



# U.S. Department of Education The FY 2010 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 2011

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On request, this publication is available in alternative formats, such as Braille, large print or computer diskette. For more information, please contact the Department's Alternate Format Center at (202) 260-0852 or (202) 260-0818.

The Department's *Strategic Plan* is available on the Web at: <http://www.ed.gov/about/reports/strat/index.html>.

Department annual plans and annual reports are available on the Web at:  
<http://www.ed.gov/about/reports/annual/index.html>.

The Department welcomes all comments and suggestions on both the content and presentation of this report. Please forward them to: [PARcomments@ed.gov](mailto:PARcomments@ed.gov).

Office of the Chief Financial Officer  
U.S. Department of Education  
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The U.S. Department of Education contracted with following companies to assist in the preparation of its *FY 2010 Summary of Performance and Financial Information*..:

For general layout and Web design: ICF Macro  
For database design: Plexus Corporation  
For accounting services: IBM Business Consulting Services  
FMR Consulting, Inc.  
Cotton & Company, LLP

## Foreword

The United States Department of Education's (Department) *Summary of Performance and Financial Information* for fiscal year (FY) 2010 (*SPFI*) provides to Congress, the President, and the American people highlights of the Department's financial performance and results and information about our stewardship over the financial resources entrusted to us. 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 as required by the Office of Management and Budget's Circulars A-11 and A-136. The SPFI consolidates in a summary format the first two documents in the annual reporting cycle: the *FY 2010 Agency Financial Report* and the *FY 2010 Annual Performance Report*. The *SPFI* is the final of the three reports required under the Office of Management and Budget's Program for Alternative Approaches to Performance and Accountability Reporting.

This is the second year that the Department has participated in this voluntary program. The Department is working to strengthen its annual reporting documents, to present more streamlined and timely information, and to clarify the relationship between its performance and its resources. The Department's goal is to provide a more meaningful, transparent, and easily understood analysis of its accountability. The Department's FY 2010 annual reporting cycle includes the following three documents:

### **Agency Financial Report (AFR)** [released November 2010]

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 Information Act* reporting details and other statutory reporting requirements.

### **Annual Performance Report (APR)**

[released February 2011]

The APR is produced in conjunction with the FY 2012 President's Budget Request and provides more detailed performance information and analysis of performance results.

### **Summary of Performance and Financial Information**

[released February 2011]

This document provides an integrated overview of performance and financial information that consolidates the Agency Financial Report and the Annual Performance Report into a summary format.

**All three reports are available on the Department's Web site at**

<http://www2.ed.gov/about/reports/annual/index.html?src=ln>.

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## Message From the Secretary



February 2011

I am pleased to present the U.S. Department of Education's Fiscal Year (FY) *2010 Summary of Performance and Financial Information*. This is one of three integrated reporting components that are included in the Office of Management and Budget's program for alternative approaches to the *Performance and Accountability Report* (PAR). The other two reports are the *FY 2010 Agency Financial Report*, released in November 2010, and the *FY 2010 Annual Performance Report (APR)*, released in February 2011.

FY 2010 was a transition year for the Department as we move to a new strategic plan. We are still firmly committed to our mission of promoting achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. In FY 2010, we achieved major milestones in promoting our education goals.

We focused our efforts on the President's goal of the United States once again having the highest proportion of college graduates in the world—a goal that drives accountability for improvement from cradle to career. In order to achieve this goal, we need to continue to support students at all levels of the education continuum. We must begin with early learning, doing more to close the achievement gap before children enter kindergarten and to ensure success in school. We must provide our students with competent and effective teachers. We must work to reduce dropout rates in our high schools, promote college readiness, and make college more accessible and affordable.

We continue to work on the reauthorization of the *Elementary and Secondary Education Act of 1965*. We need to ensure that states, districts, and schools are held accountable; provide greater flexibility to enable innovation and improvement; and place a greater emphasis on schools and students most at risk.

We have already focused on these objectives in administering our current programs. Race to the Top, authorized under the *American Recovery and Reinvestment Act of 2009*, has prompted states and districts to remove obstacles to reform and encourage stakeholders to work together toward shared goals. I conducted a Courage in the Classroom tour to honor our nation's unsung heroes—our teachers. The major complaint I heard from teachers is that narrowly focused “bubble tests” pressure teachers to teach to the test. The Race to the Top Assessment program provides funding to coalitions of states to develop common assessments that measure real student knowledge and skills.

Our Investing in Innovation (i3) fund, authorized under the *American Recovery and Reinvestment Act of 2009*, provides competitive grants to districts or consortia of schools to expand innovation and evidence-based practices. Additionally, states all across America are distributing School Improvement Grant (SIG) funds to districts to help their lowest-performing schools. And we are also distributing Teacher Incentive Fund (TIF) grants to districts to try new compensation programs that reward effective teachers or provide

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incentives for teachers to teach in hard-to-staff schools and subjects. Also, I launched the TEACH Campaign to raise awareness of teaching as a valuable profession. For more information, please visit our Web site, [www.TEACH.gov](http://www.TEACH.gov).

To help students struggling financially to enter college, the Department provides low-interest loans to students through the William D. Ford Federal Direct Loan Program, and continues to provide Pell Grants, to make college more affordable and accessible. In the past year, we have significantly revised the student loan programs to provide additional options and benefits to borrowers. In addition, to save taxpayer dollars we now use private-sector companies generally chosen competitively based upon effective performance to service student loans.

Over the last two years, the Department has been able to support education jobs through stimulus funding provided by the *American Recovery and Reinvestment Act of 2009*. Communities across America still face serious financial challenges. Our new Education Jobs Fund is saving and creating education jobs. It requires school districts to use the funds to pay the salaries and benefits of teachers, school administrators, and other essential employees.

The Department is in the final stages of completing a new strategic plan that reflects these new directions. Once complete, this plan will provide the basis for the performance measures that we will describe in future reports.

The current APR reports on measures that are tied to the existing strategic plan. Some of these measures focus on Departmental performance, such as the targeting of funding toward evidence-based programs. The vast majority of measures focus on student outcomes, such as achievement in reading and math. These student outcome measures are indicators of the health of our nation's education system as a whole.

