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**U.S. Department of Education**
**The FY 2011 Summary of Performance**
**and Financial Information**

**U.S. Department of Education**
Arne Duncan
*Secretary*

**Office of the Chief Financial Officer**
Thomas Skelly
*Delegated to perform the functions and duties of Chief Financial Officer*

February 2012

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Office of the Chief Financial Officer
U.S. Department of Education
Washington, D.C. 20202-0600

The following companies were contracted to assist in the preparation of the
U.S. Department of Education *FY 2011 Summary of Performance and Financial Information*:

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For general layout and Web design: ICF Macro
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Cotton & Company, LLP

# Foreword

As required by the *GPRA Modernization Act of 2010,* each federal agency must report annually on its stewardship of financial resources and its progress in meeting the goals and objectives established under its strategic plan. The United States Department of Education's (the Department's) *FY 2011 Summary of Performance and Financial Information* (SPFI) presents to Congress, the President, and the American people an overview of the Department's financial performance and results and our progress in meeting the goals and objectives established by our strategic plan. Additionally, the report provides information, as required by the Office of Management and Budget Circulars A-11 and A-136, about our performance as an organization, our accomplishments and initiatives, and our challenges. The SPFI consolidates in a summary format the previous two documents in the annual reporting cycle: the *FY 2011 Agency Financial Report* and the *FY 2011 Annual Performance Report.*

The SPFI is one in a series of three reports required under the Office of Management and Budget's Program for Alternative Approaches to Performance and Accountability Reporting. The Department is participating in this voluntary program in an effort to strengthen its annual reporting documents and to present more streamlined and timely information. The Department's goal is to provide a more meaningful, transparent, and easily understood analysis of its accountability.

The Department's FY 2011 annual reporting includes the following three documents:

| | |
|---|---|
| **Summary of Performance and Financial Information** [available February 2012]<br><br>This document provides an integrated overview of performance and financial information and consolidates the *Agency Financial Report (AFR)* and the *Annual Performance Report (APR)* into a user-friendly format. | ***Annual Performance Report* (APR)** [available February 2012]<br><br>The APR is produced in conjunction with the FY 2013 President's Budget Request and provides more detailed performance information and analysis of performance results. |

***Agency Financial Report* (AFR)** [published November 15, 2011]

The AFR is organized into three major sections:

- The Management's Discussion and Analysis section provides executive-level information on the Department's history, mission, organization, key activities, analysis of financial statements, systems, controls and legal compliance, accomplishments for the fiscal year, and management and performance challenges facing the Department.

- The Financial Details section provides a Message From the Chief Financial Officer, consolidated and combined financial statements, the Department's notes to the financial statements, and the Report of the Independent Auditors.

- The Other Accompanying Information section provides improper payments reporting details and other statutory reporting requirements.

**All three reports can be found on the Department's website at**
http://www.ed.gov/about/overview/focus/performance.html.

# Message From the Secretary

February 2012

I am pleased to present the Department's *Fiscal Year (FY) 2011 Summary of Performance and Financial Information.* This is the third and final of three integrated reporting components that are included in the alternative approach to the *Performance and Accountability Report.* The other two reports are the *FY 2011 Agency Financial Report,* released in November 2011, and the *FY 2011 Annual Performance Report,* released in February 2012 with the Department's budget justification to Congress.

This report provides an overview of the Department's financial stewardship of its resources for fiscal year 2011 and its progress toward meeting the goals and objectives set forth in its new draft strategic plan. The performance data presented in this report are based on the goals in our draft *FY 2011–14 Strategic Plan.* In some cases, data for our new draft strategic plan are preliminary and baselines are being established for performance measures that, going forward in the remainder of FY 2012, will inform our new strategic goals. As we implement our new Strategic Plan, we are striving to ensure that our data will be complete and reliable.

We are continuing to monitor our progress in areas of concern that could hinder efficiency, effectiveness, and integrity in our programs and operations, and to identify actions needed to address any deficiencies. Going forward in the remainder of FY 2012, our Office of Inspector General has identified four challenges that the Department will work to address: improper payments, information technology security, oversight and monitoring, and data quality and reporting.

Education is the key to our long-term economic prosperity. In all areas, and especially in areas related to science, technology, engineering, and mathematics, we must ensure that all children and adults in America receive a world-class education, as the country that out-educates us today will outcompete us tomorrow. Over the past two and a half years, our country has undertaken a collective effort to reform our schools, work that is inextricably linked to the future of our nation's economy. As a result, we have seen more progress in reform in the past two years than in the previous two decades.

- 45 states and the District of Columbia have adopted a common set of college- and career-ready standards.

- 45 states and the District of Columbia are working together to create the next generation of assessments that will track students' growth toward college and career readiness.

- More than a thousand schools are taking on the hard work of turning around their lowest-performing schools.

- Across the country, labor and management are working together to use the collective bargaining process to support reform and student success.

Education is more than an economic issue—it is the civil rights issue of our generation. To close the achievement gap, we must also close the opportunity gap for all Americans. From improving access to and the effectiveness of early learning programs; to reforming elementary and secondary education; to making higher education more accessible, effective, and meaningful; to working to attract more talented people to the teaching profession, we have made an unprecedented federal commitment to education. But it must be a national effort. I am proud that our Department has played a significant role in supporting these important reforms that are spreading throughout the country.

- Through Race to the Top, states are creating the next generation of reforms. In general, we are seeing progress in the 18 states and the District of Columbia that won grants, as well as states that did not win an award.

- Through Investing in Innovation, 72 projects are developing and implementing breakthrough ideas that will accelerate student learning.

- In Promise Neighborhoods, community groups are creating comprehensive plans to fight poverty by putting a high-quality public school at the center of their work.

We want to support state and local districts as they lead reforms to increase the quality of instruction and improve student achievement, which is why the President announced that we would offer states flexibility under certain provisions of the *Elementary and Secondary Education Act of 1965,* as reauthorized by the *No Child Left Behind Act* (NCLB). NCLB expanded the standards and accountability movement by exposing achievement gaps and challenging schools to focus on the achievement of all children, particularly high-needs subgroups. However, for all that NCLB got right, some of the law's requirements are hindering state and local school district reforms. This is why, to help states, districts, and schools that are moving forward with education reform, the Administration is providing relief from specific NCLB requirements in exchange for a real commitment to undertake change. The purpose is not to give states and districts a reprieve from accountability, but rather to unleash energy to improve our schools at the local level even as Congress continues to work to reauthorize the law.

A period of unprecedented education reform is no time to be laying off scores of teachers and early childhood educators. Already, financially pinched school districts are reducing class time, shortening the school calendar, cutting after-school programs and early childhood education, and reducing top-notch arts and music instruction. This is why the President has proposed the *American Jobs Act,* which would protect educators' jobs and includes $30 billion in investments for repairing and modernizing schools and community colleges.

This report reflects the Department's work to make a positive contribution to what must become an "all-hands-on-deck" approach among communities across America— involving local leaders, educators, families, and the students themselves—to building the best-educated workforce and citizenry in the world.

Sincerely,

/s/

Arne Duncan

*FY 2011 Summary of Performance and Financial Information*—U.S. Department of Education

# CONTENTS

# Who We Are

| Our Mission |
|---|
| The U.S. Department of Education's mission is to *promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.* |

Education is the stepping stone to higher living standards for American citizens, and it is vital to national economic growth. Education impacts more than increased economic productivity. Education opens doors to a better future for children and adults. Economic outcomes, such as wage and salary levels, historically have been determined by the educational attainment of individuals and the skills employers expect of those entering the labor force. Both individuals and society as a whole have placed increased emphasis on educational attainment as the workplace has become increasingly technological, and employers now seek employees with the highest level of skills. For prospective employees, the focus on higher-level skills means investing in learning or developing skills through education. Like all investments, developing higher-level skills involves costs and benefits. Over time, the returns of developing skills through education have become evident. For more information, see the Required Supplementary Stewardship section of the Department's *Agency Financial Report.*

The U.S. Department of Education is committed to ensuring that students develop the skills they need to succeed in school, college, and the workforce. During school year (SY) 2011–12, America's schools and colleges are serving larger numbers of students as the population increases and enrollment rates rise. As of fall 2011, more than 49.4 million students attended public elementary and secondary schools. Of these, 34.9 million were in preschool through 8th grade and 14.5 million were in grades 9 through 12.

As of September 2011, expenditures for public elementary and secondary schools were about $525 billion for SY 2011–12, excluding capital and interest. The national average current expenditure per student is projected for SY 2011–12 at $10,591, the same as actual expenditures in SY 2008–09. In fall 2011, a record 19.7 million students were expected to attend the nation's 2-year and 4-year colleges and universities, an increase of about 4.4 million since 2000.

**Unemployment Rate.** Individuals with lower levels of educational attainment are more likely to be unemployed than those who had higher levels of educational attainment. The September 2011 unemployment rate for adults (25 years old and over) who had not completed high school was 14 percent, compared with 9.7 percent for those with four years of high school and 4.2 percent for those with a bachelor's degree or higher. Younger people with only high school diplomas tended to have higher unemployment rates than adults 25 and over with similar levels of education.

