Act	Integrated Coastal and Ocean Observation System Act of 2009
IFQ	Individual Fishing Quota (Fisheries Finance IFQ loans, a NOAA direct loan program)
IOOS	U.S. Integrated Ocean Observing System
IT	Information Technology
ITA	International Trade Administration
MEP	Manufacturing Extension Partnership (NIST)
MBDA	Minority Business Development Agency
MD&A	Management's Discussion and Analysis
MR	Maintenance and Repairs
N/A	Not Applicable
NEF	Nonrecurring Expenses Fund (DM)
NESDIS	National Environmental Satellite, Data, and Information Service (NOAA)
NFC	National Finance Center
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service (NOAA)
NOAA	National Oceanic and Atmospheric Administration
NOFO	Notice of Funding Opportunities
NPSBN	Nationwide Public Safety Broadband Network
NRHP	National Register of Historic Places
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
NWS	National Weather Service (NOAA)
OAM	Office of Acquisition Management (DM)
OAR	Office of Oceanic and Atmospheric Research (NOAA)
OFM	Office of Financial Management (DM)
OFMS	Office of Financial Management Systems
OIG	Office of Inspector General (DM)
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
OS	Office of the Secretary
P3	Public–Private Partnership
PII	Personally Identifiable Information

PIIA	Payment Integrity Information Act of 2019
PP&E	Property, Plant, and Equipment
PPA	Prompt Payment Act
Pub. L.	Public Law
R&D	Research and Development
RA	Regional Association (Disclosure P3s – NOAA)
RCOS	Regional Coastal Observing System (Disclosure P3s – NOAA)
RPMD	Real Property Management Division (NOAA)
S&E	Salaries and Expenses
SaaS	Software as a Service
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SF-425	Standard Form 425, *Federal Financial Report*
SFFAS	Statement of Federal Financial Accounting Standards (FASAB)
SI	Super Intelligence
SMS	Sustainment Management System
SNC	Statement of Net Cost
Tech Hub	Regional Technology and Innovation Hub
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan
U.S.	United States
U.S.C.	United States Code
UESC	Utility Energy Service Contract
USPTO	U.S. Patent and Trademark Office
WIPO	World Intellectual Property Organization
WCF	Working Capital Fund

Glossary of Technical Terms

Accounting & Financial Reporting

Accrued Funded Payroll and Leave: Funded salaries, wages, and leave earned but unpaid at period-end.

Accrued Grant Liabilities: Financial obligations recognized for grant expenditures that have been incurred by recipients but not yet reimbursed by the Department. These are estimated based on recipient reporting and historical data.

Actuarial FECA Liability: The estimated liability for future workers' compensation benefits calculated by the U.S. Department of Labor, incorporating wage and medical inflation factors.

Advance Payments: Payments made by the Department to cover anticipated expenses of a grant recipient or for goods and services before they are received or incurred.

Allowance for Subsidy Cost (Present Value): Under Credit Reform, the present value adjustment for estimated future cash flows of direct loans; reported as an allowance against loans receivable.

Allowance for Uncollectible Accounts: A reduction of Accounts Receivable to net realizable value based on specific delinquencies, aging analysis, and historical trends.

Capitalization Threshold: The minimum dollar amount at which an asset acquisition is recorded as a capital asset (rather than expensed) and depreciated over its useful life.

Construction-in-progress: Accumulated costs for construction, modification, or modernization of General PP&E (e.g., NOAA satellites under development) prior to being placed in service.

Contingent Liabilities: Recognized when a past event has occurred and a future outflow is measurable and probable; disclosed when reasonably possible; not recognized when remote.

Cumulative Results of Operations: The net result of the Department's operations since inception; reported within Net Position and increased or decreased by current-period transactions such as appropriations used, revenue, imputed financing, and net cost of operations.

Custodial Non-exchange Activity: Collections (primarily BIS, EDA, NOAA) made on behalf of the General Fund or other entities—e.g., civil penalties, interest—recognized as custodial revenue with a payable to the recipient entity.

Custodial Payable: Amounts collected by the Department on behalf of other federal entities or the General Fund of the U.S. government, which are yet to be transferred.

Deferred Maintenance and Repairs (DM&R): Maintenance and repairs that were not performed when scheduled or needed, resulting in a backlog. DM&R is tracked for property, plant, and equipment to ensure assets remain in acceptable condition.

Earned Revenue: Revenue recognized when the Department provides goods or services in exchange for payment, such as patent processing fees or weather data sales.

Environmental and Disposal Liabilities: Estimated costs for cleanup, removal, containment, or disposal of hazardous materials (e.g., asbestos, nuclear facilities) from Department-owned or operated sites.

Exchange Revenue: Revenue from transactions where both the Department and the other party receive value (e.g., USPTO fees, sales of weather data); presented in the Statement of Net Cost (SNC).

