



# U.S. Department of Education The FY 2009 Summary of Performance and Financial Information

**Our mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.**

**U.S. Department of Education**

Arne Duncan  
*Secretary*

**Office of the Chief Financial Officer**

Thomas Skelly  
*Delegated to Perform Functions of Chief Financial Officer*

February 15, 2010

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This report is available on the Department's Web site at <http://www.ed.gov/about/overview/focus/performance.html>.

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

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

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

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

Office of the Chief Financial Officer  
U.S. Department of Education  
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## FOREWORD

The United States Department of Education's (the Department's) *Summary of Performance and Financial Information* for fiscal year (FY) 2009 (*Summary*) provides highlights of the Department's performance and financial results and its stewardship over its financial resources to Congress, the President and the American people. Additionally, the report provides information about the Department's performance as an organization, its achievements and initiatives and its challenges.

The *Summary* is the third and final in a series of reports required under the Office of Management and Budget's Pilot Program for Alternative Approaches to Performance and Accountability Reporting. This is the first year that the Department has participated in this voluntary program. The Department's goal is to strengthen its annual reporting documents and to present more streamlined and timely information to clarify the relationship between performance results, budgetary resources and financial reporting in a more meaningful, transparent and easily understood format.

The Department's FY 2009 pilot annual reporting includes the following three components:

### **Agency Financial Report (AFR)** [published November 2009]

The AFR is organized into three major sections:

- The Management's Discussion and Analysis section provides executive-level information on the Department's history, mission, organization, key activities, analysis of financial statements, systems, controls and legal compliance, accomplishments for the fiscal year and management and performance challenges facing the Department.
- The Financial Details section provides a Message From the Chief Financial Officer, consolidated and combined financial statements, the Department's notes to the financial statements and the Report of the Independent Auditors.
- The Other Accompanying Information section provides *Improper Payments Information Act* reporting details and other statutory reporting requirements.

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

[published February 2010]

The APR is produced in conjunction with the FY 2011 Congressional Budget Justification and provides detailed performance information and descriptions of results by each key strategic performance measure.

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

[published February 2010]

This document provides an integrated overview of performance and financial information from the AFR and the APR in a user-friendly consolidated format.

All three reports, as well as complete budget information, are available on the Department's Web site at <http://www.ed.gov/about/overview/focus/performance.html>.





“Reforming public education is not just a moral obligation. It is an . . . economic imperative. It is the foundation of a strong future and a strong society.”

—Secretary Duncan

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“. . . the truest measure of a society’s worth is whether it offers all of our children the opportunity to go where they want to go, do what they want to do and fulfill their dreams. This is the promise of education . . . . This is the American promise.”

—Secretary Duncan



## INTRODUCTION

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.

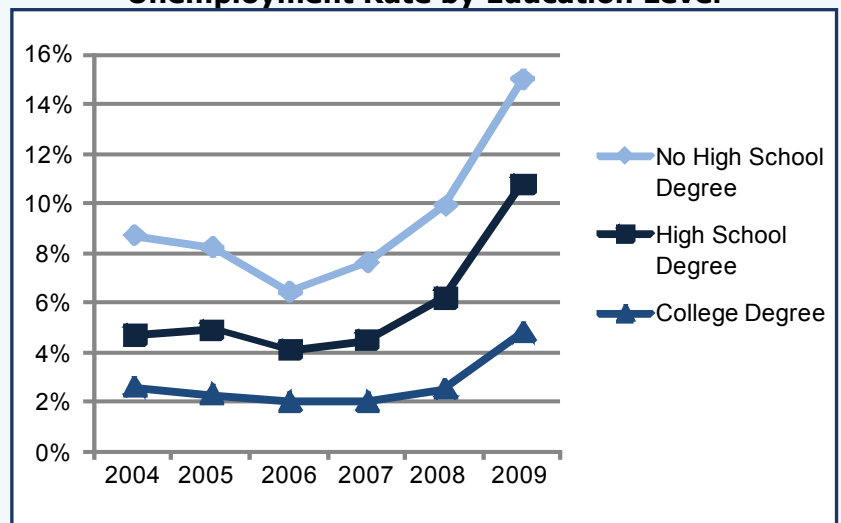
Economic outcomes, such as wage and salary levels, historically have been determined by the educational attainment of individuals and the skills employers expect of those entering the labor force. Both individuals and society as a whole have placed increased emphasis on educational attainment as the 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 2009 unemployment rate for adults (25 years old and over) who had not completed high school was 15.0 percent, compared with 10.8 percent for those with four years of high school and 4.8 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.

**Unemployment Rate by Education Level**



Bureau of Labor Statistics Current Population Survey: <http://www.bls.gov/webapps/legacy/cpsatab4.htm>

**Annual Income.** As of July 2009, the annualized median income for adults (25 years old and over) varied considerably by education level. Men with a high school diploma earned \$37,128, compared with \$69,524 for men with a college degree. Women with a high school diploma earned \$28,600, compared with \$50,596 for women with a college degree. Men and women with college degrees earned 81 percent more than men and women with high school diplomas. These returns of investing in education directly translate into the advancement of the American economy as a whole.





“Improving education is not just a moral obligation of society. It’s not just an economic imperative. It’s the civil rights issue of our generation—the only sure path out of poverty and the only way to achieve the vision of equality spelled out by our founders.”

—Secretary Duncan



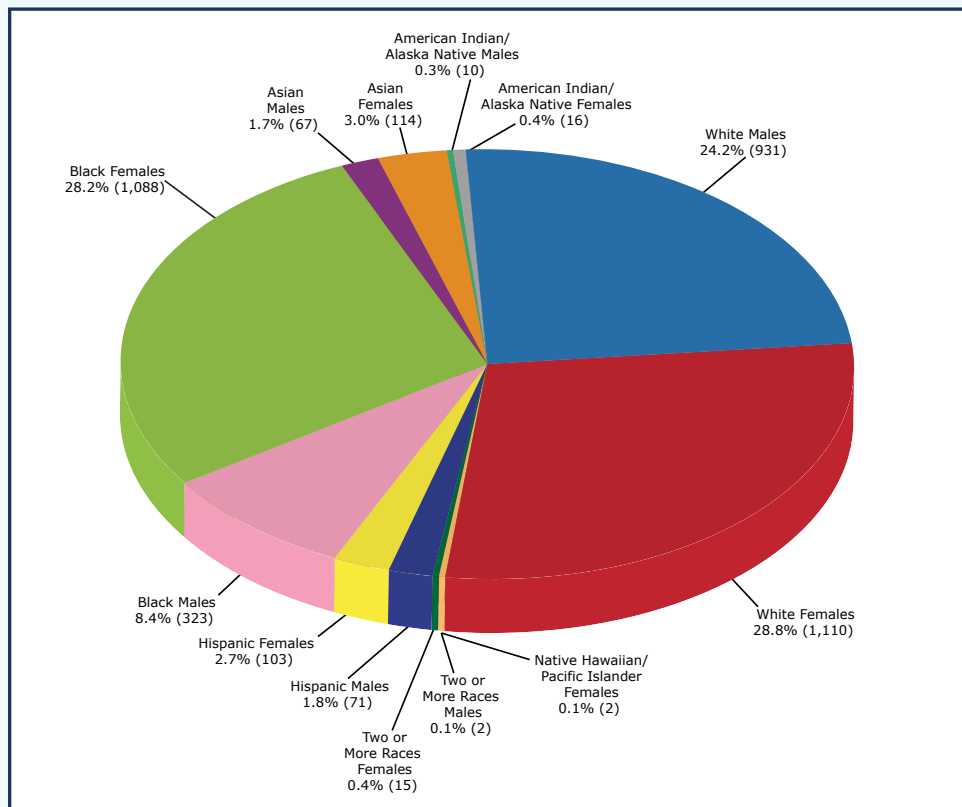
## WHO WE ARE: OUR ORGANIZATION AND WORKFORCE

### Department of Education Workforce Makeup

#### Department of Education Workforce Composition as of September 26, 2009

- Total Workforce = 4,225
- 3,852 Permanent Employees
- 373 Temporary Employees
- 62 percent (2,634) Female
- 38 percent (1,591) Male

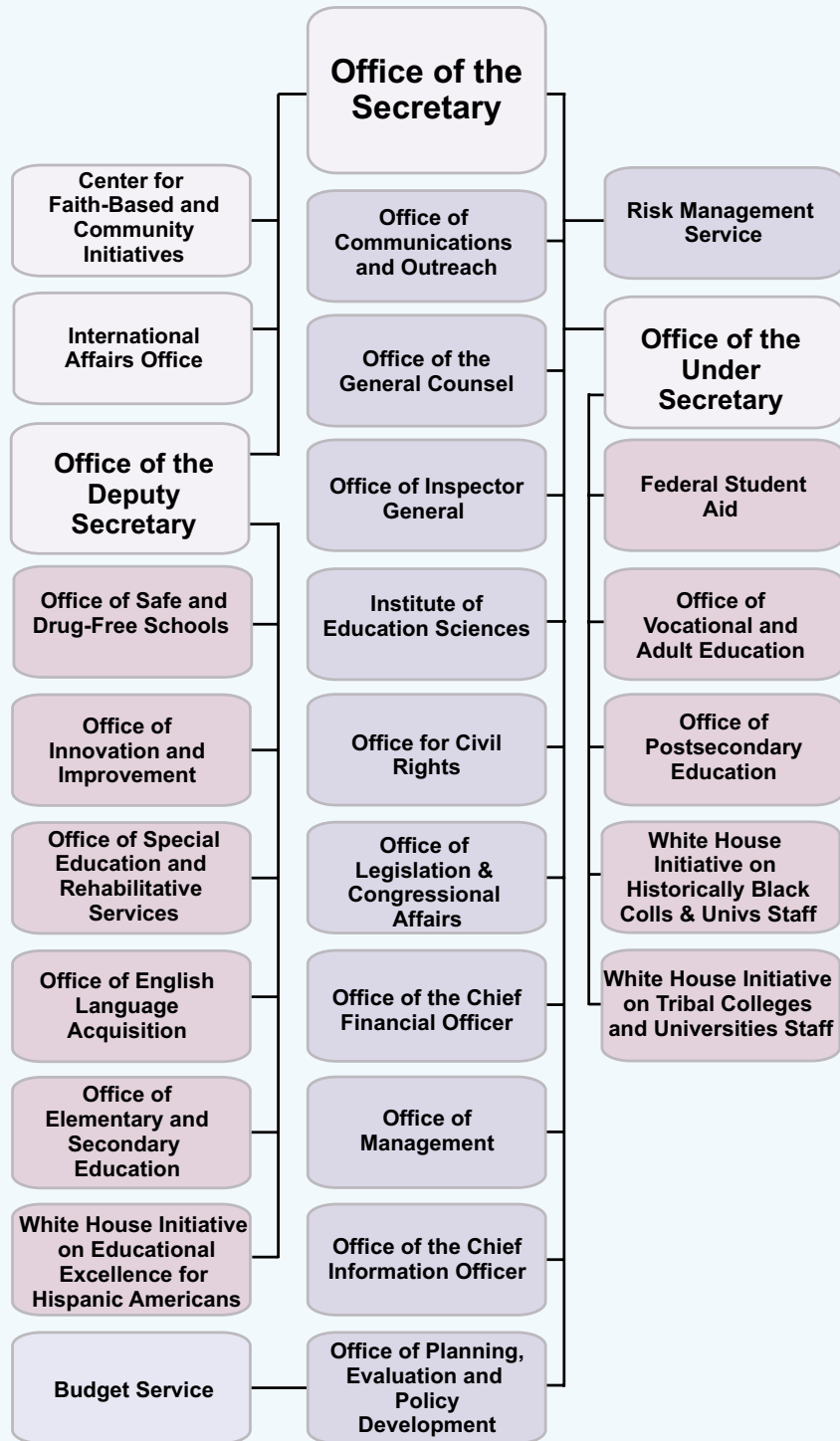
#### Department of Education Permanent Workforce by Ethnicity and Gender as of September 26, 2009



NOTE: Numbers do not add to 100 percent due to rounding.

