

PREFACE

The 2024 and 2025 actuals in the Explanatory Notes have been adjusted to be on a comparable basis with the 2026 enacted appropriation and the 2027 budget estimates. For mandatory programs subject to sequestration, the 2026 sequestration rate is 5.7 percent. The 2027 sequestration rate was not yet released at the time of this publication however, mandatory funds for 2027 reflect a sequester reduction based upon a sequestration rate of 5.7 percent. All years are Federal fiscal years unless otherwise indicated.

STATEMENT OF AVAILABLE FUNDS AND STAFF YEARS

A statement is included for each agency, immediately following the introductory purpose statement, to reflect all sources of funds available to the agency and to show the staff years related to each source of funds.

These statements reflect the best available information at the time these Explanatory Notes were prepared in March 2026. However, it is not possible in many instances to determine in advance the extent to which agencies may be requested to perform additional services for other Federal and non-Federal agencies or organizations. Therefore, amounts of actual reimbursements and other funds received from sources other than appropriations directly to the agency may vary from those shown in the statements.

In those cases where the funds are not appropriated (reimbursements, trust funds, transfers, revolving funds, etc.), the dollar amounts shown represent actual or estimated obligations for the year.

In some instances, there may be duplication of amounts shown. This results largely from cases involving reimbursements between different agencies within the Department and where amounts are paid from appropriations to the Working Capital Fund. There is no duplication of the staff years shown.

PROJECT STATEMENT

Obligations shown in the Project Statements are based on the appropriations and activities proposed in the 2025 budget estimates. Some activities are further divided into subcategories and reflected in Funding Detail tables following the Project Statements, reflecting a more detailed description of the work conducted under the appropriation items.

Amounts shown in the Project Statements for the past year are taken directly from the accounting records to the maximum extent possible. Where the Department has adjusted obligations after Treasury has closed the books for the year, the most current estimate has been shown. These adjustments will be picked up by Treasury in subsequent reports.

Following the Project Statement is the Justification of Increases and Decreases. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to each agency or office.

CLASSIFICATION BY OBJECTS

A statement is included for each account showing total obligations by Object Classification. Obligations for personnel compensation are also broken between headquarters and field.

LOAN LEVELS

Knowledge of the following basic budget terminology will assist the reader in understanding the budget proposals.

Direct Loans

"Direct" loans involve the Federal government disbursing the money to the borrower and receiving the money back from the borrower in regular installments in future years. The Federal agency having responsibility for administering the credit program must counsel

prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to repay, perform the administrative procedures to process the application, make and record the loan payment, receive and record the receipts for repayment, calculate the interest and remaining balance status, monitor the regularity of payments, follow up on delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss to the Federal government in the event of the borrower's default on the loan.

For international trade "Credit Sales", the same basic process is involved except that the disbursement of the cash loan is replaced by the disbursement of cash to purchase and ship the commodities being exported to the foreign country involved.

Loan Guarantees

Loan "Guarantees" involve the Federal government guaranteeing a private lending institution that a stipulated portion of a borrower's loan will be repaid. The Federal government does not disburse or receive funds involved in the loan and repayment between the lending institution and the borrower. If the borrower defaults on the loan, the Federal government would have to disburse to the lending institution the portion of the borrower's unpaid balance representing the amount of the Federal guarantee. The Federal agency having responsibility for administering the credit program must counsel prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to pay, counsel and assist the borrower in arranging the loan with the lending institution, perform administrative procedures necessary to record the loan guarantee transaction, maintain liaison with the lending institutions to keep informed of the status of loan repayments, follow up on seriously delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss to the Federal government in the event of the borrower's default on the loan. The Rural Utilities Service (RUS), however, guarantees loans made by the Federal Financing Bank. Because RUS is guaranteeing loans made by another Federal agency, the transaction more closely resembles a direct loan.