Required Supplementary Stewardship Information

Required Supplementary Stewardship Information (RSSI), per OMB Circular A-136 guidance, requires disclosure of investments in human capital and the related program outcomes resulting from stewardship expense outlays.

Stewardship Expenses

Stewardship expenses are substantial investments by the federal government for the long-term benefit of the nation. Because costs of stewardship resources are treated as expenses in the financial statements in the year the costs are incurred, they are reported as RSSI to highlight the benefit nature of the costs and to demonstrate accountability.

Within the United States, state, local, and private sources are responsible for the majority of the estimated $1 trillion spent nationwide on all levels of education. Funding from non-federal sources provides a large portion of K-12 education, according to the National Center for Education Statistics. Public and private organizations of all kinds establish schools and colleges, develop curricula, and determine requirements for enrollment and graduation. The Department’s elementary and secondary programs annually serve approximately 50 million students in 16,900 school districts.

Within federal funding, the Department provides grant, loan, loan forgiveness, and work-study assistance to more than 13 million postsecondary students. Today, the Department operates programs that encompass every area and level of education, with discretionary spending constituting the majority of the Department’s budget and programs. Loan disbursements represented the bulk of the Department’s $317.5 billion in gross outlays for FY 2014. However, grant making overall represented 24.7 percent of those outlays, consisting of discretionary (total $78.4 billion), formula, and needs-based grants. For a detailed breakdown of these components and of the Budget as a whole, please refer to the FY 2015 Budget Summary, as well as the Summary of Human Capital Expenses table in the next section below.

Discretionary grants, such as TRIO, Race to the Top, and the Teacher Incentive Fund, are awarded on a competitive basis. When funds for these grants are exhausted, they will cease to be funded. The Department reviews discretionary grant applications using:

- a formal review process for selection,
- both legislative and regulatory requirements,
- published selection criteria established for individual programs, and
- discretion to determine which applications best address the program requirements and selection criteria and are, therefore, most worthy of funding.

Alternatively, formula grants, such as Title I and Title III of the Elementary and Secondary Education Act (ESEA), are not competitive. The majority go to school districts on a formula basis and:

- provide funds as dictated by a law,
- allocate to districts on a per-student basis, and
- schools may apply for and receive formula grants annually.
Lastly, need-based grants, including the Federal Pell grant, Federal Work Study, and the Federal Supplemental Educational Opportunity Grant (FSEOG), are based on family income and economic eligibility. While there are many state, institution (college or school), and privately sourced need-based grants, most need-based grants are funded by the federal government where the financial aid formula is determined by a combination of factors, including:

- family income,
- expected contribution of a family,
- number of dependent family members, and
- student status.

**Investment in Human Capital**

Human capital investments are defined similarly by the OMB Circular A-136 and the Statement of Federal Financial Accounting Standards (SFFAS) No. 8, *Supplementary Stewardship Reporting*, as expenses for education and training programs intended to:

- increase or maintain national economic productive capacity, and
- produce effective outputs and outcomes that provide evidence of increasing or maintaining national productive capacity.

The amounts reported as investments in the Summary of Human Capital Expenses table below represent the majority of costs on the Statement of Net Cost. These are the costs of the Department representing human investments by their nature.

The 2015 Budget request for the Department focuses on six priorities:

1. increasing equity and opportunity for all students,
2. strengthening support for teachers and school leaders,
3. expanding high-quality preschool programs,
4. augmenting affordability and quality in postsecondary education,
5. promoting educational innovation and improvement, and
6. improving school safety and climate.
Summary of Human Capital Expenses  
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td><strong>Federal Student Aid Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Loan Subsidy</td>
<td>$8,126</td>
<td>$(39,557)</td>
<td>$(10,720)</td>
<td>$(28,630)</td>
<td>$(1,567)</td>
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<tr>
<td>Federal Family Education Loan</td>
<td>(6,585)</td>
<td>(8,753)</td>
<td>(14,381)</td>
<td>(16,126)</td>
<td>(14,344)</td>
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<tr>
<td>Program Subsidy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perkins Loans, Pell and Other Grants</td>
<td>33,098</td>
<td>33,542</td>
<td>34,310</td>
<td>39,008</td>
<td>26,799</td>
</tr>
<tr>
<td>Salaries and Administrative</td>
<td>206</td>
<td>222</td>
<td>192</td>
<td>193</td>
<td>208</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>34,845</td>
<td>(14,546)</td>
<td>9,401</td>
<td>(5,555)</td>
<td>11,096</td>
</tr>
<tr>
<td><strong>Other Departmental</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Elementary and Secondary Education</td>
<td>22,832</td>
<td>22,221</td>
<td>22,137</td>
<td>21,195</td>
<td>21,608</td>
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<tr>
<td>Special Education and Rehabilitative Services</td>
<td>15,948</td>
<td>15,919</td>
<td>16,139</td>
<td>15,357</td>
<td>15,227</td>
</tr>
<tr>
<td>American Recovery and Reinvestment Act and Education Jobs Fund</td>
<td>-</td>
<td>2,623</td>
<td>7,651</td>
<td>27,945</td>
<td>44,019</td>
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<tr>
<td>Other Departmental Programs</td>
<td>6,938</td>
<td>6,175</td>
<td>6,211</td>
<td>7,341</td>
<td>7,067</td>
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<tr>
<td>Salaries and Administrative</td>
<td>667</td>
<td>703</td>
<td>481</td>
<td>504</td>
<td>502</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>46,385</td>
<td>47,641</td>
<td>52,619</td>
<td>72,342</td>
<td>88,423</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td>$81,230</td>
<td>$33,095</td>
<td>$62,020</td>
<td>$66,787</td>
<td>$99,519</td>
</tr>
</tbody>
</table>

The Department’s annual appropriations and outlays supplement state and local government funding and help build human capital in the nation by supporting cradle-to-career education programs. The Department invests in human capital through its grant and loan programs, research, leadership, and technical assistance. These activities are supported across the Department, primarily through expenditures to assist students who attend institutions of higher education and receive grants and support for state and local educational agencies.

Primary support is offered by the Office of Federal Student Aid, which 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.

The offices of Elementary and Secondary Education; Special Education and Rehabilitative Services; Innovation and Improvement; English Language Acquisition; Career, Technical, and Adult Education; and Postsecondary Education provide leadership, technical assistance, and financial support to state and local educational agencies, institutions of higher education, and not-for-profit organizations for reform, strategic investment, and innovation.
Institute of Education Sciences is the internal research arm of the Department. Its goal is the transformation of education into an evidence-based field where decision makers routinely seek out the best available research and data before adopting programs or practices that will affect significant numbers of students. The Department’s organizational listing of offices is available on the Department’s website.

Program Outcomes

Dramatically boosting completion rates for bachelor’s and associate degrees is essential for Americans to compete in a global economy. Education is the stepping stone to higher living standards for American citizens and is vital to national economic growth and security. Economic outcomes, such as wage and salary levels, have historically correlated with individuals’ educational attainments and the high level skills employers expect of those entering the labor force. Like all investments, developing higher-level skills involves costs and benefits. Other potential returns may include: increased job opportunities; jobs that are less sensitive to general economic conditions; improved employability of a person over one’s lifetime; and economic well-being of the nation through increased national productivity.

Improving education increases the equity of opportunity for every child to succeed. As a nation, we are making progress: High school graduation rates are at their highest ever (80 percent), dropout rates have gone down sharply, NAEP is at its highest ever for 4th/8th grade reading/math, and college enrollment has gone up. Our greatest progress has been in places with the boldest and most sustained commitment to reform.

The Department administers federal investments, including Titles I, II, and III of the Elementary and Secondary Education Act (ESEA), as well as the Individuals with Disabilities Education Act (IDEA), and provides guidance and technical assistance to states to ensure that teachers and principals are well prepared and students have the resources and support needed to graduate from high school ready for college and careers.

Unemployment Rate. As depicted in the graph below, individuals with lower levels of educational attainment are more likely to be unemployed than those individuals with higher levels of educational attainment. The September 2014 Department of Labor unemployment rate for adults (25 years old and over) who had not completed high school was 9.1 percent, compared with 6.2 percent for those with four years of high school and 3.2 percent for those with a bachelor’s degree or higher. Younger people with only high school diplomas tended to have higher unemployment rates than adults 25 and over with similar levels of education.
Financial Section
Required Supplementary Stewardship Information

Unemployment Rate by Educational Level


Annual Income. As depicted in the two graphs below, according to the September 2014 Department of Labor data, annualized median income for adults (25 years old and over) varied considerably by education level as follows:

- Men with a high school diploma earned $38,324, compared with $71,604 for men with a college degree.
- Women with a high school diploma earned $30,368, compared with $54,548 for women with a college degree.
- Men and women with college degrees earned 80 percent more than men and women with high school diplomas.
- These returns on investment in education directly translate into the advancement of the American economy as a whole.