Source: Annual Equal Employment Opportunity Status Report: An Equal Employment Opportunity Management Directive (MD) 715 Requirement for the Period covering October 1, 2008 Through September 26, 2009.

**Department of Education Coordinating Structure FY 2009**



For additional information about the principal components of the Department of Education, please go to <http://www2.ed.gov/about/offices/list/index.html?src=ln>.

## LINKING TAXPAYER DOLLARS TO PERFORMANCE RESULTS: ACCOUNTABILITY THROUGH THE INTEGRATION OF RESULTS WITH INVESTMENT

Our emphasis on sound financial practices, performance results and program accountability reflects a strong desire to use taxpayers' dollars as effectively as possible. The Department strives to tie the performance of our programs with budget requests and to strengthen the link between financial investments and program quality.

### Linking Program Performance With Budget Submissions

The Department participates closely with the Performance Improvement Council (PIC) to establish guidelines and metrics to more closely align program and management performance with Budget requests. The Office of Management and Budget (OMB) established the PIC in FY 2007 under *Executive Order 13450: Improving Government Program Performance* as a tool to spend taxpayers' dollars more effectively and with greater accountability. The PIC is composed of senior staff from each federal agency who are responsible for coordinating areas of performance management activities, such as ensuring that data from annual performance plans and reports are used in agency budget justifications.

Additionally, the *Government Performance and Results Act of 1993 (GPRA)* requires agencies to develop annual program performance plans that include challenging performance metrics that can be used to judge the effectiveness of each program. Programs deemed ineffective or that are not delivering results based on established performance measures are reviewed for inclusion in the Department's annual budget submission to Congress.

### Performance Evaluations Improve Accountability

Each year, the Department publishes evaluations of selected programs to further demonstrate accountability for the taxpayers' investment in education spending. In the most favorable cases, these evaluations can help identify evidence of best practices that are worthy of replication and scale-up. Conversely, some evaluations identify programs that should be eliminated from the budget or at least recommended for reduced funding. In the middle of these two extremes are programs that may show some promise, but that may be in need of additional support. In fact, the Department often uses evaluations to support budget requests for increases in program funds. More detail is available at [http://ies.ed.gov/ncee/pubs/evidence\\_based/evidence\\_based.asp](http://ies.ed.gov/ncee/pubs/evidence_based/evidence_based.asp).

### Ensuring Accountability and Oversight of Recovery Act Funds

The Risk Management Service (RMS), in the Office of the Secretary, is responsible for Departmentwide grants policy related to identifying and working with high-risk grantees to minimize risk to federal funds. RMS is coordinating the provision of technical assistance to states based on basic federal grants in fiscal management requirements. RMS has developed a regular series of *Recovery Act* technical assistance Web conferences to enhance the ongoing provision of oversight and technical assistance to grantees receiving *Recovery Act* funds to ensure that they are held accountable to the taxpayer and that these and other Department grant funds are spent appropriately.

## HOW WE VALIDATE OUR DATA

*GPR*A requires federal departments and agencies to clearly describe the goals and objectives of their programs, identify resources and actions needed to accomplish goals and objectives, develop a means of measuring progress made and report regularly on achievement. The goals of the act include improving program effectiveness by promoting a focus on results, service quality and customer satisfaction; improving congressional decision making by providing objective information on achieving statutory objectives; and focusing on the relative effectiveness and efficiency of federal programs and spending.

### The Validation and Verification of Performance Data

OMB Circular A-11, Part 6, section 230.5, *Assessing the completeness and reliability of performance data*, requires each agency to design a procedure for verifying and validating data that it makes public in its annual performance plans and reports.

Additionally, *GPR*A prescribes the means to verify and validate measured values. Finally, the *Reports Consolidation Act of 2000* requires that the transmittal letter included in annual performance reports contains an assessment by the agency head of the completeness and reliability of the performance data included in its plans and reports.

In response, the Department has developed a guidance document to assist principal offices responsible for reporting data on strategic and program performance measures to address issues of data integrity and credibility. The guidance provides a framework for validating performance data sources and collection procedures to ensure proper data collection, and for verifying data completeness and accuracy before data are made public. Additionally, the Department has developed a worksheet for each program office to use to identify the validity of the data for their unique program performance measures.

The Department's data validation criteria require that program goals and measures are:

- appropriate to the mission of the organization and that measured performance has a direct relation to the goal;
- realistic and measurable, achievable in the time frame established and challenging in their targets;
- understandable to the lay person and terminology is adequately defined; and
- used in decision-making about the effectiveness of the program and its benefit to the public.

For more information on the guidance and its implementation and to review the worksheet, go to <http://www.ed.gov/about/reports/annual/index.html>.



## OUR ACCOMPLISHMENTS AND ONGOING INITIATIVES FOR FY 2009

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

#### Overview

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

The *Recovery Act* invests heavily in education.

- The act included a total of \$98.2 billion to the Department for supplemental appropriations for reforms to strengthen elementary, secondary and higher education, including money to stabilize state education budgets and to encourage states to:
  - make improvements in teacher effectiveness and ensure that all schools have highly qualified teachers;
  - make progress toward college and career-ready standards and rigorous assessments that will improve both teaching and learning;
  - improve achievement in low-performing schools, through intensive support and effective interventions; and
  - gather information to improve student learning, teacher performance and college and career readiness through enhanced data systems.
- The act provides competitive funds to spur innovation and chart ambitious reform to close the achievement gap.
- The act addresses college affordability and improves access to higher education.
- The act includes early learning programs, including child care and programs for children with special needs.

#### **Recovery Act Successes**

##### **Orange County Public Schools, Florida**

As part of the *Recovery Act's* efforts to impact education across the country, Florida has felt the impact of more than \$3.1 billion in education funds. This includes nearly \$2 billion in State Fiscal Stabilization Funds that has kept more than 25,000 teachers and staff in Florida's classrooms and maintained other essential services, over \$335 million to provide special education and related services to children with disabilities under the *Individuals with Disabilities Education Act (IDEA)* and \$245 million to Title I schools.

Orange County Public Schools, the 11th largest school district in the nation and encompassing all of Orlando's public schools, says they have preserved more than 1,600 teachers, nurses, counselors, tutors and other essential staff due to \$132 million from the *Recovery Act*.

## Selected Department Programs Receiving *Recovery Act* Funding

### Race to the Top

The \$4.35 billion Race to the Top Fund is the largest ever federal competitive investment in school reform. It will reward states for past accomplishments and create incentives for future improvements. The four central areas of reform that will drive school improvement are:

- adopting internationally benchmarked standards and assessments that prepare students for success in college and in the workplace;
- recruiting, developing, retaining and rewarding effective teachers and principals;
- building data systems that measure student success and inform teachers and principals how best to improve their practices; and
- turning around our lowest-performing schools.

To read more about the Race to the Top Fund, visit <http://www.ed.gov/programs/racetothetop/factsheet.html>.

### Investing in Innovation

To be eligible for this \$650 million competitive grant program, local educational agencies (LEAs), including charter school LEAs, and nonprofit organizations working in collaboration with one or more LEAs or a consortium of schools must have made progress in raising student achievement, significantly closing the achievement gap and made progress in other areas. For more information, see <http://www.ed.gov/programs/innovation/factsheet.html>.

### ***Recovery Act* Successes**

#### **Richmond County School District, North Carolina**

With the decline in state revenues in North Carolina, the Richmond County School District will lose over \$3 million in support for education programs, staffing, professional development and other critical needs. The cuts threaten to diminish district efforts to pursue new academic models that have proven reform results. Even with recent state budget action, resource projections are on the decline.

**How *Recovery Act* Funds Are Being Used:** Budget reductions at the state level caused the district to face a loss of 40 positions across the system from teachers to support staff. The local educational agency's share of *Recovery Act* funds will permit the superintendent to restore a share, but not all, of these positions critical to the teaching, learning and support functions of the districts and its schools.

The one-time increase in *IDEA* funds is permitting the district to implement new teaching and learning strategies for students with special needs that will accelerate efforts to attain grade-level performance and academic achievement.

The one-time increase in Title I funds permits the district to invest in new strategies that promote a districtwide commitment to creating and sustaining professional learning communities. This long-range effort was in serious jeopardy of being curtailed with the loss of funds due to the downturn in the state economy.

*Recovery Act* funds will also be used in part to secure a state-of-the-art library facility that will be used by all district students and include access to updated technology for teaching and learning, self-directed learning and after-school programs. Without these funds, consideration of these improvements in education resources would not be possible.

## Teacher Incentive Fund

The \$200 million Teacher Incentive Fund supports state and district efforts to develop and implement performance-based teacher and principal compensation systems in high-need schools, primarily through grants to school districts and consortia of school districts. The Teacher Incentive Fund supports a variety of performance-based teacher and principal compensation systems that reward teachers and principals for increases in student achievement and boost the number of effective instructors teaching in hard-to-staff subjects and in high-need schools. For more information, see <http://www.ed.gov/programs/teacherincentive/factsheet.html>.

