



U.S. Department of Education The FY 2012 Summary of Performance and Financial Information

U.S. Department of Education

Arne Duncan
Secretary

Office of the Chief Financial Officer

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Delegated to perform the functions and duties of Chief Financial Officer

February 15, 2013

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This report is available on the Department's website at: <http://www.ed.gov/about/reports/annual/index.html>, and the *FY 2011–14 Strategic Plan* is available at: <http://www.ed.gov/about/reports/strat/index.html>.

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Department annual plans and annual reports are available on the web at:
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Foreword

As required by the *GPRRA Modernization Act of 2010*, each federal agency must report annually on its progress in meeting the goals and objectives established by its *Fiscal Year 2011-2014 Strategic Plan*. The United States Department of Education's (the Department's) *FY 2012 Summary of Performance and Financial Information* presents to Congress, the President, and the American people detailed information about progress in meeting the Department's strategic goals and objectives and key performance measures. This report accompanies the Administration's budget request to Congress. The complete budget request for the Department will be available at <http://www.ed.gov/about/overview/focus/performance.html>.

The *FY 2012 Summary of Performance and Financial Information* is one in a series of three integrated reports that provide a meaningful, transparent, and accountable approach to inform Congress, the President, and the American people about our progress in meeting our strategic and priority goals and objectives.

The Department's FY 2012 annual reporting includes these three documents:

Summary of Performance and Financial Information

[available February 2013]

This document provides an integrated overview of performance and financial information that consolidates the *Agency Financial Report (AFR)* and the *FY 2012 Annual Performance Report and FY 2014 Annual Performance Plan* into a user-friendly format.

FY 2012 Annual Performance Report and FY 2014 Annual Performance Plan

This report is produced in conjunction with the FY 2014 President's Budget Request and provides more detailed performance information and analysis of performance results.

Agency Financial Report (AFR) [published November 16, 2012]

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 reporting details and other statutory reporting requirements.

All three annual reports will be available on the Department's website at <http://www2.ed.gov/about/reports/annual/index.html>.

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Summary of Performance and Financial Information



Who We Are

Our Mission

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

Our History. In 1867, the [federal government](#) created a federal education agency to collect and report statistical data. The U.S. Department of Education was established as a cabinet-level agency in 1979. More information on the history of the Department and the federal role in education is available at <https://www2.ed.gov/about/overview/fed/role.html>.

What We Do. The [Department](#) engages in four major types of activities: implementing administrative responsibilities related to federal education funding, including the distribution of funds and monitoring their use; supporting data collection and research on America's schools; identifying major issues in education and focusing national attention on them; and enforcing federal laws prohibiting discrimination in programs that receive federal funds.

Who We Serve. America's schools and colleges are serving larger numbers of students as the population increases and enrollment rates rise. As of fall 2012, more than 49.8 million students attend public elementary and secondary schools. In fall 2012, a record 21.6 million students attended the nation's 2-year and 4-year colleges and universities, an increase of about 6.2 million since fall 2000.

Department Program Offices: 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. In addition, most of the governmental funding for education in the United States comes from state and local governments. The Department programs assist state and local agencies, as well as community and nonprofit organizations, in their efforts to improve student achievement, improve teacher outcomes, and provide services to students from cradle to career. Major program offices include:

Office of Federal Student Aid (FSA). FSA administers need-based financial assistance programs for students pursuing postsecondary education and makes available federal grants, direct loans, and work-study funding to eligible undergraduate and graduate students. See more detail at: <http://www.ed.gov/about/offices/list/fsa/index.html?src=oc>.

Office of Innovation and Improvement (OII). OII 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. See more detail at: <http://www.ed.gov/about/offices/list/oii/index.html?src=oc>.

Office of Elementary and Secondary Education (OESE). OESE provides leadership, technical assistance, and financial support to state and local educational agencies for reform, strategic investment, and innovation in 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 also is provided to increase the academic achievement of students by ensuring that all teachers are highly qualified. See more detail at: <http://www.ed.gov/about/offices/list/oese/index.html?src=oc>.

Office of Special Education and Rehabilitative Services (OSERS). OSERS provides leadership to achieve full integration and participation in society of people with disabilities by ensuring equal opportunity and access to, and excellence in education, employment, and community living. OSERS supports programs that help educate children and youth with disabilities, provides for the rehabilitation of youth and adults with disabilities and supports research to improve the lives of individuals with disabilities. See more detail at: <http://www.ed.gov/about/offices/list/osers/index.html?src=oc>.

Institute of Education Sciences (IES). IES is the research and statistical arm of the Department of Education. Its mission is to expand knowledge and provide information on the condition of education, practices that improve academic achievement, and the effectiveness of federal and other education programs. Its goal is the transformation of education into an evidence-based field in which decision makers routinely seek out the best available research and data before adopting programs or practices that will affect significant numbers of students. See more detail at: <http://www.ed.gov/about/offices/list/ies/index.html?src=oc>.

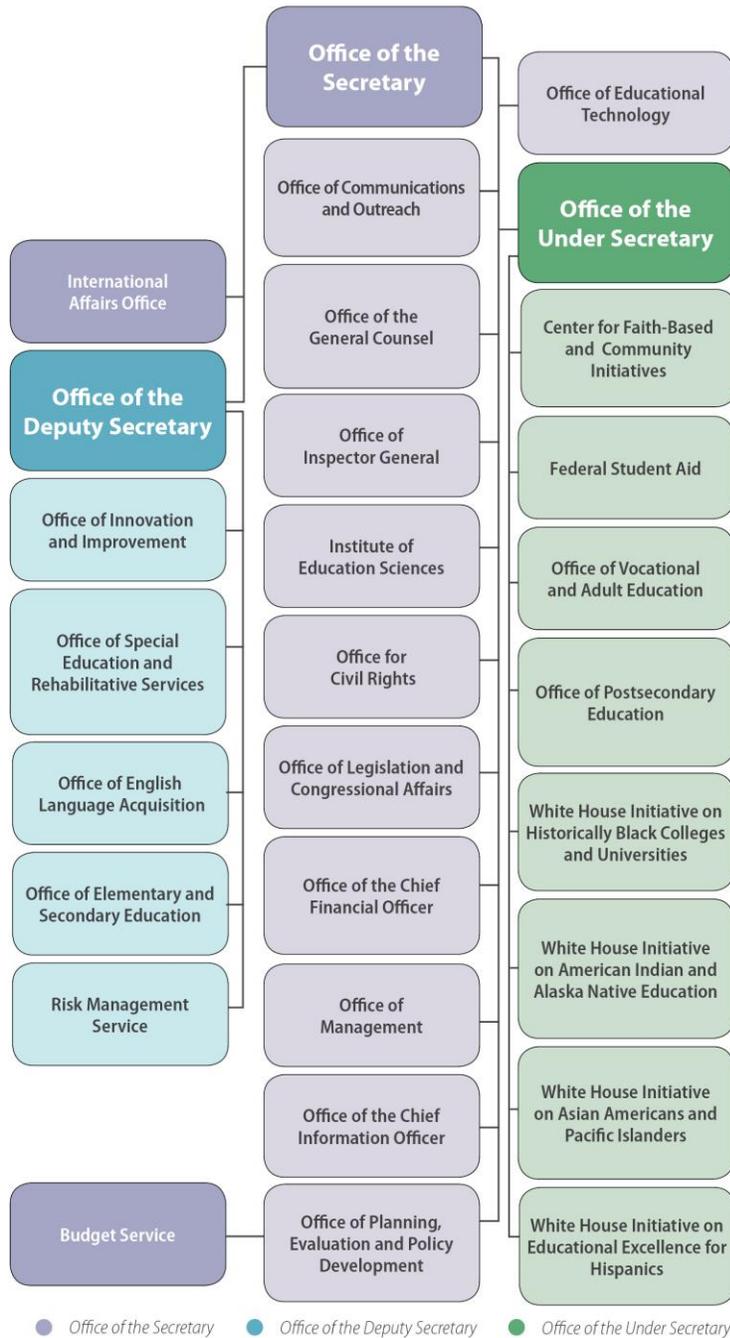
Office of English Language Acquisition (OELA). OELA provides discretionary grants for programs designed to enable students with limited English proficiency to become proficient in English and meet state academic standards. Grants under the Native American and Alaska Native Children in School Program support enhanced instructional activities for Native American, Native Alaskan, and Native Hawaiian youth. Additionally, OELA supports professional development activities to improve the skills of teachers of English learners. See more detail at: <http://www.ed.gov/about/offices/list/oela/index.html?src=oc>.

