



# U.S. Department of Education The FY 2013 Summary of Performance and Financial Information

## U.S. Department of Education

Arne Duncan

Secretary

March 31, 2014

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## Foreword

As required by the *Government Performance and Results Act (GPRA) Modernization Act of 2010*, each federal agency must report annually on its progress in meeting the goals and objectives established by its *Strategic Plan*. The United States Department of Education's (the Department's) *Fiscal Year (FY) 2013 Summary of Performance and Financial Information* presents to Congress, the President, and the American people an overview of the Department's financial and performance position in FY 2013 and the strategic goals and objectives and performance targets for our new *FY 2014–18 Strategic Plan*.

This year, the Department consolidated its *FY 2013 Annual Performance Report* and the *FY 2015 Annual Performance Plan* to roll out its *U.S. Department of Education Strategic Plan for Fiscal Years 2014–2018*. This plan will build on the successes and improve on the Department's challenges from the *U.S. Department of Education Strategic Plan for Fiscal Years 2011–2014* to provide a more meaningful approach to inform Congress, the President, and the American people about our progress in meeting our strategic and priority goals and objectives. The baseline data for the *FY 2014–18 Strategic Plan* measures are the most current data available to the Department. Unless noted, targets are based upon the most current data the Department expects to have available at the time of the *Annual Performance Reports*. The Department's FY 2013 annual reporting includes these three documents:

### **FY 2013 Summary of Performance and Financial Information** [available March 2014]

This document provides an integrated overview of performance and financial information that consolidates the *FY 2013 Agency Financial Report (AFR)* and the *FY 2013 Annual Performance Report (APR)* and *FY 2015 Annual Performance Plan (APP)* into a user-friendly format.

### **FY 2013 Annual Performance Report and FY 2015 Annual Performance Plan**

[available March 2014]

This report is produced in conjunction with the FY 2015 President's Budget Request and provides more detailed performance information and analysis of performance results.

### **FY 2013 Agency Financial Report (AFR)** [published December 11, 2013]

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 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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## Contents

### **Mission and Organizational Structure**

Our Mission.....	1
Our Organization.....	3

### **The Department’s Approach to Performance Management**

Performance Management Framework .....	4
Strategic Plans Comparison.....	4
FY 2012–13 Agency Priority Goals .....	6
Performance Measures and Targets for the <i>FY 2014–18 Strategic Plan</i> .....	14

### **Financial Highlights**

Analysis of Assets.....	21
Statement of Net Cost.....	23
Economic Outcomes of Education .....	24

### **Office of Inspector General’s (OIG) Management Challenges .....**

<b>Conclusion .....</b>	<b>26</b>
-------------------------	-----------

### **Summary of Financial Statement Audit and Management Assurances .....**

<b>Summary of Financial Statement Audit and Management Assurances .....</b>	<b>28</b>
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## Mission and Organizational Structure

### 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.*



**Who We Are.** In 1867, the federal government recognized that furthering education was a national priority and created a federal education agency to collect and report statistical data. The Department was established as a cabinet-level agency in 1979. Today, the Department supports programs that touch on every area and level of education.

The [Department](#) engages in four major types of activities: establishing policies related to federal education funding, including the distribution of funds, collecting on student loans, and using data to monitor the use of funds; 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.

**Our Public Benefit.** The Department is committed to ensuring that students throughout the nation develop the skills they need to succeed in school, college, and the workforce, while recognizing the primary role of states and school districts in providing a high-quality education, employing highly qualified teachers and administrators, establishing challenging content and achievement standards, and monitoring students' progress against those standards. As a principal office of the Department, Federal Student Aid (FSA) provides billions of dollars in low-interest loans, grants, and work-study funds to cover expenses, such as tuition and fees, room and board, books and supplies, and transportation, which enable millions of students to further their education. The Department's early learning, elementary, and secondary programs annually serve approximately 56 million students in 14,000 school districts attending about 99,000 public and 31,000 private schools and early intervention and preschool programs. Department programs also provide grant, loan, and work-study assistance to approximately 14 million postsecondary students.

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**Our Offices.** The [Office of Federal Student Aid](#) 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 \(OESE\)](#), [Special Education and Rehabilitative Services \(OSERS\)](#), [Innovation and Improvement \(OII\)](#), [English Language Acquisition \(OELA\)](#), [Postsecondary Education \(OPE\)](#), and [Career, Technical, and Adult Education \(OCTAE\)](#) 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.

The [Office for Civil Rights](#) works to ensure equal access to education and to promote educational excellence throughout the nation through vigorous enforcement of civil rights. OCR serves student populations facing discrimination and the advocates and institutions promoting systemic solutions to civil rights problems.

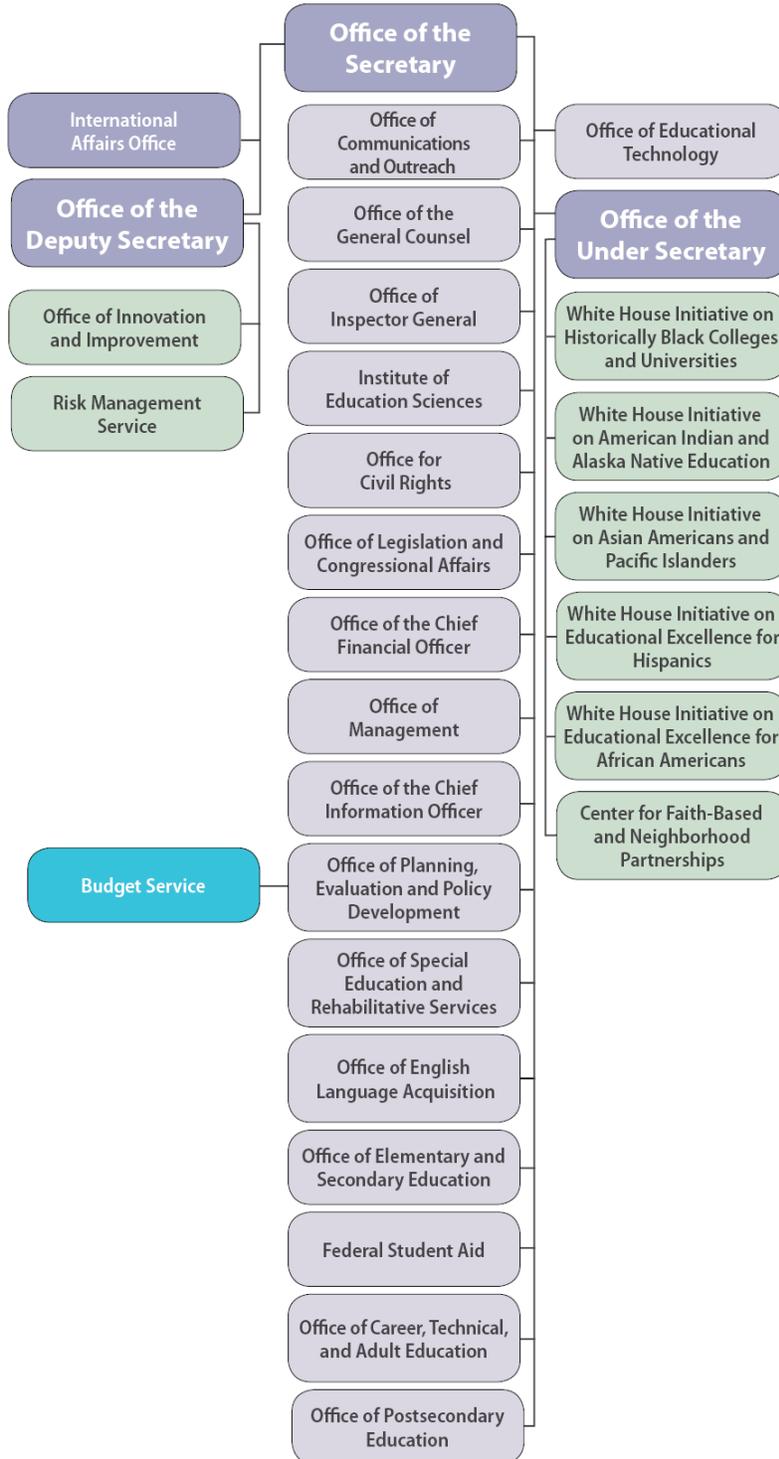
The [Office of Planning, Evaluation and Policy Development \(OPEPD\)](#) serves as the principal adviser to the Secretary on all matters relating to policy development and review; performance measurement and evaluation; budget processes and proposals, overseeing policy development and reviewing policy recommendations. Two major components, the Budget Service and the Policy and Program Studies Service, are housed within OPEPD.

**Regional Offices.** The [Department has 10 regional offices](#) that provide points of contact and assistance for schools, parents, and citizens. The primary support within the regional offices is that of communications, civil rights enforcement, and federal student aid services to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. In addition to enforcement offices in federal regions, enforcement offices are located in Washington, D.C., and Cleveland, Ohio.

Detailed descriptions of the [principal offices](#) and [overviews of the activities of the Department and its programs](#) can be found on the Department's website at <http://www2.ed.gov/about/offices/list/index.html> and <http://www2.ed.gov/about/overview/focus/whattoc.html?src=ln>.

