

**NoChild**  
LeftBehind



U.S. DEPARTMENT OF  
EDUCATION

**Performance and Accountability Report  
Fiscal Year 2007**

***HIGHLIGHTS***

U.S. Department of Education  
Margaret Spellings  
Secretary

Office of the Chief Financial Officer  
Lawrence Warder  
Chief Financial Officer

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

February 1, 2008

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**About the Department of Education's  
*Fiscal Year 2007 Performance and Accountability Report Highlights***

The Department of Education's *Fiscal Year 2007 Performance and Accountability Report (PAR)* is available on the Department's Web site at <http://www.ed.gov/about/reports/annual/2007report/index.html>. A print version, provided in limited distribution, contains the exact content provided in the online version.

To request a copy of our *Highlights Report* in print, with CD of the full *Performance and Accountability Report*, contact <http://www.edpubs.org/webstore/Content/search.asp>.

To provide comments and suggestions on both the content and presentation of the report, contact [PARcomments@ed.gov](mailto:PARcomments@ed.gov).



## MESSAGE FROM THE SECRETARY

It is my pleasure to present to you our Fiscal Year 2007 *Performance and Accountability Report*—an annual report card of the U.S. Department of Education's efforts and outcomes during the past fiscal year.

This year's report builds on our efforts to increase transparency, and more effectively communicate our goals and objectives. This report emphasizes our achievements and challenges associated with implementing the Department of Education's new mission statement: to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.

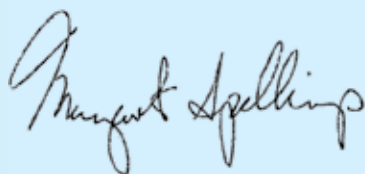
Over the past year, we've been hard at work to reauthorize the *No Child Left Behind Act of 2001* and build on President George W. Bush's and the Congress's historic commitment to ensure a high-quality education for every child. Thanks to *No Child Left Behind*, student achievement is on the rise and the long-standing achievement gap continues to narrow. The recent 2007 Nation's Report Card confirms the tremendous progress we've made. The new results show across-the-board improvement in 4th and 8th grade reading and math, with African-American and Hispanic students posting all time highs in a number of categories.

Reauthorization provides an opportunity to make some commonsense improvements, such as using growth models, that will make the law more workable for educators. We're also continuing to focus on strengthening math and science education, increasing academic rigor in our high schools, and expanding access to higher education for more Americans.

Although our performance data are fundamentally complete and reliable, we continue to improve timeliness and accuracy as discussed in the Management's Discussion and Analysis section of this report. The report includes information and assurances about the Department's financial management systems and management controls required by the *Federal Managers' Financial Integrity Act of 1982*. The Department's financial management systems and management controls, taken as a whole, provide reasonable assurance that the objectives of the Act are being met, except for two material weaknesses identified by management. The two material weaknesses identified are related to Information Security and Program Management Controls.

The Department is setting high expectations for itself with the creation of crosscutting goals focused on excellent management practices, fiscal integrity, and a culture of high performance. In support of these management goals, the Department has invested significantly in developing a Department-wide management tool. The tool is designed to ensure that our strategic priorities are aligned across the principal offices, that we have high standards of performance, and that we achieve our commitments.

Education touches everyone. The Department of Education is committed to the highest standards of accountability as we carry out our mission.



Margaret Spellings  
November 15, 2007





## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Department of Education continued its high standard of financial management and reporting during fiscal year (FY) 2007. I have the pleasure of presenting to the President and the American people the financial details on the Department's stewardship and management of the public funds to which we have been entrusted.

The Department's impressive record of excellence in financial management has been a joint effort of its managers, employees, and business partners who make it a priority to ensure that the Department reports contains the highest quality financial data. Highlights of these successful efforts over the last year are as follows:



- Completed the implementation of an upgraded financial management system, in the first quarter of FY 2007;
- Received an unqualified opinion on the principal financial statements for the sixth consecutive year, demonstrating a clear pattern of financial accountability;
- Continued to have no material weaknesses identified as part of the Department's "Report on Internal Control" for the fifth consecutive year;
- Received a "green" status in Financial Management on the *President's Management Scorecard* for the fourth consecutive year;
- Continued to provide reasonable assurance of its internal controls over financial reporting.

In FY 2007, the Department furthered its efforts to correct the two reportable conditions identified by the auditors in the FY 2006 "Report on Internal Control." To address the reportable condition regarding the credit reform estimation the Credit Steering committee has worked diligently to continue to improve the process. In the first quarter of FY 2007, the Department instituted monthly meetings including personnel from the Office of the Chief Financial Officer, Budget Service, Federal Student Aid and Office of Management and Budget. Throughout the fiscal year the committee has addressed policy, cost and management issues that impact the loan programs. The Department also continued to address the other reportable condition regarding controls surrounding information systems.

During FY 2007, the Department conducted an assessment of the effectiveness of its internal control over financial reporting. This review was based upon the requirements of OMB Circular A-123 (Appendix A), *Management's Responsibility for Internal Control*. The Department is pleased to report that it can give an unqualified statement of assurance on its internal control over financial reporting. This examination has presented us the opportunity to further review and improve upon our internal controls and thereby continue to ensure the greatest integrity in our financial management and reporting.

A handwritten signature in cursive script that reads "L. Warder".

Lawrence Warder  
Chief Financial Officer  
November 15, 2007



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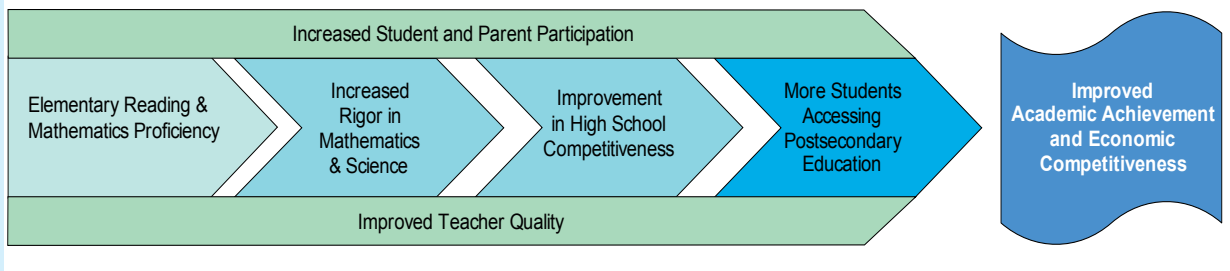


## Our Mission

**Adopted in May 2007, the new mission statement of the Department of Education (the Department) is, “To promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.”** This new mission statement retains the Department’s historic role of “providing equal access to a high-quality education.” It also emphasizes the complementary need to go beyond *providing access* to a high-quality education by affirming the need to *improve the academic performance* of all learners.

Of the many services our government provides to its citizens, few are as far-reaching as education. Communities throughout America have elementary and secondary schools that provide instruction in reading, writing, mathematics, and science, as well as immersion in American history and culture. Most communities also have high schools that educate students in science, mathematics, and other subjects that assist them in becoming knowledgeable American citizens. In addition, technical and postsecondary educational institutions are available to Americans to further improve their skills and education and enable them to become valuable members of our society.

### Continuous National Improvement Through Education



The Department is proud to be a part of this grand enterprise. The Department provides more than \$67 billion of the national education expenditures of \$1 trillion each year.

Our nation’s schools are the basis for an economic resource that helps ensure that we are a country with educated citizens, full employment, and the ability to be fully competitive in the international marketplace.

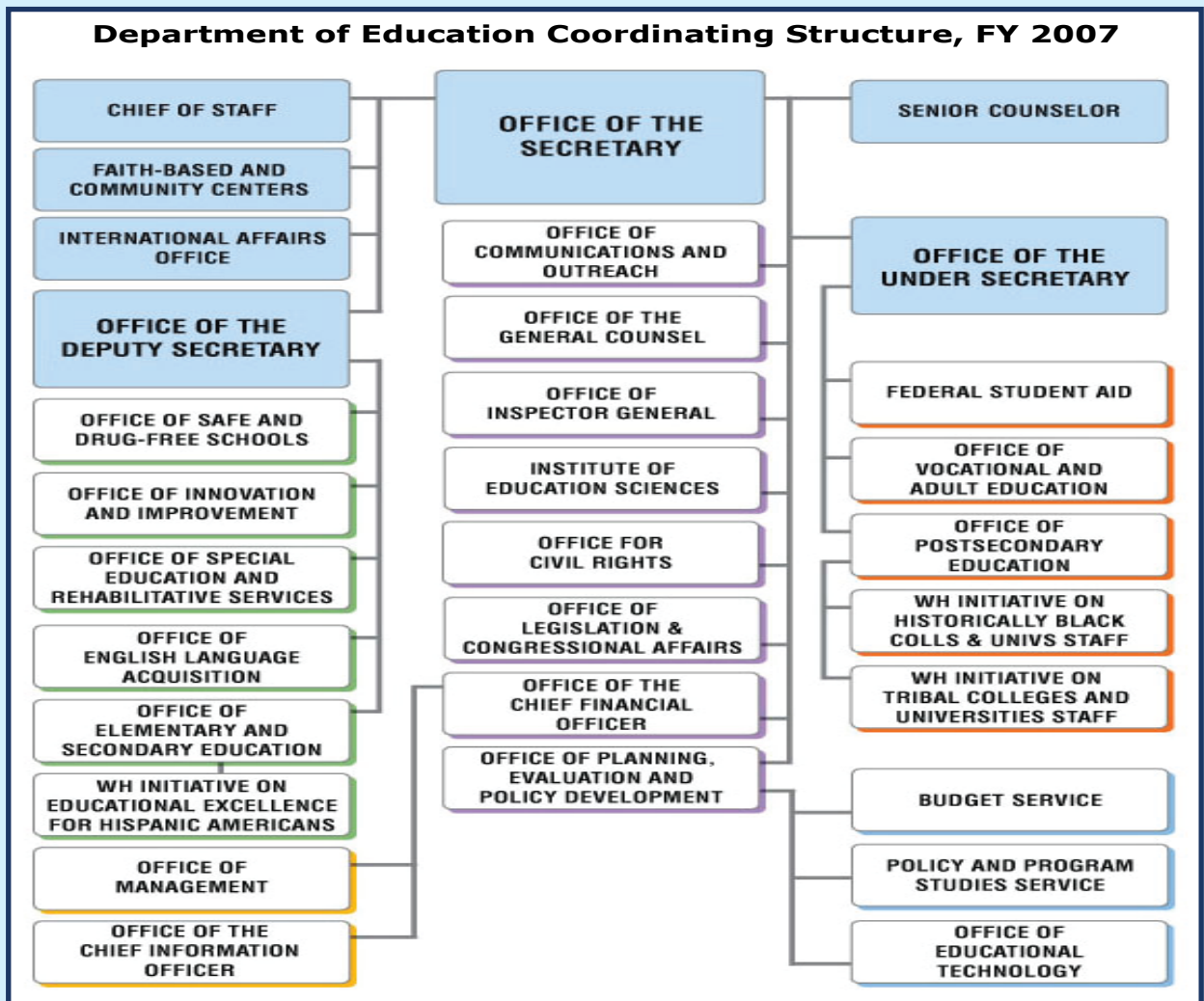
To maintain our competitive standing at the national level, we must have world-class higher education systems derived from secondary education systems that graduate high school students with advanced mathematics and science skills. Students with advanced skills demonstrate the results of challenging mathematics and science programs which engage all elementary and middle school students in challenging and comprehensive instruction using best practices and research-based techniques.