**Annual Income.** As of September 2011, the annualized median income for adults (25 years old and over) varied considerably by education level. Men with a high school diploma earned $37,492, compared with $68,328 for men with a college degree. Women with a high school diploma earned $28,964, compared with $51,376 for women with a college degree. Men and women with college degrees earned 77 percent more than men and women with high school diplomas. These returns of investing in education directly translate into the advancement of the American economy as a whole.
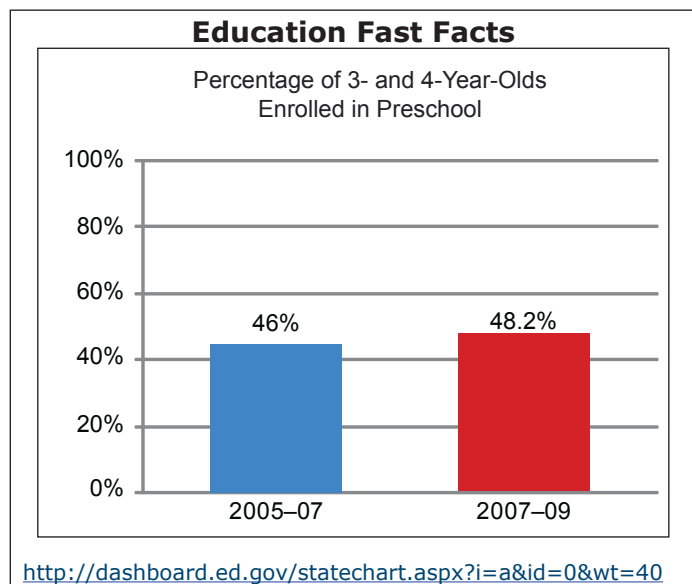
**What We Do.** The Department engages in four major types of activities: establishing policies related to federal education funding and administering distribution of funds and monitoring their use; providing oversight on data collection and research on America's schools; identifying major issues in education and focusing national attention on them; and enforcing federal laws prohibiting discrimination in programs that receive federal funds. Among our offices are:

**Office of Federal Student Aid.** The Office of Federal Student Aid administers need-based financial assistance programs for students pursuing postsecondary education and makes available federal grants, direct loans, guaranteed private loans (before July 1, 2010, only), and work-study funding to eligible undergraduate and graduate students. See more detail at: http://www.ed.gov/about/offices/list/fsa/index.html?src=oc.

**Office of Elementary and Secondary Education.** The Office of Elementary and Secondary Education provides leadership, technical assistance, and financial support to state and local educational agencies for reform, strategic investment, and innovation in preschool, elementary, and secondary education. Financial assistance programs support services for children in high-poverty schools, English learners, institutions for neglected and delinquent children, homeless children, certain Native American children, children of migrant families, English learners, and children who live on or whose parents work on federal property. Funding also is provided to increase the academic achievement of students by ensuring that all teachers are highly qualified. See more detail at: http://www.ed.gov/about/offices/list/oese/index.html?src=oc.

**Office of Special Education and Rehabilitative Services.** The Office of Special Education and Rehabilitative Services supports a wide range of state and local programs that assist in educating children with disabilities and in preparing youth and adults with disabilities to succeed in the workplace and in the community. Funding also is provided for research to improve the quality of their lives. See more detail at: http://www.ed.gov/about/offices/list/osers/index.html?src=oc.

**Office of Safe and Healthy Students.** Grants from the Office of Safe and Healthy Schools, formerly the Office of Safe and Drug-Free Schools, go to support efforts to create safe and violence-free students, respond to crises, prevent drug and alcohol abuse, and ensure the health and well-being of students. Effective on September 26, 2011, the Office of Safe and Drug-Free Schools and its programs were moved into a new Office of Safe and Healthy Students within the Office of Elementary and Secondary Education. See more detail at: http://www.ed.gov/about/offices/list/osdfs/index.html?src=oc.

**Education Fast Facts**

Percentage of 3- and 4-Year-Olds Enrolled in Preschool

| | 2005–07 | 2007–09 |
|---|---|---|
| | 46% | 48.2% |

http://dashboard.ed.gov/statechart.aspx?i=a&id=0&wt=40

## Office of Innovation and Improvement.

The Office of Innovation and Improvement makes strategic investments in educational practices through grants to states, schools, and community and nonprofit organizations. The office leads the movement for greater parental options such as charter schools. The office also supports grants designed to raise student achievement by improving teachers' knowledge and understanding. See more detail at: http://www.ed.gov/about/offices/list/oii/index.html?src=oc.

**Education Fast Facts**

Percentage of Public High School-Level Teachers With a Major in Their Main Assignment Area

| Year | Percentage |
|------|-----------|
| 2003–04 | 83.6% |
| 2007–08 | 81.1% |

http://dashboard.ed.gov/statechart.aspx?i=s&id=0&wt=40

## Institute of Education Sciences.

Established by the *Education Sciences Reform Act of 2002,* the Institute of Education Sciences is the research arm of the Department of Education. Its mission is to expand knowledge and provide information on the condition of education, practices that improve academic achievement, and the effectiveness of federal and other education programs. Its goal is the transformation of education into an evidence-based field in which decision makers routinely seek out the best available research and data before adopting programs or practices that will affect significant numbers of students. See more detail at: http://www.ed.gov/about/offices/list/ies/index.html?src=oc.

## Office of English Language Acquisition.

The Office of English Language Acquisition directs programs designed to enable students who are learning English to become proficient in English and meet state academic content and student academic achievement standards. The office administers discretionary grant programs under Title III of the ESEA, the National Professional Development program, and the Native American and Alaska Native Children in School program. See more detail at: http://www.ed.gov/about/offices/list/oela/index.html?src=oc.

**Education Fast Facts**

Percentage of Freshmen Graduating From High School Within 4 Years

| Year | Percentage |
|------|-----------|
| 2006–07 | 73.9% |
| 2007–08 | 74.9% |

http://dashboard.ed.gov/statedetail.aspx?i=e&id=0&wt=40

## Office of Vocational and Adult Education.

The Office of Vocational and Adult Education provides leadership, technical assistance, and funding for adult education and career and technical education to state and local agencies to help students improve their literacy skills and prepare them for postsecondary education and careers through strong high school programs and career and technical education. Funding is also provided to promote identification and dissemination of effective
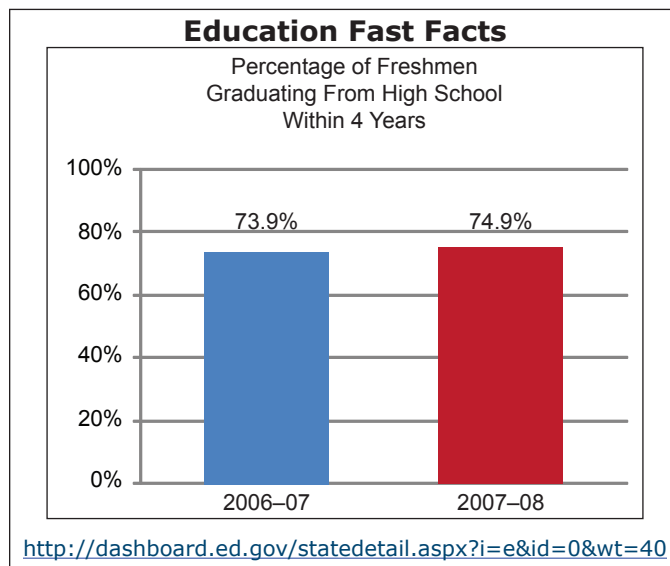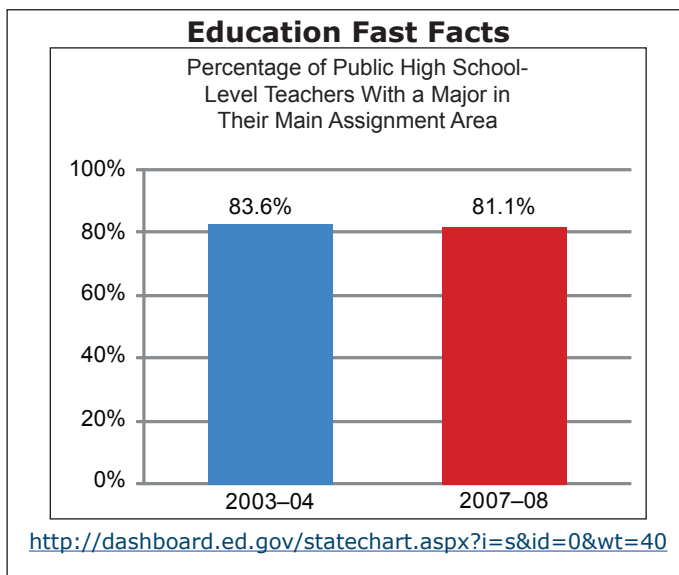
practices in raising student achievement in high schools, community colleges, and adult education programs and support targeted research investments. See more detail at: http://www.ed.gov/about/offices/list/ovae/index.html?src=oc.

**Office of Postsecondary Education.**
The Office of Postsecondary Education provides grants to colleges and universities, as well as to nonprofit organizations, to promote reform, innovation, and improvement in postsecondary education; increase access to and completion of postsecondary education by disadvantaged students; strengthen the capacity of colleges and universities that serve a high percentage of minority and disadvantaged students; and improve teacher and student development resources. The international programs promote international education and foreign language studies and research. The office administers the accrediting agency recognition process and coordinates activities with states that affect institutional participation in federal financial assistance programs. See more detail at: http://www.ed.gov/about/offices/list/ope/index.html?src=oc.

**Education Fast Facts**

Percentage of Bachelor's Degrees Awarded in Science, Technology, Engineering, and Mathematics