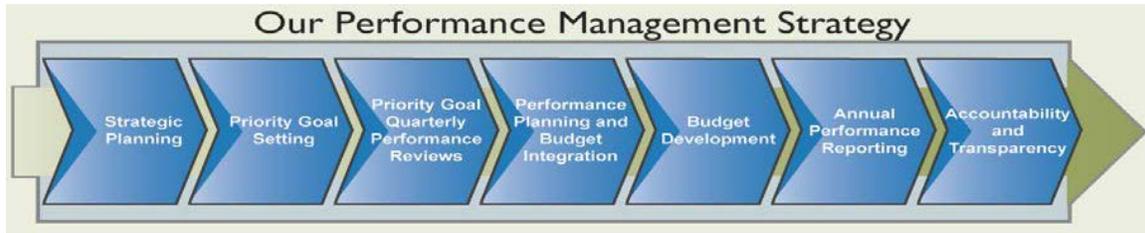
## Our Organization

This chart reflects the statutory organizational structure of the U.S. Department of Education. An [interactive and text version of the coordinating structure](#) of the Department is available.



# The Department’s Approach to Performance Management

## Performance Management Framework



In accordance with the [GPRA Modernization Act of 2010](#), the Department’s framework for performance management starts with the Strategic Plan, including its priority goals, which serve as the foundation for establishing overall long-term priorities and developing performance goals, objectives, and measures by which the Department can gauge achievement of its stated outcomes. Progress towards the Department’s strategic and priority goals is measured using data-driven review and analysis. This focus promotes active management engagement across the Department, which ensures alignment to the [Department’s Annual Performance Plans and Annual Performance Reports](#).

As the Department closes out its [FY 2011–14 Strategic Plan](#) and migrates to its FY 2014–18 plan, the Department’s results are mixed—presenting both accomplishments and challenges moving forward. Of the 35 metrics in the *FY 2011–14 Strategic Plan*, 13 have shown significant progress toward established goals, including such important areas as increased state commitments to high-quality outcome metrics for preschools and better use of data to evaluate teachers and colleges and to help students identify their own strengths and remediate areas where they face challenges.

The Department solicited input from Congress, state and local partners, and other education stakeholders in developing the [FY 2014–18 Strategic Plan](#). The *Strategic Plan* is comprised of six foundational strategic goals and six priority goals. The Department’s updated *FY 2014–18 Strategic Plan* largely follows the same goals and general strategic objectives as the previous plan, with six strategic goals that will help to align the Administration’s yearly budget requests and the Department’s legislative agenda.

### Strategic Plans Comparison

<i>FY 2011–14 Strategic Plan</i>	<i>FY 2014–18 Strategic Plan</i>
<i>Mission: Promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access</i>	<i>Mission: Promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access</i>
<b>Goal 1: Postsecondary Education, Career and Technical Education, and Adult Education</b> Increase college access, quality, and completion by improving higher education and lifelong learning opportunities for youth and adults.	<b>Goal 1: Postsecondary Education, Career and Technical Education, and Adult Education</b> Increase college access, affordability, quality, and completion by improving postsecondary education and lifelong learning opportunities for youths and adults.

<i>FY 2011–14 Strategic Plan</i>	<i>FY 2014–18 Strategic Plan</i>
Obj. 1: Access Obj. 2: Quality Obj. 3: Completion	Obj. 1: Access and Affordability Obj. 2: Quality Obj. 3: Completion Obj. 4: Science, Technology, Engineering, and Mathematics (STEM) Pathways
<b>Priority Goals:</b> <ul style="list-style-type: none"> <li>Improve students' ability to afford and complete college</li> </ul>	<b>Priority Goals:</b> <ul style="list-style-type: none"> <li>Increase college degree attainment in America</li> </ul>
<b>Goal 2: Elementary and Secondary Education</b> 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 support services.	<b>Goal 2: Elementary and Secondary Education</b> Improve the elementary and secondary education system's ability to consistently deliver excellent instruction aligned with rigorous academic standards while providing effective support services to close achievement and opportunity gaps, and ensure all students graduate high school college- and career-ready.
Obj. 1: Standards and Assessments Obj. 2: Great Teachers and Great Leaders Obj. 3: School Climate and Community Obj. 4: Struggling Schools Obj. 5: STEM	Obj. 1: Standards and Assessments Obj. 2: Effective Teachers and Strong Leaders Obj. 3: School Climate and Community Obj. 4: Turn Around Schools and Close Gaps Obj. 5: STEM Teaching and Learning
<b>Priority Goals:</b> <ul style="list-style-type: none"> <li>Improve learning by ensuring that more students have an effective teacher                Demonstrate progress in turning around the nation's lowest-performing schools                Prepare all students for college and career</li> </ul>	<b>Priority Goals:</b> <ul style="list-style-type: none"> <li>Support implementation of college- and career-ready standards and assessments                Improve learning by ensuring that more students have effective teachers and leaders</li> </ul>
<b>Goal 3: Early Learning</b> 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.	<b>Goal 3: Early Learning</b> 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.
Obj. 1: Access Obj. 2: Workforce Obj. 3: Assessment and Accountability	Obj. 1: Access to High-Quality Programs and Services Obj. 2: Effective Workforce Obj. 3: Measuring Progress, Outcomes, and Readiness
<b>Priority Goals:</b> <ul style="list-style-type: none"> <li>Improve outcomes for all children from birth through third grade</li> </ul>	<b>Priority Goals:</b> <ul style="list-style-type: none"> <li>Support comprehensive early learning assessment systems</li> </ul>
<b>Goal 4: Equity</b> 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.	<b>Goal 4: Equity</b> Increase educational opportunities for underserved students and reduce discrimination so that all students are well-positioned to succeed.
Obj. 1: Equity in Department Programs and Activities Obj. 2: Civil Rights Enforcement	Obj. 1: Equitable Educational Opportunities Obj. 2: Civil Rights Compliance

<i>FY 2011–14 Strategic Plan</i>	<i>FY 2014–18 Strategic Plan</i>
<b>Priority Goals:</b> • None	<b>Priority Goals:</b> • Ensure equitable educational opportunities
<b>Goal 5: Continuous Improvement of the U.S. Education System</b> Enhance the education system’s ability to continuously improve through better and more widespread use of data, research and evaluation, transparency, innovation, and technology.	<b>Goal 5: Continuous Improvement of the U.S. Education System</b> Enhance the education system’s ability to continuously improve through better and more widespread use of data, research and evaluation, evidence, transparency, innovation, and technology.
Obj. 1: Data Systems Obj. 2: Research and Evaluation Obj. 3: Transparency Obj. 4: Technology and Innovation	Obj. 1: Data Systems and Transparency Obj. 2: Privacy Obj. 3: Research, Evaluation, and Use of Evidence Obj. 4: Technology and Innovation
<b>Priority Goals:</b> • Make informed decisions and improve instruction through the use of data	<b>Priority Goals:</b> • Enable evidence-based decision making
<b>Goal 6: U.S. Department of Education Capacity</b> Improve the organizational capacities of the Department to implement this <i>Strategic Plan</i> .	<b>Goal 6: U.S. Department of Education Capacity</b> Improve the organizational capacities of the Department to implement this <i>Strategic Plan</i> .
Obj. 1: Effective Workforce Obj. 2: Programmatic Risk Management Obj. 3: Implementation and Support Obj. 4: Productivity and Performance Management	Obj. 1: Effective Workforce Obj. 2: Risk Management Obj. 3: Implementation and Support Obj. 4: Productivity and Performance Management
<b>Priority Goals:</b> • None	<b>Priority Goals:</b> • None

### FY 2012–13 Agency Priority Goals

The Department identified six Agency Priority Goals (APGs) for FY 2012–13 that served as a particular focus for its activities. The APGs reflect the Department’s cradle-to-career education strategy and concentrate efforts on the importance of teaching and learning at all levels of the education system. Below is an overview of progress for each APG during the reporting period. For additional information on the Department’s FY 2012–13 APGs, please go to <http://goals.performance.gov/agency/ed>.

#### **Priority Goal: Improve students’ ability to afford and complete college**

**Goal for FY 2012–13:** By September 30, 2013, the Department will develop a college scorecard designed to improve consumer decision-making and transparency about affordability for students and borrowers by streamlining information on all degree-granting institutions into a single, comparable, and simplified format, while also helping all states and institutions develop college completion goals.

***Supports Strategic Goal 1.***

**Metric:** Number of states with college completion goals in place; **Target:** 50

**Results (End of FY 2013):** 40 states; Not Met

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**Note:** In addition to increasing the number of states with college completion goals, this priority goal sought to develop and implement a College Scorecard. For that portion of the goal, results (end of FY 2013) were “Fully Implemented; Met.”

**Overview:** As more and more jobs require postsecondary education and training, college is becoming a vital necessity for most Americans. Yet too many students fail to complete college and are burdened by high student loan debt. Institutions feel pressure to raise tuition and fees as states cut education funding for postsecondary institutions. Even with increased federal Pell grant funding, many Americans remain concerned about whether they can afford college. Many Americans do not know about or are confused by the maze of information that is available about colleges and how to pay for college. To help students and their families make decisions about college, the Department has developed a number of resources, such as [College Navigator](#), the [College Affordability and Transparency Center](#), and the [Net Price Calculator](#). Even with the current resources available, there is still a need to improve and integrate key information about college and make information more user-friendly. Students and families need to be empowered with simplified information to make better choices in selecting a college that is affordable, provides good value, and is the right fit for them. In order to meet the national goal to increase the number of college graduates, the Department is committed to helping states and institutions increase the number and percentage of students who complete their postsecondary educations. On-time and/or accelerated degree completion can also decrease the amount of student debt after graduation, ensuring borrowers are able to manageably repay their federal student loans.

The Department will support college completion by identifying and promoting successful evidence-based practices and by highlighting noteworthy state efforts in key areas such as transfer, performance-based funding, and college-and-career readiness. By assisting students and families, as well as states and institutions, the Department aims to improve not only access to postsecondary education and training, but also affordability and successful completion.