Because it generally takes several months to collect, validate, aggregate meaningfully, and report student data, the most current student outcome-related data available for this report generally are from FY 2009. Of the student outcome-related measures with FY 2009 data in this report, our nation did not meet the target for the vast majority of measures. Targets missed include nearly all of the targets for improvement in K-12 state reading and math assessments, and all of the targets for improving teacher quality. This performance provides further evidence that broad reforms are needed across our education system. These reforms will be at the center of the Department's new strategic plan.

For the Departmental performance measures, the APR includes FY 2010 data. Of these measures, most show targets were met or showed improvement over the previous year. As part of our new strategic plan, the Department is undertaking a number of efforts to strengthen Departmental performance in support of all stakeholders involved in education reform and in support of improving student outcomes.

Education is the civil rights issue of our generation. To complement the Department's programmatic efforts to increase student academic achievement, we are reinvigorating our Office for Civil Rights to ensure access to equal educational opportunities for all students. We are also establishing the Equity and Excellence Commission to study the extent to which inequities and inefficiencies in K-12 education contribute to the achievement gap.

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Finally, the financial and performance data presented in this report are complete and reliable and provide an accurate and transparent accounting of the Department's financial situation and performance results. I am pleased to report that for the ninth consecutive year, the Department has earned a clean opinion from independent auditors on its financial statements and that for the eighth consecutive year, no material weaknesses were identified.

I hope this information is useful to the many stakeholders and partners working together to achieve our education goals.

Sincerely,

/s/

Arne Duncan

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## Mission and Organization

**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.*

**History.** The federal government recognized that furthering education was a national priority in 1867, creating a federal education agency to collect and report statistical data. Although the primary responsibility for education remains at the state and local levels, the federal role in education evolved over the next 100 years, and the Department was established as a cabinet-level agency in 1979. For a chronology of education legislation, go to: [http://nces.ed.gov/pubs2010/2010013\\_4.pdf](http://nces.ed.gov/pubs2010/2010013_4.pdf).

**Our Public Benefit.** The Department is committed to ensuring students develop the skills they need to succeed in school, college, and the workforce, while recognizing the primary role of states and school districts in providing a high-quality education, employing highly qualified teachers and administrators, and establishing challenging content and achievement standards. The Department is also setting high expectations for its own employees and working to improve management practices, ensure fiscal integrity, and develop a culture of high performance. For performance and budget overviews, go to: <http://www2.ed.gov/about/overview/focus/performance.html>.

**Our Organization.** Education is the smallest Cabinet-level federal agency. For an interactive organizational chart, go to: <http://www2.ed.gov/about/offices/or/index.html>.

**What We Do.** The Department engages in five major types of activities: establishing policies related to federal education funding; administering the 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. For details, go to: <http://www2.ed.gov/about/what-we-do.html>.

**Who We Serve.** During school year (SY) 2010–11, the time when school is in session, America's preschools, schools, adult and vocational colleges and universities are serving more students as the population increases and enrollment rates rise. Nearly 49.4 million students attend public elementary and secondary schools. Of these, 34.7 million are in pre-kindergarten through 8th grade and 14.7 million are in grades 9 through 12. An additional 5.8 million students attend private schools.

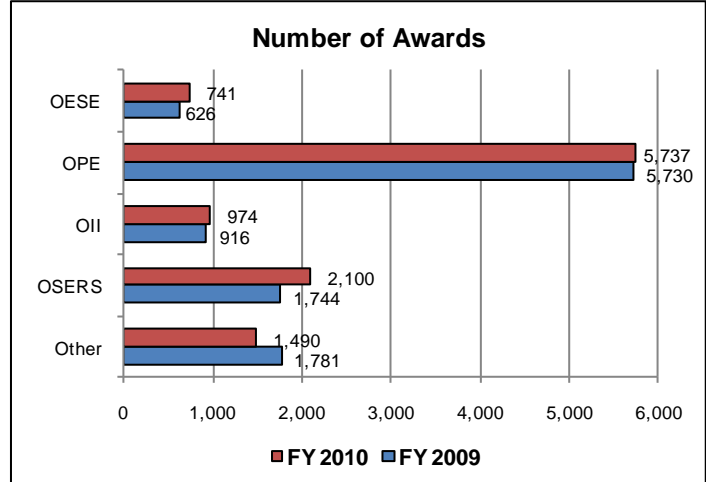
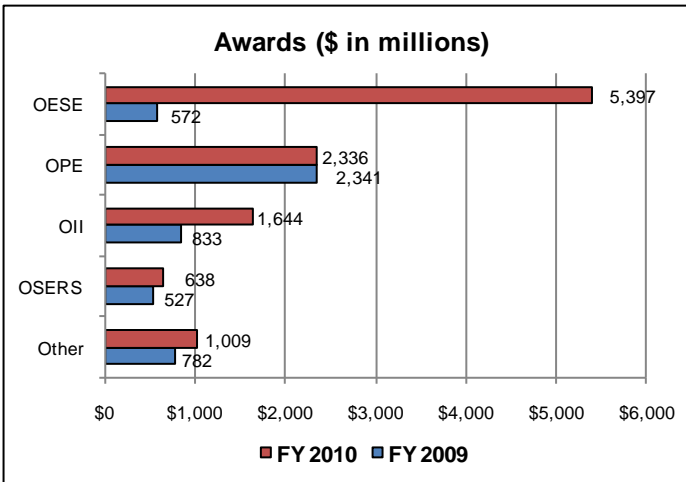
Expenditures for public elementary and secondary schools will be about \$540 billion for SY 2010–11, excluding capital expenditures and interest. The national average current expenditure per student is projected for SY 2010-11 at \$10,792, up 4.8 percent in actual expenditures from SY 2007–08.

In fall 2010, a record 19.7 million students attended the nation's 2-year and 4-year colleges and universities, an increase of about 4.4 million since fall 2000.

For back-to-school statistics and the sources, please see <http://nces.ed.gov/fastfacts/display.asp?id=372>.