America has an expansive range of educational environments to meet the diverse needs of its students in public schools, public charter schools, specialized schools, and non-public schools. This report discusses how the Department has supported, and will continue to support, federal educational initiatives and activities.

## History and Organization

The federal government recognized that furthering education is a national priority in 1867, when its initial role in education encompassed statistical data collection and reporting. Although the agency's form and location in the Executive Branch have changed over the years, the federal focus has remained on identifying and sharing what works in education with teachers and education policymakers. It was not until May 1980 that the Congress established the Department of Education as a Cabinet-level agency.

By that time, several major legislative actions had been taken to channel federal support to improve the quality of, and access to, education. Legislation in the late 1800s and early 1900s focused on the areas of education that would support America's overall economic progress, such as the creation of land-grant colleges and universities, and on agricultural, industrial, and home economics training for high school students.



Between World War II and 1980, several landmark legislative actions shaped America's education systems. The focus during this period was equal access, and the legislation included the Lanham Act of 1941, Impact Aid, and the "GI Bill"; Title VI of the Civil Rights Act of 1964; the Elementary and Secondary Education Act of 1965; the Higher Education Act of 1965; Title IX of the Education Amendments of 1972; Section 504 of the Rehabilitation Act of 1973; and the Education of All Handicapped Children Act of 1975, now known as the Individuals with Disabilities Education Act.

The Elementary and Secondary Education Act launched a comprehensive set of programs that are still administered by the Department today. To further enhance this legislation, President Bush recommended, and the Congress enacted, the No Child Left Behind Act of 2001, which further embodies the Department's dedication to promoting educational excellence in every corner of the country.

The U.S. Department of Education's Strategic Plan for fiscal years (FY) 2007–12 sets high expectations for America's schools, students, and the Department. Although the Strategic Plan was created for FY 2007–12, its goals will not be measured until FY 2008 in accordance with Title 31, Section 1116 of the United States Code. Hence, the goals outlined in the 2002–07 Strategic Plan will continue to be measured in FY 2007. The Department is committed to giving students the skills they need to succeed in a highly competitive global economy. To this end, the Department has set out three important goals in the plan for FY 2007–12 that address the following three priorities:

- Increase student achievement, reward qualified teachers, and renew troubled schools so that every student can read and do math at grade level by 2014, as called for by the *No Child Left Behind Act*.
- Encourage more rigorous and advanced coursework to improve the academic performance of our middle and high school students.
- Work with colleges and universities to improve access, affordability, and accountability, so that our higher education system remains the world's finest.

The Department recognizes 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 management by creating a crosscutting goal focused on excellent management practices, fiscal integrity, and a culture of high performance.

## Our Customers

*Every American has a stake in the nation's educational success.*

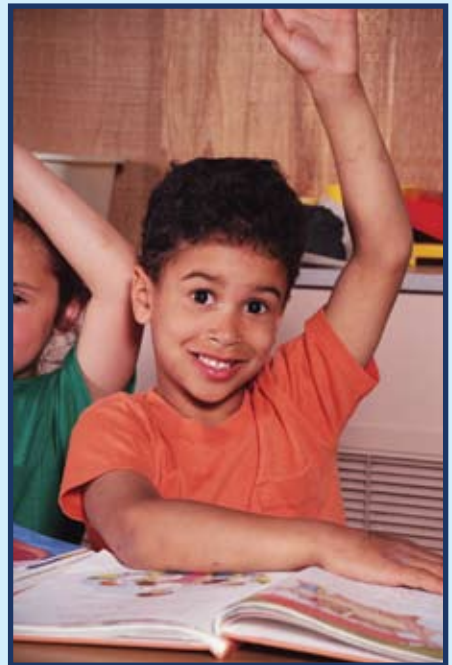
The Department's customers include students, teachers, parents, and institutions. With the *No Child Left Behind Act*, the federal government strengthened its commitment to elementary and secondary students. The Act benefits children, empowers parents, supports teachers, and strengthens schools. Higher education assistance provides access to postsecondary education for a significant number of the nation's 18 million undergraduates.

### Elementary and Secondary Students

According to the Department's report, *The Condition of Education 2007*, there are signs of improved achievement at the elementary, middle and secondary levels:

- In 2004, high school graduates demonstrated an increase in credits, earning an average 4.3 credits in English, 3.6 credits in mathematics, and 3.2 credits in science.
- Between 1997 and 2005, the number of students taking Advanced Placement (AP) exams more than doubled to about 1.2 million, with the numbers for African Americans and Hispanics growing faster than those for other ethnic groups.

Since the inception of the *Individuals with Disabilities Education Act*, the number and percentage of youth aged 3–21 enrolled in public schools who receive special education services has steadily increased each year. In 2006–07, almost 6.8 million youth aged 3–21 were served under the act.



### Parents

The *No Child Left Behind Act* has made schools more accountable to parents and provided parents with information about their children and what they should expect from their schools. If the school does not make adequate yearly progress, parents are informed and students can be provided with supplemental educational services.

## Teachers

According to the National Center for Education Statistics, there were 3.2 million public school teachers and more than 87,000 principals working in 97,000 public elementary and secondary schools throughout the country during the 2005–06 school year (SY). The *No Child Left Behind Act* requires that all teachers be highly qualified in the core academic subjects they teach. In general, a high-



ly qualified teacher must have a bachelor's degree, full certification as defined by the state, and demonstrated competency as defined by the state in each core academic subject in which he or she teaches.

## Postsecondary Students and Institutions

More students are acquiring degrees in colleges, and the undergraduate enrollment is projected to rise from an estimated 18 million in 2007–08 to nearly 20 million in 2015. The percentage of high school graduates who enrolled in college immediately following graduation rose to 69 percent in FY 2005. The number of bachelor's degrees awarded increased by 33 percent between 1989–90 and 2003–04; the number of associate's degrees awarded increased by 46 percent. Minority students accounted for about half of that growth in associate's and bachelor's degree programs.



To assist students who are otherwise unable to afford postsecondary education, the Department provides assistance through various programs such as the Pell Grant Program, the Federal Family Education Loan (FFEL) Program, the Federal Direct Loan Program, the Perkins Loan Program, and the Federal Work-Study Program, authorized under Title IV of the *Higher Education Act*. In FY 2007, the Department granted approximately \$82 billion in financial aid to almost 11 million students attending approximately 6,200 institutions.



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## PERFORMANCE HIGHLIGHTS

## Performance Results and Highlights

In FY 2007, the Department administered 138 programs that had established performance measures under the *Government Performance and Results Act of 1993*. The key measures provided in the full *Performance and Accountability Report* represent those measures that provide an overall assessment of the Department's progress in achieving improvements in the educational system. The progress of each of the Department's six strategic goals is assessed by key program performance measures centered on the desired outcomes. An overview of the Department's six strategic goals identified in its *2002–07 Strategic Plan* follows. The *FY 2008 Performance and Accountability Report* will report on the Department's strategic measures established under its new *2007–12 Strategic Plan*.

**Goal 1: Create a Culture of Achievement:** The Department's first strategic goal is to create a culture of achievement in education. Achievement can only be determined if accountability for results is required. While this goal is the foundation for all Department programs and activities, no specified programs or funding streams directly support Goal 1. However, six key measures are identified that indicate progress in meeting the objectives of Goal 1. These measures focus on state accountability systems, local flexibility for targeting federal funds, customer satisfaction with the Department, expansion of choice options for parents, and evidence-based approaches to education.

**Goal 2: Improve Student Achievement:** Improving student proficiency and closing the achievement gap are the cornerstones of the Department's work. In FY 2007, the Department administered 77 distinct programs that supported Goal 2. From the universe of measures that help determine these programs' effectiveness, the Department identified 10 key measures to report our progress. These measures focused on reading achievement, mathematics achievement, high school completion, advanced placement participation, and teacher quality.



**Goal 3: Develop Safe and Drug-Free Schools:** In FY 2007, the Department designated 15 key measures to assess the performance of two programs related to safe schools and healthy students and student drug testing. The data for these key measures track specific indicators of success related to the activities of those two programs. The Department's third strategic goal also addresses the development of strong character.

**Goal 4: Transform Education Into an Evidence-Based Field:** The *No Child Left Behind Act* serves as a foundation for education improvement in the application of scientifically based research that is rigorous, systematic, and objective. By identifying what works, what doesn't, and why, we can improve educational outcomes for all students, especially those at risk of failure. Our goal is the transformation of education into an evidence-based field in which decision-makers routinely seek out the best available research and data in order to adopt programs or practices that will improve academic achievement for students. In FY 2007, the Department administered six programs supporting the objectives of Goal 4. Each program established measures and targets to assess its performance. From these measures, the Department identified four key measures that focus on the quality and relevance of its educational research.

**Goal 5: Enhance the Quality of and Access to Postsecondary and Adult Education:** During FY 2007, the Department established new measures and goals that were aligned with the recommendations of the Secretary's Commission on the Future of Higher Education, the Academic Competitiveness Council, and the Secretary's Action Plan for Higher Education. These strategies focus on ensuring the accessibility, affordability, and accountability of higher education institutions and on better preparing students for employment and future learning. In order to remain competitive in the dynamic global economy, and to meet America's current and future needs, higher education must continue to be innovative, use technology effectively, measure student outcomes, and conduct rigorous evaluations of its own performance. Measures focusing on postsecondary persistence and completion, strengthening postsecondary institutions that serve underrepresented populations, vocational rehabilitation, and adult learning provide the starting point for forward movement to meet the challenges postsecondary and adult students, their families, and institutions currently face. Also, expanding coverage of critical-needs languages and area studies is vital to the national interest and helps students prepare for careers in areas of national need.