Office of Vocational and Adult Education (OVAE). OVAE administers programs that are related to adult education and literacy, career and technical education, and community colleges. Adult Education programs support basic academic skills and literacy for out-of-school youth and adults and provide assistance to states and local entities to improve basic skills, attain a high school credential and prepare students for entrance in postsecondary education or training and employment programs. Career and Technical Education programs provide grants for secondary and postsecondary programs, preparing students with academic and technical skills. See more detail at: <http://www.ed.gov/about/offices/list/ovae/index.html?src=oc>.

Office of Postsecondary Education (OPE). OPE provides grants to colleges and universities, as well as to nonprofit organizations, promotes reform and innovation in postsecondary education; increases access to and completion of postsecondary education by disadvantaged and minority students; promotes international education and foreign language studies and research; and administers the accrediting agency recognition process. See more detail at: <http://www.ed.gov/about/offices/list/ope/index.html?src=oc>.

Our Organization in Fiscal Year 2012

This chart reflects the Department organization as of September 30, 2012.



Our Public Benefit

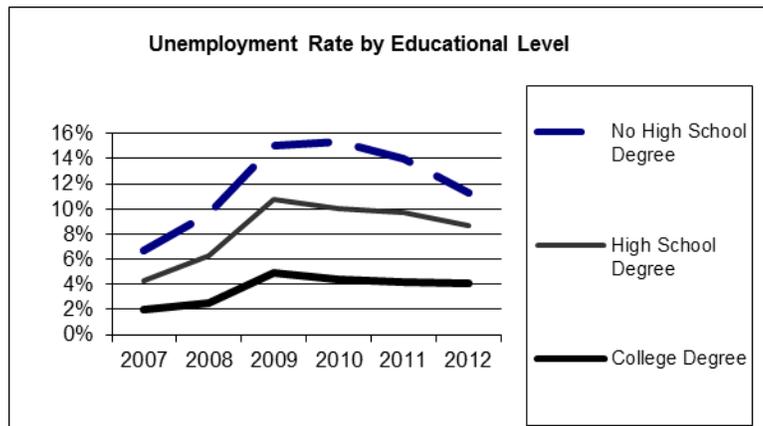
Education is the stepping stone to higher living standards for American citizens, and it is vital to national economic growth. However, education can lead to more than increased productivity and incomes. Education can help improve health, promote social change, and open doors to a better future for children and adults.

Economic outcomes, such as wage and salary levels, historically have been heavily influenced 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 to 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 2012 unemployment rate for adults (25 years old and over) who had not completed high school was 11.3 percent, compared with 8.7 percent for those with four years of high school and 4.1 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 2012, the annualized median income for adults (25 years old and over) varied considerably by education level. Men with a high school diploma earned \$37,752, compared with \$71,032 for men with a college degree. Women with a high school diploma earned \$29,692, compared with \$52,208 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 of investing in education directly translate into the advancement of the American economy as a whole.



Source: Bureau of Labor Statistics (Department of Labor) Economic News Release, Table A-4: <http://www.bls.gov/news.release/empsit.t04.htm>
Table 5: <http://www.bls.gov/news.release/pdf/wkyeng.pdf>

The Department's Approach to Performance Management



The Department's performance management approach links strategic goals and policy priorities to program activities and outcomes. The strategic planning and performance reporting cycle results in ongoing programmatic assessment and continuous operational improvement to deliver meaningful outcomes for our nation's students.

Our National Outcome Goals

The Department has identified a select number of National Outcome Goals that focus on making improvements in student achievement needed at every level of education to achieve the President's goal that, once again, America will have the highest proportion of college graduates in the world. Achieving that outcome will require a concerted effort from all stakeholders in the education system. These goals include outcomes in the following key areas:

- postsecondary education, career and technical education, and adult education;
- elementary and secondary education;
- early learning; and
- equity.