# Department of Education FY 2010 Highlights

## Discretionary Grants



**OESE** = Office of Elementary and Secondary Education.

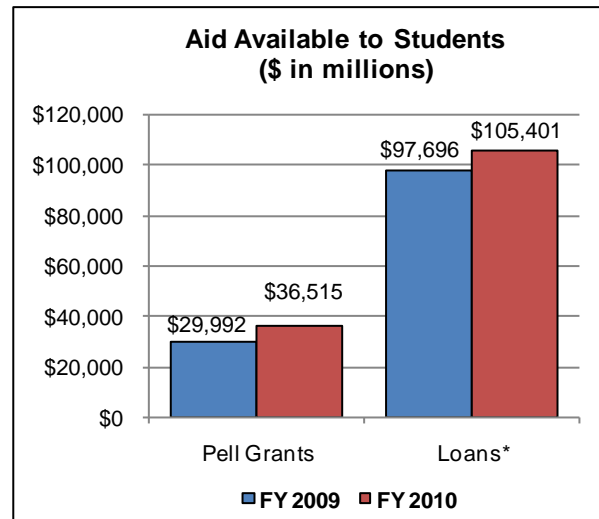
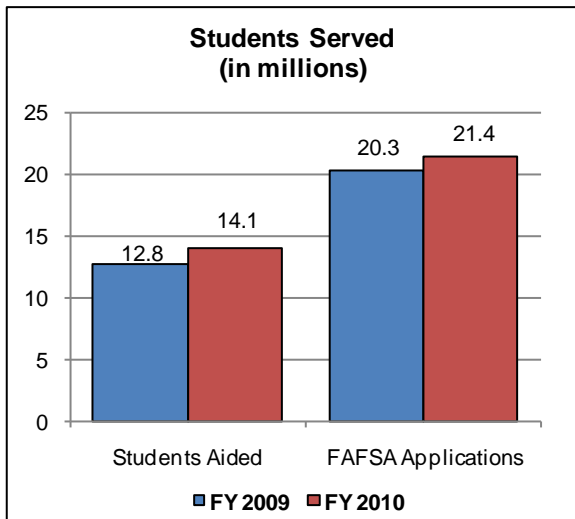
**OPE** = Office of Postsecondary Education.

**OII** = Office of Innovation and Improvement.

**OSERS** = Office of Special Education and Rehabilitative Services.

**Other** = Institute of Education Sciences (IES), Office of English Language Acquisition (OELA), Office of Safe and Drug-Free Schools (OSDFS), and Office of Vocational and Adult Education (OVAE).

## Federal Student Aid (FSA)



\* Totals for "Loans" do not include loans issued to consolidate existing loans, which totaled \$12.7 billion in 2009 and \$17.1 billion in 2010.

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## The Department's Priority Performance Goals

As part of developing the FY 2011 Budget and performance plan, the Department has identified a limited number of high-priority performance goals that will be a particular focus over the next two years. These goals, which will help measure the success of the Department's cradle-to-career education strategy, reflect the importance of teaching and learning at all levels of the education system. These goals are consistent with the Department's 5-year strategic plan that is under development and will be used to regularly monitor and report progress.

*Evidence Based Policy.* Implementing a comprehensive approach to using evidence to inform the Department's policies and major initiatives, including:

- Increase by two-thirds the number of Department discretionary programs that use evaluation, performance measures, and other program data for continuous improvement.
- Implement rigorous evaluations for all of the Department's highest priority programs and initiatives.
- Ensure all newly authorized Department discretionary programs include a rigorous evaluation component.

*Struggling Schools Reform.* Identify as nationwide models 500 of the persistently lowest achieving schools initiating high-quality intensive reform efforts (e.g., turnarounds, restarts, transformations, or closures).

*Effective Teaching.* Improve the quality of teaching and learning by:

- increasing by 200,000 the number of teachers for low income and minority students who are being recruited or retained to teach in hard-to-staff subjects and schools in systems with rigorous processes for determining teacher effectiveness;
- ensuring that all states have in place comprehensive teacher evaluation systems, based on multiple measures of effectiveness including student achievement, that may be used for professional development, retention, promotion, tenure, and compensation decisions.

*Data Driven Decisions.* All states implementing comprehensive statewide longitudinal data systems that link student achievement and teacher data and link K–12 with higher education data and, to the extent possible, with preschool and workforce data.

*College and Career Ready Standards.* All states collaborating to develop and adopt internationally benchmarked college- and career-ready standards.

*Simplified Student Aid.* All participating higher education institutions and loan servicers operationally ready to originate and service Federal Direct Student Loans through an efficient and effective student aid delivery system with simplified applications and minimal disruption to students.

For more information, link to the "Performance and Management" chapter of Analytical Perspectives, Budget of the United States Government, Fiscal Year 2011:

<http://www.whitehouse.gov/omb/budget/fy2011/assets/management.pdf> and to the

Department of Education's High Priority Performance Goals:

<http://www2.ed.gov/about/overview/focus/goals.html>.

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## Analyzing and Reporting Data

The *Government Performance and Results Act of 1993 (GPRA)* requires federal agencies to describe the goals and objectives of their programs, identify resources and actions needed to accomplish goals and objectives, develop a means of measuring progress, and report regularly on results. The goals of GPRA include improving program effectiveness by promoting a focus on results, service quality and customer satisfaction, improving congressional decision making by providing objective information on achieving statutory objectives, and focusing on the relative effectiveness and efficiency of federal programs and spending.

### Consolidating Data Collections Through ED Facts

ED Facts is the Department's initiative to put performance data at the center of policy management and budget decisions for elementary and secondary education programs. ED Facts centralizes performance data submitted by state educational agencies (SEAs) with other data assets such as Department financial grant information to enable better analysis and use in policy development, planning, and management. SEAs submit data through the Education Data Exchange Network (EDEN) submission system, an electronic data system capable of receiving data on 100 different data groups at the state, district, and school levels.

ED Facts became the mandatory system for states to electronically report their P–12 education data to the Department starting in school year (SY) 2008–09. ED Facts is able to reduce the reporting burden for states by eliminating redundant data requests for multiple data collections. This approach also provides program offices with the ability to retire paper-based collections and improve data quality by relying solely on electronic reporting methods.

### The Statewide Longitudinal Data System

The Statewide Longitudinal Data Systems (SLDS) grant program, authorized by the *Educational Technical Assistance Act of 2002*, is designed to help SEAs develop and implement statewide longitudinal data systems. These systems are intended to enhance the ability of states to manage, analyze, and use student data and will help states, districts, schools, and teachers make data-driven decisions to improve student learning, facilitate research to increase student achievement, and close achievement gaps. For more information about the SLDS grant program, link to <http://nces.ed.gov/Programs/SLDS>.