| | 1998–99 | 2008–09 |
|---|---|---|
| | 25.6% | 24.2% |

http://dashboard.ed.gov/statechart.aspx?i=m&id=0&wt=40
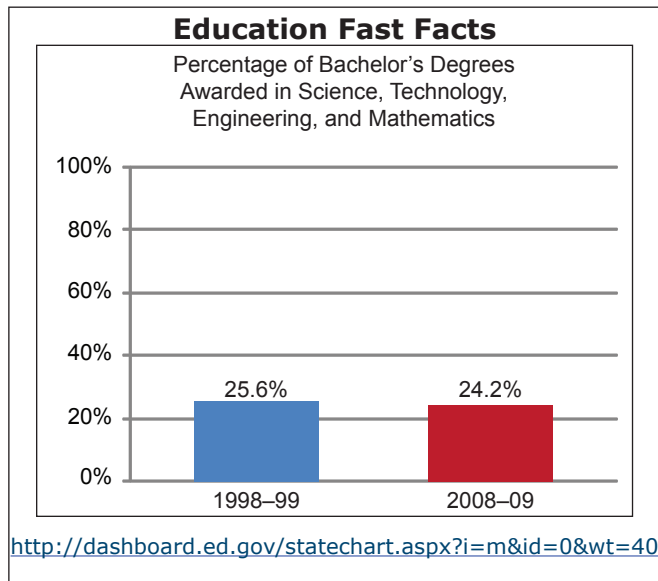
Follow the link for more detail on how the Department is organized and the roles of the different offices, or view an interactive chart of current positions.
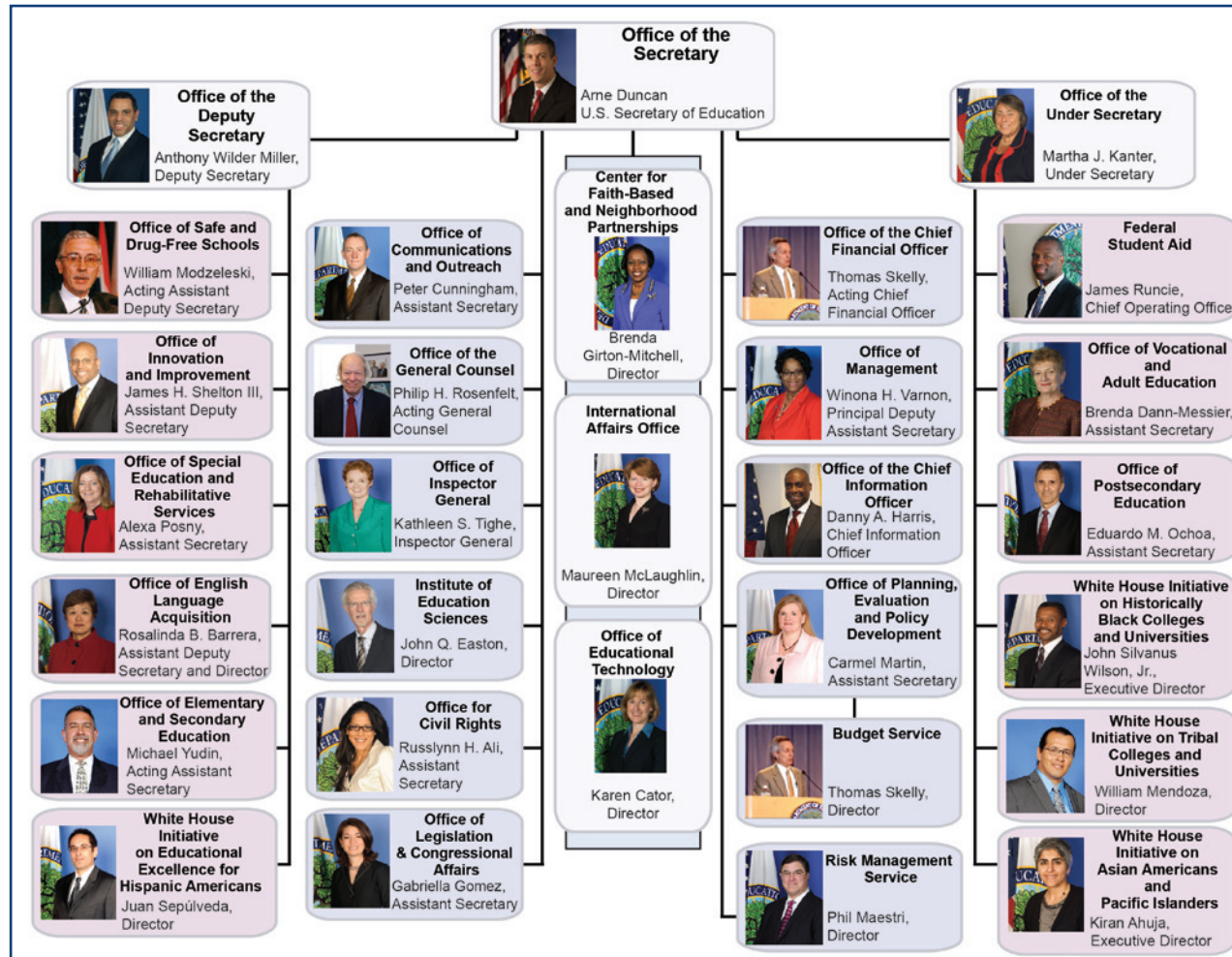
# Department of Education Financial Highlights

The table below summarizes trend information concerning components of the Department's financial condition. The Consolidated Balance Sheet presents a snapshot of our financial condition as of September 30, 2011, compared to FY 2010, and displays assets, liabilities, and net position. Another component of the Department's financial picture is the Consolidated Statement of Net Cost.

**Consolidated Balance Sheet**
**(Dollars in Millions)**
**As of September 30, 2011, 2010, 2009, 2008**

|  | % Change 2011/2010 | FY 2011 | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|---|---|
| Fund Balance with Treasury | -14% | $114,085 | $132,259 | $168,032 | $94,899 |
| Credit Program Receivables, Net | +44% | 530,491 | 367,904 | 234,254 | 134,725 |
| Other | -44% | 1,966 | 3,501 | 3,659 | 1,949 |
| **Total Assets** | | **646,542** | **503,664** | **405,945** | **231,573** |
| Debt | +46% | 547,108 | 374,335 | 235,385 | 128,668 |
| Liabilities for Loan Guarantees | -31% | 10,025 | 14,479 | 20,543 | 43,322 |
| Other | -24% | 20,824 | 27,248 | 22,957 | 16,247 |
| **Total Liabilities** | | **577,957** | **416,062** | **278,885** | **188,237** |
| Unexpended Appropriations | -24% | 71,729 | 94,371 | 127,269 | 49,506 |
| Cumulative Results of Operations | +54% | (3,144) | (6,769) | (209) | (6,170) |
| **Total Net Position** | | **68,585** | **87,602** | **127,060** | **43,336** |
| **Total Liabilities and Net Position** | | **$646,542** | **$503,664** | **$405,945** | **$231,573** |
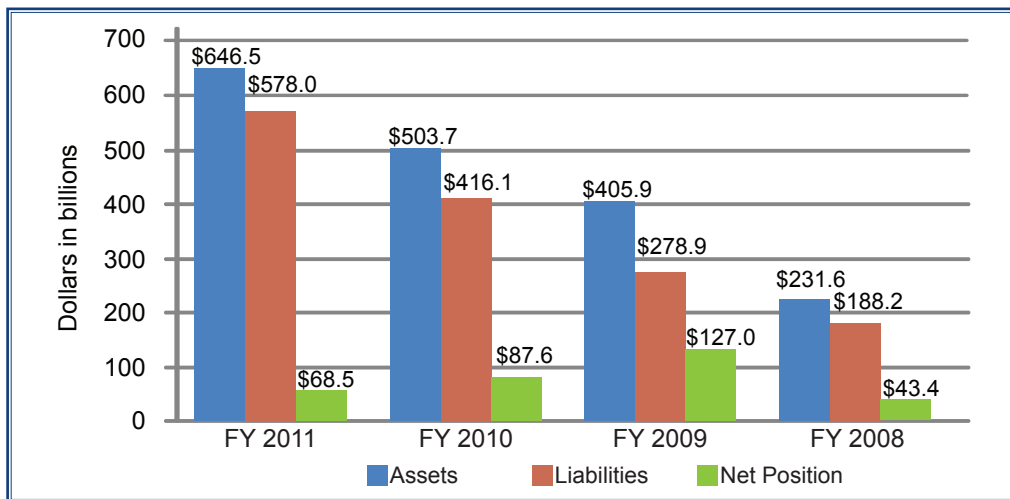


**Consolidated Statement of Net Cost**
**For the Years Ended September 30, 2011, 2010, 2009, 2008**

|  | % Change 2011/2010 | FY 2011 | FY 2010 | FY 2009 | FY 2008 |
|---|---|---|---|---|---|
| Gross Cost | -23% | $89,910 | $116,953 | $55,412 | $74,034 |
| Earned Revenue | +18% | (20,397) | (17,279) | (11,251) | (9,217) |
| **Total Net Cost of Operations** | | **$69,513** | **$99,674** | **$44,161** | **$64,817** |

# Performance Highlights for FY 2011

## Challenges Linking Program Performance to Funding

Linking performance results, expenditures, and budget for Department programs is complicated. Most of the Department's funding is disbursed through grants and loans. Only a portion of a given fiscal year's appropriation is available to state, school, organization, or student recipients during the fiscal year in which the funds are appropriated. The remainder is available at or near the end of the appropriation year or in a subsequent year.

The processes required for conducting grant competitions often result in the award of grants near the end of the fiscal year, with funding available to grantees for future fiscal years.

## Performance Summary for FY 2011

FY 2011 was the first year we implemented our new *FY 2011–14 Strategic Plan.* While we have trend data for our national outcome measures, many of our strategic measures are new for this year and baseline data are still being collected.

| Indicators of Success | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|---|---|---|---|---|
| **Goal 1. Postsecondary Education, Career and Technical Education, and Adult Education:** | | | | | |
| **Increase college access, quality, and completion by improving higher education and lifelong learning opportunities for youth and adults.** | | | | | |
| A. Increase in the percentage of individuals completing and filing the Free Application for Federal Student Aid form (FAFSA) who come from low-income households | NA | NA | NA | NA | 57% |
| B. Increase in the percentage of individuals completing and filing the FAFSA who are non-traditional students (25 years and above with no college degree) | NA | 2.2% | 2.9% | 3.9% | 3.8% |
| C. Increase in the number of states that have adopted college completion plans | NA | NA | NA | NA | 39 |
| D. Increase in the number of states that have published a plan for improving postsecondary access, quality, and completion leading to careers and positive civic engagement | NA | NA | NA | 18 | 19 |
| E. Increase in the number of undergraduate credentials/degrees (in millions) | 2.3 | 2.3 | 2.4 | NA | NA |
| F. Increase in the number of STEM undergraduate degrees awarded (in millions) | 0.5 | 0.5 | 0.5 | NA | NA |
| **Goal 2. Elementary and Secondary:** | | | | | |
| **Prepare all elementary and secondary students for college and career by improving the education system's ability to consistently deliver excellent classroom instruction with rigorous academic standards while providing effective support services.** | | | | | |
| A. Increase in the number of states with adopted internationally benchmarked college- and career-ready standards† | NA | NA | NA | 30 states + DC | 45 states + DC |
| B. Increase in the number of states collaborating to develop and adopt high-quality assessments aligned to college- and career-ready standards | NA | NA | NA | NA | 45 states + DC |