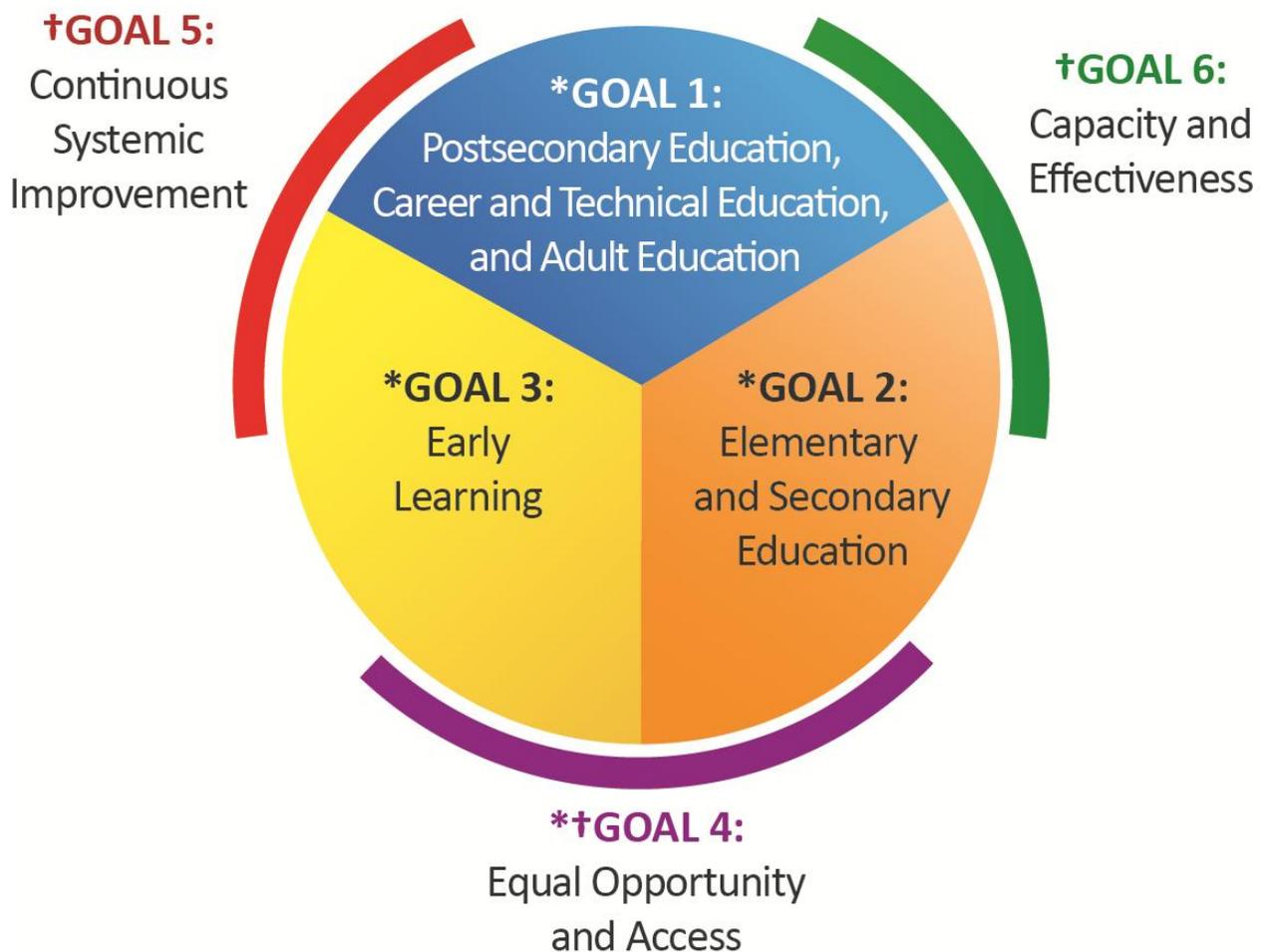
The Department's Priority Goals

Additionally, the Department has identified a limited number of Agency Priority Goals for fiscal years 2012–13 that serve as a particular focus for activities. These Priority Goals reflect the Department's cradle-to-career education strategy, and help concentrate efforts on the importance of teaching and learning at all levels of the education system. For more information on the Department's fiscal years 2012–13 Priority Goals, please go to <http://goals.performance.gov/agency/ed>.

The Department's Strategic Planning Process

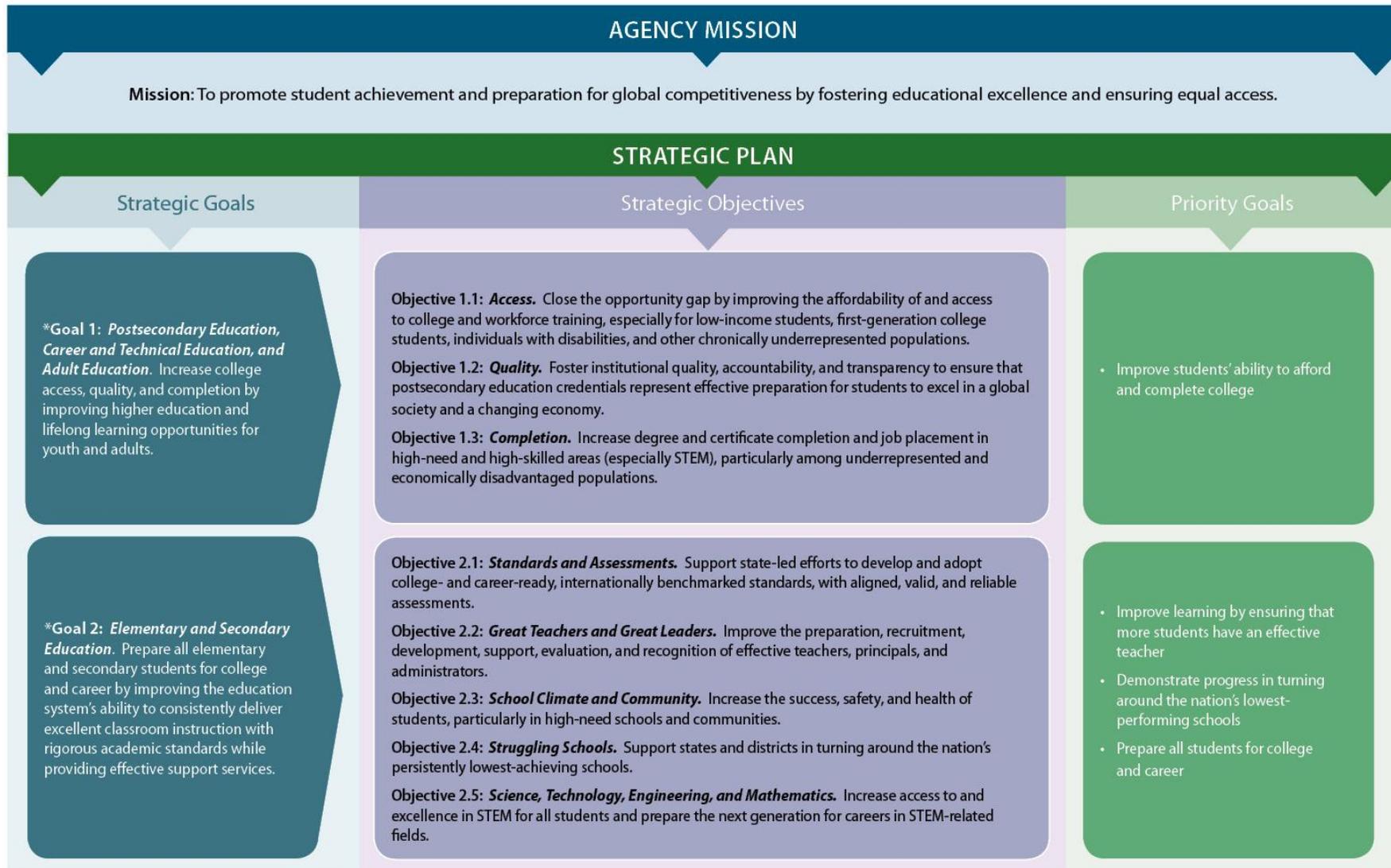
To meet the National Outcome Goals, we need to change how education is delivered. Investing in education means investing in America's future and is vital for maintaining our long-term economic security. The nation must work to ensure that all children and adults in America receive a world-class education that will prepare them to succeed in college and careers. Strategic planning is the starting point for the work of the Department as described in our *FY 2011–2014 Strategic Plan*. Reaching this goal will require comprehensive education reforms from cradle to career, beginning with children at birth, supporting them through postsecondary education, and helping them succeed as lifelong learners who can adapt to the constant changes in the technology-driven workplaces of the global economy.