**Goal 6: Establish Management Excellence:** Since 2002, the President's Office of Management and Budget (OMB) has required all Cabinet-level departments and other major federal agencies to report quarterly on their progress toward superior fiscal stewardship and excellence in customer service and program performance. To these ends, the President's Management Agenda comprises multiple initiatives designed to assure Americans of the efficient use of federal funds and the effective responsiveness of the federal government to their needs.

The Department of Education's sixth strategic goal aligns nine key measures with the initiatives of the President's Management Agenda. Success in meeting challenging targets for these measures ensures maximum value for taxpayers, the channeling of available resources toward high-performing programs, and more help for students to reach their academic potential. These measures focus on financial integrity and management, the management of strategic human capital, information technology management, customer service for student financial assistance, and faith-based and community organizations.

## Key Measures Performance Results Summary

Each year, the Department assesses key measures for that year's performance plan and evaluates the utility and appropriateness of those measures. As a result, key measures are continued, replaced, or completely removed from the objective key measurement process. This assessment process provides a method for continued improvement in Department programs. The table below summarizes the Department's performance results for its FY 2007 key measures. There are 65 key performance measures that support the Department's mission and strategic goals. Most data for FY 2007 will be available during FY 2008. For FY 2006, the Department met or exceeded targets for 25 key measures, did not meet 12, and is awaiting data for 19 measures. The remaining nine have no targets or data for FY 2006.

Shown below are the results for each key measure. The table shows whether the result met, failed to meet, or exceeded the expected target. The shaded areas indicate that a measure was not in place during the time period. In some cases, establishing a baseline is the target and the target is recognized as met if the data are available and the baseline is established. For measures for which data are not currently available, the date the data are expected is indicated.

Legend		
NA = No measure for period	√ = Met target	+ = Exceeded target
□ = Measure ID code used in VPS data system	x = Less than target or prior year level	

Performance Results Summary	Cohort	FY 2007	FY 2006	FY 2005
<b>Strategic Goal 1 – Create a Culture of Achievement</b>				
1.1 – Link federal education funding to accountability for results				
A. The number of states that have science assessments that align with the state's academic content standards for all students in grades three through eight and in high school. [1203]		Dec. 2008	Dec. 2007	NA
1.2 – Increase flexibility and local control				
A. Percentage of eligible school districts utilizing the Rural Education Achievement Program flexibility authority. [1473]		Aug. 2008	x	x
B. Overall American Customer Satisfaction Index as scored by Department grantees. [2200]		x	x	√
1.3 – Increase information and options for parents				
A. Number of charter schools in operation around the nation. [1146]		+	+	+
B. Amount of funding program grantees' leverage for the acquisition, construction, or renovation of charter school facilities. [1208]		Mar. 2008	+	+
1.4 – Encourage the use of scientifically based methods within federal education programs				
A. Proportion of school-adopted approaches that have strong evidence of effectiveness compared to programs and interventions without such evidence. [2201]		x	x	NA

Performance Results Summary	Cohort	FY 2007	FY 2006	FY 2005
<b>Strategic Goal 2 – Improve Student Achievement</b>				
2.1 – Ensure that all students read on grade level by the third grade				
A. The percentage of fourth-grade students with disabilities scoring at or above Basic on the National Assessment of Educational Progress in reading. [1521]		+	NA	x
B. The percentage of economically disadvantaged students in grades three through eight scoring at the Proficient or Advanced levels on state reading assessments. [89a04b]		Sept. 2008	x	x
C. The percentage of limited English proficient students receiving Title III services who have attained English language proficiency. [1830]		Dec. 2008	NA	NA
2.2 – Improve mathematics and science achievement for all students				
A. The percentage of eighth-grade students with disabilities scoring at or above Basic on the National Assessment of Educational Progress in mathematics. [1523]		√	NA	x
B. The percentage of economically disadvantaged students in grades three through eight scoring at the Proficient or Advanced levels on state math assessments. [89a04c]		Sept. 2008	x	NA
2.3 – Improve the performance of all high school students				
A. Percentage of students with disabilities with individualized education plans who graduate from high school with a regular high school diploma. [1527]		Oct. 2008	+	√
B. Percentage of students with disabilities who drop out of school. [1528]		Oct. 2008	+	+
C. Number of Advanced Placement tests taken by low-income public school students nationally. [1149]		Jan. 2008	+	NA
2.4 – Improve teacher and principal quality				
A. Percentage of core academic classes in elementary schools taught by highly qualified teachers. [1182]		Dec. 2008	Dec. 2007	+
B. Percentage of core academic classes in secondary schools taught by highly qualified teachers. [1183]		Dec. 2008	Dec. 2007	+
<b>Strategic Goal 3 – Develop Safe Schools and Strong Character</b>				
3.1 – Ensure that our nation’s schools are safe and drug free, and that students are free of alcohol, tobacco, and other drugs				
A. Percentage of Safe Schools/Healthy Students grant sites that experience a decrease in the number of violent incidents at schools during the three-year grant period (by cohort). [1825 & 2019]	04	Dec. 2007	√	√
	05	Dec. 2007	√	NA
	06	Dec. 2007	NA	NA
B. Percentage of Safe Schools/Healthy Students grant sites that experience a decrease in substance abuse during the three-year grant period (by cohort). [1826, 2020, & 2103]	04	Dec. 2007	√	√
	05	Dec. 2007	√	NA
	06	Dec. 2007	NA	NA
C. Percentage of Safe Schools/Healthy Students grant sites that improve school attendance during the three-year grant period (by cohort). [1827, 2021, & 2104]	04	Dec. 2007	√	√
	05	Dec. 2007	√	NA
	06	Dec. 2007	NA	NA



Performance Results Summary	Cohort	FY 2007	FY 2006	FY 2005
D. Percentage of Student Drug Testing grantees that experience a 5 percent annual reduction in the incidence of past-month drug use by students in the target population (by cohort). [1828 & 2105]	03	Dec. 2007	√	√
	05	Dec. 2007	Dec. 2007	NA
	06	Dec. 2007	NA	NA
E. Percentage of Student Drug Testing grantees that experience a 5 percent annual reduction in the incidence of past-year drug use by students in the target population (by cohort). [1829 & 2106]	03	Dec. 2007	√	√
	05	Dec. 2007	Dec. 2007	NA
	06	Dec. 2007	NA	NA
3.2 – Promote strong character and citizenship among our nation’s youth				
<b>Strategic Goal 4 – Transform Education into an Evidence-Based Field</b>				
4.1 – Raise the quality of research funded or conducted by the Department				
A. Percentage of new research proposals funded by the Department’s National Center for Education Research that receive an average score of excellent or higher from an independent review panel of qualified scientists. [1022]		x	x	√
B. Percentage of new research proposals funded by the Department’s National Center for Special Education Research that receive an average score of excellent or higher from an independent review panel of qualified scientists. [1940]		+	√	NA
4.2 – Increase the relevance of our research in order to meet the needs of our customers				
A. Percentage of new research projects funded by the Department’s National Center for Education Research that are deemed to be of high relevance to education practices as determined by an independent review panel of qualified practitioners. [00000000028]		Dec. 2007	NA	NA
B. Percentage of new research projects funded by the Department’s National Center for Special Education Research that are deemed to be of high relevance by an independent panel of qualified practitioners. [1942]		Dec. 2007	√	NA
<b>Strategic Goal 5 – Enhance the Quality of and Access to Postsecondary and Adult Education</b>				
5.1 – Reduce the gaps in college access and completion among student populations differing by race or ethnicity, socioeconomic status, and disability while increasing the educational attainment of all				
A. Percentage of TRIO Educational Opportunity Centers participants enrolling in college. [1612]		Dec. 2008	Dec. 2007	x
B. Percentage of TRIO Student Support Services participants persisting at the same institution. [1617]		Dec. 2008	Dec. 2007	+
C. Percentage of TRIO Student Support Services participants completing an associate’s degree at the original institution or transferring to a four-year institution within three years. [1618]		Dec. 2008	Dec. 2007	NA

<b>Performance Results Summary</b>	<b>Cohort</b>	<b>FY 2007</b>	<b>FY 2006</b>	<b>FY 2005</b>
D. Percentage of TRIO Student Support Services first-year students completing a bachelor's degree at the original institution within six years. [1619]		Dec. 2008	Dec. 2007	x
E. Percentage of TRIO McNair participants enrolling in graduate school. [1614]		Dec. 2008	Dec. 2007	+
F. Percentage of TRIO McNair participants persisting in graduate school. [1615]		Dec. 2008	Dec. 2007	+
5.2 – Strengthen the accountability of postsecondary institutions				
5.3 – Establish funding mechanisms for postsecondary education				
5.4 – Strengthen Historically Black Colleges and Universities, Hispanic-Serving Institutions, and Tribal Colleges and Universities				
A. Percentage of full-time undergraduate students who were in their first year of postsecondary enrollment in the previous year and are enrolled in the current year at the same Historically Black College or University. [1587]		Dec. 2007	x	NA
B. Percentage of students enrolled at four-year Historically Black Colleges and Universities graduating within six years of enrollment. [1589]		Dec. 2008	Dec. 2007	NA
C. Number of Ph.D., first professional, and master's degrees awarded at Historically Black Graduate Institutions. [1595]		Dec. 2008	Dec. 2007	NA
D. Percentage of full-time undergraduate students who were in their first year of postsecondary enrollment in the previous year and are enrolled in the current year at the same Tribally Controlled College or University. [1569]		Dec. 2007	+	NA
E. Percentage of students enrolled at four-year Tribally Controlled Colleges and Universities graduating within six years of enrollment. [1571]		Dec. 2008	Dec. 2007	NA
F. Percentage of students enrolled at two-year Tribally Controlled Colleges and Universities who graduate within three years of enrollment. [1572]		Dec. 2008	Dec. 2007	NA
G. Percentage of full-time undergraduate students who were in their first year of postsecondary enrollment in the previous year and are enrolled in the current year at the same Hispanic-Serving Institution. [1601]		Dec. 2007	x	NA
H. Percentage of students enrolled at four-year Hispanic-Serving Institutions graduating within six years of enrollment. [1603]		Dec. 2008	Dec. 2007	NA
I. Percentage of students enrolled at two-year Hispanic-Serving Institutions who graduate within three years of enrollment. [1604]		Dec. 2008	Dec. 2007	NA
5.5 – Enhance the literacy and employment skills of American adults				
A. Percentage of general and combined state vocational rehabilitation agencies that assist at least 55.8 percent of individuals receiving services to achieve employment. [1681]		Apr. 2008	+	x
B. Percentage of adults with a high school completion goal who earn a high school diploma or recognized equivalent. [1386]		Dec. 2007	+	+