### Assessing the Completeness and Reliability of Performance Data

The Office of Management and Budget' (OMB) Circular A-11 requires each agency to implement a procedure for verifying and validating data that it makes public in its annual performance plans and reports. The *Reports Consolidation Act of 2000* requires that the transmittal letter included in annual performance reports contains an assessment by the agency head of the completeness and reliability of the performance data included in its plans and reports.

In response, the Department has developed a guidance document addressing issues of data integrity and credibility to assist principal offices responsible for reporting data on

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strategic and program performance measures addressing issues of data quality. The guidance provides a framework for validating and verifying performance data as it is collected and is used to evaluate data prior to reporting. Additionally, the Department has developed a worksheet for each program office to use to verify the reliability of data for each of their unique program performance measures. For more information on the guidance and its implementation and to review the worksheet, go to <http://www2.ed.gov/about/reports/annual/index.html>.



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## Forward Looking Initiatives in Performance

The Department is in the final stages of completing a new strategic plan that reflects these new directions. Once complete, this plan will provide the basis for the performance measures that we will describe in future reports.

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For the Departmental performance measures, the APR includes FY 2010 data. Of these measures, most show targets were met or showed improvement over the previous year. As part of our new strategic plan, the Department is undertaking a number of efforts to strengthen Departmental performance in support of all stakeholders involved in education reform and in support of improving student outcomes.

For full information, including information on updated data for previous years, please go to <http://www.ed.gov/about/reports/annual/index.html>.



## Accomplishments for FY 2010

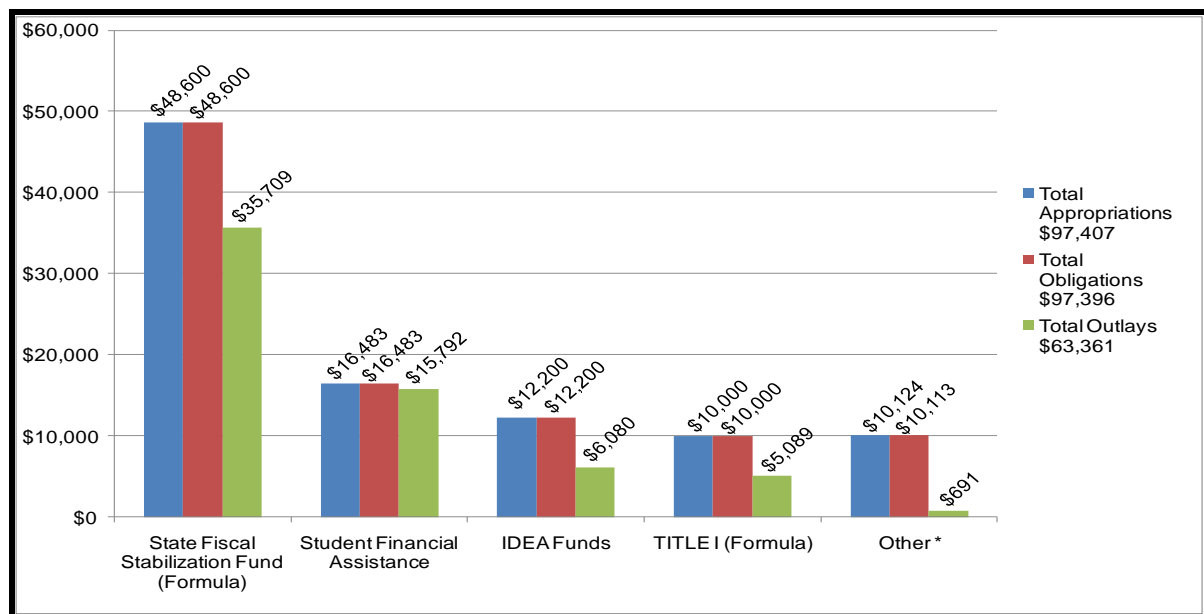
### *The American Recovery and Reinvestment Act of 2009*

#### Overview

The *American Recovery and Reinvestment Act of 2009 (Recovery Act)* was signed into law by President Barack Obama on February 17, 2009. It is an unprecedented effort to jumpstart the economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so that the nation can thrive in the 21st century. To see how *Recovery Act* funds are helping individual states, visit <http://www.ed.gov/policy/gen/leg/recovery/state-fact-sheets/index.html>.

To learn more about the programs the Department administers under the *Recovery Act*, visit <http://www.ed.gov/recovery>.

#### **Recovery Act Funding Summary As of 09/30/10 (Dollars in Millions)**

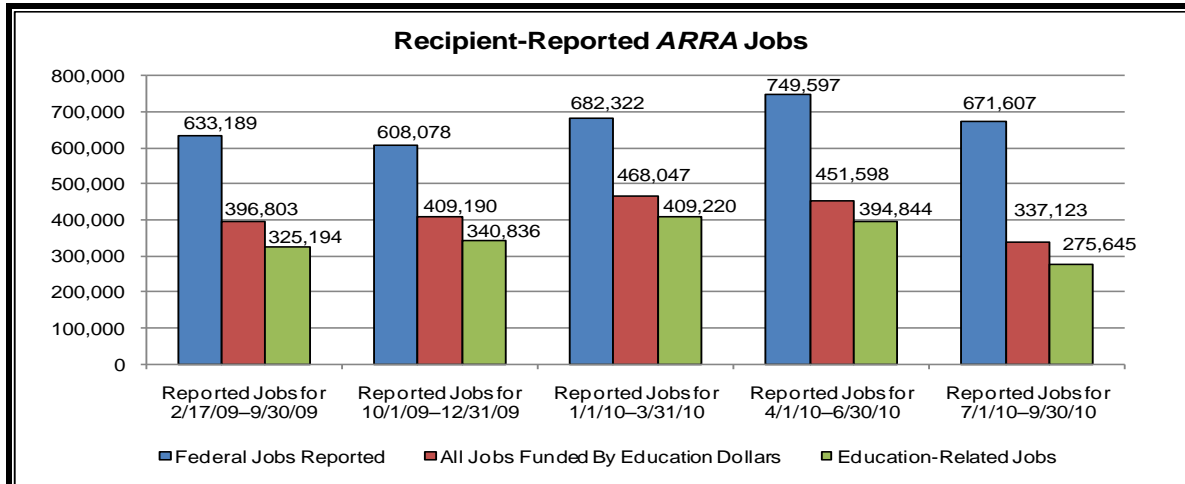


\* The Other category includes funds for Impact Aid, Rehabilitative Services and Disability Research, School Improvement Programs, Higher Education, Investing in Innovation, Race to the Top, Institute of Education Sciences, Innovation and Improvement, Student Aid Administration, School Improvement Grants,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

