

Required Supplementary Stewardship Information

Stewardship Expenses

In the Department, discretionary spending constitutes the majority of the budget and includes nearly all programs, the notable exceptions being student loan subsidy costs and vocational rehabilitation state grants. 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.

Investment in Human Capital

The Department's annual appropriations and outlays augments the state and local government funding and helps to 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, grants, and support for state and local educational agencies.

Human capital investments are expenses included in net cost for education and training programs intended to: (1) increase or maintain national economic productive capacity, and that (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity.

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, Vocational and Adult Education, and Postsecondary Education provide leadership, technical assistance, and financial support to state and local educational agencies and institutions of higher education for reform, strategic investment, and innovation in education.

Institute of Education Sciences is the research arm of the Department. 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.

An interactive version of the Department's organizational chart is available at: <http://www2.ed.gov/about/offices/or/index.html?src=ln>.

The table presents the net cost to the Department for its investments in human capital. In summary, human capital expenses include the cost of grants, loans, and salaries and administrative expenses. These costs are offset by the estimated negative subsidy, which is explained in more detail in Note 6: Credit Programs for Higher Education, in the footnotes to the financial statements.

Summary of Human Capital Expenses					
(Dollars in Millions)	2013	2012	2011	2010	2009
Federal Student Aid Expense					
Direct Loan Subsidy	\$ (39,557)	\$ (10,720)	\$ (28,630)	\$ (1,567)	\$ (9,603)
Federal Family Education Loan Program Subsidy	(8,753)	(14,381)	(16,126)	(14,344)	(29,940)
Perkins Loans, Pell and Other Grants	33,542	34,310	39,008	26,799	17,302
Salaries and Administrative	222	192	193	208	186
Subtotal	(14,546)	9,401	(5,555)	11,096	(22,055)
Other Departmental					
Elementary and Secondary Education	22,221	22,137	21,195	21,608	21,443
Special Education and Rehabilitative Services	15,919	16,139	15,357	15,227	15,075
American Recovery and Reinvestment Act and Education Jobs Fund	2,623	7,651	27,945	44,019	21,616
Other Departmental Programs	6,175	6,211	7,341	7,067	7,150
Salaries and Administrative	703	481	504	502	472
Subtotal	47,641	52,619	72,342	88,423	65,756
Grand Total	\$ 33,095	\$ 62,020	\$ 66,787	\$ 99,519	\$ 43,701