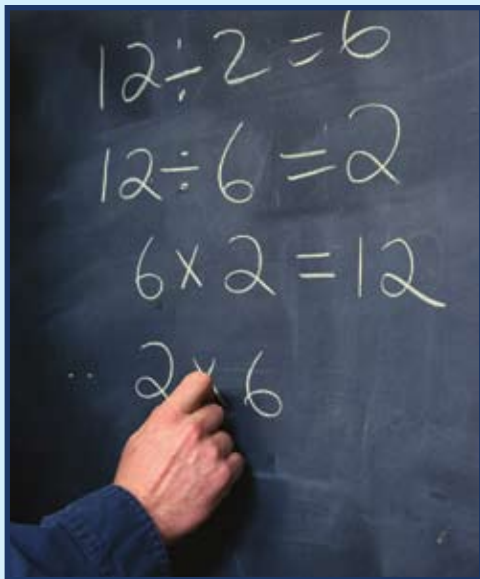
Performance Results Summary	Cohort	FY 2007	FY 2006	FY 2005
C. Percentage of adults enrolled in English literacy programs who acquire the level of English language skills needed to complete the levels of instruction in which they enrolled. [1384]		Dec. 2007	x	x
5.6 – Increase the capacity of U.S. postsecondary education institutions to teach world languages, area studies, and international issues				
A. Percentage of critical languages taught, as reflected by the list of critical languages referenced in the HEA, Title VI program statute. [1665]		Dec. 2009	Dec. 2008	Dec. 2007
B. Percentage of National Resource Center Ph.D. graduates who find employment in higher education, government and national security. [1664]		Dec. 2009	Dec. 2008	Dec. 2007
C. Average competency score of Foreign Language and Area Studies Fellowship Program recipients at the end of one full year of instruction minus the average score at the beginning of the year. [1671]		Dec. 2007	+	√
<b>Strategic Goal 6 – Establish Management Excellence</b>				
6.1 – Develop and maintain financial integrity and management and internal controls				
A. Achieve an unqualified opinion. [2204]		√	√	√
6.2 – Improve the strategic management of the Department's human capital				
A. Index of quality human capital performance management activities. [2205]		Jan. 2008	x	√
6.3 – Manage information technology resources, using e-gov, to improve service for our customers and partners				
A. Percentage of grant programs providing online application capability. [2206]		+	√	+
6.4 – Modernize the Federal Student Assistance programs				
A. Customer service level for Free Application for Federal Student Assistance on the Web. [2207]		x	x	x
B. Customer service level for Direct Loan Servicing. [2208]		+	+	x
C. Customer service level for Common Origination and Disbursement. [2209]		+	+	+
D. Customer service level for Lender Reporting System. [2210]		√	x	x
6.5 – Achieve budget and performance integration to link funding decisions to results				
A. Percentage of Department program dollars associated with programs reviewed under the Program Assessment Rating Tool process that demonstrates effectiveness. [2211]		+	+	+
6.6 – Leverage the contributions of faith-based and community organizations to increase the effectiveness of Department programs				
A. Percentage of applications in competitions of amenable discretionary programs that are faith-based or community organizations. [2212]		+	√	NA

## Performance Achievements

This year, the Department celebrated the fifth anniversary of the *No Child Left Behind Act*. The achievement gap is finally beginning to close, and student achievement overall is on the rise. All 50 states, the District of Columbia, and Puerto Rico have accountability plans in place and assess students annually in grades three through eight and at least once in high school in reading and mathematics.

According to the Secretary's *Fifth Annual Report on Teacher Quality*, 95 percent of the new teachers completing preparation programs passed their state licensing exams, and more than 97 percent of the nation's classroom teachers are now fully certified or licensed. More than 500,000 eligible students have received tutoring or school choice.

**Elementary and Middle School.** More reading progress was made by 9-year-olds in five years than in the previous 28 years combined. Reading and math scores for fourth-graders have reached all-time highs. Forty-six states and the District of Columbia improved or held steady in all categories of students tested in reading and math. The Nation's Report Card results, released in September 2007, showed across-the-board improvements in mathematics and reading.



Scores were higher in 2007 than in all previous assessment years for white, African American, and Hispanic students at both grades four and eight in mathematics. African American and Hispanic students posted all-time highs in a number of categories. The percentage of fourth- and eighth-grade students at or above *Basic* in reading was higher in 2007 than in either 1992 or 2005. In mathematics, the percentages of students performing at or above *Basic* and *Proficient* were higher in 2007 than in all previous assessment years at grade four and grade eight. Overall, in science, fourth-graders scored higher in 2005 than in earlier years, with the percentage of students performing at or above *Basic* increasing from 63 percent in 1996 to 68 percent in 2005.

The Reading First program was created to provide grants to states to help schools and school districts improve children's reading achievement through scientifically proven methods of instruction. It is designed to help low-income students in kindergarten through third grade, while Early Reading First helps children in preschool. The findings of the National Evaluation of the Early Reading First Program indicate that the program showed improved outcomes on print and letter knowledge for preschool children.

Under *No Child Left Behind*, state educational agencies have received over \$4.8 billion in Reading First grants. Reading First and Early Reading First are among the largest federal early reading initiatives in our nation's history. New achievement data show that Reading First students from nearly every grade and subgroup have made impressive gains in reading proficiency.



Children in Reading First schools receive significantly more reading instruction than those in non-Reading First schools according to the *Reading First Implementation Evaluation: Interim Report*. Thanks to Reading First, teachers from kindergarten through grade three are being trained to implement high-quality, scientifically based reading programs.

**Efforts To Improve High Schools.** In this global economy, it is critical that high schools succeed in preparing students to enter college or the workforce with the skills they need to succeed. According to ACT, formerly known as American College Testing, a nonprofit organization offering educational and workplace measurement and research services, less than half of America's high school graduates are prepared for college-level math and science.

Rigorous coursework in high school is critical to ensuring that students are learning the skills they need to compete in the global economy. Low-income students who complete a rigorous program of study in high school are eligible for a federal Academic Competitiveness Grant (ACG) to help with college costs. The ACG program provides additional grant aid to low-income first- and second-year college students who complete a rigorous program of study in high school.

The goal is to increase academic rigor and the number of students who may receive ACG grants by making Advanced Placement and International Baccalaureate classes available to more students and by training teachers to lead them.





**School Choice.** Expanding educational options for parents is one of the hallmarks of the *No Child Left Behind Act*. Under *No Child Left Behind*, children in schools in need of improvement must be given the opportunity to transfer to other public schools in their district, including public charter schools, and school districts are required to tell parents about this option and pay transportation to the other schools.

Also, under *No Child Left Behind*, children from low-income families

who attend schools in need of improvement for two or more consecutive years are given the opportunity to receive free supplemental educational services such as tutoring from a variety of state-approved providers.



As of May 2007, 3,234 providers were approved by states to offer supplemental services. During the 2005–06 school year, more than 500,000 students took advantage of the supplemental services option.

In 2007, more than a million students in 40 states and the District of Columbia are being educated in more than 4,000 charter schools, according to data gathered by the National Alliance for Public Charter Schools and the Center for Education Reform. More families are making choices about what school to attend.

In addition, the Credit Enhancement for Charter School Facilities Program supports competitive grants to public and nonprofit entities to help charter schools finance their facilities; the Magnet Schools Program provides distinctive educational programs that attract diverse student populations; and the Voluntary Public School Choice Program offers grants to states and school districts to establish or expand innovative public school choice programs.

**Higher Education.** In September 2005, the Secretary announced the formation of a Commission on the Future of Higher Education to develop a comprehensive national strategy for postsecondary education to meet the needs of America's diverse population and to address the economic and workforce needs of the

country's future. An Action Plan was developed to implement the commission's findings. Implementation of the Secretary's Action Plan is designed to improve higher education's performance and make higher education more accessible, affordable, and accountable to students, parents, and taxpayers. Access to American higher education is limited by inadequate preparation, lack of information about college opportunities, and persistent financial barriers.



While about 34 percent of white adults have obtained bachelor's degrees by age 25–29, the same was true for just 18 percent of African American adults and 10 percent of Hispanic adults in the same age group according to the Commission on the Future of Higher Education. More than 60 percent of the U.S. population between the ages of 25 and 64 has no postsecondary education.

Access to Retain Talent Grants are available to students who maintain good grades and plan to major in math, science, technology, engineering, or a critical foreign language. In March 2007, Secretary Spellings unveiled a new online tool to help students and families financially prepare and plan for college before a student's senior year of high school—the FAFSA4caster. The tool gives students an early estimate of their eligibility for federal financial aid.

While funding for Pell Grants has increased nearly 50 percent over the past five years, the U.S. college graduation rate has fallen to 12th among major industrialized countries according to the Organization for Economic Cooperation and Development. Nearly half of all undergraduates received some federal financial aid in 2003–04, up from 40 percent in 2000–01.

## **Hurricane Relief**

The federal commitment to the people of the Gulf Coast for recovery and rebuilding totaled more than \$110 billion, including nearly \$2 billion in federal education support under the *Hurricane Education Recovery Act*.

As part of the effort to assist students from Louisiana, Mississippi, Alabama, Texas, Florida, and elsewhere to sustain educational efforts in the aftermath of Hurricanes Katrina and Rita, the Secretary launched the 2007 Gulf Coast Summer Reading Initiative, which involved the distribution of 500,000 new books donated by Scholastic, Inc.