#### **Recovery Act Recipient Reporting**

Through a nationwide data collection process the *Recovery Act* requires recipients to submit reports on the use of the funding, and estimates on the number of jobs created and retained. The Department is firmly committed to the success of the reporting process and has devoted considerable resources to this effort.

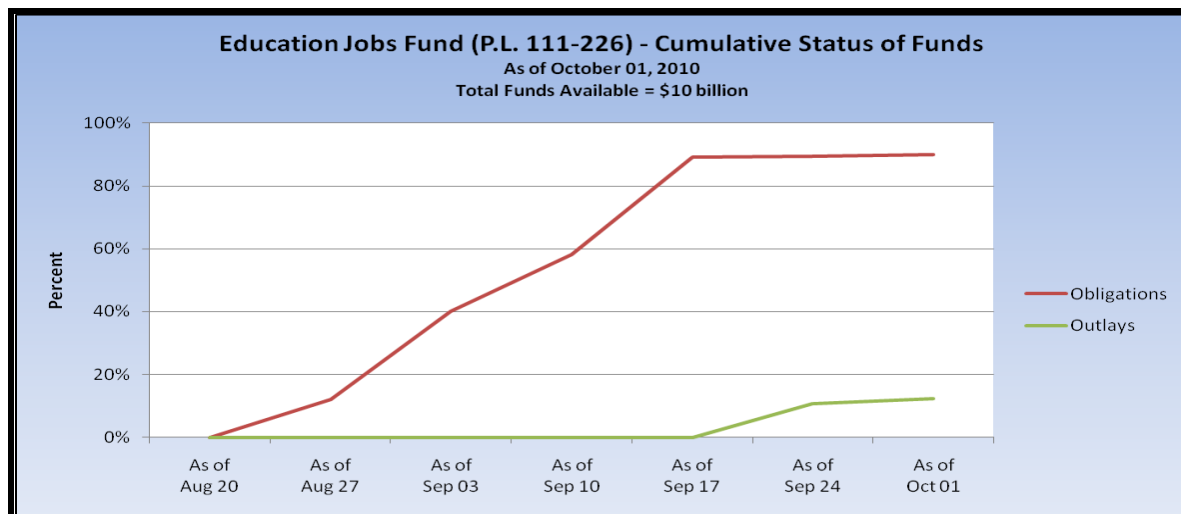
For the quarter ending September 30, 2010, grant recipients reported that more than 275,000 education jobs, such as teachers, principals, librarians, and counselors, had been saved or created with *Recovery Act* funding. In total, the Department funding supported more than 300,000 positions.



For more information on governmentwide recipient reporting, visit: <http://www.recovery.gov/Transparency/RecipientReportedData/Pages/RecipientLanding.aspx>.

## Education Jobs Fund

The Education Jobs Fund program is a new federal program that provides \$10 billion in assistance to states to save or create education jobs. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education.





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## Ongoing Initiatives in Federal Student Aid

### ***The Student Aid and Fiscal Responsibility Act***

On March 30, 2010, the President signed the *Health Care and Education Reconciliation Act*, which included the *Student Aid and Fiscal Responsibility Act (SAFRA Act)*, requiring that all new Federal Stafford, PLUS, and Consolidation loans be made through the William D. Ford Federal Direct Loan Program beginning July 1, 2010.

FSA successfully supported the transition of approximately 2,500 schools to the Direct Loan Program, almost doubling the number of participating schools; provided Direct Loan Program training to almost 5,200 financial aid professionals at the annual Fall Conference; processed over 10 million promissory notes, a 300 percent increase over the previous year; and supported the origination of over 19 million Direct Loans, a 176 percent increase in originations compared to the 2009–10 award year. As of September 30, 2010, 98 percent of domestic schools that had participated in the federal student loan programs in the previous two years had successfully originated a Direct Loan, and no school that wanted to participate has been unable to do so.

For more information on the Federal Student Aid office, go to:

<http://www2.ed.gov/about/offices/list/fsa/index.html?src=oc>

### **Free Application for Federal Student Aid Simplification**

In FY 2009, the President called for all Americans to seek at least one year of postsecondary education.<sup>1</sup> FSA's response to this charge was to improve access to a college education by making the Free Application for Federal Student Aid (FAFSA) easier to complete. FSA continued these efforts during FY 2010. Specifically, FSA implemented an improved 2010–11 FAFSA. Applicants are now presented with fewer questions and a more customized application process. FSA began to coordinate with the Internal Revenue Service (IRS) to allow some applicants to import their tax form data directly into the FAFSA. Of the almost 900,000 applicants and their parents eligible to transfer data from the IRS, more than 30 percent used this new option.



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<sup>1</sup> <http://www.whitehouse.gov/issues/education/>

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## ***Ensuring Continued Access to Student Loans Act of 2008***

Beginning in August 2008, the Department implemented a number of programs authorized under the *Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)* to ensure credit market disruptions did not deny eligible students and parents access to federal student loans for the 2008–09 academic year. The *ECASLA* authority, which originally expired on September 30, 2009, was subsequently extended through September 30, 2010, to administer the Loan Participation Purchase Program and Loan Purchase Commitment Program. The Asset-Backed Commercial Paper Conduit Program purchase option remains active until January 2014.

As of September 30, 2010, the Department had supplied approximately \$107 billion to the lending market, students, and families through the various *ECASLA* programs. Programs authorized under *ECASLA* are the Loan Participation Purchase Program under which lenders accessed capital to make new loans by selling the Department participation interests in eligible Federal Family Education Loan (FFEL) loans; the Loan Purchase Commitment Program in which lenders accessed capital to make new loans by directly selling the Department eligible FFEL loans; and the Asset-Backed Commercial Paper Conduit Program (ABCP) purchase option under which the Department entered into forward purchase commitments with a conduit. The ABCP Conduit Program is the single remaining active *ECASLA* program.