Fair Value Hierarchy: A framework for measuring and disclosing the fair value of assets and liabilities, categorized into three levels based on the observability of inputs (Level 1: quoted prices in active markets; Level 2: observable inputs; Level 3: unobservable inputs).

Fund Balance with Treasury (FBwT): The aggregate amount of funds in the Department's accounts with the U.S. Treasury, available for authorized expenditures.

Funds Held by a Third Party for Investment: Amounts held by another federal entity for programmatic investment purposes (e.g., CHIPS Secure Enclave disbursements), recorded as intragovernmental other assets.

General Property, Plant, and Equipment (PP&E), Net: Capital assets used in providing goods or services, recorded at cost less accumulated depreciation, including land, buildings, equipment, and internal use software.

Imputed Financing: The recognition of costs incurred by other federal entities on behalf of the Department (e.g., pension benefits), offset by an imputed financing source.

Internal Use Software in Development: Costs for software being developed internally or by contractors to meet internal operational needs prior to completion.

Investments (Equity Securities): Non-federal financial instruments measured at fair value (primarily common stock and warrants), with unrealized gains/losses recognized in net cost.

Lease Liability: The present value of payments expected to be made during the lease term for right-to-use lease assets, recognized as a liability on the balance sheet.

Liabilities Covered by Budgetary Resources: Liabilities (or portions thereof) for which budgetary resources have already been obligated or made available (e.g., delivered orders payable).

Liabilities Not Covered by Budgetary Resources: Probable future outflows for which budgetary resources have not yet been provided (e.g., unfunded leave, certain benefits, portions of lease liabilities, environmental cleanup).

Liabilities Not Requiring Budgetary Resources: Liabilities that are not expected to require use of budgetary resources (e.g., custodial payable to Treasury, certain deposit fund balances).

Non-entity Assets: Assets the Department holds that are not available for its own operations (e.g., deposit funds, custodial amounts), with corresponding liabilities recorded.

Non-exchange Revenue: Revenue arising from the federal government's sovereign power (e.g., fines, certain miscellaneous receipts); recognized when a legally enforceable claim exists and collection is probable; reported on the Statement of Changes in Net Position (SCNP) rather than reducing the cost of operations.

Pensions and Other Post-employment Benefits Payable: Actuarial present value of projected benefits for programs such as NOAA Corps retirement systems and post-retirement health benefits.

Reconciliation of Net Cost to Net Outlays: Note that bridges accrual-based Net Cost of Operations to budgetary Agency Outlays, Net by removing non-cash items and adding cash items not in net cost.

Right-to-Use Lease Asset: An asset representing the Department's right to use an underlying property, plant, or equipment for a specified period under a lease agreement.

Unrealized Gain on Investments: The increase in the fair value of investments that has not yet been realized through a sale or other transaction, recognized in financial statements as a valuation adjustment.

Budget & Appropriations

Agency Outlays, Net: Outlays, Net less Distributed Offsetting Receipts—represents cash disbursements net of certain collections for the reporting entity.

Allocation Transfers (Parent/Child): Legal delegations of obligating authority from a parent to a child agency, tracked in allocation accounts; child activity excluded from the parent's proprietary statements.

Apportioned, Unexpired Accounts: Unobligated amounts apportioned by OMB for future use in unexpired (available) accounts.

Appropriations: Legal provisions authorizing the expenditure of government funds for specific purposes. Appropriations provide budget authority to federal agencies.

Borrowing Authority: Budget authority permitting obligations and outlays to be financed by borrowings (e.g., NOAA loan programs, CHIPS financing accounts).

Budgetary Early Cancellation of Authority: Early cancellation of no-year authority with payment to the General Fund (e.g., NTIA's Digital Television Transition fund).

Budgetary Resources: The total amount of funds available to incur obligations in a fiscal year, including new budget authority and unobligated balances from previous years.

Combined Statement of Budgetary Resources (SBR): Budgetary statement presenting resources, status of resources, and outlays/disbursements; prepared on the budgetary basis of accounting.

Disbursements, Net: Net cash disbursements for non-budgetary credit reform financing accounts (financing account activity only).

Distributed Offsetting Receipts: Collections recorded to receipt accounts that offset the reporting entity's outlays (e.g., certain receipt accounts and budget clearing accounts).

Expired Accounts: Unobligated balances in accounts no longer available for new obligations; available only for upward adjustments to existing obligations.

New Obligations and Upward Adjustments: The total of new obligations and increases to prior obligations recorded during the period (SBR status section).

Obligations: Legally binding agreements that will result in outlays, either immediately or in the future, such as contracts or grants.