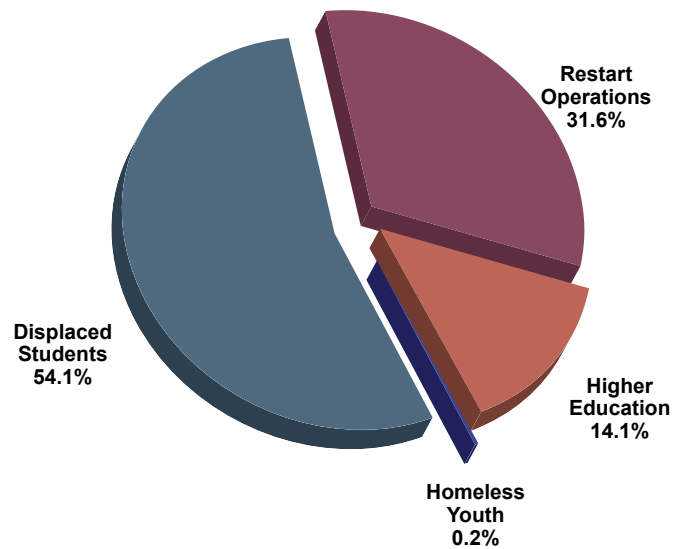


This initiative was a part of a yearlong Gulf Coast book distribution effort created by the Department and the nonprofit organization First Book and was designed to help replenish reading materials in the schools and communities devastated by the hurricanes. Overall 1.15 million books were distributed in the last year. The 2007 Gulf Coast Reading Initiative continues the Department's strong record of aid and support to children whose lives and educations were disrupted by the 2005 hurricanes.

As of September 30, 2007, \$61 million in foreign aid has been obligated from the earmarked funds to assist in the relief and recovery efforts, and \$22 million has been expended.

As of September 30, 2007, a total of \$1.9 billion had been obligated for Hurricane Relief, of which \$1.6 billion had been expended. Out of the \$750 million obligated for the Immediate Aid to Restart School Operations, \$492 million had been expended, and of the \$878 million obligated for the Emergency Impact Aid for Displaced Students program, \$842 million had been expended. For Higher Education, of the \$280 million obligated, \$220 million had been expended, and for Homeless Youth, of the \$5 million obligated, \$3 million had been expended, while zero funds out of the \$30 million obligated for Special Compensation for Education Personnel had been expended.

### Expended Funds for Hurricane Relief



## Civil Rights Enforcement

The enforcement of civil rights laws drives student outcomes by ensuring that discrimination does not deny or limit student access to education programs and activities at any educational level. The Department of Education enforces five civil rights laws that protect students against discrimination on the basis of race, color, national origin, sex, disability, and age, primarily in educational institutions that receive federal financial assistance from the Department.

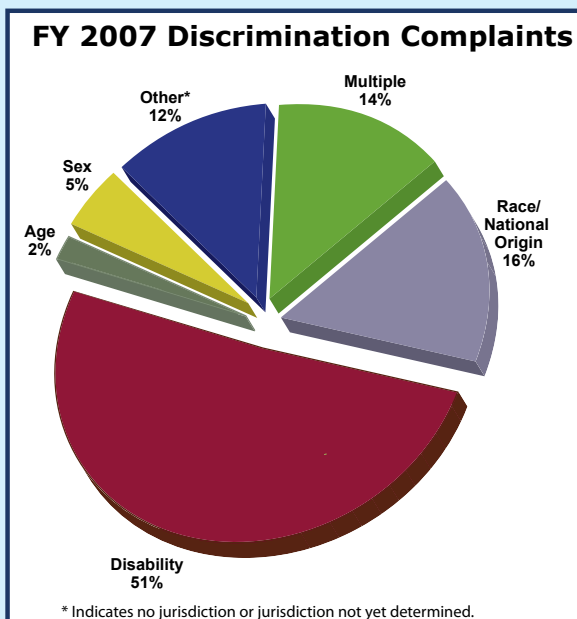


In addition, the Department ensures that the Boy Scouts of America and other designated youth groups have equal access to meet in elementary and secondary schools that receive funds through the Department. These anti-discrimination laws protect more than 49 million students attending public elementary and secondary schools and more than 17.9 million students attending both public and private colleges and universities.

The Office for Civil Rights (OCR), an enforcement agency within the Department, performs the Department's civil rights enforcement responsibilities in a variety of ways, including investigating complaints alleging discrimination, conducting compliance reviews in educational institutions, and providing technical assistance to educational institutions on how to comply with the law and to parents and students on their rights under the law.

The Department also issues regulations on civil rights laws, develops policy guidance interpreting the laws, and distributes the information broadly. In FY 2007, the Department received 5,894 complaints of discrimination and resolved 5,737. The goal of each investigation is to address the alleged discrimination promptly and to determine if civil rights laws and regulations have been violated. The majority of complaints received by the Department allege discrimination due to disability.

The Department's technical assistance deliveries take many forms, from responding to ad hoc phone calls to delivering formal presentations. Through OCR's Internet site, <http://www.ed.gov/about/offices/list/ocr/index.html?src=oc>, the Department provides a wealth of civil rights information, including publications and policy guidance that can be used by educational institutions to assess their own compliance and by students and parents to understand their rights. OCR's site also offers an online complaint form, <http://www.ed.gov/about/offices/list/ocr/complaintintro.html>.





## Data Quality

Complete, accurate, and reliable data are essential for effective decision-making. State and local educational agencies have historically provided education performance data that do not fully meet information quality standards. Given the requirements of the *No Child Left Behind Act*, accuracy of state and local educational performance data is even more crucial. Funding decisions are made and management actions are taken on the basis of this performance information. Through data management, the Department also develops and uses data to strengthen internal controls.

A prerequisite for data quality is data standardization. The Department is collaborating with state educational agencies and industry partners to provide a centralized tool for collection, access, and use of timely and accurate performance data in support of *No Child Left Behind* and to minimize burden on state educational agencies. The Department data quality program focuses on two goals: external quality or data collection at the school, district, and state levels, and internal validity or data submitted by state educational agencies to be validated through expert review.

**External Quality.** Standardization of data as they are collected by school districts, reported to state educational agencies, aggregated by states, and reported to the Department is the first critical step in collection and reporting of high-quality data. The Department is working with the Data Quality Campaign and the National Forum on Education Statistics to help state educational agencies implement, by 2009, high-quality, longitudinal data systems that include a state data audit system assessing data quality, validity, and reliability. The goals of the campaign are to help states implement quality longitudinal data systems and to improve student achievement. The goal of the National Forum on Education Statistics, sponsored by the National Center for Education Statistics, is to improve the quality, comparability, and usefulness of elementary and secondary education data while remaining sensitive to data burden concerns.

**Internal Validity.** The Department is taking steps to improve the quality and reliability of data. In 2004, the Department launched the Performance-Based Data Management Initiative to streamline existing data collection efforts and information management processes. The resulting Education Data Exchange Network (EDEN) provides state educational agencies and the federal government with the ability to transfer and analyze information about education programs. The implementation of *EDFacts*, an initiative designed to collect and use K–12 state performance data, will help to reduce the reporting burden on state and local educational agencies, resulting in an improvement in the timeliness of data submitted to the Department.

**Data Management.** One of the most visible areas in which this occurs is the annual budget development process. One goal of the Department is to use program performance data to formulate and execute the Department's budget, fulfilling a government-wide element of the *President's Management Agenda*. Additionally, Federal Student Aid is improving information technology, data, and management systems to yield reliable performance data to make informed budget and policy decisions. Finally, the Department produces financial data for submission to Congress, OMB, and other federal authorities as mandated in the *Government Performance and Results Act of 1993*. The data quality processes for financial data are reflected in our audit report and management's internal controls over financial reporting.



**NoChild**  
LeftBehind



## FINANCIAL HIGHLIGHTS

## 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 sixth consecutive year, we 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. In accordance with OMB’s Circular No. A-123, *Management’s Responsibility for Internal Control*, the Department continues to test and evaluate findings and risk determinations uncovered in management’s internal control assessment.

### Financial Summary

(Dollars in Millions)

At End of Year	% Change 2007 / 2006	FY2007	FY2006	FY2005	FY2004
<b>Condensed Balance Sheet Data</b>					
Fund Balance with Treasury	- 9%	\$ 97,532	\$ 107,053	\$ 77,569	\$ 66,371
Credit Program Receivables	+ 9%	115,904	106,728	107,937	104,966
Accounts Receivable	+ 20%	53	44	141	155
Other	+ 93%	1,149	596	920	1,117
<b>*Total Assets</b>	-	<b>\$ 214,638</b>	<b>\$ 214,421</b>	<b>\$ 186,567</b>	<b>\$ 172,609</b>
Debt	- 1%	\$ 104,287	\$ 105,677	\$ 104,597	\$ 96,649
Other Intragovernmental Liabilities	+ 9%	6,746	6,182	6,146	6,051
Liabilities for Loan Guarantees	- 3%	50,874	52,453	30,611	23,329
Other Liabilities	- 5%	3,150	3,299	2,371	2,246
<b>Total Liabilities</b>	- 2%	<b>165,057</b>	<b>167,611</b>	<b>143,725</b>	<b>128,275</b>
*Unexpended Appropriations	-	52,047	51,812	47,288	47,285
Cumulative Results of Operations	- 51%	(2,466)	(5,002)	(4,446)	(2,951)
<b>Total Net Position</b>	+ 6%	<b>49,581</b>	<b>46,810</b>	<b>42,842</b>	<b>44,334</b>
<b>*Total Liabilities and Net Position</b>	-	<b>\$ 214,638</b>	<b>\$ 214,421</b>	<b>\$ 186,567</b>	<b>\$ 172,609</b>

For the Year	% Change 2007 / 2006	FY2007	FY2006	FY2005	FY2004
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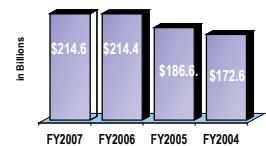
<b>Statement of Net Cost</b>					
Total Cost	- 31%	\$ 72,316	\$ 104,699	\$ 82,204	\$ 70,187
Earned Revenue	+ 2%	(8,032)	(7,870)	(6,965)	(6,564)
<b>Total Net Cost of Operations</b>	- 34%	<b>\$ 64,284</b>	<b>\$ 96,829</b>	<b>\$ 75,239</b>	<b>\$ 63,623</b>

<b>Net Cost by Strategic Goal</b>					
Goal 2 Improve Student Achievement	- 2%	\$ 36,838	\$ 37,700	\$ 36,415	\$ 32,687
Goal 3 Develop Safe and Drug-Free Schools	- 13%	740	849	877	756
Goal 4 Transform Education into Evidence Based Field	- 13%	367	422	442	467
Goal 5 Enhance Quality of and Access to Postsecondary and Adult Education	- 55%	25,799	57,303	36,940	29,713
Goal 6 Management Excellence <sup>1</sup>	- 3%	540	555	565	-
	- 34%	<b>\$ 64,284</b>	<b>\$ 96,829</b>	<b>\$ 75,239</b>	<b>\$ 63,623</b>

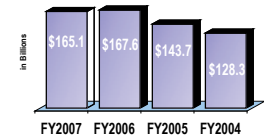
<b>Net Cost Percentages by Strategic Goal</b>					
Goal 2 Improve Student Achievement	+ 47%	57.31%	38.90%	48.40%	51.38%
Goal 3 Develop Safe and Drug-Free Schools	+ 31%	1.15%	0.88%	1.17%	1.19%
Goal 4 Transform Education into Evidence Based Field	+ 30%	0.57%	0.44%	0.59%	0.73%
Goal 5 Enhance Quality of and Access to Postsecondary and Adult Education	- 32%	40.13%	59.18%	49.09%	46.70%
Goal 6 Management Excellence <sup>1</sup>	+ 40%	0.84%	0.60%	0.75%	N/A

<sup>1</sup> Percentage changes less than 1% are not presented in this summary.  
<sup>1</sup> In FY04 Goal 6 was not included in this summary.