**Progress:** The Department has achieved the goal that was set to implement the College Scorecard. The only challenge that remains is that the Department must work with the federal Consumer Financial Protection Bureau to align its Paying for College tool and the Scorecard. Regarding State Completion Goals, the primary obstacle is that the Department has little influence over state’s decisions to set goals.

Version 1.0 of the Scorecard was released in tandem with the President’s State of the Union address in February 2013. That action effectively means that this goal has been achieved. Nonetheless, the Department plans to make regular improvements, with a version 2.0 anticipated by early 2014. Work is underway to obtain earnings data, working with the developer to incorporate that data into the Scorecard, and make other adjustments in the way information is displayed. The number of states with completion goals has grown from 38 to 40 since November 2012 (completion defined as either attainment, graduation, or degree production), with a variety of target dates and levels of specificity. The Department has little influence over state decisions to establish goals, although it continues to encourage and highlight states with goals by recognizing states that have adopted goals, in speeches and other venues.

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**Priority Goal: Improve learning by ensuring that more students have an effective teacher**

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**Goal for FY 2012–13:** By September 30, 2013, at least 500 school districts will have comprehensive teacher and principal evaluation and support systems and the majority of states will have statewide requirements for comprehensive teacher and principal evaluation and support systems.

***Supports Strategic Goal 2.***

**Metric:** States with approval for evaluation system guidelines; **Target:** 26

**Results (End of FY 2013):** 23 states and District of Columbia; Not Met

**Metric:** Participating school districts with qualifying evaluation systems for teachers;  
**Target:** 500

**Results (End of FY 2013):** 973; Met<sup>1</sup>

**Metric:** Participating school districts with qualifying evaluation systems for principals;  
**Target:** 500

**Results (End of FY 2013):** 1,007; Met<sup>2</sup>

**Overview:** The Priority Goal is based on the premise, supported by abundant research, that teachers are the single most critical in-school factor in improving student achievement. Principals are often cited as the second most influential in-school factor. Teacher and principal evaluation systems supported by the Department's contributing programs enable the development and identification of effective educators and provide the needed information to improve the educator workforce. Teachers and principals often lack meaningful evaluation, feedback, and support for professional growth. Indeed, teachers are often dissatisfied with their preparation programs and their opportunities for professional development and advancement. Too often, effective teachers and leaders are not recognized, rewarded, or asked to share their expertise with colleagues. And most teacher compensation systems do not recognize effectiveness or provide incentives to teach in challenging schools or shortage areas. In light of the importance of teachers and school leadership for student success, the nation has to do more to ensure that every student has an effective teacher, every school has effective leaders, and every teacher and leader has access to the preparation, ongoing support, recognition, and collaboration opportunities he or she needs to succeed.

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<sup>1</sup> Data are as of June 30, 2013, regarding states' implementation during SY 2012–13. These data are based on the RTT state progress reports that were made public on March 19, 2014. Other mandatory reports posted by the Department before March 19, 2014, will not reflect these data. Additionally, all figures represent the number and percentage of *RTT-participating LEAs*, as this is the subset of LEAs for which the Department collects data (not all LEAs in the state).

**Note:** States could report an LEA as having a qualifying evaluation system if that LEA implemented its evaluation system (that meets the Department's definition of a qualifying evaluation system) in such a manner that resulted in a singular summative performance rating that included student growth as a significant factor. The data do not capture LEAs still in the piloting phase, or LEAs that have started to include student growth in their evaluation systems, but have yet to provide single summative ratings that include student growth as a significant factor to teachers and principals.

<sup>2</sup> See footnote 1 above.

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The Department will support state and district efforts that strengthen the profession by focusing on meaningful feedback, support, and incentives at every stage of a career, based on fair evaluation systems that look at multiple measures, including, in significant part, student growth.

The Department will support state and district efforts that provide time for teacher collaboration, on-the-job learning opportunities, and professional advancement. As states transition to new college- and career-ready standards, the Department will support opportunities for teachers to enhance their instructional expertise related to the new standards.

The Department continues to ensure adherence to timelines regarding development and adoption of state requirements for comprehensive teacher evaluation systems and for district development and implementation of comprehensive educator evaluation systems.

Current challenges center on maintaining momentum for reform, given districts' and states' current fiscal situation, potential changes in leadership, ongoing development of student growth measures in non-tested grades and subjects, and the scaling up of systems in a relatively short time frame. Another challenge is the coordination required of the Department's programs to ensure policy and communications consistency. With multiple programs interacting with the same grantees (e.g., states and districts), to a varying degree, it will take a significant shift in the Department's culture to break down silos to improve coordination.

**Progress:** The Department has made significant progress in leveraging its programs to support state- and district-led efforts to ensure that more students have effective teachers by better training, recruiting, identifying, and retaining effective teachers, especially in areas with high needs. In particular, the Department's efforts are focused on:

- Encouraging teachers to play active roles in the development of these policies through the [Recognizing Educational Success, Professional Excellence, and Collaborative Teaching \(RESPECT\)](#) project and the [Teacher Incentive Fund \(TIF\)](#);
- Encouraging school districts to leverage best practices to recruit and retain effective teachers (through TIF grants);
- Encouraging the development and adoption of innovative strategies to transform the teaching profession that will ultimately impact student outcomes through TIF, Investing in Innovation (i3), and other grants; and
- Creating a critical mass of states that have created the conditions for education innovation and reform through [Race to the Top \(RTT\)](#), *Elementary and Secondary Education Act (ESEA) Flexibility*, [School Improvement Grants \(SIG\)](#), and other initiatives.

As a result of these efforts:

- ESEA Flexibility states plan to have all LEAs with qualifying teacher and principal evaluation systems ready to implement in the 2014–15 school year.
- 213 LEAs are implementing evaluation systems under the School Improvement Grants Transformation Model.
- 162 LEAs are implementing reformed educator evaluation systems as part of a TIF 3 (2010) grant. 159 LEAs plan to have reformed educator evaluation systems ready to implement in the 2013–14 school year as part of a TIF 4 (2012) grant.

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**Priority Goal: Demonstrate progress in turning around the nation's lowest-performing schools**

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**Goal for FY 2012–13:** By September 30, 2013, 500 of the nation's persistently lowest-achieving schools will have demonstrated significant improvement and serve as potential models for future turnaround efforts.

***Supports Strategic Goal 2.***

**Metric:** Number of schools demonstrating significant improvement; **Target:** 500

**Results (End of FY 2013):** 489 (231 in reading, 258 in math); Not Met

**Overview:** The goal seeks to prepare all K–12 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 support services.

Through Race to the Top (RTT), the School Improvement Grant (SIG) program, Elementary and Secondary Education Act (ESEA) Flexibility, and other federal programs, the Department is providing significant resources to dramatically improve the nation's lowest-achieving schools by using intensive turnaround models and identifying the low-achieving schools that are showing strong evidence of successfully turning around.

The Department is focused on supporting innovation, not just compliance monitoring, and is focused on spurring growth in achievement, not just absolute achievement measures as done in the past. Central to these efforts has been the creation of the [Office of School Turnaround](#) (OST). Through OST's monthly check-in calls with all 50 states, the School Turnaround Learning Community, and the many OST-facilitated peer-to-peer learning opportunities, states, districts, and schools are learning from each other and scaling up promising practices. In order to better provide technical assistance and support for what is working, OST has created a National Activities Plan to effectively use up to 5 percent of the more than \$500 million annual SIG program.

**Progress:** The President and Congress have made significant investments in turning around the nation's persistently lowest-achieving schools, in large part through School Improvement Grants (SIG), Race to the Top (RTT), and through the Department's work to grant states flexibility regarding specific requirements of the *No Child Left Behind Act of 2001* (NCLB).

- With more than 1,500 schools now implementing one of the four SIG intervention models, schools around the country have hired new leadership, recruited effective teachers, increased learning time, changed school climate, and offered teachers data-driven professional development aimed at increasing student achievement.
- Forty-two states, the District of Columbia, and Puerto Rico are carrying out plans to implement turnaround principals in their priority schools under their Department-approved ESEA Flexibility plan.
- Overall, from 2009–10 to 2011–12, 65 percent of Cohort 1 SIG schools increased their student proficiency rates in reading, and 69 percent increased their student proficiency rates in math. From 2010–11 to 2011–12, 62 percent of Cohort 2 SIG schools increased their student proficiency rates in reading, and 57 percent increased their student proficiency rates in math. The remaining SIG schools showed similar proficiency rates or decreases in proficiency rates over these two years. Because there are so many factors that contribute to

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student proficiency rates, and because these data are only based on one or two years of SIG implementation, the Department does not know for certain that it is attributable to the SIG program.

- OST is working to profile nearly 100 states, districts, and schools implementing promising school turnaround practices for internal purposes, and is using National Activities funds to profile and eventually share these practices publicly.
- In May 2013, six states convened to focus on developing Turnaround Leadership Pipelines. OST has commissioned white papers to address this topic. The papers will be shared with the public and will highlight promising practices.
- In June 2013, seven states convened to focus on the role of state educational agencies in supporting instruction in turnaround schools. OST has commissioned white papers to address this topic. The papers will be shared with the public and will highlight promising practices.

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**Priority Goal: Prepare all students for college and career**

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**Goal for FY 2012–13:** By September 30, 2013, all states will adopt internationally-benchmarked college- and career-ready standards.