## **Innovations in Education**

### **Race to the Top**

During FY 2010, the Department awarded 12 Race to the Top grants, that will directly affect 13.6 million students and 980,000 teachers in 25,000 schools in Delaware, Florida, Georgia, Hawaii, Maryland, Massachusetts, New York, North Carolina, Ohio, Rhode Island, Tennessee, and the District of Columbia. These grants reward states that are leading the way in education reform in:

- adopting and implementing standards and assessments that prepare students to succeed in college and the workplace;
- building data systems that measure student growth and success, and inform teachers and principals how to improve instruction; and
- recruiting, developing, rewarding, and retaining effective teachers and principals, especially where they are needed most.



<http://www2.ed.gov/programs/racetothetop/index.html>

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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 also awarded grants to two groups of states to develop a new generation of assessments. These tests will assess students' knowledge of mathematics and English language arts from third grade through high school.

<http://www2.ed.gov/programs/racetothetop-assessment/index.html>

### **Investing in Innovation Fund**

The Department made grant awards to 49 applicants from a pool of nearly 1,700. The Investing in Innovation Fund, established under the *Recovery Act*, provides funding to support local educational agencies (LEAs) and nonprofit organizations in partnership with one or more LEAs or a consortium of schools. The purpose of this program is to provide 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 Department made grant awards to 49 applicants from a pool of nearly 1,700.

<http://www2.ed.gov/programs/innovation/index.html>.

### **Teacher Incentive Fund**

In FY 2010, the Department awarded 62 Teacher Incentive Fund (TIF) grants to states, school districts, nonprofit organizations, and institutions of higher education to develop and implement performance-based teacher and principal compensation systems in high-need schools. The winning applicants represent rural and urban school districts, as well as nonprofit groups and state education organizations from 27 states.

The TIF program seeks to strengthen the education profession by rewarding teachers and principals who demonstrate excellence and take on additional roles, attracting teachers and principals to high-need schools, and providing all teachers and principals with the feedback and support they need to succeed.

<http://www2.ed.gov/programs/teacherincentive/index.html>.

### **State Fiscal Stabilization Fund**

The State Fiscal Stabilization Fund (SFSF) provides resources to help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. In exchange, for states committed to advancing student-focused education reforms from early learning through postsecondary education, including: college- and career- ready standards and high-quality, valid, and reliable assessments for all students; development and use of pre-K through postsecondary and career data systems; increasing teacher effectiveness and ensuring an equitable distribution of qualified teachers; and turning around the lowest-performing schools.

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State Fiscal Stabilization Fund Phase II awards continued to be awarded through FY 2010, with the states and the District of Columbia receiving a portion of stabilization funds totaling \$11.5 billion.

<http://www2.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html>.

### **High School Graduation Initiative**

The U.S. Department of Education's High School Graduation Initiative supports activities such as early warning systems designed to identify students at risk of dropping out, rigorous academic programs and support services to engage students and implement dropout prevention, credit recovery programs, and targeted re-engagement programs that identify out-of-school youth and encourage them to reenter school. The Initiative targets high schools with high dropout rates and middle schools that feed into schools with high dropout rates. In FY 2010, 29 states and districts were awarded \$46.6 million under the High School Graduation Initiative.

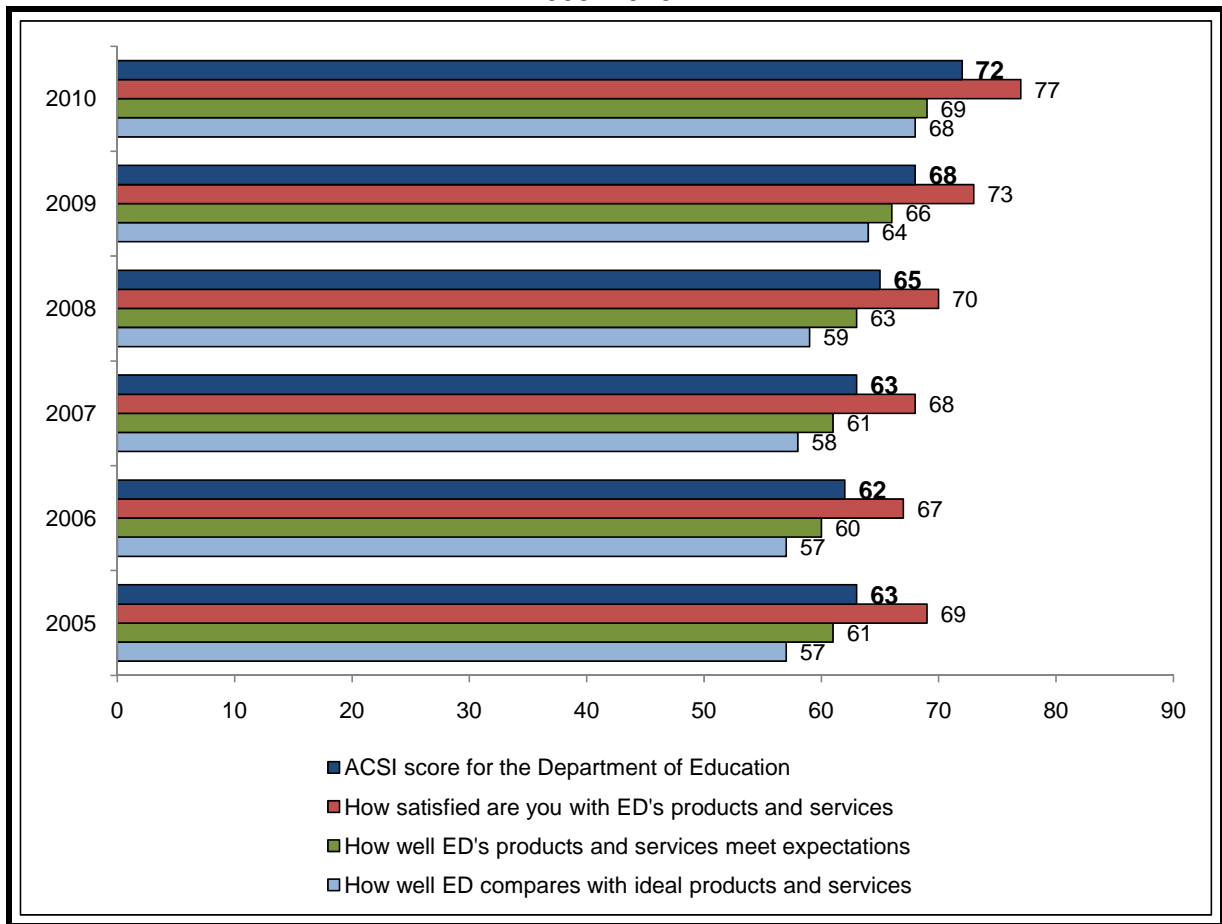
<http://www2.ed.gov/programs/dropout/index.html>.

