Message From the Secretary

November 15, 2011

I am pleased to present the Department's *Fiscal Year (FY) 2011 Agency Financial Report.* This is the first of three integrated reporting components that are included in the alternative approach to the *Performance and Accountability Report* (PAR). The remaining two reports, the *FY 2011 Annual Performance Report* and the *FY 2011 Summary of Performance and Financial Information*, will be released in February 2012.

The financial and performance data presented in this report are complete and reliable, and provide an accurate and transparent accounting of the Department's financial situation and performance results. The report includes information and assurances about the Department's financial management systems and controls as required by the *Federal Managers' Financial Integrity Act of 1982*. I am pleased to report that for the tenth consecutive year, the Department has earned a clean opinion from independent auditors on its financial statements and that for the ninth consecutive year, no material weaknesses were identified.

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

This financial report reflects that the Department continues to be an effective steward of taxpayer dollars that provide critical support to states and districts as they continue the difficult work of education reform. Education is the key to our long-term economic prosperity. Especially in areas related to science, technology, and math, we must ensure that all children and adults in America receive a world-class education, as the country that out-educates us today will outcompete us tomorrow. Over the past two and a half years, our country has undertaken a collective effort to reform our schools, work that is inextricably linked to the future of our nation's economy. As a result, we have seen more progress in reform in the past two years than in the previous two decades.

- 45 states have adopted a common set of college- and career-ready standards.
- 45 states are working together to create the next generation of assessments that will track students' growth toward college and career readiness.
- More than a thousand school districts are taking on the hard work of turning around their lowest-performing schools.
- Across the country, labor and management are working together to use the collective bargaining process to support reform and student success.

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

- Through Race to the Top, states are creating the next generation of reforms. We are seeing progress in the 12 states that won grants, as well as states that did not win an award.
- Through Investing in Innovation, 49 projects are developing and implementing breakthrough ideas that will accelerate student learning.
- In Promise Neighborhoods, community groups are creating comprehensive plans to fight poverty by putting a high-quality public school at the center of their work.

The role of the Department of Education is to support state and local districts as they lead reforms that improve instruction and increase student achievement, which is why the President recently announced that we will be offering states and districts relief from the *No Child Left Behind Act* (NCLB). NCLB benefited the education system by expanding the standards and accountability movement and by exposing achievement gaps that challenged schools to focus on the achievement of all children. But for all that NCLB got right, states and local school districts are buckling under the law's mandates, and too many schools are destined to fail. This is why, to help states, districts, and schools that are ready to move forward with education reform, the Administration is providing relief from NCLB in exchange for a real commitment to undertake change. The purpose is not to give states and districts a reprieve from accountability, but rather to unleash energy to improve our schools at the local level even as Congress continues to work to reform the law.

A period of unprecedented education reform is no time to be laying off scores of teachers and early childhood educators. Already, financially pinched school districts are reducing class time, shortening the school calendar, cutting after-school programs and early childhood education, and reducing top-notch arts and music instruction. This is why the President has proposed the *American Jobs Act*, which includes $30 billion in investments for repairing and modernizing schools and community colleges. It will also support states and districts to protect up to 280,000 educators' jobs. The path to prosperity is to invest wisely in schools, remembering that children get only one chance at an education.

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

Sincerely,

/s/

Arne Duncan