***Supports Strategic Goal 2.***

**Metric:** States adopting internationally-benchmarked college- and career-ready standards;  
**Target:** 50

**Results (End of FY 2013):** 49 states and the District of Columbia; Met

**Overview:** The adoption of internationally benchmarked college- and career-ready standards is the foundation to improving educational outcomes for all students and a fundamental step toward meeting the President’s goal of once again having the highest proportion of college graduates in the world by 2020. The Department is working to increase the number of states approved for *Elementary and Secondary Education Act* (ESEA) Flexibility by working with states that submitted ESEA Flexibility requests to meet the high bar for approval. The Department is developing and targeting technical assistance activities that will, in part, increase state capacity to leverage limited resources and continue to identify promising practices across multiple states.

The Department is working internally to coordinate the provision of technical assistance across Race to the Top (RTT), ESEA Flexibility, and other related programs. And, in the most recent Comprehensive Centers competition, the Department created a Center on Standards and Assessments Implementation that is helping build the capacity of state educational agencies to implement college- and career-ready standards.

**Progress:** Forty-nine states and the District of Columbia have adopted college- and career-ready standards that are either common to a significant number of states or certified by the state’s institutions of higher education. The total number of states that submitted and that have been approved to date is significantly more than the Department initially anticipated, as nearly all states have requested flexibility and states have been generally willing to revise their requests to meet ESEA flexibility principles.

Because of the iterative approach to approval, and the high bar set for states, the Department has worked with states individually to meet the high bar. Some states are unable to meet that bar at this time.

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The Department developed a new monitoring process for states with approved ESEA Flexibility requests that is being conducted in phases over the course of the early years of implementation. The monitoring process includes discussions of the state's broader educational goals, highlighted the challenges the state is facing, and areas where additional support is needed to promote candid discussions to ensure successful implementation.

**Priority Goal: Improve outcomes for all children from birth through third grade**

**Goal for FY 2012–13:** By September 30, 2013, at least nine states will implement a high-quality plan to collect and report disaggregated data on the status of children at kindergarten entry.

***Supports Strategic Goal 3.***

**Metric:** Number of states implementing a high-quality plan to collect and report disaggregated data on the status of children at kindergarten entry; **Target:** 9

**Results (End of FY 2013):** 24; Exceeded

**Overview:** To enhance the quality of early learning programs and improve outcomes for children from birth through third grade, including children with disabilities and those who are English learners, the Department will promote initiatives that improve the early learning workforce, build the capacity of states and programs to develop and implement comprehensive early learning assessment systems, and improve systems for ensuring accountability of program effectiveness.

The nine Race to the Top - Early Learning Challenge (RTT-ELC) FY 2011 grantees all have high-quality plans as evidenced by their winning an RTT-ELC grant and addressing these criteria in their applications and will collect and report disaggregated data on the status of children at kindergarten entry. With the addition of the RTT-ELC FY 2012, four states with high-quality plans to collect and report disaggregated data on the status of children at kindergarten entry were added. RTT-ELC states are just beginning to develop or enhance these instruments and are limited to using funds other than those provided under the program. Because of sequestration and a slow economic recovery, there are few state resources to support development of appropriate instruments and the implementation of the assessments. Grantees report that they may not meet their proposed implementation date. In addition, the Department would like to have a national picture, but there are currently no organizations that annually collect data on state activities around Kindergarten Entry Assessment (KEA) implementation.

**Progress:** The nine FY 2011 grantees' Annual Performance Reports (APRs), Summaries, and Response Letters have been posted on the [RTT-ELC program page](#). These nine states, in their second year of RTT-ELC project implementation, have had a wide range of progress on their proposed Kindergarten Entry Assessment (KEA) plans. Rhode Island has indicated their KEA development will not begin until 2014. Washington State, on the other hand, assessed 21,911 incoming kindergartners this school year with their KEA (WaKIDS).

The Annual Performance Reports from grantees show their progress in developing KEAs that are 1) aligned with standards, 2) valid for the target population and purpose, 3) administered by the 2014–15 school year, 4) reported to the Statewide Longitudinal Data System, and 5) significantly funded outside of the RTT-ELC grant. All of the states are including a wide range of developmental domains as the areas to be assessed on their KEAs, including language and

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literacy development, cognition and general knowledge, approaches towards learning, physical well-being and motor development, and social emotional development.

**Priority Goal: Make informed decisions and improve instruction through the use of data**

**Goal for FY 2012–13:** By September 30, 2013, all states will implement comprehensive statewide longitudinal data systems (SLDS).

***Supports Strategic Goal 5.***

**Metric:** Number of states implementing K–12 Data Systems; **Target:** 50, District of Columbia

**Results (End of FY 2013):** 50 states, District of Columbia; Met

**Metric:** Number of states linking K–12 with early childhood data;<sup>3</sup> **Target:** 12

**Results (End of FY 2013):** 19 states;<sup>4</sup> Exceeded

**Metric:** Number of states linking K–12 with postsecondary data;<sup>5</sup> **Target:** 21

**Results (End of FY 2013):** 25 states;<sup>6,7</sup> Exceeded

**Metric:** Number of states linking K–12 and postsecondary data with workforce data;<sup>8</sup> **Target:** 10

**Results (End of FY 2013):** 12 states;<sup>9,10</sup> Exceeded

**Overview:** This priority goal seeks to enhance the education system’s ability to improve continuously through better and more widespread use of data, research and evaluation, transparency, innovation, and technology.

The Department engages a variety of external stakeholders around the creation and use of data systems to improve education. During annual SLDS site visits, the Department meets with state leadership, including leaders in K–12, early childhood, and postsecondary education, and labor, in addition to representatives from local education agencies. The Department also regularly coordinates with its colleagues at the Department of Health and Human Services (HHS) and the

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<sup>3</sup> Defined as the ability to track all public pre-K students into public K via the SLDS and by the inclusion of at least one additional source of early childhood data (e.g., Head Start, private pre-K) in the system.

<sup>4</sup> Three (ME, MI, and NY) of the six states that have newly established K–12 to early childhood linkages are Recovery Act grantees. Recovery Act grants are focused on P20 development, and are expected to conclude in June 2014.

<sup>5</sup> Defined as the ability to link state K–12 student data to state data from public 2- and 4-year IHEs.

<sup>6</sup> Six (KS, MA, ME, MN, OH, and UT) of the 11 states that have newly established K–12 to postsecondary linkages are Recovery Act grantees. Recovery Act grants are focused on P20 development and are expected to conclude in June 2014.

<sup>7</sup> Based on a review of IN’s project plans and recent reports, their K–12 to postsecondary linkage was available only for one year of data (2010), so they have been removed from the list of states with active K–12 to postsecondary linkages.

<sup>8</sup> Defined as the ability to track all public 2- and 4-year postsecondary students to, at minimum, within-state employment records (e.g., state unemployment insurance systems).

<sup>9</sup> Three (ME, MN, and UT) of the four states that have newly established K–12 to postsecondary to workforce linkages are Recovery Act grantees. Recovery Act grants are focused on P20 development and are expected to conclude in June 2014.

<sup>10</sup> Based on a review of IN’s project plans and recent reports, their K–12 to postsecondary linkage was available only for one year of data (2010), so they have been removed from the list of states with active K–12 to postsecondary to labor linkages.

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Department of Labor (DOL) to ensure interagency coordination and sharing of resources between SLDS, Race to the Top - Early Learning Challenge (RTT-ELC), and DOL's Workforce Data Quality Initiative (WDQI).<sup>11</sup> The Department also provides information to Congressional staff, nonprofit organizations such as DQC (Data Quality Campaign) and CCSSO (Council of Chief State School Officers), and members of the public.

**Progress:** SLDS grants were awarded to 14 states in November 2005 (FY 2006 Grantees), 12 additional states and the District of Columbia in June 2007 (FY 2007 Grantees), 27 states—including 15 new states—in March 2009 (FY 2009 Grantees), 20 states in May 2010 (FY 2009 American Recovery and Reinvestment Act Grantees), and 24 states and territories—including 6 new states and 2 new territories—in June 2012 (FY 2012 Grantees). Based on the five rounds of funding, 47 states, the District of Columbia, Puerto Rico, and the Virgin Islands have received at least one SLDS grant. At the end of FY 2013, the Department can report that all states and DC have a functioning K–12 SLDS, 19 states link with early childhood systems, 25 link with postsecondary data from state institutions, and 12 link with labor. Labor linkages have presented the largest challenges for states due to the lack of an accessible identifier, the need to comply with multiple privacy laws, and challenges of multi-agency coordination. The Department has increased coordination with DOL and their WDQI grant program, including ongoing communication with the WDQI staff, a joint site visit to Pennsylvania, and joint sessions at annual grantee conferences. The Department is creating a series of best practice materials in early childhood and held a privacy workshop for states on sharing early childhood data.

The Department will facilitate the development of interoperable state data systems from early learning through the workforce and will provide support to the education community, including teachers and administrators, on how to understand and appropriately use data to inform policies, instructional practices, and leadership decisions.

The Department is implementing new, [targeted technical assistance to increase states' capacity](#) to support statewide longitudinal data systems after federal funding. Additionally, the Department meets with state leadership to affirm their support for and commitment to use SLDS data to make educational improvements, but there is a need for the Department of Education and the Department of Labor to provide guidance and resources to states to encourage secure linking of education and workforce records.