## Teacher Quality Partnership

The \$100 million Teacher Quality Partnership program is designed to improve the quality of new teachers by creating partnerships among high-need school districts and schools or high-need early childhood education programs. These partnerships create model teacher preparation programs at the pre-baccalaureate level. For more information, see <http://www.ed.gov/programs/tqpartnership/index.html>.

## State Longitudinal Data Systems

This \$250 million *Recovery Act* program provides grants to states to design, develop and implement statewide longitudinal data systems to capture, analyze and use student data from preschool to high school, college and the workforce. For more information, see <http://www.ed.gov/programs/slids/factsheet.html>.

## Title I School Improvement Grants

The \$3 billion Title I School Improvement Grants provide states and school districts funds to leverage change and turn around Title I schools identified for improvement, corrective action or restructuring. For more information, see <http://www.ed.gov/programs/sif/factsheet.html>.

## State Educational Technology Grants

The primary goal of the \$650 million Educational Technology Grants program is to improve student academic achievement through the use of technology in schools. It is also designed to help ensure that every student is technologically literate by the end of eighth grade and to encourage the effective integration of technology with teacher training and curriculum development. For more information, see <http://www.ed.gov/programs/edtech/factsheet.html>.

## State Fiscal Stabilization Fund

The State Fiscal Stabilization Fund (SFSF) provides a total of approximately \$48 billion directly to governors to help save jobs and drive education reform. The Department is awarding SFSF funds in two phases. For more information, see <http://www.ed.gov/programs/statestabilization/applicant.html> and <http://www.ed.gov/programs/statestabilization/factsheet.html>.

## **Title I, Part A Recovery Act Funds for Grants to Local Educational Agencies**

The *Recovery Act* provides significant new funding for programs under Title I, Part A of the *Elementary and Secondary Education Act (ESEA)*. Specifically, the *Recovery Act* provides \$10 billion in additional FY 2009 Title I, Part A funds to LEAs for schools that have high concentrations of students from families that live in poverty to help improve teaching and learning for students most at risk of failing to meet state academic achievement standards. Final allocations of Title I, Part A *Recovery Act* funds to each state and local educational agency are available at <http://www.ed.gov/about/overview/budget/statetables/index.html>.

"We're here today to talk about keeping teachers in the classroom—where they belong. The ultimate foundation for our nation's future is a well-educated child. And every day, the *Recovery Act* is helping educators, parents and students work together to build the best possible foundation for the 21st century."

—Vice President Joe Biden

## **Individuals with Disabilities Education Act (IDEA), Parts B and C**

The *Recovery Act* appropriates significant new funding for programs under Parts B and C of *IDEA*. Part B of *IDEA* provides funds to state and local educational agencies to help them ensure that children with disabilities—including children aged 3 through 5—have access to a free, appropriate public education to meet each child's unique needs and prepare him or her for further education, employment and independent living.

Part C of *IDEA* provides funds to each state lead agency designated by the state's governor to implement statewide systems of coordinated, comprehensive, multidisciplinary interagency programs and make early intervention services available to infants and toddlers with disabilities and their families.

Under the *Recovery Act*, *IDEA* funds are provided under three authorities: \$11.3 billion is available under Part B Grants to States, \$400 million under Part B Preschool Grants and \$500 million under Part C Grants for Infants and Families. Information about each state's allocation is available at <http://www.ed.gov/about/overview/budget/statetables/index.html>.

## **Vocational Rehabilitation State Grants**

Under the *Recovery Act*, \$540 million in new funding is provided for the Vocational Rehabilitation (VR) State Grants program, authorized under Title I of the *Rehabilitation Act of 1973*, as amended. The VR State Grants program provides grants to states to help individuals with disabilities—especially those individuals with the most significant disabilities—prepare for, obtain and maintain employment. Information about each state's formula allocation is available at <http://www.ed.gov/about/overview/budget/statetables/index.html>.

## **Impact Aid**

The *Recovery Act* appropriated \$100 million in new funding for Impact Aid under section 8007 of Title VIII of *ESEA*. After reserving 1 percent of the appropriation for management and oversight, the Department awarded \$39.6 million to 179 local educational agencies that are eligible. For more information, see <http://www.ed.gov/policy/gen/leg/recovery/factsheet/impactaid.html>.



## New Initiatives in Federal Student Aid

Beginning in August 2008, the Department implemented a number of programs authorized under the *Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)* to ensure credit market disruptions did not deny eligible students and parents access to federal student loans for the 2008–2009 academic year. The *ECASLA* authority, which originally expired on September 30, 2009, was subsequently extended through September 30, 2010, to continue to ensure unfettered access to loans through the 2009–2010 academic year. Programs authorized under *ECASLA* are summarized below.

**Loan Participation and Loan Purchase Programs.** Under these programs, lenders may access capital to make new loans either by selling eligible Federal Family Education Loan (FFEL) Program loans directly to the Department or by selling the Department participation interests in eligible FFEL loans. Lenders that sell loans or participation interests in loans must represent to the Department that they will continue to participate in the FFEL Program and that when funds become reasonably available from private sources on affordable terms, they will make new loans or acquire new loans made by other lenders.

**Short-Term Loan Purchase Program.** From December 2008 through March 2009, the Short-Term Loan Purchase Program purchased eligible loans made for the 2007–2008 academic year. Under this program, the Department purchased 280,000 loans worth roughly \$1 billion.

**Asset-Backed Commercial Paper Conduit Program.** The Asset-Backed Commercial Paper Conduit Program was developed to provide additional liquidity to support new lending. Under this program, which began operations mid-2009, the Department entered into forward purchase commitments with a conduit. The conduit issues commercial paper backed by qualifying student loans made between October 1, 2003, and September 30, 2009. If the conduit is unable to retire this paper as it matures, the Department commits to provide the needed funds by purchasing the underlying student loans.

**Lender of Last Resort.** The *Higher Education Act of 1965* requires guaranty agencies (GAs) to make loans as a Lender of Last Resort to those students who are unable to obtain FFEL loans from conventional FFEL lending sources. GAs may arrange for a conventional FFEL

lender to make Lender of Last Resort loans or may make loans directly with their own resources. The Department may advance funds to a GA to make Lender of Last Resort loans if that GA cannot arrange for such lending by another party and lacks other resources sufficient to make the needed loans. The Department will require that any federal advances be deposited in the GA's Federal Fund and that loans made from those funds be assigned to the Department promptly after they are disbursed. The Department did not make federal advances for Lender of Last Resort loans in FY 2009, and none are currently anticipated for FY 2010.

"Time and again, when we placed our bet for the future on education, we have prospered as a result—by tapping the incredible innovative and generative potential of a skilled American workforce. . . . That's why, at the start of my administration, I set a goal for America: by 2020, this nation will once again have the highest proportion of college graduates in the world."

—President Obama

## Making College Affordable and Accessible

Today's new initiatives complement President Obama's existing agenda for higher education. At this time of economic hardship and uncertainty, the administration's agenda will build the country's capacity, innovation and confidence to drive the nation to first place in the highly skilled workforce crucial for success in the 21st century. These initiatives include:

- **Expanding Pell Grants and College Tax Credits:** The *Recovery Act* increased Pell Grants to \$5,350 and created the \$2,500 American Opportunity Tax Credit for four years of college tuition.
- **Reforming the Student Loan Program to Save Billions:** The administration has proposed to replace guaranteed loans with Direct Loans, which are originated and serviced by private-sector companies selected through a competitive process and paid based upon performance. Direct Loans have essentially the same terms for students and are more reliable and efficient.
- **Helping Unemployed Workers Get New Skills:** President Obama has expanded opportunities for unemployed workers to go to community colleges and learn new skills. The Department has clarified that these workers should not be denied student aid based upon incomes they no longer earn, and the Department of Labor is working with states to allow workers to keep their unemployment benefits while receiving education and training.
- **Expanding the Perkins Loan Program:** The low-cost Perkins Loan Program is an important option for students who need to borrow more than what is allowed under the larger Stafford Loan Program. The administration will expand it from \$1 billion per year to \$6 billion per year.
- **Helping Families Save for College:** The President's Middle Class Task Force has directed the Department of the Treasury to investigate improvements to savings plans to help families save for college more effectively and efficiently.

**TEACH Grant Program.** Authorized by the *College Cost Reduction and Access Act of 2007 (CCRAA)*, the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program offers grants of up to \$4,000 to students agreeing to teach math, science or other specialized subjects in a high-poverty school for at least four years within eight years of their graduation. In FY 2009, the Department disbursed approximately 15,000 grants for almost \$44 million under TEACH.

## Streamlining Student Financial Aid

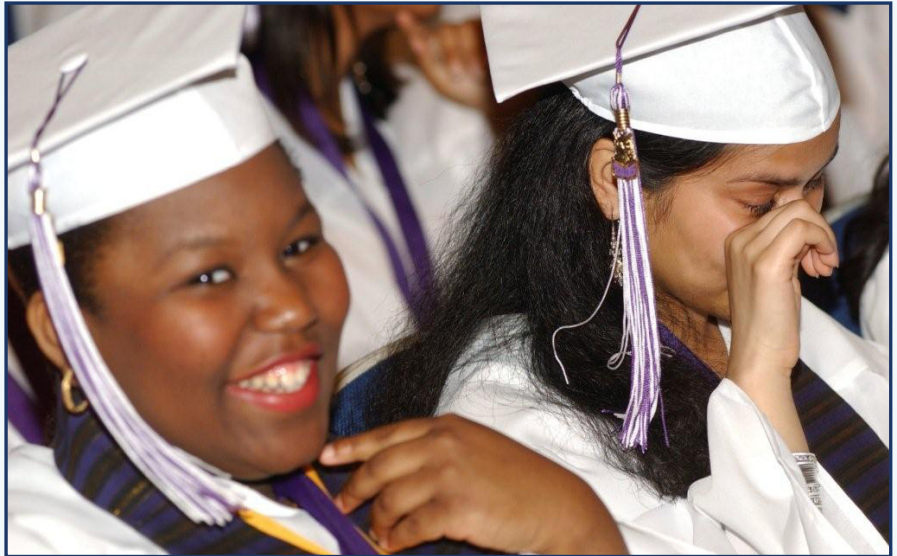
The President has challenged the nation to once again have the highest percentage of college graduates in the world; to do that we need to send a clear message to both young people and adults that college is within their reach. More than 1 million students fail to apply for aid because of the application's complexity. The Department is simplifying the financial aid process by modernizing the online application, seeking legislation that will eliminate unnecessary questions and creating an easy process for students to use tax data to apply.