## Customer Satisfaction With the Department of Education

The American Customer Satisfaction Index (ACSI) is the national indicator of customer evaluations of the quality of goods and services, and is the only uniform benchmarking measure of customer satisfaction across government agencies and private industry. The customer satisfaction index is a weighted average of three questions that measure overall satisfaction, satisfaction compared to expectations, and satisfaction compared to an “ideal” organization.

In FY 2010, the Department transitioned to a survey that focused exclusively on metrics of satisfaction among its grantees in order to evaluate program performance and to align with metrics of customer satisfaction in its Organizational Assessment. Grants receiving funds from 15 Department programs participated in the FY 2010 Grantee Satisfaction Survey. This year, the Department received its biggest gain in satisfaction with a score of 72 out of 100, placing it 3 points above the current federal government average of 69. For complete information, see the full report at <http://www2.ed.gov/about/reports/annual/gss/index.html>.

**Customer Satisfaction Index  
2005–2010**



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## Management Challenges

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, OIG reported three management challenges: the *Recovery Act*, student financial assistance (SFA) programs, with a focus on the *ECASLA*; and information security and management. All three management challenges are continued as challenges for FY 2011, and Data Quality and Reporting, previously a subarea, is presented as a separate challenge. The FY 2011 management challenges are:

- Implementation of New Programs/Statutory Changes, including the *Recovery Act* and changes to the SFA loan programs;
- Oversight and Monitoring, including SFA program participants, distance education, grantees, and contractors;
- Data Quality and Reporting, including program data and *Recovery Act* reporting requirements; and
- Information Technology Security.

The Executive Summary of Management Challenges for FY 2011 is included in the Other Accompanying Information section of the *FY 2010 Agency Financial Report* (<http://www2.ed.gov/about/reports/annual/2010report/5-otherinfo.pdf>) and the full report is published by the Department's Office of Inspector General. To view the full report, go to: <http://www2.ed.gov/about/offices/list/oig/managementchallenges.html>.

In addition, the Office of Inspector General takes seriously any instances of fraud, waste, or abuse. To report any instances of fraud, waste, or abuse involving federal funds, Department programs, or Department employees, please contact OIG at [email-oig.hotline@ed.gov](mailto:email-oig.hotline@ed.gov).

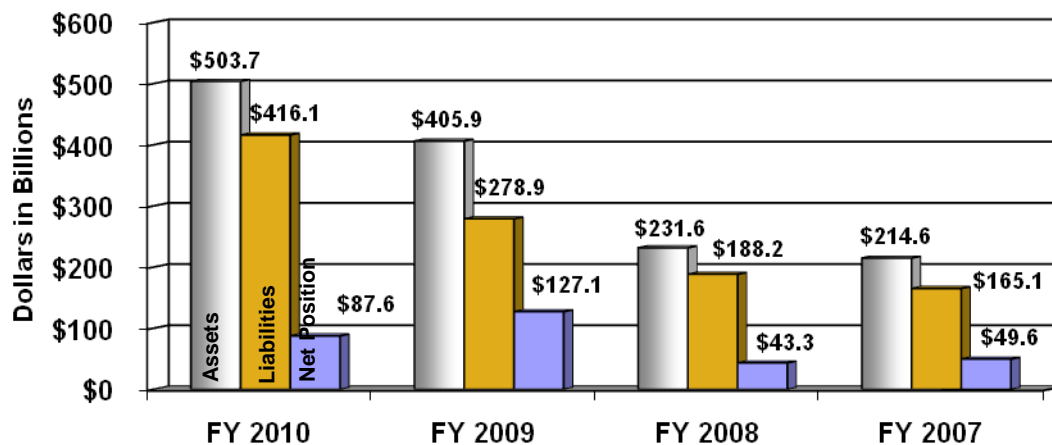
## Financial Summary

Dollars in Millions

### Balance Sheet

As of September 30, 2010, 2009, 2008, 2007

	% Change 2010/2009	FY 2010	FY 2009	FY 2008	FY 2007
Fund Balance with Treasury	-21%	\$ 132,259	\$ 168,032	\$ 94,899	\$ 97,532
Credit Program Receivables, Net	+57%	367,904	234,254	134,725	115,904
Other	-4%	3,501	3,659	1,949	1,202
<b>Total Assets</b>		<b>503,664</b>	<b>405,945</b>	<b>231,573</b>	<b>214,638</b>
Debt	+59%	374,335	235,385	128,668	104,287
Liabilities for Loan Guarantees	-30%	14,479	20,543	43,322	50,874
Other	+19%	27,248	22,957	16,247	9,896
<b>Total Liabilities</b>		<b>416,062</b>	<b>278,885</b>	<b>188,237</b>	<b>165,057</b>
Unexpended Appropriations	-26%	94,371	127,269	49,506	52,047
Cumulative Results of Operations	+3,139%	(6,769)	(209)	(6,170)	(2,466)
<b>Total Net Position</b>		<b>87,602</b>	<b>127,060</b>	<b>43,336</b>	<b>49,581</b>
<b>Total Liabilities and Net Position</b>		<b>\$ 503,664</b>	<b>\$ 405,945</b>	<b>\$ 231,573</b>	<b>\$ 214,638</b>