Key:
† This indicator of success aligns with a Department Priority Goal.
CSI = Customer Satisfaction Index
Estab. BL = Establish baseline
NA = No data available for the period

| Indicators of Success | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|---|---|---|---|---|
| C. Increase in the number of states in which postsecondary institutions accept proficiency on state assessment as evidence that students do not need to enroll in remedial courses | NA | NA | NA | NA | Estab. BL |
| D. Increase in the number of school districts with comprehensive teacher evaluation and support systems† | NA | NA | NA | NA | Estab. BL |
| E. Increase in the number of states with statewide requirements for comprehensive teacher evaluation and support systems† | NA | NA | NA | NA | 12 states + DC |
| F. Increase in the number of states with statewide requirements for comprehensive principal evaluation and support systems† | NA | NA | NA | NA | 12 states + DC |
| G. Increase in the percentage of schools implementing initiatives that increase time for learning during or outside the school day | NA | NA | NA | NA | Estab. BL |
| H. Increase the number of persistently lowest achieving schools identified as potential models by demonstrating improvement on leading indicators that schools are required to report through the School Improvement Grants program† | NA | NA | NA | NA | Estab. BL |
| I. Increase in the percentage of Race-to-the-Top grantees that achieve their targets for their performance measures | NA | NA | NA | NA | Estab. BL |
| J. Increase in the percentage of middle/high school math teachers who major in math or math education | NA | 72% | NA | NA | NA |
| K. Increase in the percentage of middle/high school science teachers who major in science or science education | NA | 84% | NA | NA | NA |
| **Goal 3. Early Learning:**<br>**Improve the health, social-emotional, and cognitive outcomes for all children from birth through 3rd grade, so that all children, particularly those with high needs, are on track for graduating from high school college- and career-ready.** | | | | | |
| A. Increase in the number of states implementing a high-quality plan to collect and report disaggregated data on the status of children at kindergarten entry across a broad range of domains† | NA | NA | NA | NA | 2 |
| B. Increase in the number of states that have developed and adopted common, statewide Tiered Quality Rating and Improvement Systems that reflect high expectations of program excellence and lead to improved learning outcomes for children | NA | NA | NA | NA | Estab. BL |
| C. Increase in the number of states that have statewide coordinated systems of professional development for early childhood educators serving children birth through third grade | NA | NA | NA | NA | Estab. BL |
| D. Increase in the number of states implementing a Comprehensive Assessment System that includes screening and referral processes, formative measures, kindergarten entry assessments, measures of classroom quality and adult-child interactions, measures of child outcomes, and program evaluation | NA | NA | NA | NA | Estab. BL |
| **Goal 4. Equity:***<br>**Ensure effective educational opportunities for all students regardless of race, ethnicity, national origin, age, sex, disability, language, and socioeconomic status.** | | | | | |
| A. Increase in the combined annual number of significant proactive and outreach activities related to civil rights enforcement (new policy documents, compliance reviews, and technical assistance activities) | NA | NA | NA | NA | Estab. BL |

* In addition to the measure below, other measures tracking Equity Indicators of Success are shared across goals, including: Measures 1A and 1B, FAFSAs among low-income and non-traditional students; measure 2H, monitoring of School Improvement Grants; measure 3A, states implementing high-quality early education plans; measure 5C, percentage of state report cards addressing specific metrics; measure 5G, Departmental priorities to address equity-related issues in grants and awards; and measure 6F, student access data.

Key:
† This indicator of success aligns with a Department Priority Goal.
CSI = Customer Satisfaction Index
Estab. BL = Establish baseline
NA = No data available for the period

| Indicators of Success | | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|---|---|---|---|---|---|
| **Goal 5. Continuous Improvement of the U.S. Education System:** | | | | | | |
| **Enhance the education system's ability to continuously improve through better and more widespread use of data, research and evaluation, transparency, innovation, and technology.** | | | | | | |
| A. Increase in the number of states implementing comprehensive statewide longitudinal data systems† | Link students with teachers | NA | NA | 30 | 36 | 41 |
| | Link P-12 with college | NA | NA | 28 | 34 | 40 |
| B. Increase in the number of high-value datasets that are published through data.gov or ED.gov websites | | NA | NA | NA | NA | 9 |
| C. Increase in the percentage of state report cards that include student achievement, school climate, college enrollment, and teacher and school leader measures | | NA | NA | NA | NA | Estab. BL |
| D. Increase in the number of Department programs with awards made based on the strength of the evidence (strong or moderate) provided in grant applications | | NA | NA | NA | 1 | 5 |
| E. Increase in the number of Department programs, practices, or strategies that are adopted as a result of Scale Up, Validation, or Development grants | | NA | NA | NA | NA | Estab. BL |
| F. Increase in the percentage of parents and teachers who believe that the effective implementation of technology within instruction is important to student success | Parents | NA | NA | NA | NA | 52% |
| | Teachers | NA | NA | NA | NA | 37% |
| G. Increase Departmental priorities to address equity-related issues in the Department's grants and awards | | NA | NA | NA | NA | Estab. BL |
| **Goal 6. U.S. Department of Education Capacity:** | | | | | | |
| **Improve the organizational capacities of the Department to implement this Strategic Plan.** | | | | | | |
| A. Increase in the Department's rank in the report on the Best Places to Work (BPTW) in the Federal Government | | 28 out of 30 | NA | 27 out of 30 | 30 out of 32 | 29 out of 33 |
| B. Increase in the percentage of Department's positive responses that the Department receives on the Talent Management measure in the Federal Viewpoint Survey | | NA | 58% | 54% | 54% | 58% |
| C. Increase in the percentage of positive responses that the Department receives on the Performance Culture measure in the Federal Viewpoint Survey | | 49% | 52% | 50% | 52% | 53% |
| D. Increase in the percentage of Department programs that use a risk index and corresponding solutions for identifying and mitigating grantee risk | | NA | NA | NA | NA | Estab. BL |
| E. Increase in the percentage of states and other grantees reporting satisfaction with support provided by the Department | | CSI: 63 | CSI: 65 | CSI: 68 | CSI: 72 | CSI: 72 |
| F. Increase in the availability of data related to student access to resources and opportunities to succeed, such as disaggregated student access to college- and career-ready math and science courses; disparate discipline rates, school-based arrests, and referrals to law enforcement; and school-level expenditures | | NA | NA | NA | NA | Estab. BL |

For more detailed performance information, go to http://www2.ed.gov/about/reports/annual/index.html.
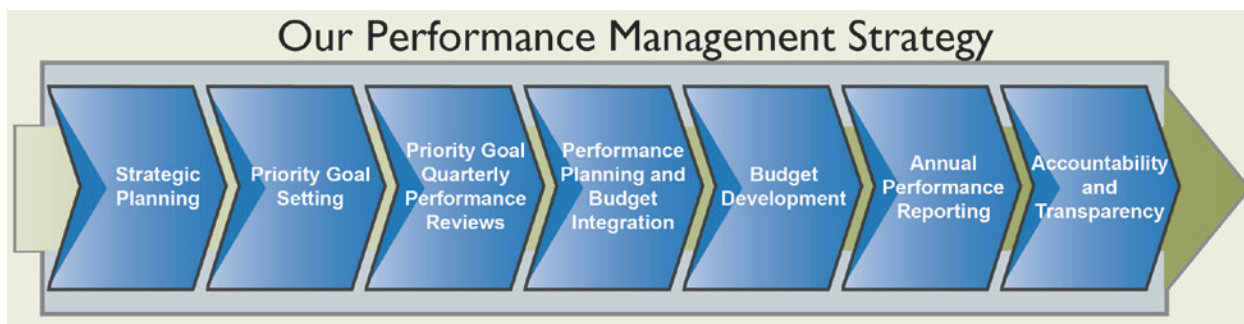
Key:
† This indicator of success aligns with a Department Priority Goal.
CSI = Customer Satisfaction Index
Estab. BL = Establish baseline
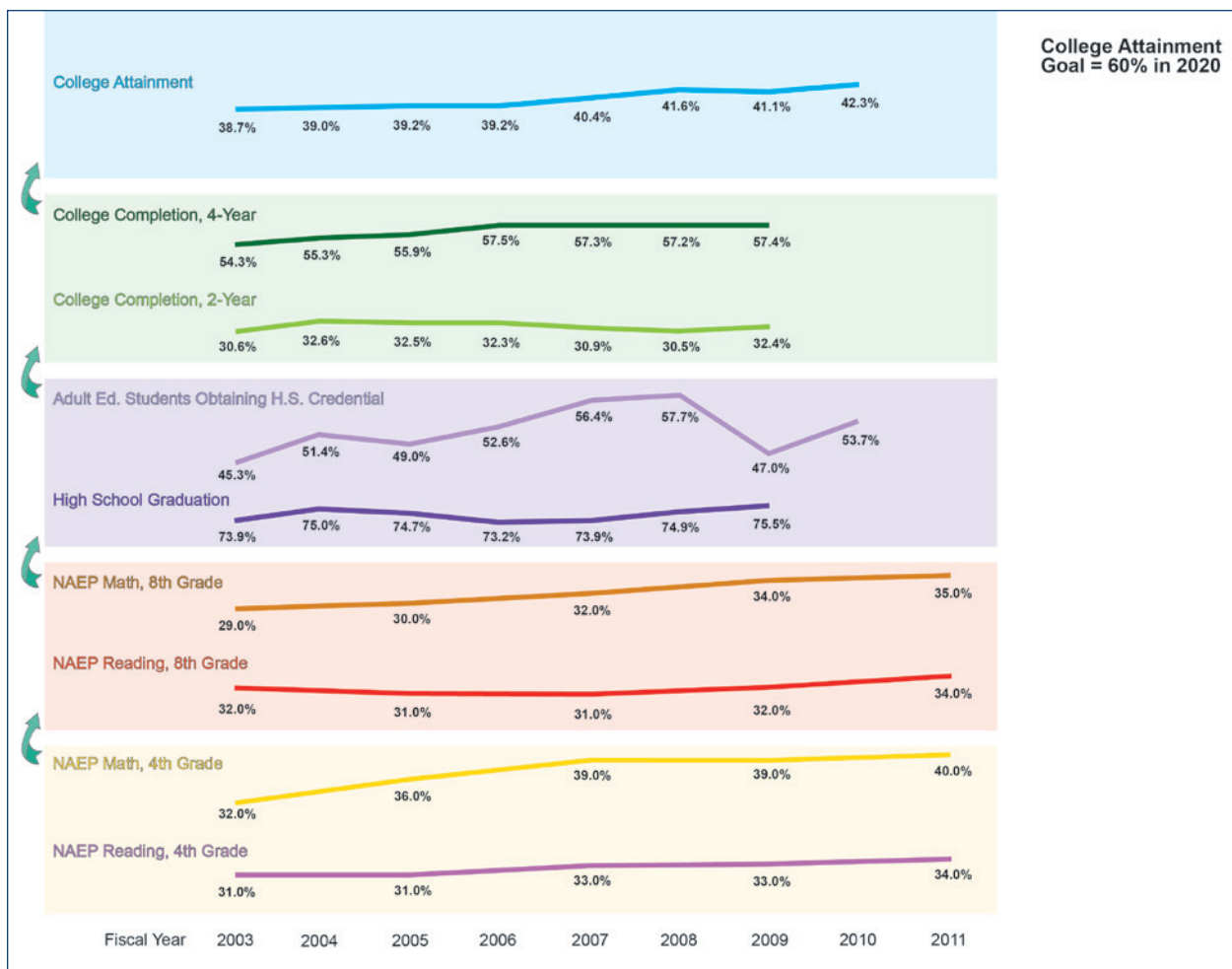NA = No data available for the period