By developing a more user-friendly Free Application for Federal Student Aid (FAFSA) that will make it easier to apply for college financial aid and increase postsecondary enrollment, particularly among low- and middle-income students, the Department is providing instant estimates of Pell Grant and student loan eligibility, easier navigability and seamless retrieval of tax information. See <http://www.fafsa.ed.gov/> for more information.

## Help for Those Burdened by Student Loan Debt

Through *CCRAA*, Congress created the Public Service Loan Forgiveness Program. The program is designed to encourage young people to serve the public by working for federal, state or local governments, nonprofits or other public employers. Under this program, people with student loans can have their debts erased after 10 years of public service.

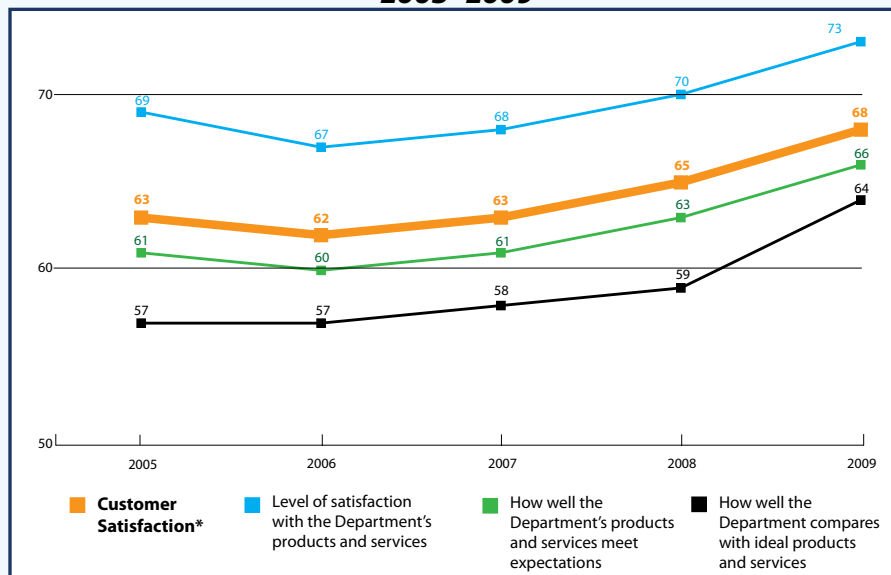
Another program that will help graduates with their student debt is the Income-Based Repayment Plan. This plan will cap the amount of the monthly federal loan payments at an amount determined by income and family size. The Department has developed an online calculator located on its student aid Web site to assist potential borrowers in determining their eligibility and to estimate if they would benefit from the plan. For more information, visit <http://studentaid.ed.gov/PORTALSWebApp/students/english/index.jsp>.



### Customer Satisfaction With the Department of Education

Each year, the Department conducts an extensive survey of satisfaction of selected grantees and organizations based on the American Customer Satisfaction Index. In FY 2009, the Department achieved a five-point increase in customer satisfaction over the past two years. The Department saw significant increases in all drivers of customer satisfaction. For the full report, visit <http://www.ed.gov/about/reports/annual/gss/index.html>.

**Customer Satisfaction Index  
2005–2009**



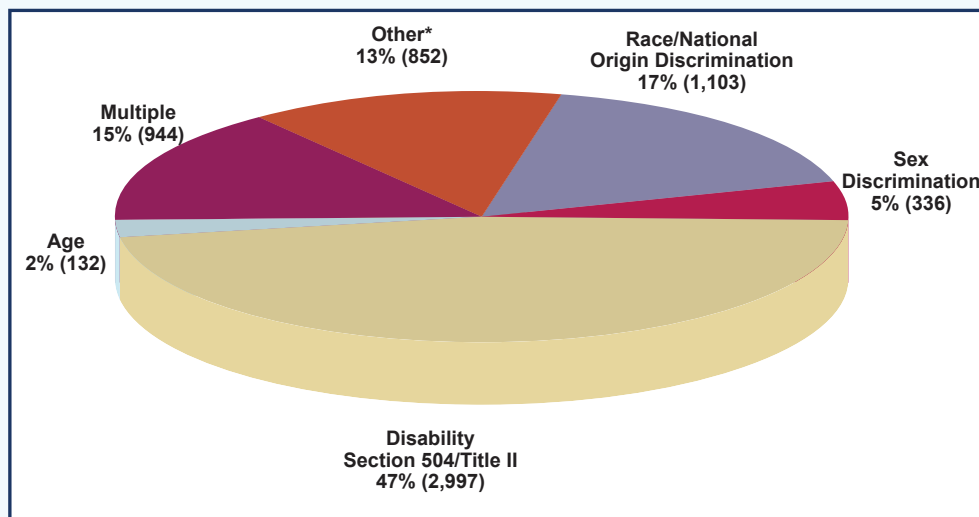
\*Customer Satisfaction represents a weighted average of the 3 measures relating to products and services also listed in this graph.

## CIVIL RIGHTS ENFORCEMENT

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 funds from the Department. In addition, the Department ensures that the Boy Scouts of America and other designated youth groups have equal access to meet in elementary and secondary schools that receive funds through the Department. The Office for Civil Rights (OCR) performs the Department’s civil rights enforcement and compliance responsibilities in a variety of ways, including: investigating complaints alleging discrimination; conducting compliance reviews in educational institutions to determine if they are in compliance with the laws; and providing technical assistance to educational institutions on how to comply with the law and 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 2009, OCR received a total of 6,364 complaints alleging discrimination. As shown in the chart at right, the majority of complaints received by the Department allege discrimination due to disability. Examples of compliance reviews initiated in FY 2009 include, in part, the following issues: ensuring access to educational services for limited English proficient (LEP) students and effective communication with LEP parents; ensuring nondiscrimination in athletics programs and activities on the basis of sex; the prevention of sexual, racial and disability harassment; adoption of Title IX and Sec. 504 grievance procedures; and physical accessibility to postsecondary institutions.

**Office for Civil Rights  
FY 2009 Discrimination Complaints by Jurisdiction  
10/1/2008–9/30/2009  
6,364 Complaints**



\* This category primarily reflects new complaint receipts for which jurisdiction has not yet been determined. It also includes complaint receipts under the *Boy Scouts of America Equal Access Act* and those with issues over which OCR has no jurisdiction.

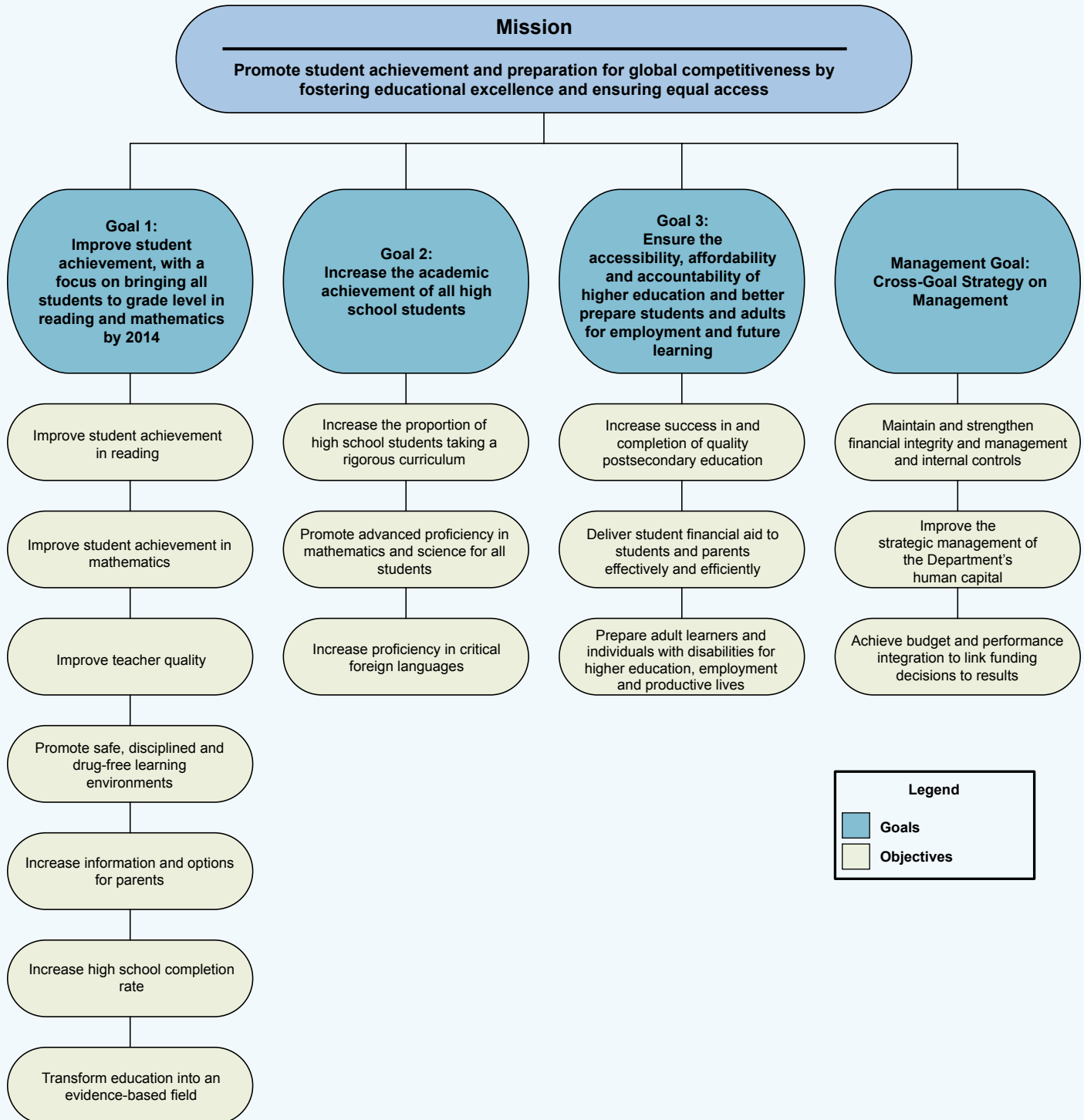
NOTE: Numbers do not add to 100 percent due to rounding.

Source: Office for Civil Rights’ Case Management System.