### **Performance Measures and Targets for the *FY 2014–18 Strategic Plan***

The Department has identified performance measures centered on desired outcomes for each of the six strategic goals established by the *FY 2011–14 Strategic Plan* and carried forward in the *FY 2014–18 Strategic Plan*. Each goal section provides insight into how the Department will work to achieve its strategic goals, including key resources and programs that support each goal and its objectives. Note that while the Department designates only one strategic goal for each program, many Department programs support more than one other strategic goal as well,

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<sup>11</sup> WDQI supports the development of, or enhancements to, longitudinal administrative databases that will integrate workforce data and create linkages to education data. States will incorporate workforce information into longitudinal data systems to expand the scope and depth of data from programs, such as the Workforce Investment Act programs, Wagner-Peyser, Trade Adjustment Assistance, and Unemployment Insurance. The long-term WDQI and SLDS goal for States is to use their longitudinal data systems to follow individuals through school and into and through their work life. The WDQI also emphasizes promoting improvements and the level of quality of these systems, in addition to increasing the accessibility of performance data, including data reported by employment services and training providers. High-quality and reliable data that is available from service providers about services offered, and how well their customers benefited as they enter or reenter the labor market, are integral to informed consumer choices.

but are not listed under those goals. For example, while the formula-based Title I College- and Career-Ready Students program is shown as a key contributor to Goal 2 (Elementary and Secondary Education), this \$14.4 billion program also provides significant resources in support of Goal 4 (Equity). Similarly, the portion of the Race to the Top competitive grants program shown under Goal 5 also makes significant contribution to Goal 2.

Some performance measures are based on trend data over several years. The baseline data for the *FY 2014–18 Strategic Plan* measures are the most current data available to the Department. Unless noted, targets are based upon the most current data the Department expects to have available at the time of the *Annual Performance Reports*. For example, if the baseline data from annual data sets are from FY 2012, the Department developed its FY 2014 target assuming that the Department will report FY 2013 data in its FY 2014 *Annual Performance Report*.<sup>12</sup>

For the full list of FY 2014–18 goals and strategic objectives and the public benefit of each, as well as related performance measures and targets, explanation and analysis of progress and challenges, and budget and cost information, see <http://www2.ed.gov/about/reports/annual/index.html>.

Performance Targets Summary		Baseline	Target		
			FY 2014	FY 2015	FY 2016
<b>Goal 1. Postsecondary Education, Career and Technical Education, and Adult Education:</b>					
<b>Increase college access, affordability, quality, and completion by improving postsecondary education and lifelong learning opportunities for youths and adults.*</b>					
<b>1.1: Access and Affordability.</b> Close the opportunity gap by improving the affordability of and access to college and/or workforce training, especially for underrepresented and/or underprepared populations (e.g., low-income and first-generation students, English learners, individuals with disabilities, adults without high school diplomas, etc.).					
1.1.A.	Rate of increase in net price of public four-year institutions	Year: 2011 1.7%	1.5%	1.3%	1.1%
1.1.B.	Rate of increase in net price of public two-year institutions	Year: 2011 1.7%	1.5%	1.3%	1.1%
1.1.C.	Percentage of high school seniors filing a FAFSA	Year: 2013 59.8%	58.8%–60.8% (within 1 percentage point (+/-) of the previous year's calculation)	Within 1 percentage point (+/-) of the previous year's calculation	Within 1 percentage point (+/-) of the previous year's calculation
1.1.D.	Index of national aggregate annual earnings of VR consumers (based on the number of competitive employment outcomes, hours worked, and hourly wages of VR consumers)	Year: 2010 \$1,862,346	\$2,055,344	\$2,091,313	\$2,127,911
1.1.E.	Index of national aggregate annual earnings of Transition-Age Youth (based on the number of competitive employment outcomes, hours worked, and hourly wages of VR Transition-Age Youth)	Year: 2010 \$528,323	\$626,883	\$645,689	\$665,060
1.1.F.	Number of peer-reviewed publications resulting from NIDRR-supported grantee projects	Year: 2012 484	489	494	499
1.1.G.	Number of VR state directors and other state VR personnel who express knowledge of NIDRR grantee research	Year: 2015 TBD	Baseline year (0 increase)	35%	47%

<sup>12</sup> The Department includes program-specific measures and targets in its Congressional Budget Justification that are based on what the Department expects will occur in a given fiscal year. That is, the Congressional Budget Justification typically contains targets up to and including the budget year, but performance data often lag two or three years. The *FY 2011–14 Strategic Plan* included targets that were developed and reported on similar to the Department's process for its Congressional Budget Justification.

Performance Targets Summary		Baseline	Target		
			FY 2014	FY 2015	FY 2016
<b>1.2: Quality.</b> Foster institutional value to ensure that postsecondary education credentials represent effective preparation for students to succeed in the workforce and participate in civic life.					
1.2.A.	Number of low-performing institutions with high loan default rates and low graduation rates**	Year: 2011 205	178	155	135
<b>1.3: Completion.</b> Increase degree and certificate completion and job placement in high-need and high-skill areas, particularly among underrepresented and/or underprepared populations.					
1.3.A.	Degree attainment among 25–34-year-old age cohort***	Year: 2012 44.0%	44.7%	45.6%	46.8%
1.3.B.	Retention rate of first-time degree-seeking undergraduates: Full-time	Year: 2011 71.7%	71.9%	72.0%	72.2%
1.3.C.	Retention rate of first-time degree-seeking undergraduates: Part-time	Year: 2011 41.9%	42.2%	43.1%	43.6%
<b>1.4: Science, Technology, Engineering, and Mathematics (STEM) Pathways.</b> Increase STEM pathway opportunities that enable access to and completion of postsecondary programs.					
1.4.A.	Number of STEM postsecondary credentials awarded	Year: 2011 532,000	560,000	595,000	638,000

\* All data sources are included in the Goal 1 section of the APR/APP.

\*\* Low-performing institutions are defined as Title IV participating institutions—public, private nonprofit, and private for-profit—having a 3-year Cohort Default Rate (CDR) of 30% or greater and a 150% normal time graduation rate less than 26% (two-year institutions) or 34% (four-year institutions).

\*\*\* This measure is aligned with a priority goal.

TBD = To be determined.

Performance Targets Summary		Baseline	Target		
			FY 2014	FY 2015	FY 2016
<b>Goal 2. Elementary and Secondary Education:</b>					
<b>Improve the elementary and secondary education system's ability to consistently deliver excellent instruction aligned with rigorous academic standards while providing effective support services to close achievement and opportunity gaps, and ensure all students graduate high school college- and career-ready.*</b>					
<b>2.1: Standards and Assessments.</b> Support implementation of internationally benchmarked college- and career-ready standards, with aligned, valid, and reliable assessments.					
2.1.A.	Number of states that have adopted college- and career-ready standards**	Year: 2013 49, plus DC	50	50	50
2.1.B.	Number of states that are implementing next-generation reading and mathematics assessments, aligned with college- and career-ready standards**	Year: 2013 0	0	50	50
<b>2.2: Effective Teachers and Strong Leaders.</b> Improve the preparation, recruitment, retention, development, support, evaluation, recognition, and equitable distribution of effective teachers and leaders.***					
2.2.A.	Number of states that have fully implemented teacher and principal evaluation and support systems that consider multiple measures of effectiveness, with student growth as a significant factor**	Year: 2013 7	18	37	43
<b>2.3: School Climate and Community.</b> Increase the success, safety, and health of students, particularly in high-need schools, and deepen family and community engagement.					
2.3.A.	Disparity in the rates of out-of-school suspensions for students with disabilities and youth of color (youth of color metric) <sup>†</sup>	Year: 2012 10.7% point disparity	8.7% point disparity	NA	6.7% point disparity
2.3.B.	Disparity in the rates of out-of-school suspensions for students with disabilities and youth of color (SWD, IDEA only metric) <sup>†</sup>	Year: 2012 5.7% point disparity	4.2% point disparity	NA	2.7% point disparity

Performance Targets Summary	Baseline	Target		
		FY 2014	FY 2015	FY 2016
<b>2.4: Turn Around Schools and Close Achievement Gaps.</b> Accelerate achievement by supporting states and districts in turning around low-performing schools and closing achievement gaps, and developing models of next-generation high schools.				
2.4.A. Number of persistently low graduation rate high schools****	Year: 2012 766	5% annual reduction	5% annual reduction	5% annual reduction
2.4.B. Percentage of Cohort 1 priority schools that have met the state exit criteria and exited priority school status <sup>†</sup>	Year: 2013 NA	10%	15%	20%
2.4.C. Percentage of Cohort 1 focus schools that have met the state exit criteria and exited focus school status <sup>†</sup>	Year: 2013 NA	10%	15%	20%
<b>2.5: STEM Teaching and Learning.</b> Increase the number and quality of STEM teachers and increase opportunities for students to access rich STEM learning experiences.				
2.5.A. Percentage of high school and middle school teachers who teach STEM as their main assignment who hold a corresponding undergraduate degree <sup>††</sup>	Year: 2012 62.2%	NA	NA	NA
2.5.B. Number of public high school graduates who have taken at least one STEM AP exam <sup>‡</sup>	Year: 2012 497,922	536,810	581,419	632,642

\* All data sources are included in the Goal 2 section of the APR/APP.

\*\* This measure is aligned with a priority goal.

\*\*\* States with approved *Elementary and Secondary Education Act* (ESEA) Flexibility requests are required to implement teacher and principal evaluation and support systems by 2014–15 or 2015–16, depending on the school year of initial approval. Under recently announced additional flexibility, personnel decisions based on those systems are not required until 2016–17.

\*\*\*\* Persistently low graduation rate high schools are defined as regular and vocational high schools with an average minimum cohort size of 65 or more, and an average adjusted cohort graduation rate (ACGR) of 60 percent or less over two years.

<sup>†</sup> Targets for this measure are based on what the Department expects will occur in a given fiscal year.