Our Performance Management Strategy

Strategic Planning → Priority Goal Setting → Priority Goal Quarterly Performance Reviews → Performance Planning and Budget Integration → Budget Development → Annual Performance Reporting → Accountability and Transparency

## *GPRA Modernization Act of 2010*

On January 4, 2011, President Obama signed into law the *GPRA Modernization Act of 2010.* The Act improves on the original *Government Performance and Results Act of 1993 (GPRA)* and modernizes the federal government's performance management framework. The *GPRA Modernization Act of 2010* builds on the performance management approach championed by President Obama to improve the effectiveness and efficiency of government by requiring that agency leaders set clear, ambitious goals for a number of outcome-focused and management priorities; federal agencies measure, analyze, and communicate performance information to identify successful practices; and agency leaders conduct in-depth performance reviews at least quarterly to identify progress on their priorities.

### National Outcome Goals

The National Outcome Goals include the improvements in student achievement needed at every level of education to achieve the President's 2020 goal of once again having the highest proportion of college graduates in the world. Improving these outcomes will require a concerted effort from all stakeholders in the education system. For FY 2011, these goals included outcomes in the following key areas:

- postsecondary education, career and technical education, and adult education,

- elementary and secondary education,

- early learning, and

- equity.

| Fiscal Year | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| College Attainment (Goal = 60% in 2020) | 38.7% | 39.0% | 39.2% | 39.2% | 40.4% | 41.6% | 41.1% | 42.3% | |
| College Completion, 4-Year | 54.3% | 55.3% | 55.9% | 57.5% | 57.3% | 57.2% | 57.4% | | |
| College Completion, 2-Year | 30.6% | 32.6% | 32.5% | 32.3% | 30.9% | 30.5% | 32.4% | | |
| Adult Ed. Students Obtaining H.S. Credential | 45.3% | 51.4% | 49.0% | 52.6% | 56.4% | 57.7% | 47.0% | 53.7% | |
| High School Graduation | 73.9% | 75.0% | 74.7% | 73.2% | 73.9% | 74.9% | 75.5% | | |
| NAEP Math, 8th Grade | 29.0% | | 30.0% | | 32.0% | | 34.0% | | 35.0% |
| NAEP Reading, 8th Grade | 32.0% | | 31.0% | | 31.0% | | 32.0% | | 34.0% |
| NAEP Math, 4th Grade | 32.0% | | 36.0% | | 39.0% | | 39.0% | | 40.0% |
| NAEP Reading, 4th Grade | 31.0% | | 31.0% | | 33.0% | | 33.0% | | 34.0% |

Note: For links to complete information about these trends, please go to http://www2.ed.gov/about/reports/annual/2011report/2f-mda-performance-highlights.pdf.

## Department Strategic Goals

To meet the National Outcome Goals, changes are needed in how education is delivered. In President Obama's first address to Congress, he challenged America to meet an ambitious goal for education that by 2020, America will once again have the highest proportion of college graduates in the world. Investing in education means investing in America's future and is vital for maintaining our long-term economic security. The nation must work to ensure that all children and adults in America receive a world-class education that will prepare them to succeed in college and careers. The President's goal is the starting point for the work of the Department as described in its draft *FY 2011–2014 Strategic Plan.* Reaching the President's goal will require comprehensive education reforms from cradle to career, beginning with children at birth, supporting them through postsecondary education, and helping them succeed as lifelong learners who can adapt to the constant changes in the technology-driven workplaces of the global economy. The draft strategic plan provides:

- A new emphasis on the importance of early learning.

- A renewed commitment to ensuring that all students graduate from high school prepared to succeed in college and careers.

- An imperative for the Department to ensure that students have the support and information that they need to enter postsecondary education and earn a certificate, degree, or other credential.

The Department's strategic plan serves as a starting point from which to align the Department's yearly budget requests and statutory requirements with the Department's operational imperatives, and is the foundation for establishing overall long-term priorities and developing performance goals and measures by which the Department can gauge achievement of its stated outcomes. The plan is developed in collaboration with Congress, state and local partners, and other stakeholders.

**Goal 1: Postsecondary Education, Career and Technical Education, and Adult Education.** Increase college access, quality, and completion by improving higher education and lifelong learning opportunities for youth and adults.

**Goal 2: Elementary and Secondary.** Prepare all elementary and secondary students for college and career by improving the education system's ability to consistently deliver excellent classroom instruction with rigorous academic standards while providing effective support services.

**Goal 3: Early Learning.** Improve the health, social-emotional, and cognitive outcomes for all children from birth through 3rd grade, so that all children, particularly those with high needs, are on track for graduating from high school college- and career-ready.

**Goal 4: Equity.** Ensure effective educational opportunities for all students regardless of race, ethnicity, national origin, age, sex, disability, language, and socioeconomic status.

**Goal 5: Continuous Improvement of the U.S. Education System.** Enhance the education system's ability to continuously improve through better and more widespread use of data, research and evaluation, transparency, innovation, and technology.

**Goal 6. U.S. Department of Education Capacity.** Improve the organizational capacities of the Department to implement this strategic plan.

## Department Priority Goals

The Department has identified a limited number of priority goals that will be a particular focus over the coming years. These priority goals reflect the Department's cradle-to-career education strategy, and will help concentrate efforts on the importance of teaching and learning at all levels of the education system. The Department set initial priority goals in its FY 2011 Budget, and has developed updated priority goals to accompany its FY 2013 Budget. To review our progress toward meeting the FY 2010–11 priority goals, please link to www.Performance.gov.

# FY 2011 Selected Accomplishments by Strategic Goal

In FY 2011, the Department continued a number of programs and initiatives as part of a cradle-to-career agenda to support states and districts as they reform their schools and make college more affordable for students. This agenda is designed around key principles, including:

- creating early learning systems that align resources to get the nation's youngest children ready for kindergarten;

- raising standards so they actually prepare students for success in college and careers;

- improving the quality of teaching in the classroom by improving the preparation, professional development, and evaluation of teachers and principals; and

- turning around persistently low-performing schools that have been failing students.

## Goal 1: Postsecondary Education, Career and Technical Education, and Adult Education

*Increase college access, quality, and completion by improving higher education and lifelong learning opportunities for youth and adults.*

**Programs and Initiatives in Support of Goal 1**

**Federal Loan Programs**

In FY 2011, the Department made $116.1 billion in student loans for postsecondary education to 11.5 million recipients. The *SAFRA Act,* which was included in the *Health Care and Education Reconciliation Act of 2010* and became effective July 1, 2010, provided that no Federal Family Education Loan (FFEL) loans could be originated after June 30, 2010. As a result, there was a greater volume of direct loans in FY 2011. The transition from the FFEL Program to the William D. Ford Federal Direct Loan (Direct Loan) Program resulted in a 44 percent increase in Direct Loan Program disbursements for FY 2011.



Under the FFEL Program, students and parents obtained federal loans through lenders. Guaranty agencies insured these loans, which were, in turn, reinsured by the federal government. Although the passage of the *SAFRA Act* ended the origination of new FFEL Program loans as of July 1, 2010, lenders and guaranty agencies continue to service and collect outstanding FFEL Program loans.

For additional information on key trends and conditions for financial aid and more on Federal Student Aid, see the Department's Federal Student Aid FY 2011 Annual Report.

| Loan Programs (dollars in millions) | 2011 Aid Disbursed to Students | 2010 Aid Disbursed to Students | Difference | Percent Difference |
|---|---|---|---|---|
| Federal Direct Loan Program | $116,098 | $80,559 | $35,539 | 44% |
| Federal Family Education Loan Program | 0 | 19,909 | (19,909) | (100)% |
| Federal Perkins Loan Program | 971 | 1,042 | (71) | (7)% |
| **Subtotal Loans** | **$117,069** | **$101,510** | **$15,559** | **15%** |

SOURCE: Fiscal Year 2012 Budget Summary

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is a discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. GEAR UP funds are also used to provide college scholarships to low-income students.

The Federal Pell Grant Program (Pell Grant) helps ensure financial access to postsecondary education by providing grant aid to low-income and middle-income undergraduate students. Pell Grants vary according to the financial circumstances of students and their families. For the 2010–11 award year, the Department disbursed approximately $37 billion in Pell Grants averaging approximately $4,115 to nearly 9 million students.