## THE DEPARTMENT'S STRATEGIC PLAN

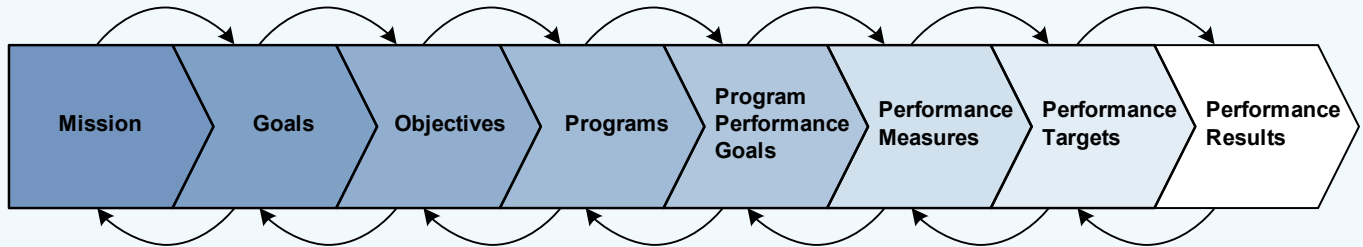
The Department reports on measures defined by its *Strategic Plan for Fiscal Years 2007–2012* under the provisions of *GPPRA*. The Department is in the process of developing a new *Strategic Plan for Fiscal Years 2010–2015*, which will replace the current plan.



## OVERVIEW OF PERFORMANCE FOR FY 2009

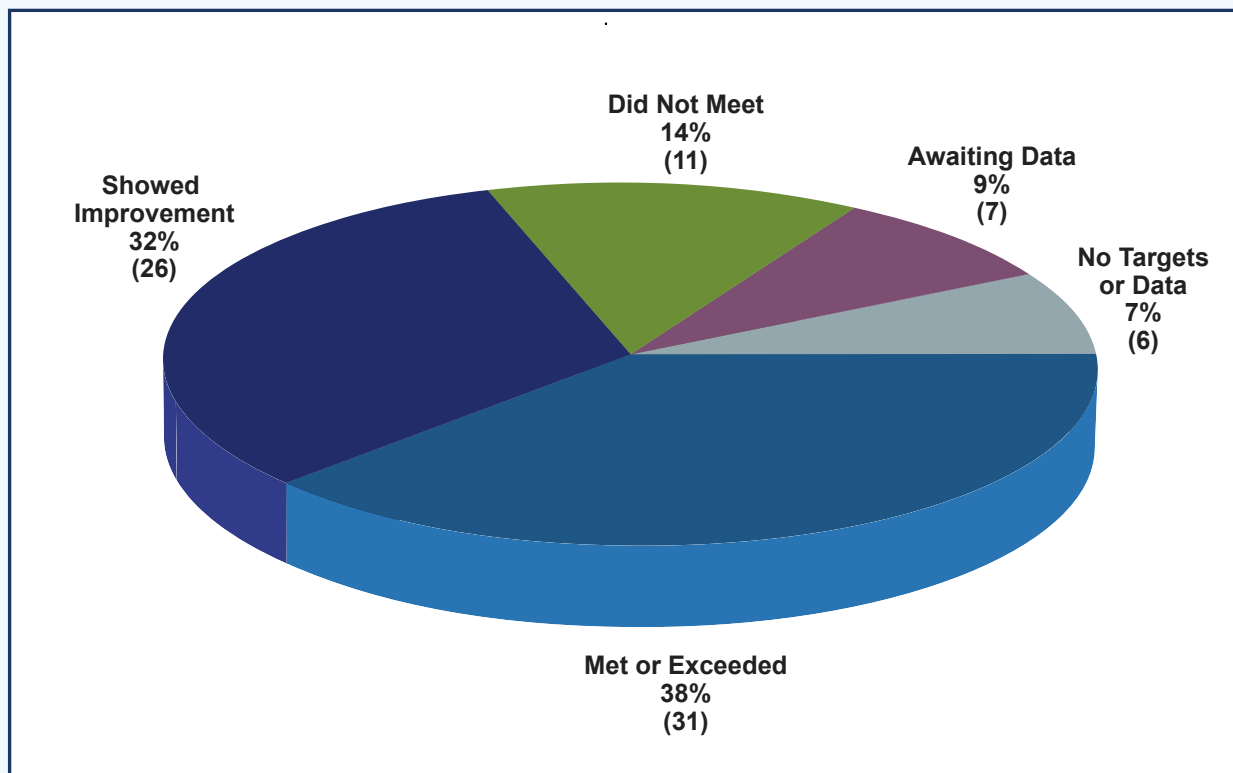
### The Department's Strategic Planning Process

The Department's strategic planning process sets high expectations for America's schools, students and the Department. It streamlines Department goals and measures while stressing continuity. This is the process by which we ensure successful performance and management outcomes.



### Performance Results Summary for FY 2009 Key Measures

There are 81 key performance measures that support the Department's mission and strategic goals under its current *Strategic Plan*. Most data for FY 2009 will be available during FY 2010. These measures are reported on in detail in the Department's *Annual Performance Report (APR)*, which was submitted to Congress with the President's Budget Justification for FY 2011. The APR is available at <http://www2.ed.gov/about/reports/annual/2009report/apr.html>.



**GOAL 1: Improve Student Achievement, With A Focus On Bringing All Students To Grade Level In Reading And Mathematics By 2014**

**Our Public Benefit**

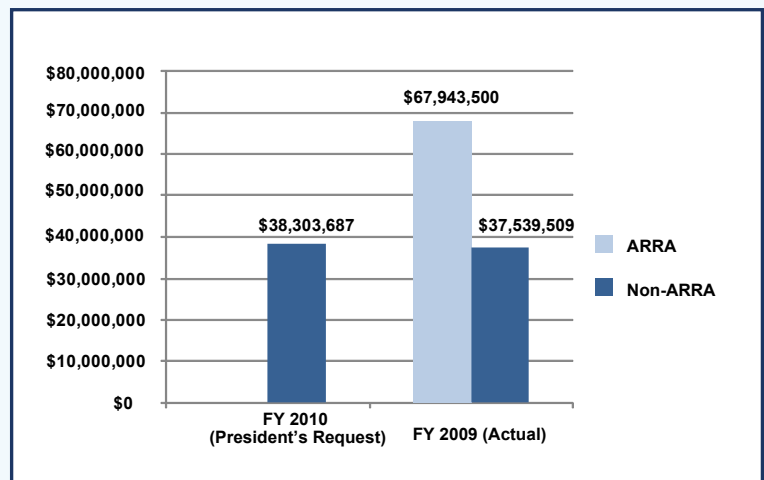
In education, the bottom line is student learning. The *Elementary and Secondary Education Act of 1965 (ESEA)* revolutionized federal support for elementary and secondary education by establishing a national commitment to bring all children up to grade level in reading and mathematics and holding schools, districts and states accountable for making annual progress toward that goal. *ESEA* promotes effective action to turn around schools that consistently fail to educate their students to high standards and provides students enrolled in those schools better choices and options.

Because student achievement depends on the efforts of well-prepared teachers, the Department is working with state educational agencies to devise and implement appropriate strategies for ensuring that teachers become highly qualified.

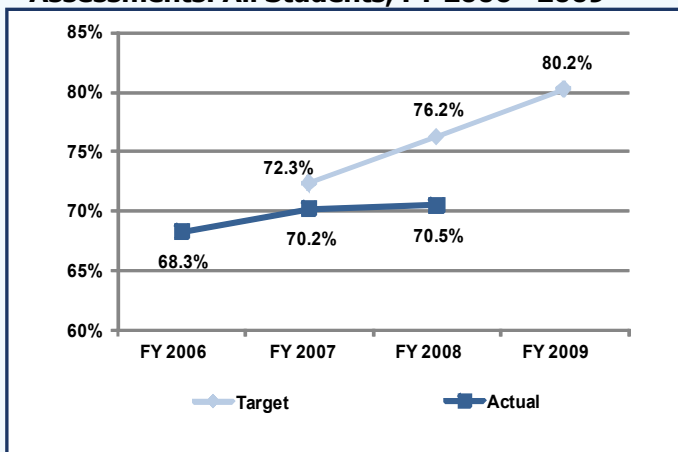
Also, teaching and learning to high standards require that our nation's schools be safe and drug free. The Department promotes practices that create safe, secure and healthy school climates.

The Department has identified 37 key strategic performance measures for this goal. Below are key measures representative of this goal. To review all Goal 1 measures, go to <http://www2.ed.gov/about/reports/annual/2009report/apr-pd-goal-1.pdf>.

**Goal 1 Resources (\$ in thousands)**

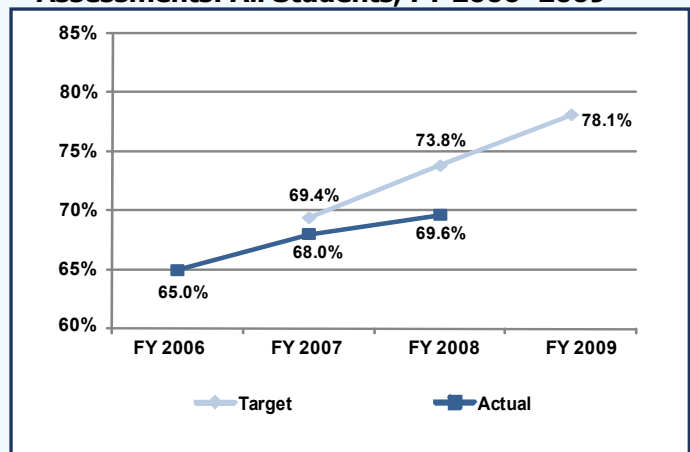


**Measure 1.1.A.: Percentage of Students Who Achieve Proficiency on State Reading Assessments: All Students, FY 2006–2009\*\*\***



\*FY 2006 actual data are reported as baseline for 2007 and 2008 targets.  
 \*\*Actual data are not yet available for FY 2009.

**Measure 1.2.A.: Percentage of Students Who Achieve Proficiency on State Mathematics Assessments: All Students, FY 2006–2009\*\*\***



\*FY 2006 actual data are reported as baseline for 2007 and 2008 targets.  
 \*\*Actual data are not yet available for FY 2009.