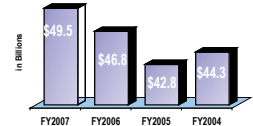
**Total Assets**



**Total Liabilities**

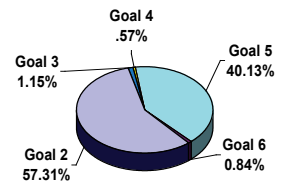


**Net Position**

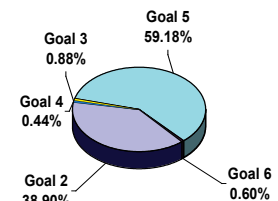


**Net Cost by Strategic Goal**

**FY 2007**



**FY 2006**



## Sources of Funds

The Department managed a budget in excess of \$67 billion during FY 2007, of which 54 percent supported elementary and secondary education grant programs.

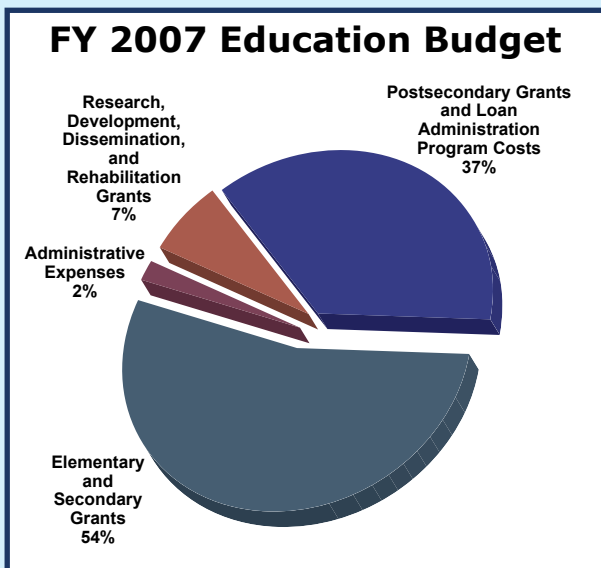
Postsecondary education grants and administration of student financial assistance accounted for 37 percent, including loan programs costs that helped more than 10 million students and their parents to better afford higher education during FY 2007. An additional 7 percent went toward programs and grants encompassing research, development, and dissemination, as well as vocational rehabilitation services. Administrative expenditures were 2 percent of the Department's appropriations.

Nearly all of the Department's non-administrative appropriations support three primary lines of business: grants, guaranteed loans, and direct loans. The original principal balances of the FFEL Program and Federal Direct Student Loan Program loans, which comprise a large share of federal student financial assistance, are funded by commercial bank guarantees and borrowings from the Treasury, respectively.

The Department's three largest grant programs are Title I grants for elementary and secondary education, Pell Grants for postsecondary financial aid, and Special Education Grants to States under the *Individuals with Disabilities Education Act*. Each of these programs' FY 2007 appropriations exceeded \$10 billion.

The FFEL Program ensures that the loan capital for approximately 3,200 private lenders is available to students and their families. Through 35 active state and private nonprofit Guaranty Agencies, the Department administers the federal loan guarantee program to protect lenders against losses related to borrower default. As of the end of September 2007, the total principal balance of outstanding guaranteed loans held by lenders was approximately \$363 billion. The government's estimated maximum exposure for defaulted loans was approximately \$359 billion.

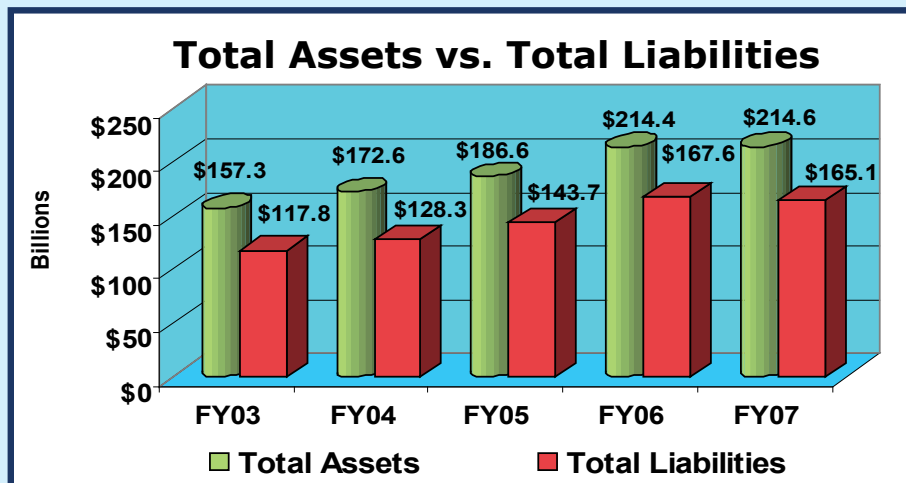
The William D. Ford Direct Student Loan Program, created by the *Student Loan Reform Act of 1993*, provides an alternative method for delivering assistance to students. This program uses Treasury funds to provide loan capital directly to postsecondary schools. These schools then disburse loan funds to students. As of September 30, 2007, the value of the Department's direct loan portfolio was \$99 billion.



## Financial Position

The Department's financial statements are prepared in accordance with established federal accounting standards and are audited by the independent accounting firm of Ernst & Young, LLP. Financial statements and footnotes for FY 2007 are contained in the full *Performance and Accountability Report* in the attached CD. Beginning in FY 2007, the Statement of Financing is no longer required as a separate financial statement under OMB Circular No. A-136, *Financial Reporting Requirements*, revised as of June 29, 2007. An analysis of the principal financial statements follows.

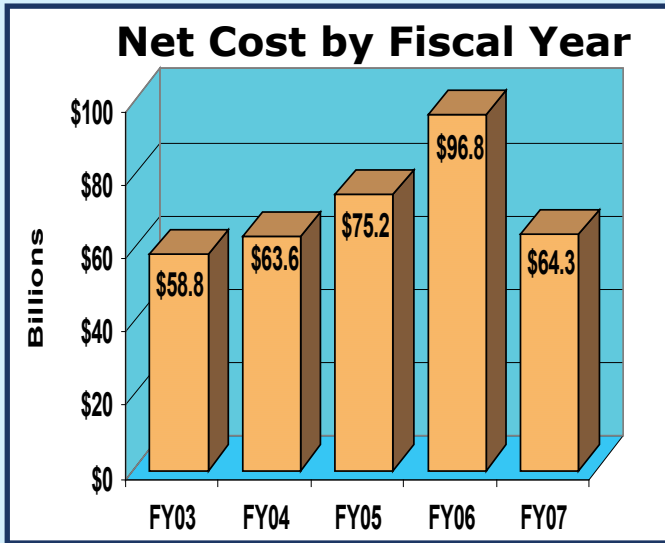
**Balance Sheet.** The Balance Sheet presents, as of a specific point in time, the recorded value of assets and liabilities retained or managed by the Department. The difference between assets and liabilities represents the net position of the Department. The Balance Sheet reflects total assets of \$214.6 billion, a less than 1 percent increase over FY 2006. Fund Balance with the Treasury decreased by 9 percent from FY 2006. This decrease is attributable to a reduction of Direct Loan originations and borrowings from the Treasury due to reduced loan consolidation volumes. Credit Program Receivables increased by \$9.2 billion, a 9 percent increase over FY 2006. The majority of this loan portfolio is principal and interest owed by students on direct loans. The remaining balance is related to defaulted guaranteed loans purchased from lenders under terms of the FFEL Program. The net portfolio for direct loans increased by over \$6 billion, while FFEL Program loans increased by \$3 billion during FY 2007. Total Liabilities for the Department decreased by 2 percent primarily due to a decrease in direct loan borrowings during FY 2007. Debt for the Department decreased \$1.4 billion during FY 2007 primarily due to the decrease in direct loan disbursement volume. Liabilities for Loan Guarantees for the FFEL Program decreased \$1.6 billion due primarily to a decrease in loan consolidation volume during the year. These liabilities present the estimated costs, on a present-value basis, of the net long-term cash outflows due to loan defaults net of offsetting fees. Loan guarantees encourage private lenders to provide student education loans.



The Department's Net Position as of September 30, 2007 was \$49.6 billion, a \$2.8 billion increase over the \$46.8 billion Net Position as of September 30, 2006.

**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 as reflected on the Statement of Net Cost were \$64.3 billion, a 34 percent decrease from FY 2006.



The decrease largely occurred for programs in support of the Enhancement of Postsecondary and Adult Education goal, which experienced a 57 percent decrease in costs from FY 2006. This decrease is largely attributed to a decrease in upward re-estimates and subsidy transfers due to decreased loan consolidation activity during the year. The Statement of Net Cost is presented to be consistent with the Department's strategic goals and the *President's Management Agenda*.

Net Cost Program	Goal No.	Strategic Goal
Enhancement of Postsecondary and Adult Education	5	Enhance the Quality of and Access to Postsecondary and Adult Education
Creation of Student Achievement, Culture of Achievement and Safe Schools	2	Improve Student Achievement
	3	Develop Safe and Drug-Free Schools
Transformation of Education	4	Transform Education into an Evidence-Based Field
Special Education and Program Execution		Cuts across Strategic Goals 2, 3, 4, and 5

**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 \$168.3 billion in total budgetary resources for the year ended September 30, 2007. These budgetary resources were composed of \$80.8 billion in appropriated budgetary resources and \$87.5 billion in non-budgetary credit reform resources, which primarily consist of borrowing authority for the loan programs. Of the \$42.4 billion that remained unobligated at year end, \$39 billion represents funding provided in advance for activities in future periods that was not available at year end. These funds will become available during the next, or future, fiscal years.