The Federal TRIO Programs (TRIO) provide federal outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds. TRIO includes eight programs targeted to serve and assist low-income individuals, first-generation college students, and individuals with disabilities to progress through the academic pipeline from middle school to postbaccalaureate programs. The *Full-Year Continuing Appropriations Act, 2011* (P.L. 112-10), provided $826.5 million for TRIO programs in FY 2011. TRIO received an additional $57 million in mandatory funding for Upward Bound in FY 2011.

Career and Technical Education, and Adult Education programs include initiatives for literacy and community colleges. In 2011, nearly $500 million in federal grants were awarded to community colleges for targeted training and workforce development to help economically dislocated workers who are changing careers. This installment is the first in a $2 billion, four-year investment designed in combination with the *American Jobs Act of 2011* to provide additional support for hiring and re-employment services to increase opportunities for the unemployed.

*Carl D. Perkins Career and Technical Education Act of 2006* provides funds to state educational agencies to support programs that assist students to acquire academic and technical skills and be prepared for high-skill, high-wage, or high-demand occupations in the global economy.

*The Adult Education and Family Literacy Act* (AEFLA), enacted as Title II of the *Workforce Investment Act of 1998,* is the primary source of federal funding for adult basic and literacy education programs. Adult education programs provide services or instruction below the postsecondary level to individuals who are 16 years of age or older; are not enrolled or required to be enrolled in secondary school under State law; and who lack basic skills, a high school diploma or equivalent, or proficiency in the English language.

# Goal 2: Elementary and Secondary

*Prepare all elementary and secondary students for college and career by improving the education system's ability to consistently deliver excellent classroom instruction with rigorous academic standards while providing effective support services.*

## Programs and Initiatives in Support of Goal 2

### Race to the Top

In FY 2011, Congress appropriated $700 million for the Race to the Top initiative and authorized a specific early learning initiative. In response, on May 25, 2011, the Department announced plans for $200 million in state-level grants to support nine finalists that did not win grants in the first two rounds of Race to the Top. To provide ongoing feedback to teachers during the course of the school year, measure annual student growth, and move beyond narrowly focused bubble tests, the Department awarded two groups of states grants to develop a new generation of tests.



### Teacher Incentive Fund

The Department's Teacher Incentive Fund (TIF) provided grants to states, rural and urban school districts, and nonprofit organizations to develop and implement performance-based teacher and principal compensation systems in high-need schools. The TIF seeks to strengthen the education profession by rewarding excellence, attracting teachers and principals to high-need schools, and providing all teachers and principals with the feedback and support they need to succeed.

### School Improvement Grants

In conjunction with Title I funds for school improvement, School Improvement Grants are used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress and exit improvement status.

### Investing in Innovation Fund

This program provides competitive grants to applicants with a record of improving student achievement and attainment in order to expand the implementation of, and investment in, innovative practices that are demonstrated to have an impact on improving student achievement or student growth, closing achievement gaps,

decreasing dropout rates, increasing high school graduation rates, or increasing college enrollment and completion rates.

The two absolute priorities from the FY 2010 competition are supporting effective teachers and principals, and turning around persistently low-performing schools. For the FY 2011 competition, the Department included two new absolute priorities focusing on achievement and high school graduation rates in rural schools and promoting science, technology, engineering, and mathematics education.

### Promise Neighborhoods

Promise Neighborhoods, established under the legislative authority of the Fund for the Improvement of Education, provides funding to support eligible entities:  Non-profit organizations, institutions of higher education, and Indian tribes are all eligible to apply for funds to develop or execute plans that will improve educational and developmental outcomes for students in distressed neighborhoods. The Department awarded five implementation grants with an average grant award of $4.3 million. Grantees will receive annual grants over a period of three to five years. Remaining 2011 funding supported 15 new one-year planning grants with an average grant award of $465,000.

## Goal 3: Early Learning

***Improve the health, social-emotional, and cognitive outcomes for all children from birth through 3rd grade, so that all children, particularly those with high needs, are on track for graduating from high school college- and career-ready.***

**Programs and Initiatives in Support of Goal 3**

### Inter-Governmental Cooperation

The Department prioritizes improving the health, social, emotional, and educational outcomes for young children from birth through 3rd grade by enhancing the quality of early learning programs, and increasing the access to high-quality early learning programs—especially for young children at risk for school failure. The Department's role in promoting early learning is significant and includes: administering several early learning programs; collaborating and coordinating early learning programs, research, and technical assistance with the U.S. Department of Health and Human Services; encouraging states and local districts to target resources for early learning; promoting state and local education agency partnerships with other early learning agencies and programs in the state or community; conducting research on early learning through the Institute of Education Sciences (IES); funding technical assistance on early learning topics, including early literacy and social and emotional development; and supporting the development of state longitudinal data systems that include early learning programs.

### Race to the Top-Early Learning Challenge

In FY 2011, the Race to the Top-Early Learning Challenge (RTT-ELC) provided $500 million in state competitive grants to improve early learning and development programs for children from birth to kindergarten. The goal of the RTT-ELC is to better prepare more children with high needs for kindergarten, because children from birth to age five, including those from low-income families, need a strong foundation for success. The RTT-ELC program is jointly administered with the Department of Health and Human Services.

## Goal 4: Equity

***Ensure effective educational opportunities for all students regardless of race, ethnicity, national origin, age, sex, disability, language, and socioeconomic status.***

The Department of Education enforces federal civil rights laws that prohibit discrimination on the basis of race, color, national origin, sex, disability and age, in our nation's schools primarily in educational institutions that receive federal funds from the Department. In addition, the Department ensures that the Boy Scouts of America and other designated youth groups have equal access to meet in elementary and secondary schools that receive funds through the Department. In FY 2011, the Department also began or furthered other efforts to address equity, such as establishing equity-related priorities in grants and awards; monitoring state reporting on student climate and other factors; increasing access to data related to student access to resources and opportunities to succeed; identifying promising models to turn around persistently low-achieving schools; and taking steps to increase access to or improve early learning and postsecondary education.

In FY 2011, the Office for Civil Rights (OCR) received a record total of 7,841 complaints alleging discrimination, a 13 percent increase in complaint receipts over the previous fiscal year. To augment the issues addressed through complaint processing, OCR implemented a proactive docket of compliance activities that included initiating 37 proactive compliance reviews and 74 proactive technical assistance activities. In FY 2011, OCR issued policy guidances concerning student-on-student harassment; sexual harassment and sexual violence; schools' enrollment procedures; and the use of electronic book readers and other emerging technologies in compliance with civil rights laws that prohibit discrimination on the basis of disability.

**FY 2011 Discrimination Complaint Receipts by Jurisdiction**
**7,841 Receipts**

- Race/National Origin Discrimination (1,104) 14%
- Other* (843) 11%
- Sex Discrimination (1,096) 14%
- Multiple Jurisdictions (1,145) 14%
- Age (146) 2%
- Disability Section 504/Title II (3,507) 45%
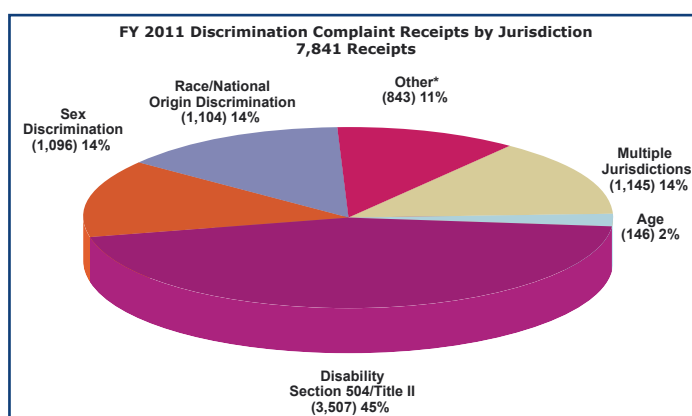
\* This category reflects new complaint receipts for which jurisdiction has not yet been determined. It also includes complaint receipts under the *Boy Scouts of America Equal Access Act* and those with issues over which OCR has no jurisdiction.

Source: Office for Civil Rights Case Management System

# Goal 5: Continuous Improvement of the U.S. Education System

*Enhance the education system's ability to continuously improve through better and more widespread use of data, research and evaluation, transparency, innovation, and technology.*

## Programs and Initiatives in Support of Goal 5

**Data Strategy Team.** The Department's Data Strategy Team (DST) addresses the issue of inconsistent and uncoordinated data strategies among the various principal offices within the Department. The mission of the DST is to coordinate the Department's public-facing data initiatives by building cohesiveness in internal processes and data policies and by improving transparency in all matters surrounding the Department's collection of data. The DST supports states' use of education data through data websites and technical assistance to grantees. Specifically, the DST will find best practices for the use and promotion of data policy.

**Mapping State Standards.**
In FY 2011, the Department released a report comparing the relative rigor of state proficiency standards in reading and mathematics using the National Assessment of Educational Progress (NAEP) scale as a common yardstick. Each individual state develops its own state assessments in reading and math and sets its own proficiency standard. As a result, states vary widely in the standards they set for students. By using NAEP as a benchmark, it was possible to compare state proficiency standards.



**Uniform Graduation Rate.** In FY 2011, states began recording high school graduation rates for the 2010-11 school year using a more rigorous four-year adjusted cohort, as developed by the nation's governors in 2005. Since data reporting requirements were first implemented under No Child Left Behind, states have calculated graduation rates using varying methods, creating inconsistent data from one state to the next. The transition to a uniform high school graduation rate requires all states to report the number of students who graduate in four years with a standard high school diploma, divided by the number of students who entered high school four years earlier, and accounting for student transfers in and out of school. The Department anticipates that the more rigorous method will result in lower reported graduation rates, but it will reflect a more accurate calculation of how many U.S. students complete high school on time.

**Version 2.0 ED Data Express.** During FY 2011, the Department launched an interactive website to make more accurate and timely K-12 education data available to the public. The new version provides the public with more dynamic tools to interact with the data, such as a mapping feature that allows users to view the data displayed on a map of the United States; a trend line tool, which displays a data element graphed

across multiple school years; and a conditional analysis tool, which allows users to view one data element based on conditions set by another data element.