<sup>††</sup> Data are produced every four years; thus, the Department will only receive one set of data (collected in 2015–16) during this *Strategic Plan* cycle.

<sup>‡</sup> STEM AP fields include Biology, Calculus, Chemistry, Computer Science, Environmental Science, Physics, and Statistics.

NA = Not applicable.

Performance Targets Summary	Baseline	Target		
		FY 2014	FY 2015	FY 2016
<b>Goal 3. Early Learning:</b>				
<b>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.*</b>				
<b>3.1: Access to High-Quality Programs and Services.</b> Increase access to high-quality early learning programs and comprehensive services, especially for children with high needs.				
3.1.A. Number of states with Quality Rating and Improvement Systems (QRIS) that meet high quality benchmarks for child care and other early childhood programs***	Year: 2011 17	29	31	NA
<b>3.2: Effective Workforce.</b> Improve the quality and effectiveness of the early learning workforce so that early childhood educators have the knowledge, skills, and abilities necessary to improve young children's health, social-emotional, and cognitive outcomes.				
3.2.A. Number of states and territories with professional development systems that include core knowledge and competencies, career pathways, professional development capacity assessments, accessible professional development opportunities, and financial supports for child care providers***	Year: 2011 30	NA	38	NA

Performance Targets Summary	Baseline	Target		
		FY 2014	FY 2015	FY 2016
<b>3.3: Measuring Progress, Outcomes, and Readiness.</b> Improve the capacity of states and early learning programs to develop and implement comprehensive early learning assessment systems.				
3.3.A. Number of states collecting and reporting disaggregated data on the status of children at kindergarten entry using a common measure**, †	Year: 2010 2	2	9	14

\* All data sources are included in the Goal 3 section of the APR/APP.

\*\* This measure is aligned with a priority goal.

\*\*\* This measure, including baseline and targets, is part of the Department of Health and Human Services' *FY 2015 Annual Performance Report and Performance Plan*.

† Targets for this measure are based on what the Department expects will occur in a given fiscal year.

NA = Not applicable.

Performance Targets Summary	Baseline	Target		
		FY 2014	FY 2015	FY 2016
<b>Goal 4. Equity:</b> <b>Increase educational opportunities for underserved students and reduce discrimination so that all students are well-positioned to succeed.*</b>				
<b>4.1: Equitable Educational Opportunities.</b> Increase all students' access to educational opportunities with a focus on closing achievement gaps, and remove barriers that students face based on their race, ethnicity, or national origin; sex; sexual orientation; gender identity or expression; disability; English language ability; religion; socioeconomic status; or geographical location.				
4.1.A. National high school graduation rate**	Year: 2012 80.0%	81.5%	83.0%	84.5%
<b>4.2: Civil Rights Compliance.</b> Ensure educational institutions' awareness of and compliance with federal civil rights obligations and enhance the public's knowledge of their civil rights.				
4.2.A. Percentage of proactive civil rights investigations launched annually that address areas of concentration in civil rights enforcement	Year: 2013 7%	7%	10%	12%
4.2.B. Percentage of proactive civil rights investigations resolved annually that address areas of concentration in civil rights enforcement	Year: 2013 8%	8%	10%	12%

\* All data sources are included in the Goal 4 section of the APR/APP.

\*\* This measure is aligned with a priority goal.

Performance Targets Summary	Baseline	Target		
		FY 2014	FY 2015	FY 2016
<b>Goal 5. Continuous Improvement of the U.S. Education System:</b> <b>Enhance the education system's ability to continuously improve through better and more widespread use of data, research and evaluation, evidence, transparency, innovation, and technology.*</b>				
<b>5.1: Data Systems and Transparency.</b> Facilitate the development of interoperable longitudinal data systems for early learning through employment to enable data-driven, transparent decision-making by increasing access to timely, reliable, and high-value data.				
5.1.A. Number of public data sets included in ED Data Inventory and thus linked to Data.gov or ED.gov websites**	Year: 2013 55	66	79	94
5.1.B. Number of states linking K–12 and postsecondary data with workforce data	Year: 2013 12	14	18	22
5.1.C. Number of states linking K–12 with early childhood data	Year: 2013 19	23	26	29

Performance Targets Summary	Baseline	Target		
		FY 2014	FY 2015	FY 2016
<b>5.2: Privacy.</b> Provide all education stakeholders, from early childhood to adult learning, with technical assistance and guidance to help them protect student privacy while effectively managing and using student information.				
5.2.A. Average time to close “cases” (PTAC + FPCO)***	Year: 2013 10 days	9 days	8 days	8 days
<b>5.3: Research, Evaluation, and Use of Evidence.</b> Invest in research and evaluation that builds evidence for education improvement; communicate findings effectively; and drive the use of evidence in decision-making by internal and external stakeholders.				
5.3.A. Percentage of select new <sup>†</sup> (non-continuation) competitive grant dollars that reward evidence <sup>††</sup>	Year: 2012 6.5%	9.0%	11.0%	14.0%
5.3.B. Number of peer-reviewed, full-text resources in the Education Resources Information Center (ERIC)	Year: 2013 23,512	24,712	25,912	27,112
5.3.C. Number of reviewed studies in the What Works Clearinghouse (WWC) database	Year: 2013 9,535	9,885	10,235	10,585
<b>5.4: Technology and Innovation.</b> Accelerate the development and broad adoption of new, effective programs, processes, and strategies, including education technology.				
5.4.A. Percentage of schools in the country that have actual Internet bandwidth speeds of at least 100 Mbps	Year: 2013 20%	30%	50%	70%

\* All data sources are included in the Goal 5 section of the APR/APP.

\*\* The data sets have been published on Data.gov, www.ed.gov, NCES.ED.gov, studentaid.ed.gov, or other ED.gov subdomain websites.

\*\*\* Privacy Technical Assistance Center (PTAC) and Family Policy Compliance Office (FPCO).

<sup>†</sup> “New competitive grant dollars that reward evidence” includes all dollars awarded based on the existence of at least “evidence of promise” in support of a project, per the framework in the Education Department General Administrative Regulations (34 CFR Part 75). Consideration of such evidence appears through: eligibility threshold (e.g., in the Investing in Innovation program); absolute priority; competitive priority (earning at least one point for it); or selection criteria (earning at least one point for it). The percentage is calculated compared to the total new grant dollars awarded, excluding awards made by the Institute of Education Sciences, the National Institute on Disability and Rehabilitation Research, and technical assistance centers, with some exceptions.

<sup>††</sup> This measure is aligned with a priority goal.

Performance Targets Summary	Baseline	Target		
		FY 2014	FY 2015	FY 2016
<b>Goal 6. U.S. Department of Education Capacity: Improve the organizational capacities of the Department to implement this Strategic Plan.*</b>				
<b>6.1: Effective Workforce.</b> Continue to build a skilled, diverse, and engaged workforce within the Department.				
6.1.A. Staffing gaps percentage	Year: 2013 15%	Establish baseline	TBD	TBD
6.1.B. EVS engagement index	Year: 2012 64.7%	66.0%	67.3%	68.7%
6.1.C. Time to hire**	Year: 2013 65%	66%	68%	69%
6.1.D. Effective Communication Index	Year: 2012 48%	49%	50%	51%
<b>6.2: Risk Management.</b> Improve the Department’s program efficacy through comprehensive risk management and grant and contract monitoring.				
6.2.A. Percentage of A-133 Single Audits Overdue for resolution	Year: 2012 57%	50%	43%	37%
6.2.B. Compliance rate of contractor evaluation performance reports	Year: 2013 85%	95%	100%	100%

Performance Targets Summary		Baseline	Target		
			FY 2014	FY 2015	FY 2016
<b>6.3: Implementation and Support.</b> Build Department capacity and systems to support states' and other grantees' implementation of reforms that result in improved outcomes, and keep the public informed of promising practices and new reform initiatives.					
6.3.A.	Percentage of states who annually rate the Department's technical assistance as helping build state capacity to implement education reforms	Year: 2013 54%	58%	67%	77%
<b>6.4: Productivity and Performance Management.</b> Improve workforce productivity through information technology enhancements, telework expansion efforts, more effective process performance management systems, and state-of-the-art leadership and knowledge management practices.					
6.4.A.	Number of ED IT security incidents <sup>†</sup>	Year: 2012 756	718	682	648
6.4.B.	EVS Results-Based Performance Culture Index	Year: 2012 53%	54%	56%	57%
6.4.C.	EVS Leadership and Knowledge Management Index	Year: 2012 60%	61%	62%	63%
6.4.D.	Total usable square footage	Year: 2014 1,525,937	1,525,937	1,525,937	1,459,937
6.4.E.	Rent cost <sup>‡</sup>	Year: 2014 \$74.3M	\$74.3M	\$80.3M	\$80.3M

\* All data sources are included in the Goal 6 section of the APR/APP.

\*\* Time from posting to initial offer letter. The OPM standard for this is 80 days.

<sup>†</sup> An incident, as defined under federal guidelines, is a violation of computer (cyber) policy or practices. Some incidents, by nature, are significant and require reporting to the Department of Homeland Security (DHS) United States Computer Emergency Readiness Team (US-CERT). The significant reportable incidents are associated with unauthorized access; successful denial of service attacks; successful installation and execution of malicious code; and improper usage—i.e., personally identifiable information (PII) breaches. In calendar year 2012, the Department of Education experienced 756 incidents. Since January 1, 2013, the Department has experienced 511 incidents.