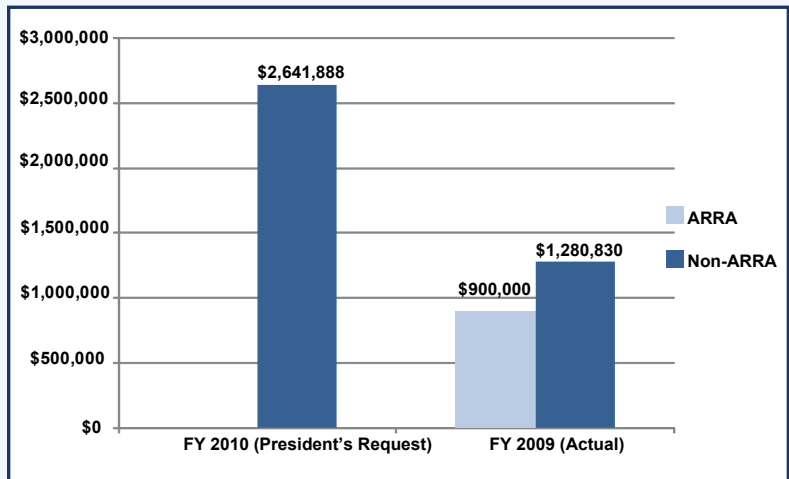
**GOAL 2: Increase the Academic Achievement of All High School Students**

**Our Public Benefit**

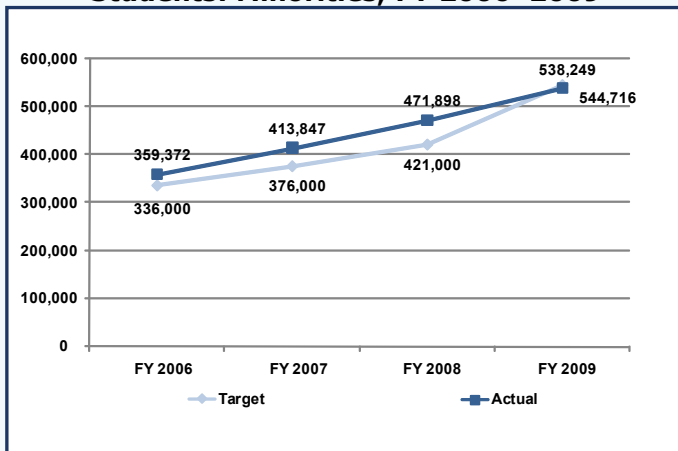
To better equip our students to compete in the global economy, the Department encourages states to adopt high school course work and programs of study that prepare all students for a postsecondary credential and facilitate a seamless transition from high school to college or the workforce. The Department will continue to enhance and promote achievement in mathematics, science and critical foreign languages through incentives for teachers to teach advanced courses, thus providing opportunities for students to be well prepared for postsecondary education or the workforce following high school.

The Department has identified 11 key strategic performance measures for this goal. Below are key measures representative of this goal. To review all Goal 2 measures, go to <http://www2.ed.gov/about/reports/annual/2009report/apr-pd-goal-2.pdf>.

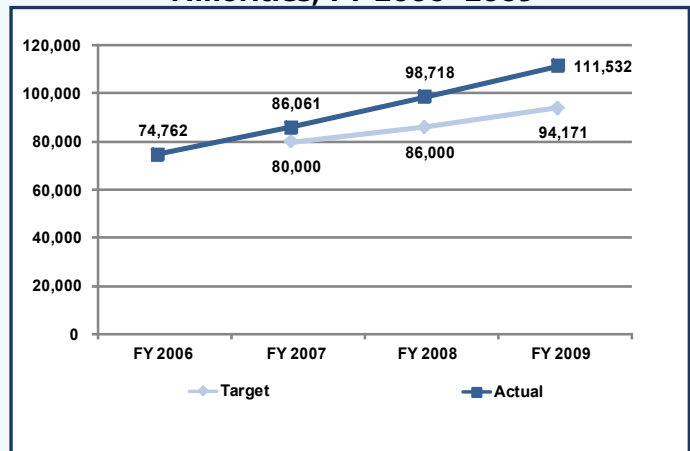
**Goal 2 Resources  
(\$ in thousands)**



**Measure 2.1.E.: Number of Advanced Placement Tests Taken by Public School Students: Minorities, FY 2006–2009**



**Measure 2.2.C.: Number of Advanced Placement Tests in Mathematics and Science Taken Nationwide by Public School Students: Minorities, FY 2006–2009\***



\*FY 2006 actual data are reported as baseline for 2007 and 2008 targets.

**GOAL 3: Ensure the Accessibility, Affordability and Accountability of Higher Education and Better Prepare Students and Adults for Employment and Future Learning**

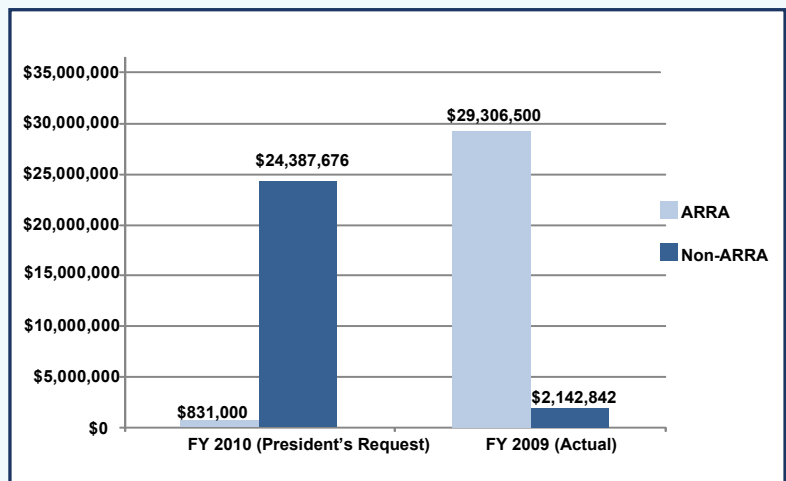
**Our Public Benefit**

America’s institutions of higher education have long been engines of innovation, helping the nation to achieve a level of economic prosperity experienced by few other countries throughout history. The dynamics of rapid technological change over time have required greater levels of education to sustain the global competitiveness of the American economy. As a result, an increasing proportion of Americans have enrolled in and completed a program of postsecondary education in order to secure high-quality employment in competitive industries.

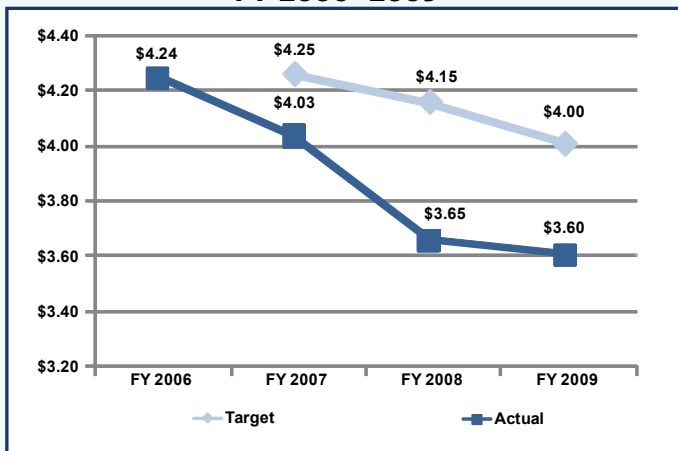
Financial aid must be made available to students in a more simplified manner and be more focused on students with the greatest financial need. Furthermore, adult education and vocational rehabilitation programs must provide increasingly effective services to improve the skills and employment prospects of those they serve.

The Department has identified 20 key strategic performance measures for this goal. Below are key measures representative of this goal. To review all Goal 3 measures, go to <http://www2.ed.gov/about/reports/annual/2009report/apr-pd-goal-3.pdf>.

**Goal 3 Resources (\$ in thousands)**

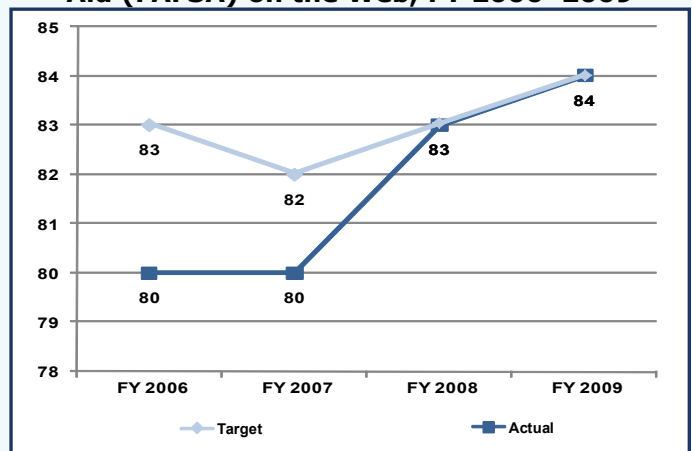


**Measure 3.2.A.: Direct Administrative Unit Costs for Origination and Disbursement of Student Aid (Total Cost per Transaction), FY 2006–2009\***



\*FY 2006 actual data are reported as baseline for 2007 and 2008 targets.

**Measure 3.2.B.: Customer Service Level on the American Consumer Satisfaction Index for the Free Application for Federal Student Aid (FAFSA) on the Web, FY 2006–2009**



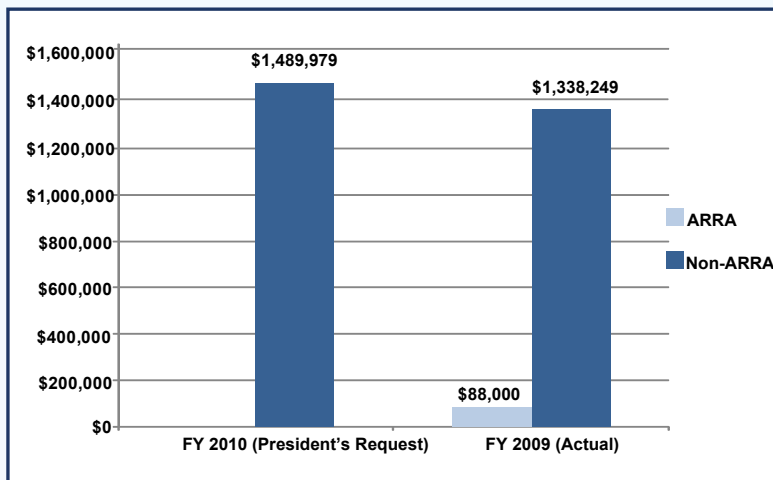


**Cross-Goal Strategy on Management**

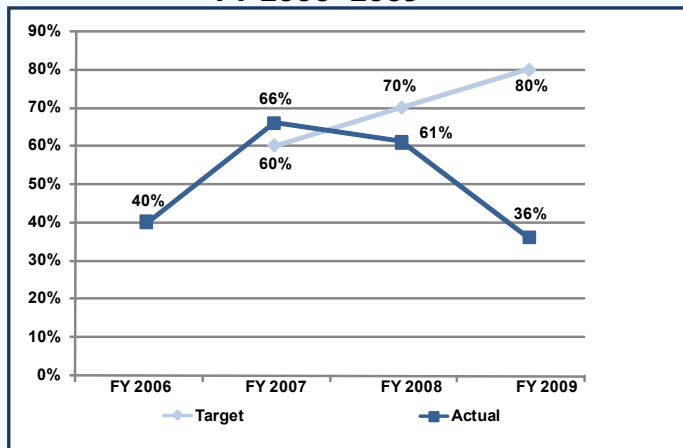
**Our Public Benefit**

The Department carries out its mission and attains results for its goals through a commitment to excellent management practices. Through strong leadership, fiscal responsibility and strategic deployment of human capital, the Department ensures that all Americans have access to quality programs and benefit from successful outcomes. The Department has identified 13 key strategic performance measures for this goal. Below are key measures representative of this goal. To review all cross-goal measures, go to <http://www2.ed.gov/about/reports/annual/2009report/apr-pd-cross-goal.pdf>.