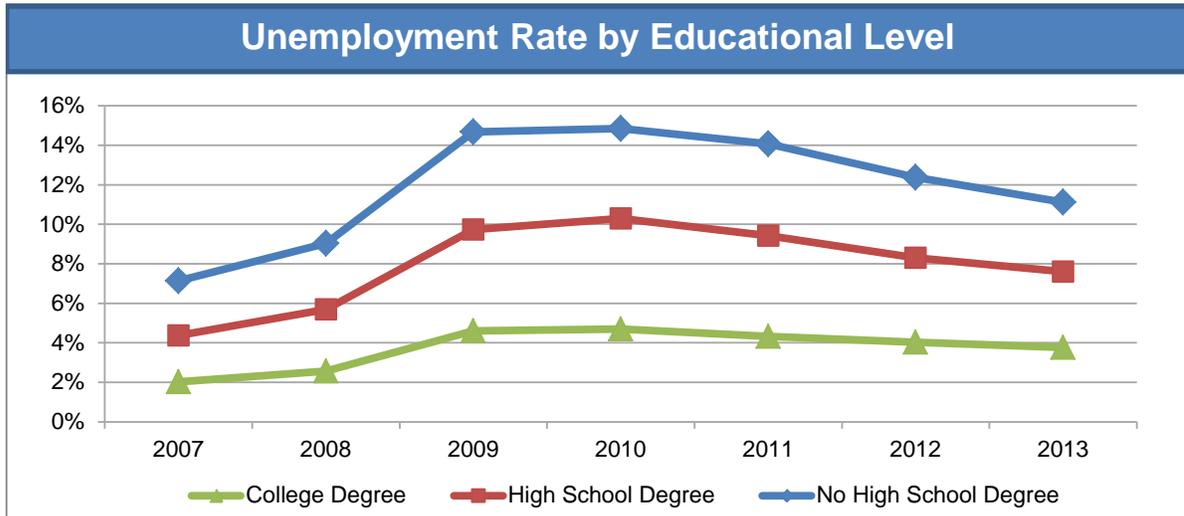
Program Outcomes

Dramatically boosting completion rates for bachelor's and associate degrees is essential for Americans to compete in a global economy. The President thus set a goal in 2009—that, by 2020, the U.S. will have the highest proportion of college graduates in the world. Education is the stepping stone to higher living standards for American citizens, and it is vital to national economic growth. Not only does education increase the average lifetime salary of the more educated, it also reduces the risk of unemployment.

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 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.

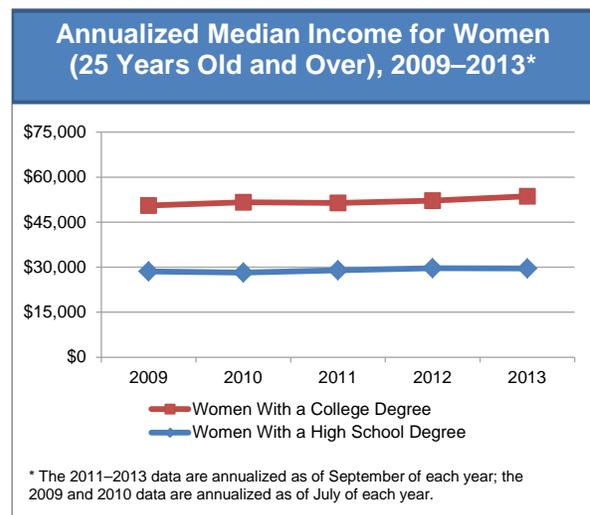
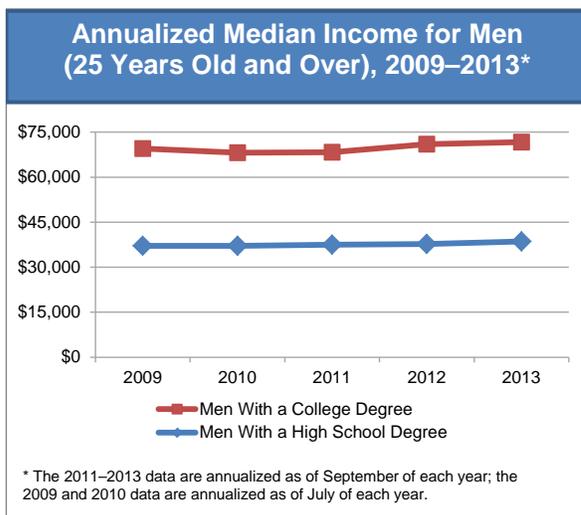
Returns related to the individual include higher earnings, better job opportunities, and jobs that are less sensitive to general economic conditions. These refer not just to salary levels over the lifetime of an individual, but include the employability of a person over one's lifetime as well. These individual benefits also support the economic well-being of the nation through reduced reliance on welfare subsidies, increased participation in civic activities, and greater productivity.

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 2013 unemployment rate for adults (25 years old and over) who had not completed high school was 10.3 percent, compared with 7.6 percent for those with four years of high school and 3.7 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.



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

Annual Income. As of September 2013, the annualized median income for adults (25 years old and over) varied considerably by education level. Men with a high school diploma earned \$38,584, compared with \$71,656 for men with a college degree. Women with a high school diploma earned \$29,588, compared with \$53,612 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.



* The 2011–2013 data are annualized as of September of each year; the 2009 and 2010 data are annualized as of July of each year.

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