## President's Management Agenda Scorecard Results

Under the *President's Management Agenda*, the Executive Branch Management Scorecards track how well cabinet departments and major agencies are executing five governmentwide initiatives and other agency-specific program initiatives.

**Status.** Scores for "status" are based on the scorecard standards for success developed by the President's Management Council and discussed with experts throughout government and academe, including the National Academy of Public Administration. The standards have subsequently been refined with continued experience implementing the *President's Management Agenda*. Under each of these standards, an agency is "green" or "yellow" if it meets all of the standards for a given level of success identified and agreed upon by the agency and the Office of Management and Budget; it is "red" if it has any one of a number of serious flaws identified for the agency.

**Progress.** OMB and Budget assess "progress" on a case-by-case basis against the agreed-upon deliverables and time lines established for the five initiatives as follows: "green" represents that implementation is proceeding according to plan; "yellow" indicates there is some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis; and "red" indicates the initiative is in serious jeopardy and the agency is unlikely to realize objectives absent significant management intervention.

**Department of Education Results.** During FY 2007 the Department maintained "green" on progress for seven out of eight target initiatives by making sufficient progress on its quarterly scorecard deliverables. e-Government experienced a downgrade to "yellow" due to a decrease in the percentage of secured information technology systems from 90 percent in FY 2006 to 88 percent in 2007. The Department received an upgrade from "yellow" to "green" for progress under Improved Credit Management based on the improved communications between management and OMB regarding various issues affecting the loans programs.

<b>President's Management Agenda FY 2007 Scorecard</b>					
		<b>Q4-2007</b>		<b>Q4-2006</b>	
<b>Target Area</b>		<b>Status</b>	<b>Progress</b>	<b>Status</b>	<b>Progress</b>
<b>Government-wide Initiatives</b>	Financial Performance	G	G	G	G
	Competitive Sourcing	G	G	G	G
	Human Capital	Y	G	Y	G
	e-Government	Y-	Y-	G	G
	Performance Improvement	G	G	G	G
<b>Program Initiatives</b>	Faith-Based and Community Initiatives	G	G	G	G
	Eliminating Improper Payments	Y	G	Y	G
	Improved Credit Management (New Initiative in FY 2006)	R	G+	R	Y
G = green    Y = yellow    R = red    NA = not applicable					

## Future Initiatives and Management Challenges

The Department's management challenges and future initiatives will involve the enhancement of the Department's governance process. This process will be based on accountability with a central focus on risk management and compliance. Numerous federal regulations have increased the pressure on government entities to measure and mitigate risks involving financial loss, as well as damage to the entities' reputations.

To continue the development and implementation of risk management throughout the Department, senior management recently established the **Risk Management Service (RMS)** in the Office of the Secretary. The RMS is responsible for identifying risks and taking effective actions to manage and mitigate risks that may adversely affect the advancement of the Department's mission.

The RMS, in collaboration with the Department's program offices and contractors, will identify common risk factors that have the potential to affect grantee performance and will develop a systemic, risk-based approach to monitoring grant compliance and performance. Responsibilities of the RMS include developing risk analysis strategies, ensuring that each office in the Department has an effective risk identification and management strategy, and supporting grant-making offices in developing annual grant monitoring plans that incorporate a risk management approach.

The Department will use risk analysis to make more timely and informed management decisions, including actions needed to mitigate grantee risks, resulting in reduced audit findings and reduced potential for misuse of Department funds. In addition, it will permit the Department to make determinations regarding the most effective use of its resources, both staffing and funding, for oversight and monitoring by targeting assistance to those grant programs and grantees that present the highest levels of risk.

## Grant Management

To improve grant processing through enhanced user communications, increased program performance monitoring, and the ability to link grant dollars to results and to take advantage of the most current technology, the Department is currently developing a new grant management tool called G5.

The potential value of such a tool has recently increased, as the Department has been selected to serve as one of three federal governmentwide Grants Management Line of Business Consortia Leads. With this new responsibility comes the need to enable a wide range of grant management functionalities and technical capabilities for a broad spectrum of grantors.

The new G5 solution is designed to provide such capabilities by addressing more than 1,200 specific functional requirements, developed by grant program managers, Departmental staff, and grant award recipients. G5 will be implemented in three phases, with the first phase scheduled for implementation in the first quarter of FY 2008. Phase 1 will address the payment functionality of the grant management process and encompass approximately 200 unique functional requirements.

## Credit Reform Management

President Bush signed the *College Cost Reduction and Access Act of 2007* (PL 110-84) into law on September 27, 2007. It provides additional federal aid to college students, reduces federal subsidies to private loan companies, and increases Pell Grant funding by \$11.4 billion over five years.

The act gradually reduces interest rates on subsidized loans for low-income students, provides loan forgiveness for those who have served in public jobs for 10 years, and caps payments on federal loans at a certain percentage of a college graduate's income.

These measures may contribute to a further decline in the national student loan cohort default rate, which declined to 4.6 percent for the FY 2005 cohort from a rate of 5.1 percent from the previous year.

## Management Challenges Identified by the Inspector General

Other current and future management challenges include those identified by the Office of Inspector General in the annual report to improve Departmental efficiencies. The recommendations include improving oversight and management of programs by establishing and maintaining appropriate internal control accountability, strengthening management of student financial assistance programs, improving performance monitoring of contracted services, human capital planning, and managing data quality and information security.

## Department Response

**Promoting student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access** is our mission. Achieving management excellence is the foundation on which we are able to accomplish this mission. Department management made great strides in improving the nation's educational opportunities through data collection and reporting strategies. Producing accurate, timely, and reliable financial reports and taking steps to strengthen the information security program enable the Department to execute its mission effectively.

The Department acknowledges the challenges it faces. By focusing on human capital management and further integrating performance and financial information the Department will continue to ensure access to and excellence in the nation's educational system.

**Accountability.** To improve accountability and operation, the Department has mandated internal controls training for all managers, reduced improper payments, and institutionalized risk management principles. In addition, the Department has addressed weaknesses in two programs, Reading First and Migrant Education. For Reading First, the Secretary put new leadership in place to coordinate the program and worked with the states to identify possible issues or concerns the states may have had with the implementation of the program. With the Migrant Education Program, the Department proposed short-

term steps to immediately prevent and detect over-counting of ineligible children, and long-term steps, including options for Congress to consider to ensure that only eligible migrant children are served by the program and that migrant children are accurately counted for funding purposes.

**Student Financial Assistance Programs and Operations.** Federal Student Aid (FSA) has established controls over lender billings to ensure that only FFEL Program loans made and acquired with funds derived from tax-exempt financing sources acquire eligibility for special allowance payments at the 9.5 percent minimum return rate. In April 2007, Secretary Spellings convened a task force to ensure that borrowers have more choice and that there is transparency throughout the college application and enrollment process. The task force recommended new regulations to ensure every borrower has the right to choose any lender and to prohibit institutions of higher education from favoring some lenders over others. Proposed rules addressing inducements and preferred lender lists were published, and final rules were released at the end of 2007. In addition, the Secretary issued a Dear Colleague letter on August 9, 2007 urging schools and lenders to begin to incorporate the principles of the new regulations into their institutional practices as soon as possible.

**Information Security and Management.** The *Federal Information Security Management Act* requires each federal agency to develop, document, and implement an agency-wide program to provide information security, including security for information and systems managed by another agencies or contractors. The Department continues its efforts in response to security challenges. Among recent actions:

- Acquiring a security technology and services contract that intends to provide independent verification and validation of security operations.
- Developing an impartial scoring and evaluation process for investments.
- Establishing an initial framework to codify, measure, and report specific actions project managers are accountable for performing.
- Expanding membership in Department-level decision-making entities, the Investment Review Board, and the Planning and Investment Review Working Group, to include more stakeholders.
- Strengthening individual business cases to make investments more transparent to and clearly understood by decision-makers within the Department and OMB, and to map proposed investments to the agencywide enterprise architecture.



**Human Capital.** The Department reports significant progress to address human capital management and human resources services in FY 2007, including:

- In support of the President's Management Agenda for Human Capital during Proud-To-Be IV year (July 1, 2006–June 30, 2007), the Department maintained “yellow” overall status but was able to achieve “green” progress in two of the four quarters of the scoring cycle. Ending the last Proud-to-Be cycle with “green” progress was largely achieved by increased senior management focus on human capital management.



- The Department's Organizational Assessment is the primary performance management process affecting the principal offices. The Organizational Assessment includes human capital metrics that relate to the effectiveness of the Department's investment in employees and the work environment.

- The human capital metrics help to ensure that positions are filled within the timeframe established for principal

offices, leadership development training is attended to close competency gaps, and performance plans are established and performance appraisals completed in accordance with the Department's policy to support a results-oriented performance culture.

- The Department's Succession Management Plan and Human Capital Accountability System increase management focus on achieving quarterly human capital commitments and on obtaining the Office of Personnel Management's approval of the Department's strategies to ensure there is a continuous pipeline of leaders in the Department to address the Department's workforce and succession planning issues. The accountability system provides the Department with a consistent means to monitor and analyze all aspects of human capital management policies, programs, and activities in support of the mission.
- The Department's Human Capital Metric Plan and FY 2008 Workforce Plan are under review by the Office of Personnel Management. The Human Capital Metric Plan has been updated to align with the Department's 2007–12 Strategic Plan and the Workforce Plan, which identifies FY 2008 human capital needs. Both plans will be used as tools to drive mission success by ensuring the Department attracts, hires, and retains a diverse, high-quality workforce that demonstrates results. It is anticipated both plans will be finalized in early FY 2008.

## Integration of Performance and Financial Information

The Department's emphasis on sound financial practices, performance results, and the accountability of its programs reflect its responsiveness to the effective use of taxpayer dollars. The Department works to align the performance of its programs with its budget requests and to strengthen the link between financial investments and program quality.

**The Program Assessment Rating Tool.** Since 2002, OMB has required federal agencies to assess the quality of government programs using the Program Assessment Rating Tool (PART). OMB uses this assessment across federal agencies to gauge the effectiveness of funded programs, ensure they meet statutory requirements, and demonstrate accountability for the federal expenditure.