## The Department's Evaluation Initiatives

The Department has launched a new agency-wide evaluation planning process to better align its investments in knowledge building with the Department's strategic plan and its budget and policy priorities and to support appropriate resource allocation. The process was developed to identify the Department's key priorities for evaluations that can provide reliable measures of the impacts of programs, policies, and strategies, as well as for a range of research and evaluation activities.

In FY 2011, the Department developed and approved a set of priority research questions which will help shape its future investments in knowledge building. Planning for FY 2011 investments was completed in the spring of FY 2011 and planning for FY 2012 evaluations is continuing. The Department develops its evaluation plans through a process that is led by an evaluation team that works with the Department's policy and program offices.

## Goal 6: U.S. Department of Education Capacity

*Improve the organizational capacities of the Department to implement this Strategic Plan.*

## Initiative in Support of Goal 6

### Department Decision Support System Tool for Grant Risk Management

For both FY 2011 and FY 2012, the Department placed a high priority on using data to continuously improve its grant-making processes. To that end, the Department's Risk Management Service (RMS) developed the Decision Support System Entity Risk Review (support review).

The support review is a data analysis tool that has been developed in collaboration with leadership and staff from various Department offices. The support review facilitates program officers' access to risk-related information and consolidates disparate data sources into one report.

| Applicant Name | Administrative Risk Score | Financial Risk Score | Internal Control Risk Score |
|---|---|---|---|
| **Entity A** | 0 | 0 | 139 |
| Entity B | 0 | 0 | 139 |
| **Entity C** | 0 | 20 | 39 |
| Entity D | 0 | 120 | 69 |
| **Entity E** | 0 | 15 | 5 |

**Note:** Green indicates low potential risk, yellow indicates an elevated potential risk, and salmon indicates a significant potential risk.

The support review (example summary page shown) provides financial, administrative, and internal controls data about grantees. The Financial Risk Score presents an overview of the applicant's management of its finances using data elements related to its payments activities and credit scores. The Department is using this tool to promote data-driven decision making in the grants management process. The long-term goal for the use of the support review is to formalize and streamline the processes the Department uses to: identify areas of potential risk in the Department's grant portfolio; determine when grant conditions could be used to mitigate risk;

encourage consistent treatment of grantees across program offices; and develop appropriate monitoring, technical assistance, and oversight plans as a part of grants management.

## Customer Satisfaction with the Department of Education

For FY 2011, the Department significantly expanded its external survey of customer satisfaction with its products and services. This year, in response to the President's Executive Order 13571 *Streamlining Service Delivery and Improving Customer Service,* the Department expanded its survey to include 45 programs. The survey uses the American Customer Satisfaction Index (ACSI). The ACSI is the national indicator of customer evaluations of the quality of goods and services. It is the only uniform benchmarking measure of customer satisfaction across agencies and private industry. The ACSI is a weighted average of three questions that measure: overall satisfaction, satisfaction compared to expectations, and satisfaction compared to an ideal organization. In FY 2011, there was no change in satisfaction from the previous year—72 points on a 100-point scale. The Department is now six points above the federal government average of 65. Staff scores were up two points, while technology and online resources were down two points from FY 2010. Complaints remained at one percent. To review the complete results of the FY 2011 survey and previous surveys: http://www2.ed.gov/about/reports/annual/gss/index.html.

### Satisfaction With Major Department Programs, FY 2011

| Program | Score |
| --- | --- |
| OESE - Indian Education Formula Grants to Local Education Agencies | 79 |
| OVAE - Adult Education and Family Literacy to the State Directors of Adult Ed | 78 |
| OESE - Rural Education Achievement Program (REAP)/Rural and Low Income School Program | 77 |
| OESE - Smaller Learning Communities/Fund for the Improvement of Education | 74 |
| OVAE - Carl D. Perkins Career & Technical Education Program to the State Directors of Career & Technical Ed | 74 |
| OESE - Improving Teacher Quality State Grants | 73 |
| OESE - School Improvement Fund | 72 |
| OESE - Payments for Federally Connected Children (Section 8003) | 72 |
| OESE - Title I, Part A - Improving Basic Programs Operated by Local Educational Agencies | 70 |
| OESE - English Language Acquisition State Grants/Title III State Formula Grant Program | 68 |
| OSERS - Lead Agency Early Intervention Coordinators | 67 |
| OESE - Migrant Education Program (MEP) -- Title I, Part C | 64 |
| OSERS - State Directors of Special Education | 59 |
| OESE - Teacher Incentive Fund | 58 |
| OESE - State Fiscal Stabilization Fund | 54 |

## Overview of Office of Inspector General's (OIG) Management Challenges for Fiscal Year 2012

The Office of Inspector General (OIG) works to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. Through its audits, inspections, investigations, and other reviews, OIG continues to identify areas of concern within the Department's programs and operations, and recommend actions the Department should take to address these weaknesses. The *Reports Consolidation Act of 2000* requires OIG to identify and summarize the most significant management challenges facing the Department each year.

Last year we presented four management challenges: implementation of new programs/statutory changes, oversight and monitoring, data quality and reporting, and information technology security. All of the prior management challenges remain challenges for FY 2012. The first FY 2011 challenge, implementation of new programs/ statutory changes, which incorporated aspects of the Recovery Act, and the *Ensuring Continued Access to Student Loans Act of 2008,* has been incorporated into the oversight and monitoring challenge. In addition, we have added a new challenge related to improper payments. The FY 2012 management challenges are:
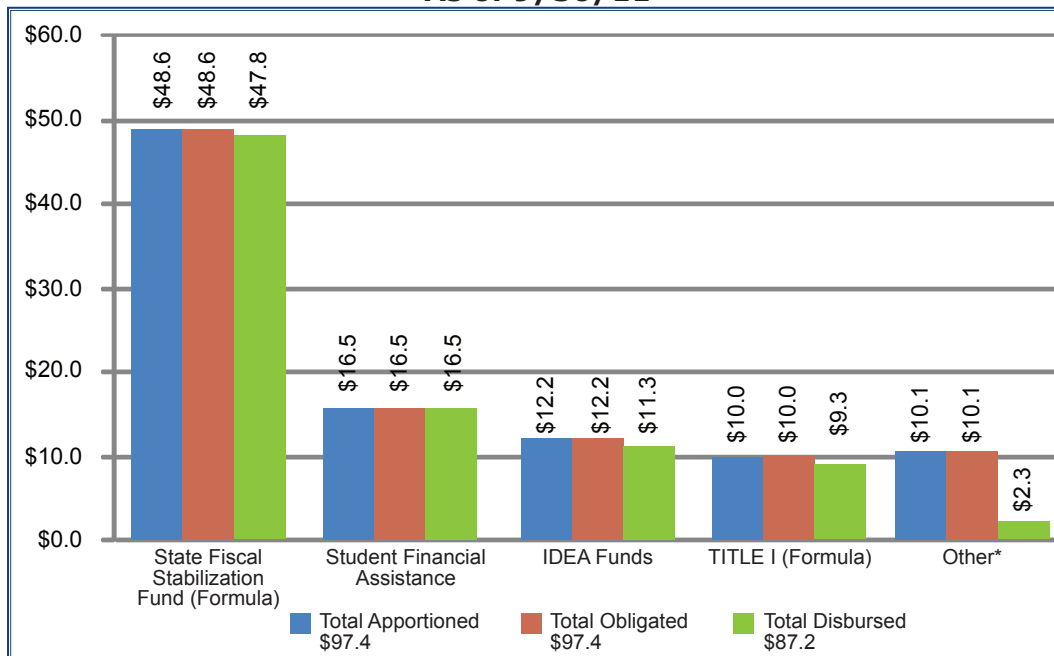
- Improper Payments,

- Information Technology Security,

- Oversight and Monitoring, and

- Data Quality and Reporting.

The full report, published by the Department's Office of Inspector General, is available at http://www2.ed.gov/about/offices/list/oig/managementchallenges.html.

# The *American Recovery and Reinvestment Act of 2009 (Recovery Act) and Education Jobs Fund*

The Recovery Act, enacted on February 17, 2009, as Public Law 111-5, provided funding to the Department for improving schools, raising students' achievement, driving reform, and producing better results for children and young people for the long-term health of the nation. Public Law 111-226, enacted on August 10, 2010, created the Education Jobs Fund, which provided funding to the Department to assist in saving and creating jobs for the 2010–11 school year. As of September 30, 2011, all of the $97 billion Recovery Act and $10 billion Education Jobs Fund monies have been fully obligated. Of those totals, 89.5 percent and 62.9 percent have been disbursed, respectively.

**Recovery Act Funding Summary (dollars in billions) As of 9/30/11**



| | Total Apportioned $97.4 | Total Obligated $97.4 | Total Disbursed $87.2 |
|---|---|---|---|
| State Fiscal Stabilization Fund (Formula) | $48.6 | $48.6 | $47.8 |
| Student Financial Assistance | $16.5 | $16.5 | $16.5 |
| IDEA Funds | $12.2 | $12.2 | $11.3 |
| TITLE I (Formula) | $10.0 | $10.0 | $9.3 |
| Other* | $10.1 | $10.1 | $2.3 |

* The Other category includes funds for Impact Aid, Rehabilitative Services & Disability Research, School Improvement Programs, Higher Education, Investing in Innovation, Race to the Top, Institute of Education Sciences, the Teacher Incentive Fund, Student Aid Administration, School Improvement Grants, and Office of Inspector General.