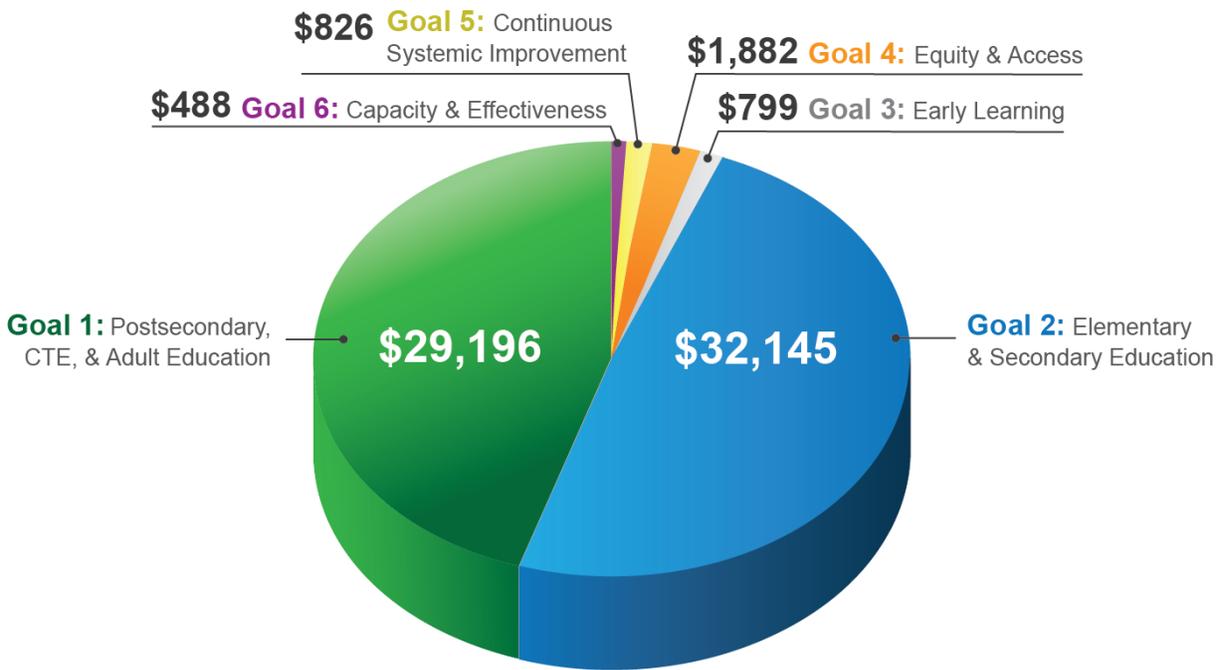
<sup>‡</sup> The Department of Education currently leases 27 buildings, occupying 1,525,937 usable square feet of space, costing \$74.3M in FY 2014. By FY 2018, the Department will reduce its number of leases to 25 and its space footprint from 1,525,937 to 1,202,319 (21%). Without the above footprint reductions, the Department's FY 2018 rent costs would escalate to \$91M; however, the Space Modernization Initiative reduces the FY 2018 cost by \$23.5 million (25.7%) to \$67.8M. Rent savings in FY 2015–17 are offset by rent escalations in those fiscal years. Assumptions: 1) All leased buildings: 2% is applied for anticipation of CPI (Consumer Price Index) annual increases on the anniversary date of the active lease/occupancy agreement (OA); and 2.5% is applied for anticipation of annual tax increases; 2) All federal buildings: 2.5% is applied for operating cost escalations on the anniversary date of the active OA; 3) 20% is applied to all federal buildings after an OA has expired and a new OA is unavailable. (Projected increase on the appraisal); 4) 40% is applied to all leased buildings after an OA has expired and a new OA is unavailable. (Projected increase on the market rent); 5) If a new OA is unavailable, 3 months early rent is applied to all buildings that are relocating due to possible Department delays. Example: Changes made to the designs after space specifications are completed; and 6) 3 months late rent is applied to all buildings that are relocating due to possible Department delays. Example: Delays in returning space back to rentable condition.

TBD = To be determined.

## Financial Highlights

The Department is the smallest of the 15 cabinet-level agencies in terms of government staff, yet it has the third largest grant portfolio among the 26 federal grant-making organizations, with approximately 4,200 employees and \$65 billion in discretionary appropriations. Its grant making overall represents 26.3 percent of the Department's \$311.7 billion in gross outlays for FY 2013, divided between discretionary and formula grants. For complete information on the Department's financial condition, go to <http://www2.ed.gov/about/reports/annual/2013report/2e-mda-financial-highlights.pdf>.

### FY 2013 Discretionary Funding by Strategic Goal



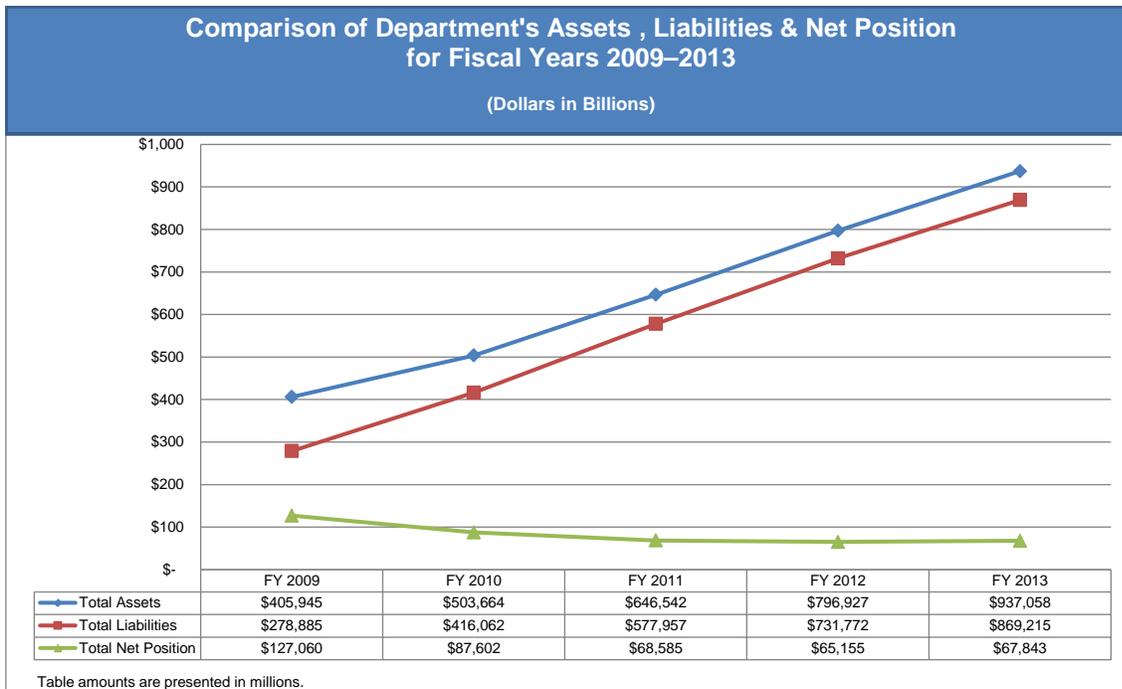
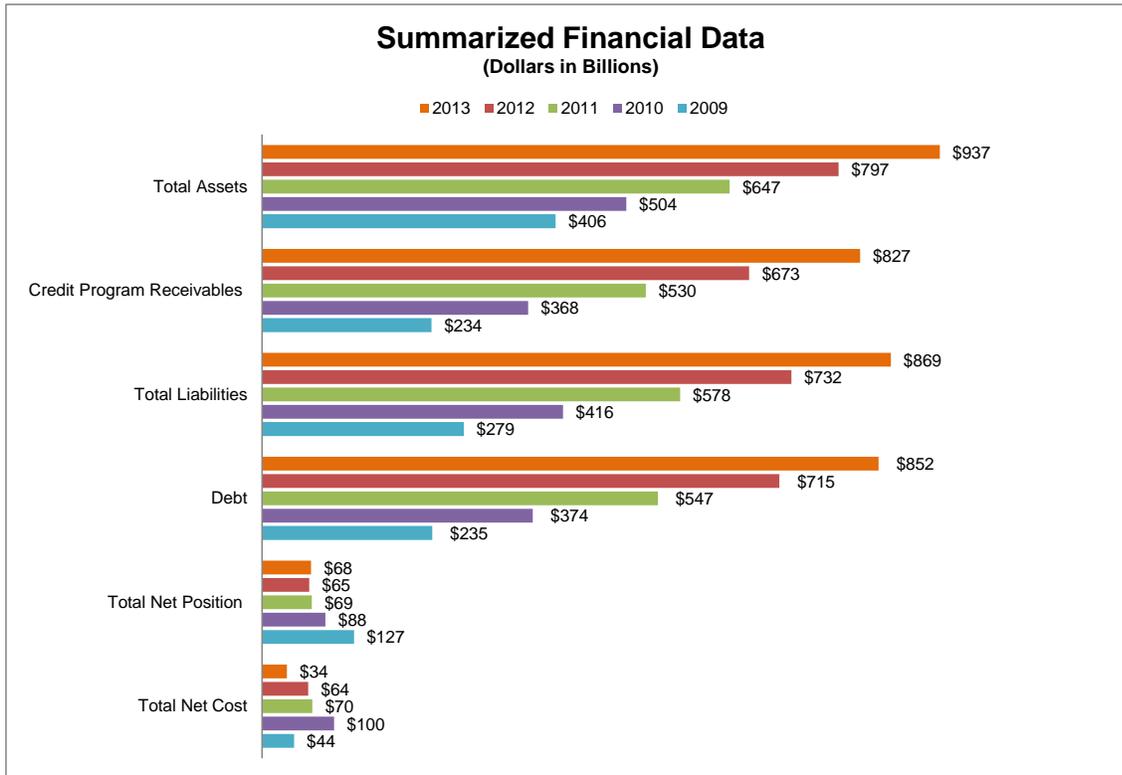
Notes: Dollars in millions. Includes only discretionary funding.