PART assessments provide information that is used to establish funding priorities for budget justifications and submissions. Each program receives numeric scores for program purpose and design, strategic planning, program management, and program results. Once a program has undergone the PART process, the Department implements follow-up actions based on PART recommendations to improve program quality. The PART is particularly useful to ensure that resources are targeted toward those programs and activities most likely to achieve positive results.

The Department will continue to invest in programs receiving a PART rating of Effective, Moderately Effective, or Adequate, while programs rated Ineffective will be proposed for elimination or reform. For programs rated Results Not Demonstrated, the Department may support continued funding if the programs are likely to demonstrate results in the future and are not duplicative of other programs.

In 2007, the Department assessed a total of 8 programs, of which 4 were reassessments, bringing the total number of programs assessed using the PART since 2002 to 93, including 2 programs that are no longer funded. Programs representing 98 percent of the Department's FY 2007 budget authority for programs subject to the PART have now undergone PART review.

**Integrating Performance With Budget Submissions.** The Department combines its annual performance plan and annual budget to create an annual performance budget and has identified significant program-based measures that reflect the Department's strategic goals.

**The Department Faces Particular Challenges Linking the Performance of its Programs to Funding Expenditures.** The Department's challenge of linking performance results, expenditures, and budget is complicated by the fact that more than 98 percent of the Department's funding is disbursed through grants and loans in which only a portion of a given fiscal year's appropriation is available to state, school, organization, and 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 the subsequent year.

Funds for competitive grant programs are generally available when appropriations are passed by the Congress. However, the processes required for conducting the grant competitions often result in the award of grants near the end of the fiscal year with funding available to grantees for additional fiscal years. Thus, the results presented in this report cannot be attributed solely to the actions taken related to FY 2007 funds but to a combination of funds from FY 2005 through 2007. Further, the results of some education programs may not be apparent for several years after the funds are expended. Although program results cannot be directly linked to a particular fiscal year's funding, for the purpose of this report, performance results during specific fiscal years will serve as proxies.

The entire program performance report required under the *Government Performance and Results Act of 1993* is available at <http://www.ed.gov/about/reports/annual/2007report/program.html>.



## Required Supplementary Stewardship Information

### Stewardship Expenses

In the Department of Education, discretionary spending constitutes approximately 85 percent of the budget and includes nearly all programs, the major exceptions being student loans and rehabilitative services. Although spending for entitlement programs is usually a function of the authorizing statutes creating the programs and is not generally affected by appropriations laws, spending for discretionary programs is decided in the annual appropriations process. Most Department programs are discretionary.

Education in the United States is primarily a state and local responsibility. States, communities, and public and private organizations establish schools and colleges, develop curricula, and determine requirements for enrollment and graduation. The structure of education finance in America reflects this predominantly state and local role. It is estimated that roughly \$1 trillion will be spent nationwide on education at all levels for the school year 2007–08, with Department of Education expenditures, as well as loans and other aid made available as a result of the Department's student financial aid programs. The Department's FY 2007 appropriations of more than \$67 billion represent about 2.4 percent of the federal government's \$2.8 trillion FY 2007 budget. The federal contribution includes education expenditures not only from the Department of Education, but also from other federal agencies such as the Department of Health and Human Services' Head Start Program and the Department of Agriculture's School Lunch Program.

### Investment in Human Capital

**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 loans, and work-study funding to eligible undergraduate and graduate students.

**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 the maintenance and improvement of preschool, elementary, and secondary education. Financial assistance programs support services for children in high-poverty schools, institutions for neglected and delinquent children, homeless children, certain Native American children, children of migrant families, and children who live on or whose parents work on federal property. Funding is also provided to increase the academic achievement of students by ensuring that all teachers are highly qualified to teach.

**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 special grants designed to raise student achievement by improving teachers' knowledge and understanding of and appreciation for traditional U.S. history.

**Office of Special Education and Rehabilitative Services.** The Office of Special Education and Rehabilitative Services supports state and local programs that assist in educating children, youth, and adults with special needs to increase their level of employment, productivity, independence, and integration into the community. Funding is also provided for research to improve the quality of their lives.

**Office of Safe and Drug-Free Schools.** The Office of Safe and Drug-Free Schools supports efforts to create safe and violence-free schools, respond to crises, prevent drug and alcohol abuse, ensure the health and well-being of students, and teach students good citizenship and character. Special character and civic education initiatives are funded to reach those in state and local correctional institutions. Grants emphasize coordinated, collaborative responses to develop and maintain safe, disciplined, and drug-free learning environments.



**Institute of Education Sciences.** The Institute of Education Sciences compiles statistics; funds research, evaluations, and information dissemination; and provides research-based guidance to further evidence-based policy and practice focused on significant education problems. Research programs examine empirically the full range of issues facing children and individuals with disabilities, parents of children with disabilities, school personnel, and others. The National Library of Education is the largest federally funded library devoted entirely to education and provides reference and information services, collection and technical services, and resource sharing and cooperation.

**Office of English Language Acquisition.** The Office of English Language Acquisition directs programs designed to enable students with limited English proficiency to become proficient in English and meet state academic content and student achievement standards. Enhanced instructional opportunities are provided to children and youths of Native American, Alaska Native, Native Hawaiian, Pacific Islander, and immigrant backgrounds. Grants pay the federal share of the cost of model programs for the establishment, improvement, or expansion of foreign language study in elementary and secondary schools.

**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. The office ensures the equal access of minorities, women, individuals with disabilities, and disadvantaged persons to career and technical education and adult education and ensures that career and technical education students are held to the same challenging academic content and academic achievement standards established by the state under the *No Child Left Behind Act of 2001*. Funding is also provided to promote identification and dissemination of effective practice in raising student achievement in high schools, community colleges, and adult education programs, and lead targeted research investments.



**Office of Postsecondary Education.** The Office of Postsecondary Education provides grants to colleges and universities 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.

## Program Inputs

The Department currently administers programs affecting every area and level of education. In SY 2006–07 the Department’s elementary and secondary programs served an estimated 49.6 million public school students and 6.1 million private school students. Department programs also provide grant, loan, and work-study assistance to an estimated 18 million postsecondary students.

While the Department’s programs and responsibilities have grown substantially over the years, the Department itself has not. Since the *No Child Left Behind Act* was enacted in 2001, the Department’s current staff of approximately 4,073 has decreased 11 percent below the 4,566 employees who administered federal education programs in 2001. At the same time, the Department manages 40 percent more in funds in 2007 than it did in 2001 when its human capital investment was only \$38.7 billion. These staff reductions, along with a wide range of management improvements, have helped limit administrative costs to less than 2 percent of the Department’s budget, ensuring that the Department delivers about 98 cents on the dollar in education assistance to states, school districts, postsecondary institutions, and students.

### Summary of Human Capital Expenses

(Dollars in Millions)	2007	2006	2005	2004	2003
<b>Federal Student Aid Expense</b>					
Direct Loan Subsidy	\$ (499)	\$ 6,655	\$ 5,211	\$ (543)	\$ 4,716
Guaranteed Loan Subsidy	4,884	28,062	9,863	8,516	2,509
Grant Programs	15,092	15,447	15,070	14,943	13,836
Salaries and Administrative	173	172	164	186	179
<b>Subtotal</b>	<b>19,650</b>	<b>50,336</b>	<b>30,308</b>	<b>23,102</b>	<b>21,240</b>
<b>Other Departmental</b>					
Elementary and Secondary Education	21,199	21,710	22,940	21,188	19,493
Special Education and Rehabilitative Services	15,402	15,215	13,995	12,687	11,529
Other Departmental Programs	5,109	5,353	6,067	5,160	4,828
Salaries and Administrative	467	467	486	448	395
<b>Subtotal</b>	<b>42,177</b>	<b>42,745</b>	<b>43,488</b>	<b>39,483</b>	<b>36,245</b>
<b>Grand Total</b>	<b>\$ 61,827</b>	<b>\$ 93,081</b>	<b>\$ 73,796</b>	<b>\$ 62,585</b>	<b>\$ 57,485</b>

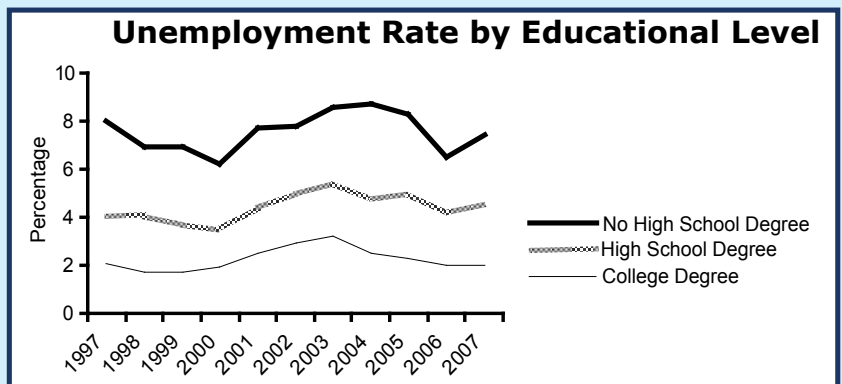
## Program Outcomes

Education is the stepping stone to higher living standards for American citizens, and it is vital to national economic growth. But education's contribution is more than increased productivity and incomes. Education improves health, promotes social change, and 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.

Returns, or benefits, of investing in education come in many forms. While some returns accrue for the individual, others benefit society and the nation in general. Returns related to the individual include higher earnings, better job opportunities, and jobs that are less sensitive to general economic conditions. Returns related to the economy

and society include reduced reliance on welfare subsidies, increased participation in civic activities, and greater productivity. Over time, the returns of developing skills through education have become evident. Statistics illustrate the rewards of completing high school and investing in postsecondary education.



**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 2007 unemployment rate for adults (25 years old and over) who had not completed high school was 7.4 percent, compared with 4.6 percent for those with four years of high school and 2.0 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 2007, the annualized median income for adults (25 years and over) varied considerably by education level. Men with a high school diploma earned \$36,244, compared with \$65,000 for men with a college degree. Women with a high school diploma earned \$26,624, compared with \$48,776 for women with a college degree. Men and women with college degrees earned 78 percent more than men and women with high school diplomas. Earnings for workers with college degrees have increased in the past year by 12.45 percent for women and 9.87 percent for men. These returns of investing in education directly translate into the advancement of the American economy as a whole.







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