Education Jobs Fund (P.L. 111-226)—Cumulative Status of Funds
As of September 30, 2011
Total Funds Available = $10 billion
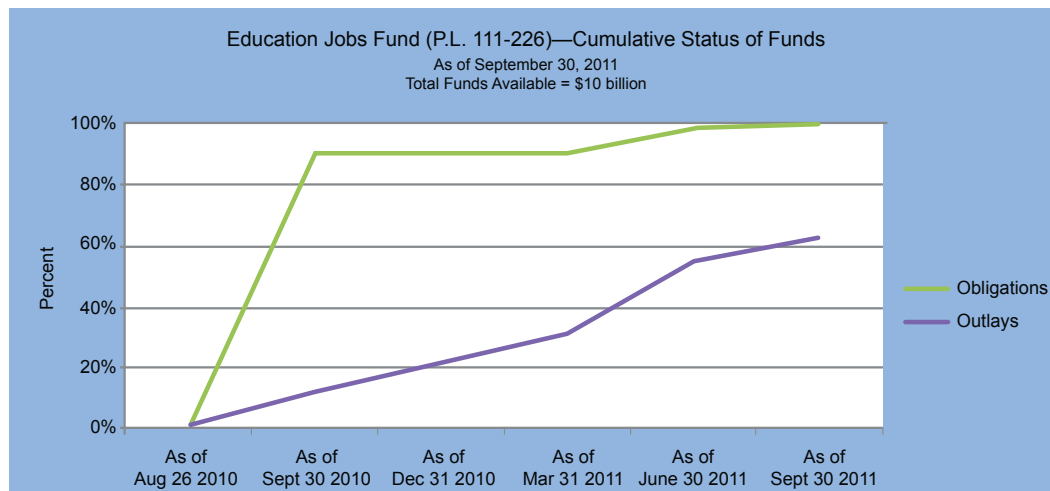
# Financial Summary

The Department consistently produces accurate and timely financial information that is used by management to inform decision making and drive results in key areas of operation. For the tenth consecutive year, the Department achieved an unqualified (clean) opinion from independent auditors on the annual financial statements. Since 2003, the auditors have found no material weaknesses in the Department's internal control over financial reporting.

## Financial Position

The Department's financial statements are prepared in accordance with established federal accounting standards, as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and are audited by the independent accounting firm of Ernst & Young, LLP. The Office of Inspector General (OIG) provides audit oversight.

**Balance Sheet.** The Balance Sheet presents, as of a specific point in time, the recorded value of assets and liabilities retained or managed by the Department. The difference between assets and liabilities represents the net position of the Department. The Balance Sheet reflects total assets of $647 billion, a 28 percent increase over FY 2010. The



Assets and Liabilities

September 2010: Assets $504, Liabilities $416
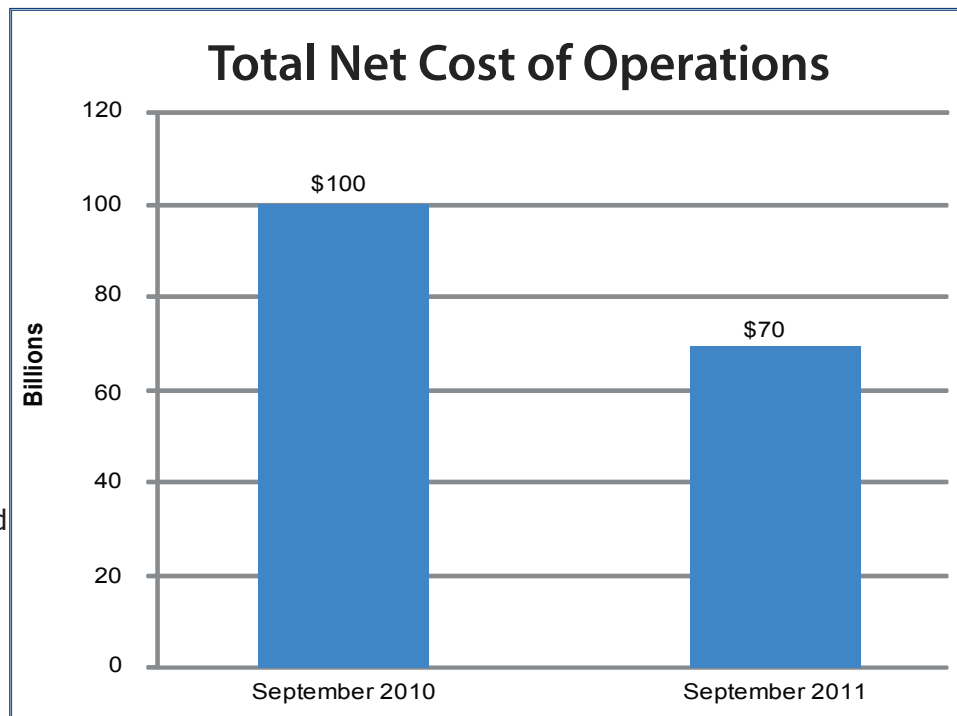September 2011: Assets $647, Liabilities $578

vast majority of this increase is due to Credit Program Receivables, which increased by $162.6 billion, a 44 percent increase over FY 2010. This increase is largely the result of Direct Loan disbursements, net of borrower principal and interest collections, which increased the net portfolio for Direct Loans by $153.2 billion. The volume of Direct Loans greatly increased this year because of the transition from the Federal Family Education Loan program (FFEL) to the Direct Loan program. The Fund Balance with Treasury decreased by $18.2 billion, a 14 percent decrease from FY 2010. This decrease is largely due to Recovery Act and Education Jobs Fund disbursements during FY 2011.

Total liabilities for the Department increased by $161.9 billion, a 39 percent increase over FY 2010. The increase is the result of current year borrowing for the Direct Loan and FFEL Programs that provided funding for Direct Loan disbursements and FFEL Program downward re-estimates. This current year borrowing, net of repayments, resulted in a $172.8 billion increase in Debt. Liabilities for Loan Guarantees for the FFEL Program decreased by $4.5 billion, a 31 percent decrease that is primarily due to FY 2011 subsidy re-estimates.
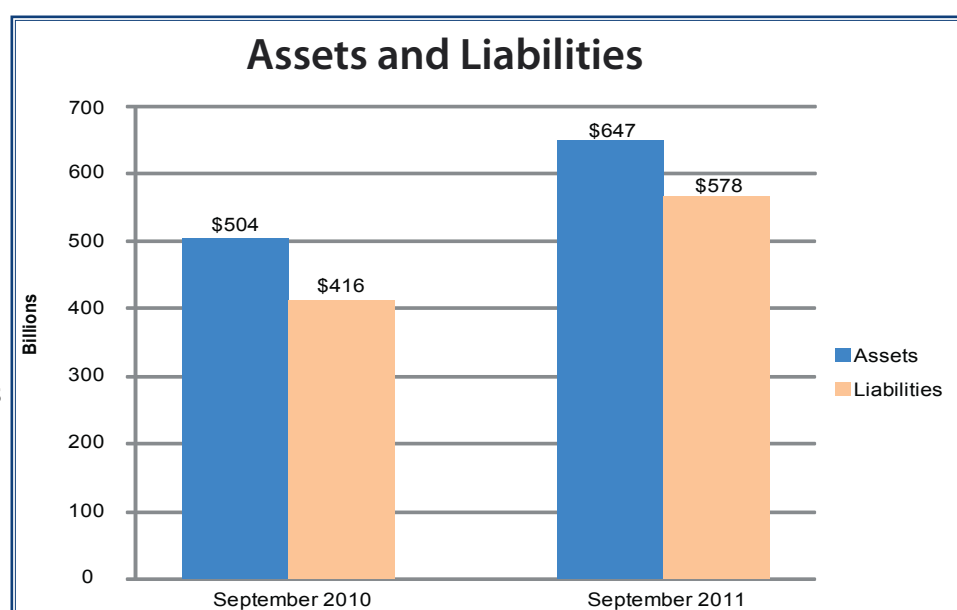
The Department's Net Position as of September 30, 2011, was $68.6 billion, a $19.0 billion decrease from FY 2010. This decrease is largely due to Recovery Act and Education Jobs Fund disbursements during this time period.

**Statement of Net Cost.** The Statement of Net Cost presents the components of the Department's net cost, which is the gross cost incurred less any revenues earned from the Department's activities. The Department's total program net costs were $69.5 billion for the period ended September 30, 2011, a 30 percent decrease from the prior year. This decrease is largely the result of a $27.1 billion decrease in Direct Loan program subsidy related costs and a $16.1 billion decrease in Recovery Act and Education Jobs Fund disbursements. The reduction in Direct Loan program subsidy related costs reflects an increase in negative subsidy transfers and re-estimated subsidy costs. This represents an overall decrease in net costs.

### Total Net Cost of Operations

Billions

- September 2010: $100
- September 2011: $70

**Statement of Budgetary Resources.** This statement provides information about the provision of budgetary resources and their status as of the end of the reporting period. The Department had $366.4 billion in total budgetary resources for the period ended September 30, 2011. These budgetary resources were composed of $103.5 billion in appropriated budgetary resources and $262.9 billion in non-budgetary credit reform resources that primarily consist of borrowing authority for the loan programs. Of the $20.8 billion that remained unobligated for the period ended September 30, 2011, $16.6 billion represents funding provided in advance for activities in future periods that were not available at year end. These funds will become available during the next, or future, fiscal years.

# Summary of Financial Statement Audit and Management Assurances

The following tables provide a summarized report on the Department's financial statement audit and its management assurances. For more details, see the Report of the Independent Auditors and the Department's management assurances in the *FY 2011 Agency Financial Report.*

## Summary of Financial Statement Audit

Audit Opinion: Unqualified
Restatement: No

| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
|---|---|---|---|---|---|
| **Total Material Weaknesses** | **0** | **0** | **0** | **0** | **0** |

## Summary of Management Assurances

### Effectiveness of Internal Control over Financial Reporting—*Federal Managers' Financial Integrity Act (FMFIA)* 2

Statement of Assurance: Unqualified

| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
|---|---|---|---|---|---|---|
| **Total Material Weaknesses** | **0** | **0** | **0** | **0** | **0** | **0** |

The Department had no material weaknesses in the design or operation of the internal control over financial reporting.

### Effectiveness of Internal Control over Operations—FMFIA 2

Statement of Assurance: Unqualified

| 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: The Department systems conform to financial management system requirements.

| Non-Conformance | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
|---|---|---|---|---|---|---|
| **Total Non-Conformance** | **0** | **0** | **0** | **0** | **0** | **0** |

### Compliance with Federal Financial Management Improvement Act

| | Agency | Auditor |
|---|---|---|
| **Overall Substantial Compliance** | Yes | No |
| 1.  System Requirements | Yes | No |
| 2.  Federal Accounting Standards | Yes | Yes |
| 3.  United States Standard General Ledger at Transaction Level | Yes | Yes |

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