FY 2011-2014 Strategic Plan

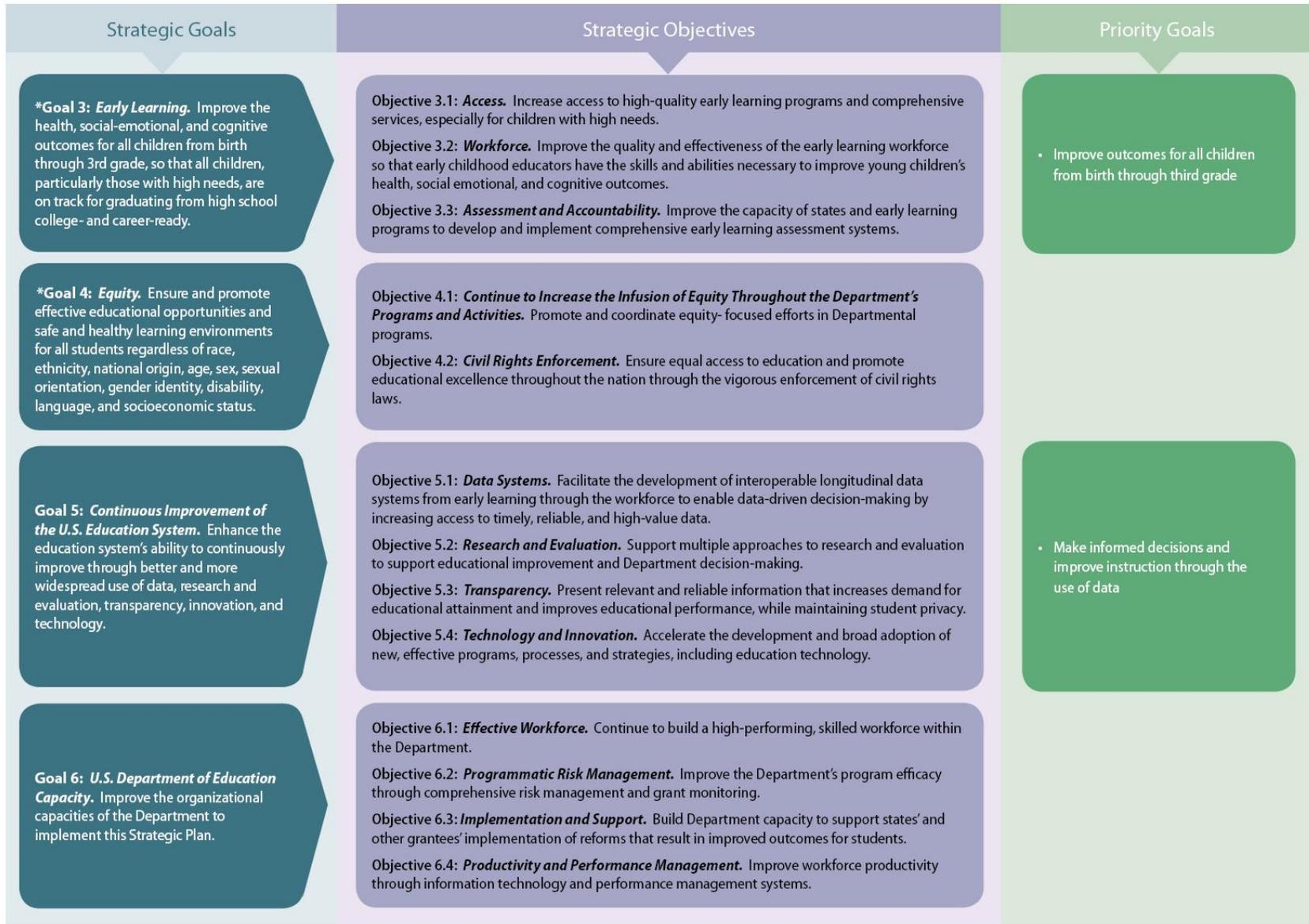


*Aligns with National Outcome Goals.

† Goals 4, 5, and 6 emphasize the impacts of internal processes on external goals 1, 2, and 3.



*Aligns with National Outcome Goals.



*Aligns with National Outcome Goals.

The Department's Organizational Performance Review Process

To manage agency performance, the Department has established quarterly performance reviews to assess and improve agencywide performance with a focus on the Department's Agency Priority Goals and other key policy priorities. At these reviews, senior leaders conduct real-time data-driven decision making, identify issues and best practices with significant inter-office implications, and ensure that the Department maintains a consistent focus on strategic priorities.

The Department's leadership engages principal component offices in organizational performance reviews to promote and focus on continuous operational improvement and capacity-building in key priority areas, including their core processes, people/organizational development, administrative management, and contributions to the department above and beyond expectations. The organizational reviews also provide a mechanism for identifying promising practices that can be applied to other areas of the agency to continuously improve and leverage the Department's internal capacity to deliver on its mission.

Challenges Linking Performance to Resources

Linking performance results, expenditures, and budget for Department programs is complicated. Most of the Department's funding is disbursed through grants and loans. Only a portion of a given fiscal year's appropriation is available to state, school, organization, or 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 a subsequent year.

Funds for competitive grant programs are generally available when appropriations are passed by Congress. However, the processes required for conducting grant competitions often result in the award of grants near the end of the fiscal year, with funding available to grantees for future fiscal years.

Therefore, program results cannot be attributed solely to the actions taken related to FY 2012 funds but to a combination of funds from across several fiscal years, as well as state and local investments, and to many external factors, including economic conditions. Furthermore, the results of some education programs may not be apparent for many years after the funds are expended. In addition, results may be due to the effects of multiple programs, including programs administered by other federal agencies.

Assessing the Completeness, Reliability, and Quality of Our Data

Ensuring that accurate and complete data are reported is critical in supporting transparency of management and budgetary decisions. The Department has established controls to ensure that data used by the Department to make funding decisions, evaluate program performance, and support a number of management and budgetary decisions are as accurate as possible. The Department has designed a procedure for ensuring that the best quality data are available for its planning and reporting purposes. The Department has developed guidance and a framework for principal offices to identify issues in data validation and verification for its strategic and program performance goals and measures prior to data reporting. In addition, limitations of data collected by the Department are noted and actions are planned to address shortfalls in data completeness, accuracy, and reliability.

The Department's Evaluation Planning Initiatives

In May 2010, the Department launched a new agencywide evaluation planning process to better align its investments in knowledge building with the Department's Strategic Plan and its budget and policy priorities. This process helps ensure that evaluation funds are used efficiently and effectively to advance the Department's goals. To determine the effectiveness of programs, policies, and strategies for improving education outcomes, funding is directed at evaluations that will yield reliable measures of effectiveness. For priority questions related to other issues, such as performance management and implementation support, the funding is directed to evaluations that use rigorous methods appropriate for answering those questions.