**Cross-Goal Resources  
(\$ in thousands)**



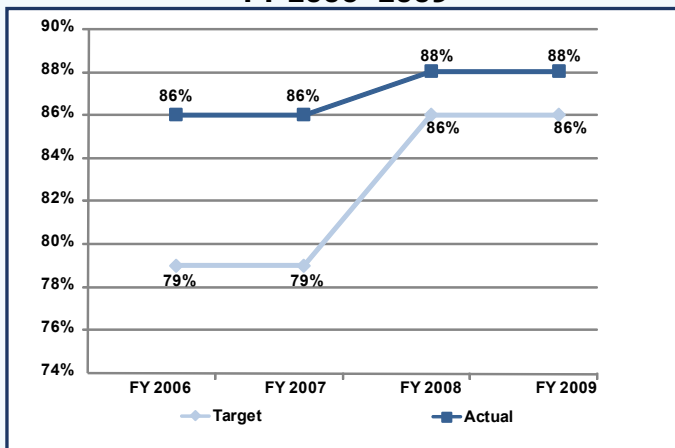
**Measure 4.1.C.: Percentage of New Discretionary Grants Awarded by June 30, FY 2006-2009\*,\*\***



\*In FY 2009, the percentage of grants awarded by June 30 fell due to the addition of *Recovery Act* funding administered by the same personnel as the Department grants, the transition to a new administration and budgetary considerations resulting from the continuing resolution for the first quarter and part of the second quarter of FY 2009. Despite the percentage of grant awards at the June 30 mark, by August 31, 78 percent of discretionary grants were awarded, compared with 82 percent in FY 2008.

\*\*FY 2006 actual data are reported as baseline for 2007 and 2008 targets.

**Measure 4.3.A.: Percentage of Department Program Dollars in Programs That Demonstrate Effectiveness in Terms of Outcomes, Either on Performance Indicators or Through Rigorous Evaluations, FY 2006-2009**

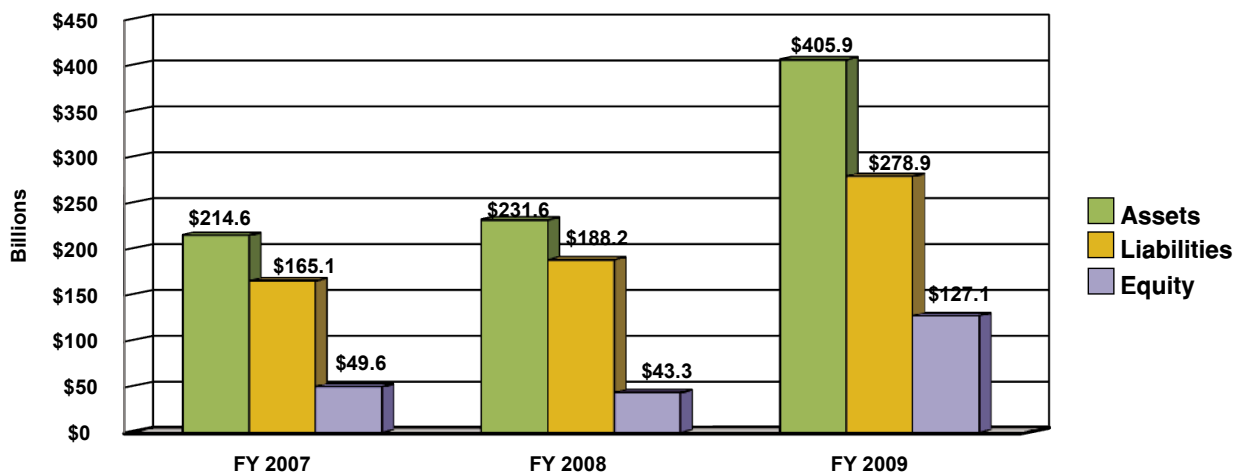


## Financial Summary

*Dollars in Millions*

### Balance Sheet

	% Change 2009/2008	FY 2009	FY 2008	FY 2007
Fund Balance with Treasury	+77%	\$ 168,032	\$ 94,899	\$ 97,532
Credit Program Receivables	+74%	234,254	134,725	115,904
Other	+88%	3,659	1,949	1,202
<b>Total Assets</b>		<b>405,945</b>	<b>231,573</b>	<b>214,638</b>
Debt	+83%	235,385	128,668	104,287
Liabilities for Loan Guarantees	-53%	20,543	43,322	50,874
Other	+41%	22,957	16,247	9,896
<b>Total Liabilities</b>		<b>278,885</b>	<b>188,237</b>	<b>165,057</b>
Unexpended Appropriations	+157%	127,269	49,506	52,047
Cumulative Results of Operations	-97%	(209)	(6,170)	(2,466)
<b>Total Net Position</b>		<b>127,060</b>	<b>43,336</b>	<b>49,581</b>
<b>Total Liabilities and Net Position</b>		<b>\$ 405,945</b>	<b>\$ 231,573</b>	<b>\$ 214,638</b>



### Statement of Net Cost

	% Change 2009/2008	FY 2009	FY 2008	FY 2007
Gross Cost	-25%	\$ 55,412	\$ 74,034	\$ 72,316
Earned Revenue	+22%	(11,251)	(9,217)	(8,032)
<b>Total Net Cost of Operations</b>		<b>\$ 44,161</b>	<b>\$ 64,817</b>	<b>\$ 64,284</b>
<b>Net Cost Based on the Department's Strategic Plan 2007-2012</b>		<b>FY 2009</b>	<b>FY 2008</b>	
Goal 1	Improve student achievement, with a focus on bringing all students to grade level in reading and mathematics by 2014	\$ 49,357	\$ 37,045	
Goal 2	Increase the academic achievement of all high school students	2,299	2,112	
Goal 3	Ensure the accessibility, affordability, and accountability of higher education, and better prepare students and adults for employment and future learning	(8,060)	25,094	
Cross-Goal	Strategy on Management	565	566	
<b>Total Net Cost of Operations</b>		<b>\$ 44,161</b>	<b>\$ 64,817</b>	

## FINANCIAL HIGHLIGHTS

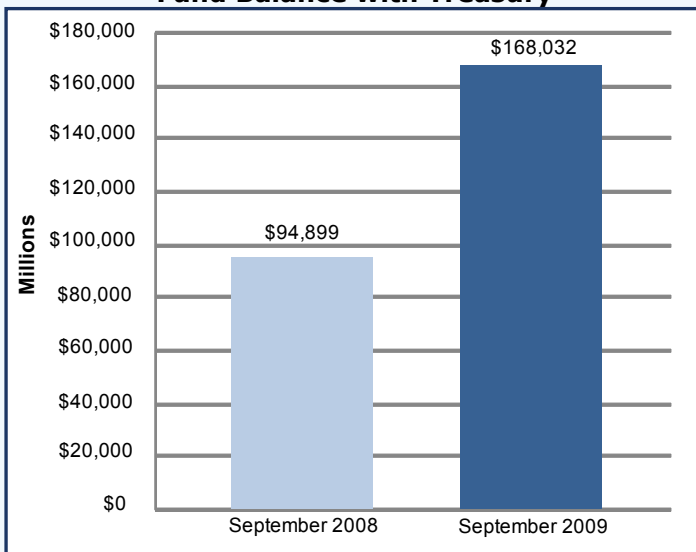
The Department consistently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operation. For the eighth consecutive year, we achieved an unqualified (clean) opinion from independent auditors on the annual financial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

### American Recovery and Reinvestment Act of 2009

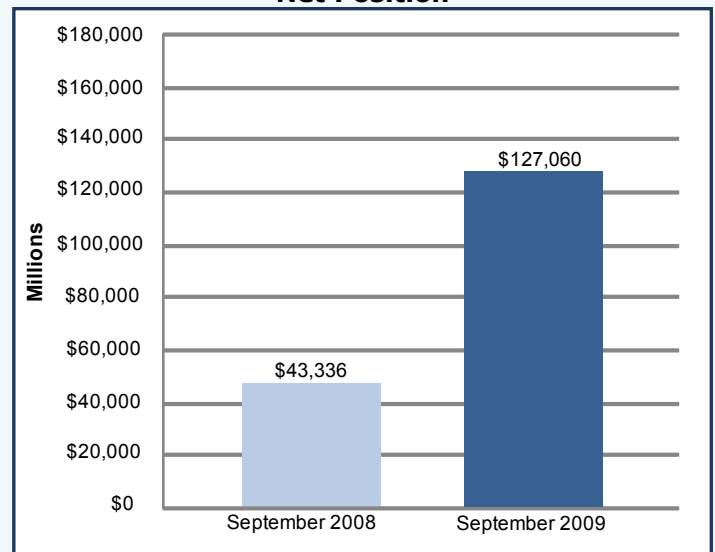
The *Recovery Act* provides \$98.2 billion in additional funding to the Department. A significant portion of *Recovery Act* funding, \$53.6 billion, is for the State Fiscal Stabilization Fund, whose purpose is to minimize and avoid reductions in education and other essential services and to promote reform.

This significant increase in funding is evident from a comparison of the Department's financial statements as of September 30, 2009, and September 30, 2008. The increases in Fund Balance with Treasury and Net Position were 77 percent and 193 percent, respectively, which are due to effects of the *Recovery Act* funding.

**Fund Balance with Treasury**



**Net Position**



To review the Department's complete financial statements, please go to <http://www.ed.gov/about/reports/annual/2009report/3-financial-details.pdf>.