### Statement of Net Cost

For the Periods Ended September 30, 2010, 2009, 2008, 2007

	% Change 2010/2009	FY 2010	FY 2009	FY 2008	FY 2007
Gross Cost	+111%	\$ 116,953	\$ 55,412	\$ 74,034	\$ 72,316
Earned Revenue	+54%	(17,279)	(11,251)	(9,217)	(8,032)
<b>Total Net Cost of Operations</b>		<b>\$ 99,674</b>	<b>\$ 44,161</b>	<b>\$ 64,817</b>	<b>\$ 64,284</b>
<b>Net Cost Based on Program</b>		<b>FY 2010</b>	<b>FY 2009</b>		
Prog. 1 Ensure the Accessibility, Affordability, and Accountability of Higher Education and Career and Technical Advancement		\$ 15,414	\$ (17,451)		
Prog. 2 Promote Academic Achievement in Elementary and Secondary Schools		23,149	23,150		
Prog. 3 Transformation of Education		1,670	1,632		
Prog. 4 Special Education		15,362	15,212		
RA/JF American Recovery and Reinvestment Act and Education Jobs Fund		44,079	21,618		
<b>Total Net Cost of Operations</b>		<b>\$ 99,674</b>	<b>\$ 44,161</b>		

## Financial Highlights

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 ninth 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.

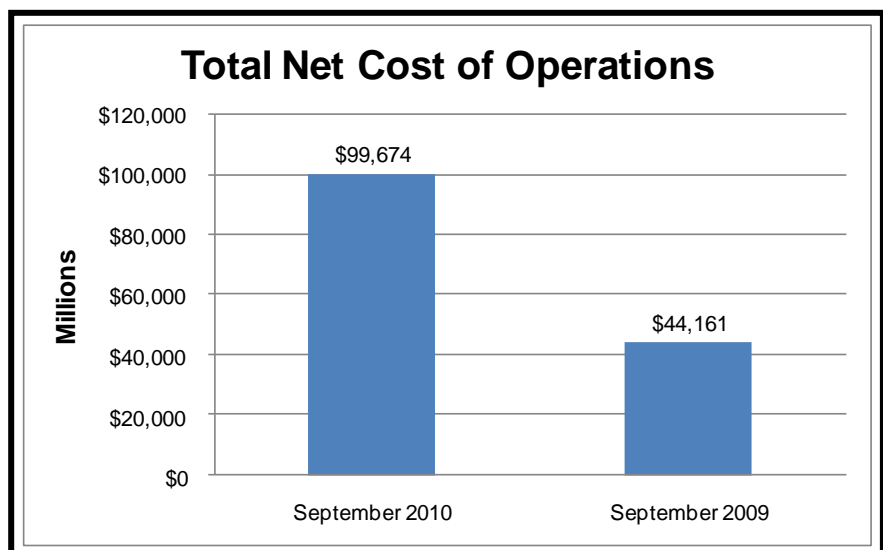
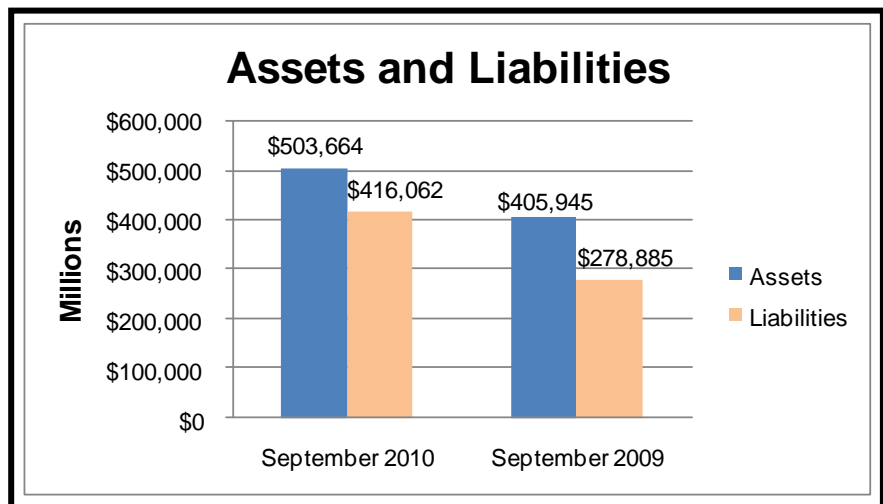
### Financial Position

**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 \$503.7 billion, a 24 percent increase over FY 2009. The vast majority of this increase is due to Credit Program Receivables. Credit Program Receivables

increased by \$133.7 billion, a 57 percent increase over FY 2009. The net portfolio for Direct Loans increased \$75.4 billion due to Direct Loan disbursements net of borrower principal and interest collections. FFEL Program loans increased by \$57.9 billion during FY 2010. The Fund Balance with Treasury decreased by \$35.8 billion, a 21 percent decrease from FY 2009. This decrease is largely due to *Recovery Act* disbursements during FY 2010.

Total Liabilities for the Department increased by \$137.2 billion, a 49 percent increase over FY 2009. The increase is the result of increased borrowing for the Direct Loan Program and to provide funds for the loan purchase commitments and loan participation purchases activities under the FFEL Program.

The Department's Net Position, as of September 30, 2010, was \$87.6 billion, a \$39.5 billion decrease from the





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previous year's \$127.1 billion Net Position. This decrease is largely due to *Recovery Act* disbursements during FY 2010.

**Statement of Net Cost.** The Department's total program net costs were \$99.7 billion, a 126 percent increase from the previous year. This change largely reflects the \$44 billion *Recovery Act* and Education Jobs Fund disbursements and the \$23.6 billion reduction in negative subsidy related costs.

## Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit						
Audit Opinion	Unqualified					
Restatement	No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance	
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting - <i>Federal Managers' Financial Integrity Act</i>						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
The Department had no material weaknesses in the design or operation of the internal control over financial reporting.						
Effectiveness of Internal Control over Operations - <i>FMFIA 2</i>						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Conformance with Financial Management System Requirements - <i>FMFIA 4</i>						
Statement of Assurance	The Department systems conform to financial management system requirements.					
<b>Non-Conformance</b>	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Non-Conformance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Compliance with <i>Federal Financial Management Improvement Act</i>						
	Agency			Auditor		
<b>Overall Substantial Compliance</b>	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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