The evaluation planning team meets with the Department's policy and program offices and, based on their input, develops recommendations for evaluation activities in the current fiscal year and beyond. Each office identifies its highest-priority research questions, as well as other program-specific research questions they would like addressed. The evaluation team examines the extent to which these research questions are supported by existing research or are being addressed through ongoing evaluations and then develops recommendations based on current and prospective resources. In FY 2011, the Department developed and approved a set of priority research questions to inform future investments in knowledge building. Planning for FY 2012 investments was largely completed this spring and planning for FY 2013 is underway, although final decisions are contingent on appropriations action.

Office of Inspector General's (OIG) Management Challenges for Fiscal Year 2013 Highlights

The Department's Office of Inspector General (OIG) works to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. Through its audits, inspections, investigations, and other reviews, the OIG continues to identify areas of concern within the Department's programs and operations and recommends actions the Department should take to address these weaknesses. The *Reports Consolidation Act of 2000* requires the OIG to identify and report annually on the most serious management challenges the Department faces. The *Government Performance and Results Modernization Act of 2010* requires the Department to include in its agency performance plan information on its planned actions, including performance goals, indicators, and milestones, to address these challenges.

Last year the OIG presented four management challenges: improper payments, information technology security, oversight and monitoring, and data quality and reporting. While the OIG noted some progress by the Department in addressing these areas, each remains as a management challenge for Fiscal Year (FY) 2013.

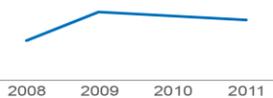
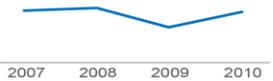
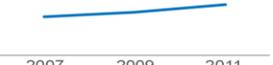
The areas of focus for possible management challenges in FY 2013 are:

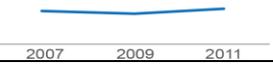
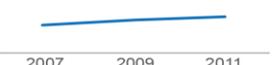
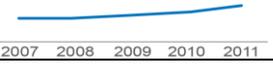
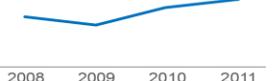
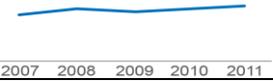
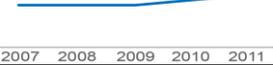
- (1) Improper Payments,
- (2) Information Technology Security,
- (3) Oversight and Monitoring, and
- (4) Data Quality and Reporting.

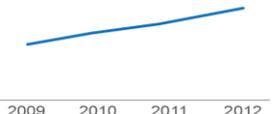
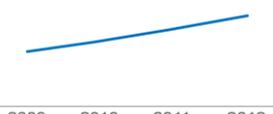
The full report is published by the OIG. To view the full report, go to:
<http://www2.ed.gov/about/offices/list/oig/managementchallenges.html>.

Selected Outcome Measures for FY 2012

In support of the FY 2011–14 Strategic Goals, the table below presents trend information for selected performance measures for FY 2007–12.

Performance Results Summary		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Trend*
Student Achievement								
Increase in the percentage of parents and teachers who believe that the effective implementation of technology within instruction is important to student success**	Parents	NA	78%	91%	89%	87%	Target: 89% [‡]	
	Teachers	NA	70%	80%	78%	79%	Target: 81% [‡]	
Increase the percentage of adult education students obtaining a high school credential***,†		62%	64%	52% ^{††}	61%	Target: 56% [‡]	Target: 57% [‡]	
Increase the percentage of public high school students who graduate four years after starting 9th grade (Averaged Freshman Graduation Rate)**		74%	75%	76%	78%	Target: 78% [‡]	Target: 79% [‡]	
Increase the percentage of 4th-grade students at or above proficient on the NAEP in reading***,‡‡		32%	NA	32%	NA	32%	NA	
Increase the percentage of 8th-grade students at or above proficient on the NAEP in reading***,‡‡		29%	NA	30%	NA	32%	NA	

Performance Results Summary	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Trend*
Increase the percentage of 4th-grade students at or above proficient on the NAEP in mathematics****#	39%	NA	38%	NA	40%	NA	
Increase the percentage of 8th-grade students at or above proficient on the NAEP in mathematics****#	31%	NA	33%	NA	34%	NA	
Postsecondary							
Increase in the percentage of individuals completing and filing the FAFSA who are non-traditional students (25 years and above with no college degree)	NA	2.2%	2.9%	3.9%	3.8%	3.7%	
Increase in the number of undergraduate credentials/degrees (in millions)	2.3	2.3	2.4	2.5	2.7	Target: 2.7†	
Increase in the number of STEM undergraduate degrees awarded***	NA	313,911	297,555	337,946	353,522	Target: 351,599 ‡	
Increase the percentage of 25- to 34-year-olds who attain an associate's or higher degree***	40%	42%	41%	42%	43%	Target: 44%†	
Increase the percentage of students who complete a bachelor's degree within 6 years from their initial institution***	57%	57%	57%	58%	59%	Target: 63%†	

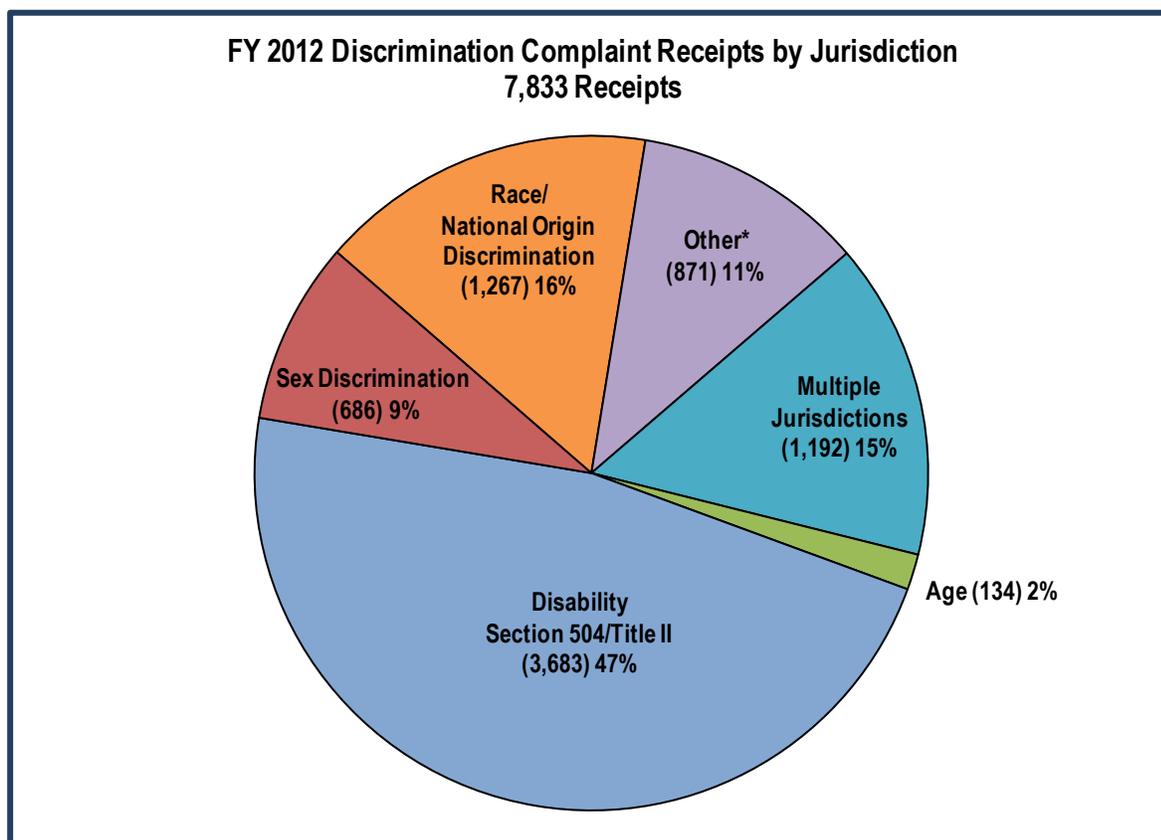
Performance Results Summary		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Trend*
State Activities								
Increase in the number of states implementing comprehensive statewide longitudinal data systems***	Link students with teachers	NA	NA	30	36	41	48	
	Link P-12 with college	NA	NA	28	34	40	47	
Department Management								
Increase in the Department's rank in the report on the Best Places to Work (BPTW) in the Federal Government		28 out of 30	NA	27 out of 30	30 out of 32	29 out of 33	28 out of 33	No trend displayed due to differences in the numbers of agencies ranked in FY 2007–11.
Increase in the percentage of Department's positive responses that the Department receives on the Talent Management measure in the Federal Viewpoint Survey		NA	58%	54%	54%	58%	57%	
Increase in the percentage of positive responses that the Department receives on the Performance Culture measure in the Federal Viewpoint Survey		49%	52%	50%	52%	53%	53%	
Increase in the Department's American Customer Satisfaction Index rating of states and other grantees reporting satisfaction with support provided by the Department		63	65	68	72	72	71	