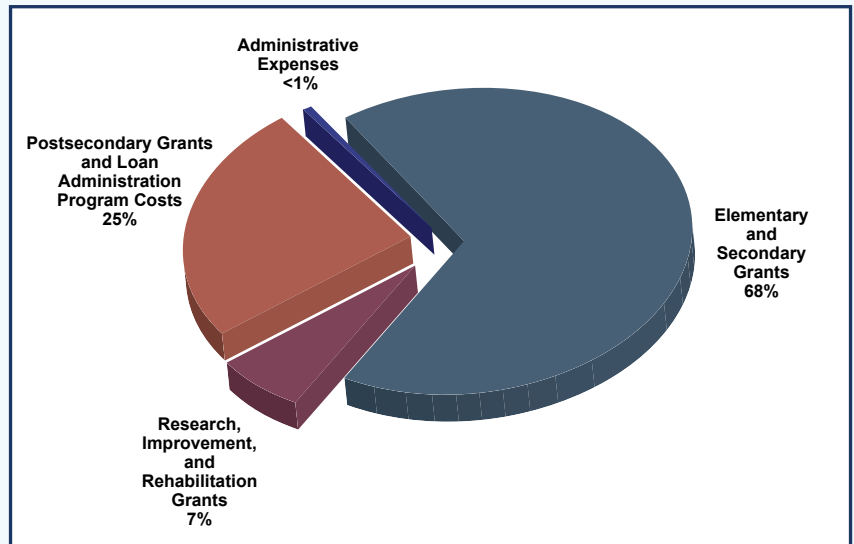
To review the Department's Report of the Independent Auditors, please go to <http://www.ed.gov/about/reports/annual/2009report/4-auditors.pdf>.

## Sources of Funds

The Department managed a budget in excess of \$140.5 billion during FY 2009, of which 68 percent supported elementary and secondary education grant programs.

Postsecondary education grants and administration of student financial assistance accounted for 25 percent, including loan program costs. An additional 7 percent went toward programs and grants encompassing research, development and dissemination, as well as vocational rehabilitation services. Administrative expenditures were less than 1 percent of the Department's appropriations.

**FY 2009 Department of Education's Budget**

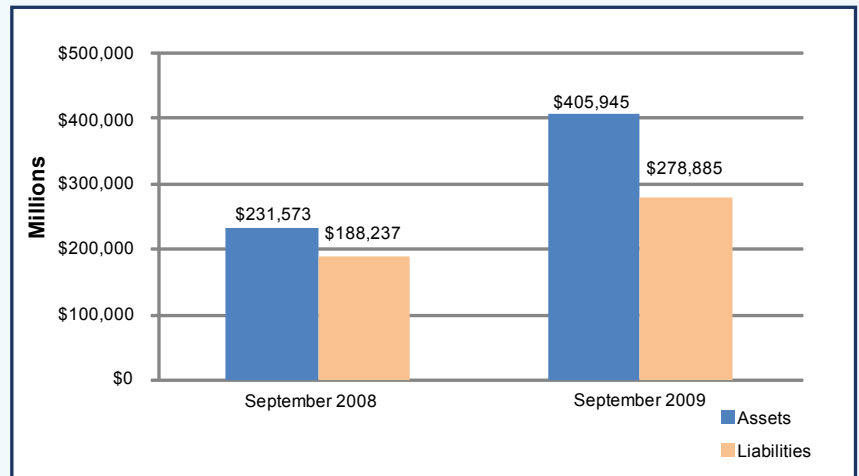


## Financial Position

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.

**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 \$406 billion, a 75 percent increase over FY 2008. The majority of this increase is due to both the *Recovery Act* and *ECASLA*. Credit Program Receivables increased by \$99.5 billion, a 74 percent increase over FY 2008. This increase is largely due to an increase in direct loan disbursements, and activity related to loan purchase commitments and loan participation purchases under the Federal Family Education Loan (FFEL) Program. The net portfolio for direct loans increased by over \$42.9 billion due to increased direct loan disbursements. FFEL Program loans increased by \$56.4 billion during FY 2009, due primarily to loan volume and activity related to loan purchase commitments and loan participation purchases. The Fund Balance with Treasury increased by \$73.1 billion, a 77 percent increase from FY 2008. The vast majority of this increase is due to the *Recovery Act*.

**Assets and Liabilities**



The vast majority of this increase is due to the *Recovery Act*.

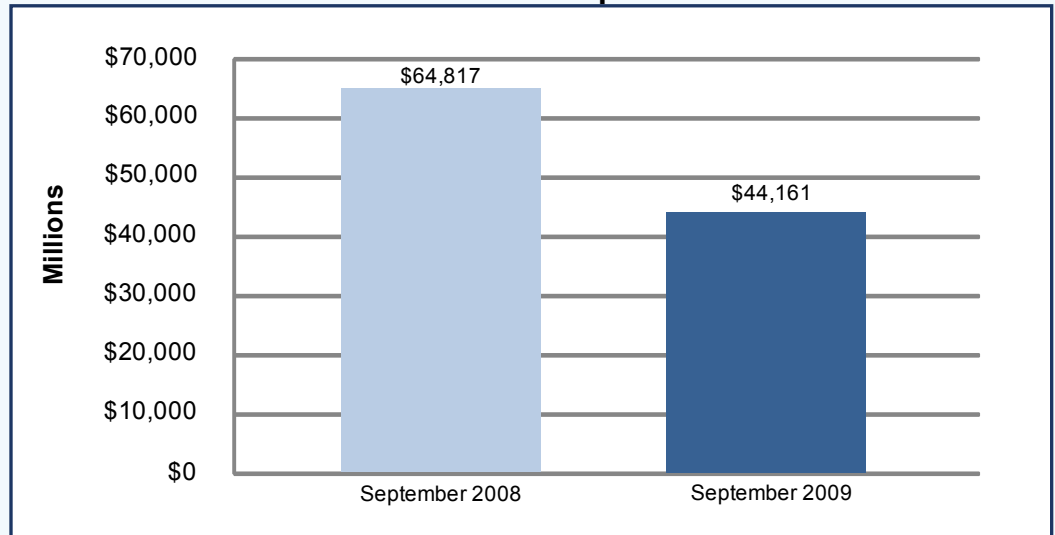
Total Liabilities for the Department increased by \$90.6 billion, a 48 percent increase over FY 2008. The increase is primarily due to the fact that borrowing increased for the Direct Loan Program and to provide funds for the loan purchase commitment and loan participation purchase activities under the FFEL Program. Liabilities for Loan Guarantees for the FFEL Program decreased \$22.8 billion, a 53 percent decrease due primarily to subsidy transfers, re-estimates and modifications.

The Department's Net Position as of September 30, 2009, was \$127.1 billion, an \$83.8 billion increase over the \$43.3 billion Net Position as of September 30, 2008. This 193 percent increase was largely due to the *Recovery Act*.

**Statement of Net Cost.**

The Statement of Net Cost presents the components of the Department's net cost, which is the gross cost incurred less any revenues earned from the Department's activities. The Department's total program net costs were \$44.2 billion, a 32 percent decrease from FY 2008. This change largely reflects the effects of both the \$2.6 billion downward modification and the \$21.7 billion downward re-estimate in the guarantee loan portion of the FFEL Program, and the \$5.2 billion downward re-estimate for Direct Loans.

**Total Net Cost of Operations**



**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 \$437.8 billion in total budgetary resources for the 12 months ended September 30, 2009. These budgetary resources were composed of \$170.1 billion in appropriated budgetary resources and \$267.7 billion in non-budgetary credit reform resources, which primarily consist of borrowing authority for the loan programs. Of the \$46.6 billion that remained unobligated at year end, \$12.1 billion represents funding provided in advance for activities in future periods that were not available at year end. These funds will become available in following fiscal years.



## SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables provide a summarized report on the Department's financial statement audit and its management assurances.

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Summary of Management Assurances					
Effectiveness of Internal Control over Financial Reporting— <i>Federal Managers' Financial Integrity Act (FMFIA) 2</i>					
Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
The Department had no material weaknesses in the design or operation of the internal control over financial reporting.					
Effectiveness of Internal Control over Operations— <i>FMFIA 2</i>					
Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Reassessed	Ending Balance
Information Technology Security	1		1		0
<b>Total Material Weaknesses</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
Conformance with Financial Management System Requirements— <i>FMFIA 4</i>					
Statement of Assurance	The Department systems conform to financial management system requirements.				
<b>Non-Conformance</b>	Beginning Balance	New	Resolved	Reassessed	Ending Balance
<b>Total Non-Conformance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Compliance with <i>Federal Financial Management Improvement Act</i>					
	Agency		Auditor		
<b>Overall Substantial Compliance</b>	Yes		No		
1. System Requirements	Yes		No		
2. Federal Accounting Standards	Yes		Yes		
3. United States Standard General Ledger at Transaction Level	Yes		Yes		

## OFFICE OF INSPECTOR GENERAL'S MANAGEMENT CHALLENGES FOR FISCAL YEAR 2010

The Office of Inspector General (OIG) works to promote efficiency, effectiveness and integrity in the programs and operations of the Department. Through our audits, inspections, investigations and other reviews, we continue to identify areas of concern within the Department's programs and operations and recommend actions the Department should take to address these weaknesses.

The *Reports Consolidation Act of 2000* requires OIG annually to identify and summarize the top management challenges facing the Department and provide information on the Department's progress in addressing those challenges. In recent years, we have focused our Management Challenges reports on six operational areas that were identified as most vulnerable to waste, fraud and abuse: (1) student financial assistance programs; (2) information technology (IT) security and management; (3) grantee monitoring and oversight; (4) grant and contract awards, performance and monitoring; (5) data reliability; and (6) human resources. However, with passage of the *Recovery Act* and *ECASLA*, there is an immediate need for the Department to increase its efforts to ensure that federal education programs are operating effectively, efficiently and as required by statute. Therefore, for FY 2010, we focus on three overall challenges that impact virtually every operational aspect of the Department: (1) the *Recovery Act*, (2) student financial assistance programs/*ECASLA* and (3) information security and management.

The Department has voiced its commitment to tackling these challenges and addressing the underlying problem of internal controls. "Internal controls" are plans, methods and procedures an entity employs to provide reasonable assurance that it meets its goals and achieves its objectives while minimizing operational problems and risks. By establishing effective internal controls, the Department can be an effective steward of the billions of taxpayer dollars supporting its programs and operations. America's students and taxpayers deserve nothing less.

**Challenge: Implementing the *Recovery Act*:** Grantee and Subrecipient Oversight and Monitoring; Data Reliability; Human Resources

**Challenge: Student Financial Assistance Programs/*ECASLA*:** Internal Controls; Participant Oversight and Monitoring; Contract Awards, Monitoring and Performance; Human Resources

**Challenge: Information Security and Management:** *Recovery Act* Funds; Contract Awards, Monitoring and Performance; Ongoing Cybersecurity Threats; IT Capital Investment Portfolio

For complete information about OIG's management challenges for FY 2010, please go to <http://www2.ed.gov/about/reports/annual/2009report/2g-mda-challenges.pdf>.





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[www.ed.gov](http://www.ed.gov)