Offsetting Collections: Payments credited to expenditure accounts that reduce gross budget authority and outlays, often from business-like transactions; available to be spent without further appropriation.

Offsetting Receipts: Payments credited to receipt accounts that reduce gross budget authority/outlays at an aggregate level; typically not available to expenditure accounts without appropriation.

Outlays: Payments made to liquidate obligations, generally equal to cash disbursements but may include non-cash transactions.

Outlays, Net: Gross outlays less actual offsetting collections; measure of cash spending.

Permanent Reductions to Budgetary Resources (Rescissions): Statutory reductions of available budgetary resources, including rescissions of unobligated balances (e.g., DM/NEF, EDA rescissions).

Permanent, Indefinite Appropriations: Appropriations available until expended without a fixed period; may finance continuing operations or specific trust/special funds.

Sequestered Funds (USPTO): Budgetary resources temporarily reduced (sequestered) and unavailable for obligation pending congressional action and issuance of a Treasury warrant.

Unapportioned, Unexpired Accounts: Unobligated amounts in unexpired accounts that are not yet apportioned (not available for obligation).

Undelivered Orders: Obligations for goods and services ordered but not yet received; reported by federal/non-federal and paid/unpaid categories.

Unexpended Appropriations: The total amount of budget authority that has not yet been spent, including both obligated and unobligated balances.

Unobligated Balance: Budgetary resources not yet obligated, which may be available or unavailable; includes balances brought forward and current-year changes.

Commerce-specific / Programmatic

Buyback Loan Programs (Alaska Purse Seine, Crab, Pacific Groundfish): Direct loans disbursed to permanently remove vessels/permits to reduce overcapacity; repaid from fees on ex-vessel catch value.

Corporation for Travel Promotion (Brand USA): Disclosure entity governed by the Travel Promotion Act; funded via matching transfers from the Travel Promotion Fund and non-federal sources.

Cost Contribution to NPSBN Buildout/Continuing Enhancement: FirstNet/NTIA payments to AT&T for buildout and enhancements recorded initially as an asset and expensed over the contract term or benefit period.

Direct Loan: A loan made directly by the Department to a borrower, recorded as a receivable after disbursement, and subject to subsidy cost estimation under federal credit reform.

First Responder Network Authority (FirstNet): An independent authority within NTIA charged with ensuring a nationwide interoperable public safety broadband network and overseeing the AT&T partnership.

NIST CHIPS Incentives Loan Program: Loan and loan guarantee program under the CHIPS Act to catalyze U.S. semiconductor capacity; subject to Credit Reform subsidy accounting.

NOAA Corps Blended Retirement System: Retirement system for NOAA Corps combining defined-benefit and TSP components (defined-benefit portion unfunded and actuarially valued).

NOAA Corps Post-retirement Health Benefits: Pay-as-you-go health benefits program for NOAA Corps retirees; actuarially valued liability.

NOAA Corps Retirement System: Unfunded defined-benefit pension program for NOAA Corps uniformed service members.

NOAA Damage Assessment and Restoration Revolving Fund: Receives and retains sums to reimburse costs for spill response and natural resource damage assessment, restoration, and related activities.

NOAA Fisheries Finance Program – IFQ Loans: Direct loans tied to Individual Fishing Quota purchases and related needs.

NOAA Fisheries Finance Program – Traditional Loans: Direct loans supporting vessels, shoreside facilities, aquaculture, and related investments to promote sustainable fisheries.

NTIA Digital Television Transition and Public Safety Fund: Historic fund that supported nationwide digital TV transition and public safety communications needs.

NTIA First Responder Network Authority Fund: Fund supporting FirstNet operations and recognition of deferred/earned revenue from AT&T under the contract.

NTIA Network Construction Fund: Fund that captures federal cost contributions for buildout of the NPSBN; financed via transfers from the Public Safety Trust Fund.

Stewardship Land: Land owned by the federal government that is not acquired for or in connection with general property, plant, and equipment, and is intended to be preserved indefinitely for public use or conservation.

U.S. Integrated Ocean Observing System (IOOS) Regional Associations: NOAA-led federal-regional partnerships that design and operate regional coastal observing systems under cooperative agreements.

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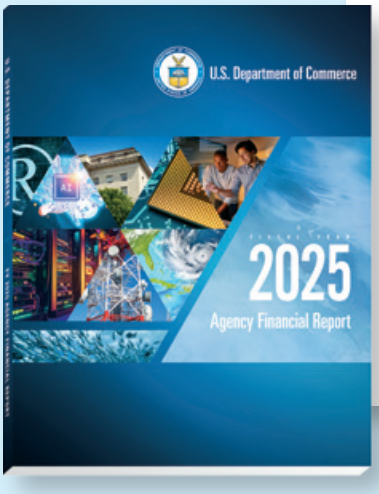


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