* Trend lines display only years with actual data available. ** Data are a sum of "Important" and "Very Important" responses to the Project Tomorrow Teacher Survey. In the FY 2011 AFR, only "Important" responses were included. *** National Outcome Goal. Source: SLDS Program Data. † Data were recalculated and corrected from previous reporting year. †† The percentage of adults who earned a high school diploma was down in program year 2009–10 due to a reporting anomaly in one large state that resulted from an issue with goal setting in some of its programs. The state has provided technical assistance to these programs. An adjustment that omits this state's data from the two most recent years indicates that the national performance on the high school completion remains relatively the same at approximately 65 percent. ‡ Data not yet available for this fiscal year. ‡‡ NAEP data are collected biennially. Data reported for the NAEP measures in the FY 2012 AFR reflect public school students only. In previous AFRs, national totals that included both public and private school data were reported. ‡‡‡ Data from National Center for Education Statistics, Integrated Postsecondary Education Data System. For the FY 2011 AFR, National Science Foundation, National Center for Science and Engineering Statistics data were reported.

Ensuring Equal Access

The Department enforces federal civil rights laws that prohibit discrimination on the basis of race, color, national origin, sex, disability, and age in our nation's schools, primarily in educational institutions that receive federal funds from the Department. OCR, a law enforcement agency within the Department, performs the Department's civil rights enforcement responsibilities in a variety of ways, including: investigating complaints alleging discrimination; conducting proactive and systemic investigations 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 to parents and students on their rights under the law.

In FY 2012, OCR received a total of 7,833 complaints alleging discrimination, comparable to FY 2011's all-time high of 7,841, and resolved 8,161 complaints, some of which were received the previous year. As shown in the chart below, close to half of the complaints received by the Department allege discrimination due to disability. In addition to the issues addressed through complaint processing, OCR resolved or negotiated the settlement of 32 proactive compliance reviews, which are among the most significant public statements that OCR makes concerning civil rights compliance. OCR also initiated 6 proactive compliance reviews, and conducted 42 proactive technical assistance activities.



* This category 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.

Source: Office for Civil Rights Case Management System

Customer Satisfaction with the Department of Education

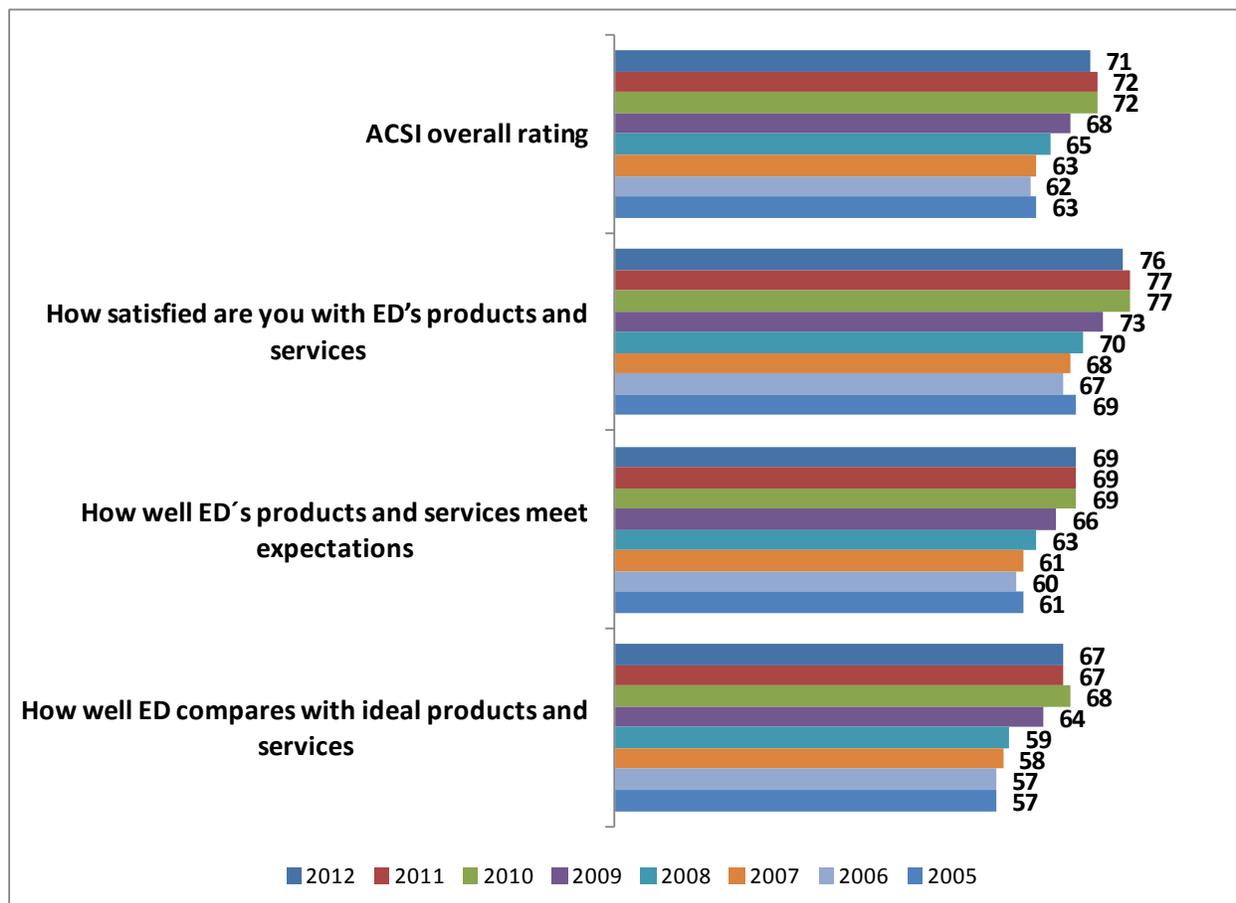
In FY 2012, in response to the President's April 27, 2011, Executive Order 13571, Streamlining Service Delivery and Improving Customer Service, the Department survey included 38 Department programs.

The survey uses the American Customer Satisfaction Index (ACSI). The ACSI is the national indicator of customer evaluations of the quality of goods and services. It is the only uniform benchmarking measure of customer satisfaction across agencies and private industry. The ACSI allows benchmarking between federal agencies and provides information unique to each agency on how activities that interface with the public affect the satisfaction of its customers. The ACSI is a weighted average of three questions that measure: overall satisfaction, satisfaction compared to expectations, and satisfaction compared to an ideal organization.

Additionally, each principal office in the Department surveys their grantees on the effective use of technology, clarity and organization of documents, staff knowledge, responsiveness, collaboration with other Department offices, provision of technical assistance, and ease of accessing online resources.

In FY 2012, there was a slight drop in satisfaction from the previous year—from 72 to 71 points on a 100-point scale. To review the complete results of the Department's customer satisfaction surveys: <http://www2.ed.gov/about/reports/annual/qss/index.html>.

Customer Satisfaction With the Department of Education, 2005–2012



Financial Summary

The table below summarizes trend information concerning components of the Department's financial condition. The Consolidated Balance Sheet presents a snapshot of our financial condition as of September 30, 2012, compared to fiscal year (FY) 2011, and displays assets, liabilities, and net position. Another component of the Department's financial picture is the Consolidated Statement of Net Cost.

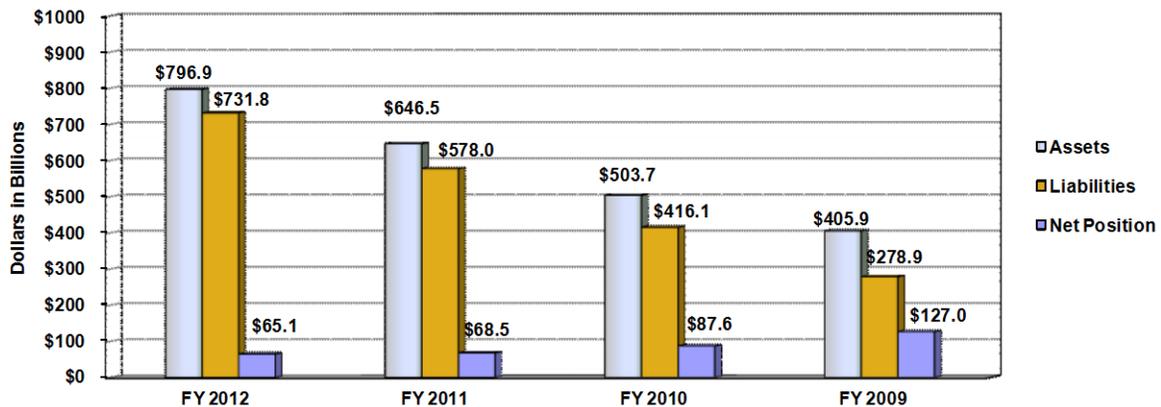
Financial Summary

Dollars in Millions

Consolidated Balance Sheet

As of September 30, 2012, 2011, 2010, 2009

	% Change 2012/2011	FY 2012	FY 2011	FY 2010	FY 2009
Fund Balance with Treasury	+7%	\$ 121,993	\$ 114,085	\$ 132,259	\$ 168,032
Credit Program Receivables, Net	+27%	673,488	530,491	367,904	234,254
Other	-26%	1,446	1,966	3,501	3,659
Total Assets	+23%	796,927	646,542	503,664	405,945
Debt	+31%	715,303	547,108	374,335	235,385
Liabilities for Loan Guarantees	-90%	1,037	10,025	14,479	20,543
Other	-26%	15,432	20,824	27,248	22,957
Total Liabilities	+27%	731,772	577,957	416,062	278,885
Unexpended Appropriations	+1%	72,686	71,729	94,371	127,269
Cumulative Results of Operations	+140%	(7,531)	(3,144)	(6,769)	(209)
Total Net Position	-5%	65,155	68,585	87,602	127,060
Total Liabilities and Net Position	+23%	\$ 796,927	\$ 646,542	\$ 503,664	\$ 405,945



Consolidated Statement of Net Cost

For the Periods Ended September 30, 2012, 2011, 2010, 2009

	% Change 2012/2011	FY 2012	FY 2011	FY 2010	FY 2009
Gross Cost	-1%	\$ 89,263	\$ 89,910	\$ 116,953	\$ 55,412
Less: Earned Revenue	+25%	(25,490)	(20,397)	(17,279)	(11,251)
Total Net Cost of Operations	-8%	\$ 63,773	\$ 69,513	\$ 99,674	\$ 44,161

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 eleventh consecutive year, the Department achieved an unqualified (clean) opinion from independent auditors on the annual financial statements. 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.

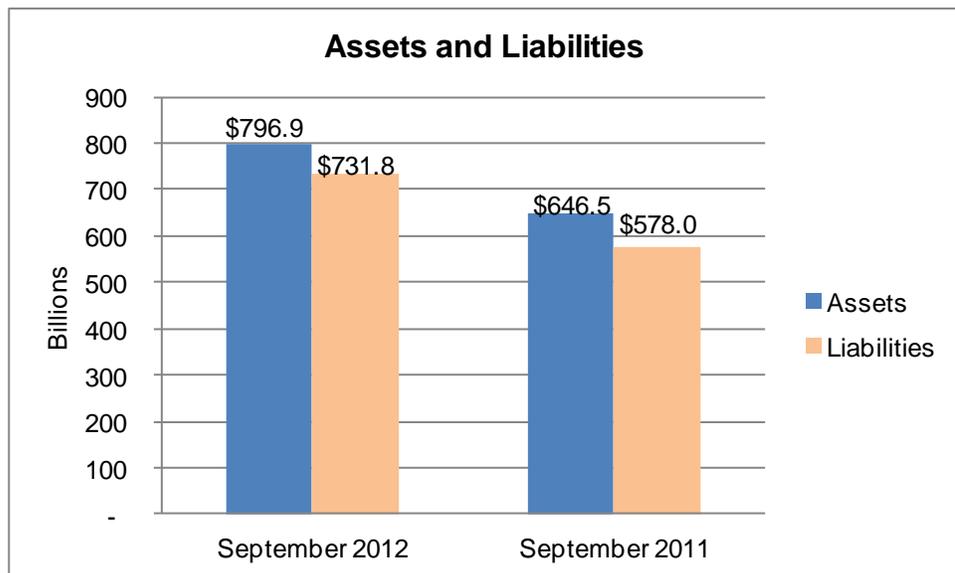
Financial Position

Balance Sheet.

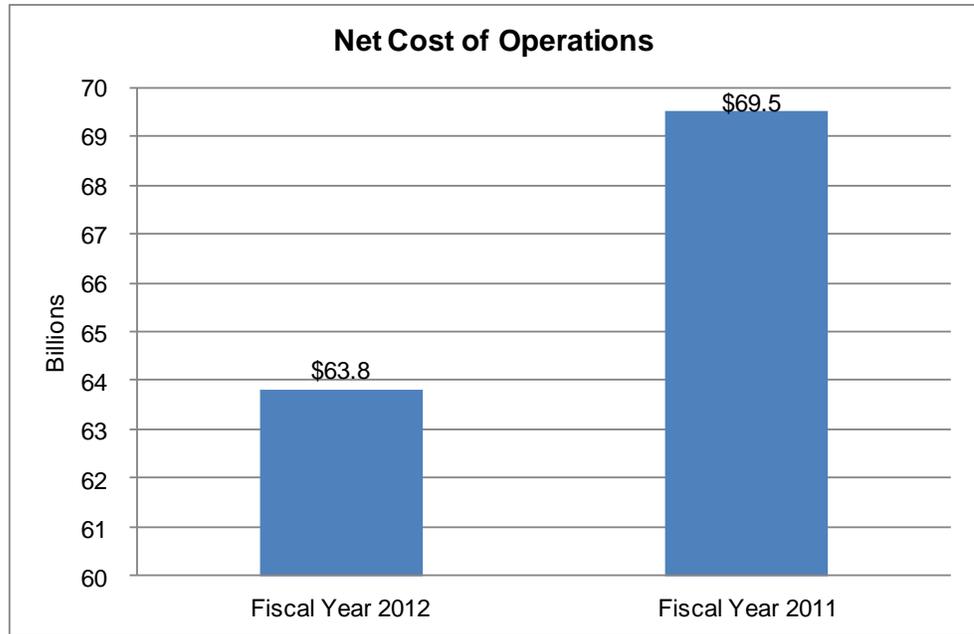
The Balance Sheet presents, as of a specific point in time, the recorded value of assets and liabilities retained or managed by the Department. The difference between assets and liabilities represents the net position of the Department. The Balance Sheet reflects total assets of \$796.9 billion, a 23 percent increase

over FY 2011. The vast majority of this increase is due to Credit Program Receivables, which increased by \$143.0 billion, a 27 percent increase over FY 2011. This increase is largely the result of Direct Loan disbursements for new loan originations and loan consolidations, net of borrower principal and interest collections, which increased the net portfolio for Direct Loans by \$144.6 billion.

Total liabilities for the Department increased by \$153.8 billion, a 27 percent increase over FY 2011. The increase is the result of current year borrowing for the Direct Loan and FFEL Programs that provided funding for Direct Loan disbursements and FFEL Program downward re-estimates. This current year borrowing, net of repayments, resulted in a \$168.2 billion increase in Debt. Liabilities for Loan Guarantees for the FFEL Program decreased by \$9.0 billion, a 90 percent decrease that is primarily due to FY 2012 subsidy re-estimates.



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 \$63.8 billion during FY 2012, an 8 percent decrease compared to total



program net costs during the prior year. Significant components of this change include a \$20.3 billion decrease in Recovery Act and Education Jobs Fund disbursements and a \$17.9 billion increase in Direct Loan program subsidy related costs (negative subsidy transfers and re-estimated subsidy cost).

As required by the *GPR Modernization Act of 2010*, each of the Department's reporting groups and major program offices have been aligned with the goals presented in the Department's *FY 2011–2014 Strategic Plan*.

Net Cost Program	Reporting Group/ Program Office	Strategic Goal
Increase College Access, Quality, and Completion	Federal Student Aid Office of Postsecondary Education Office of Vocational and Adult Education	1. Increase college access, quality, and completion by improving higher education and lifelong learning opportunities for youth and adults.

Net Cost Program	Reporting Group/ Program Office	Strategic Goal
Improve Preparation for College and Career from Birth Through 12th Grade, Especially for Children with High Needs	Office of Elementary and Secondary Education Hurricane Education Recovery	2. Prepare all elementary and secondary students for college and career by improving the education system's ability to consistently deliver excellent classroom instruction with rigorous academic standards while providing effective supportive services. 3. Improve the health, social-emotional, and cognitive outcomes for all children from birth through 3rd grade, so that all children, particularly those with high needs, are on track for graduating from high school college- and career-ready.
Ensure Effective Educational Opportunities for All Students	Office of English Language Acquisition Office for Civil Rights Office of Special Education and Rehabilitative Services	4. Ensure and promote effective educational opportunities and safe and healthy learning environments for all students regardless of race, ethnicity, national origin, age, sex, sexual orientation, gender identity, disability, language, and socioeconomic status.
Enhance the Education System's Ability to Continuously Improve	Institute of Education Sciences Office of Innovation and Improvement	5. Enhance the education system's ability to continuously improve through better and more widespread use of data, research and evaluation, transparency, innovation and technology.
American Recovery and Reinvestment Act and Education Jobs Fund	American Recovery and Reinvestment Act Education Jobs Fund	Cuts across Strategic Goals 1–5

Strategic Plan Goals 1–5 are sharply defined directives that guide the Department's program offices to carry out the vision and programmatic mission, and the net cost programs can be specifically associated with these five Strategic Goals. The Department also has a cross-cutting *Strategic Plan* Goal 6, U.S. Department of Education Capacity, which focuses on improving the organizational capacities of the Department to implement the Strategic Plan. As a result, the Department does not assign specific programs to Strategic Plan Goal 6 for presentation in the Statement of Net Cost.

The goals of the Recovery Act and Education Jobs Fund are consistent with the Department's current *Strategic Plan* goals and programs.

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 \$375.0 billion in total budgetary resources for the year ended September 30, 2012. These budgetary resources were composed of \$104.7 billion in appropriated budgetary resources and \$270.3 billion in non-budgetary credit reform resources that primarily consist of borrowing authority for the loan programs. Of the \$31.6 billion that remained unobligated for the year ended September 30, 2012, \$20.5 billion represents funding provided in advance for activities in future periods that were not available at year end. These funds will become available during the next, or future, fiscal years.





**OUR MISSION IS TO PROMOTE STUDENT ACHIEVEMENT AND PREPARATION FOR
GLOBAL COMPETITIVENESS BY FOSTERING EDUCATIONAL EXCELLENCE AND
ENSURING EQUAL ACCESS.**

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