The Department consistently produces accurate and timely financial information. Our financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States for federal agencies issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB), specifically in Circular No. A-136, *Financial Reporting Requirements*. For twelve consecutive years, the Department has earned an unmodified (or “clean”) audit opinion.

### Analysis of Assets

Assets of the Department totaled \$937.1 billion, an increase of about 18 percent over the FY 2012 balance. The vast majority of the increase in assets relates to the Credit Program Receivables, which increased by \$153.2 billion, a 23 percent increase over FY 2012.

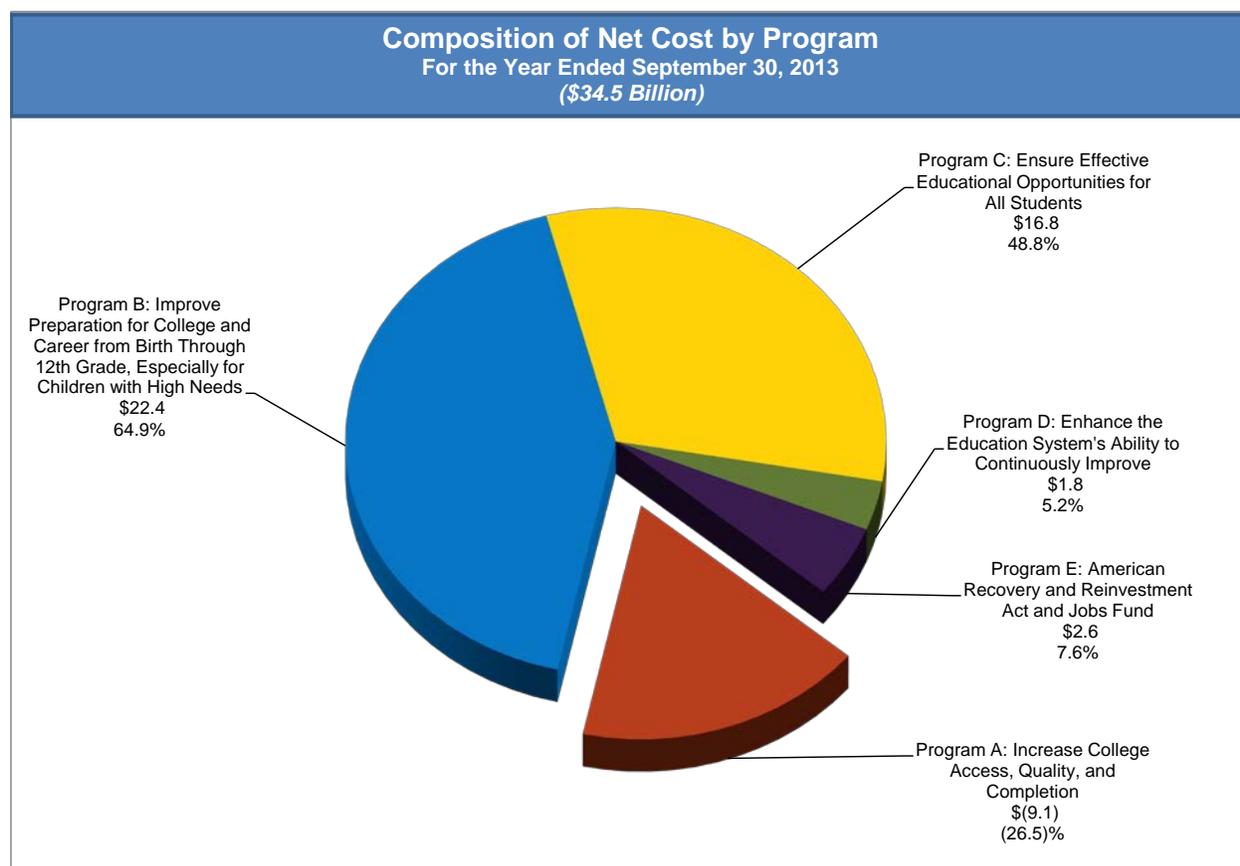
The graphics below summarize trend information about components of the Department's financial condition for the last five years.



## Statement of Net Cost

The Consolidated Statement of Net Cost reports the components of the net costs of the Department's operations for a "particular period" of time. The net cost of operations consists of the gross cost incurred by the Department less any exchange (i.e., earned) revenue from activities.

Net Costs of the Department totaled \$34.5 billion for the year ended September 30, 2013, a 46 percent decrease compared to total program net costs for the prior year. The Department's negative net cost for Program A, as shown below, is derived using economic models that project, on a net present value basis, which results in a higher estimate of future cash inflows (net of outflows) related to the loan programs. Current year models predict the net present value of future cash flows will exceed program costs by \$27 billion and \$12.6 billion for Direct Loans issued in the current year and prior year, respectively, and are \$8.8 billion higher for prior year FFEL. These estimated cash flows are amortized, or spread out, over 30 years and are re-valued each year based on current economic conditions. 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 2011–14 Strategic Plan*.



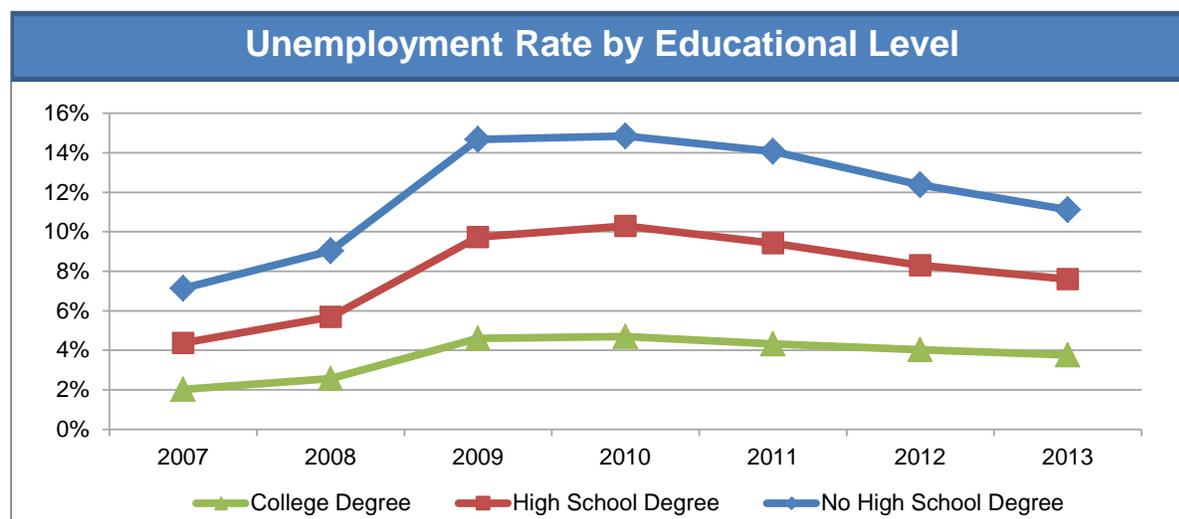
## Economic Outcomes of Education

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.

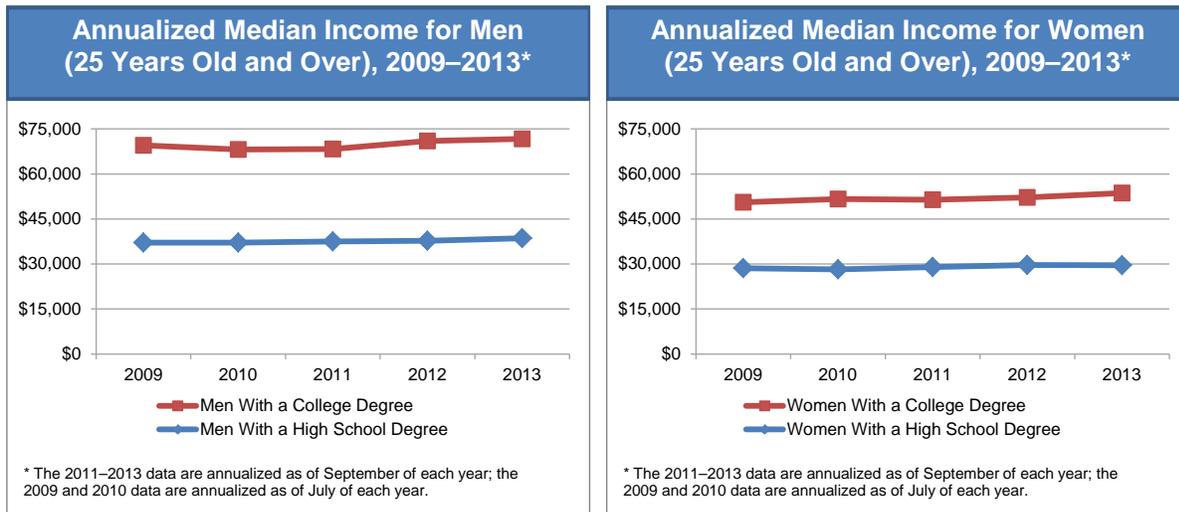
Returns related to the individual include higher earnings, better job opportunities, and jobs that are less sensitive to general economic conditions. These refer not just to salary levels over the lifetime of an individual, but include the employability of a person over one's lifetime as well. These 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.



## Office of Inspector General’s (OIG) Management Challenges

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 OIG presented four management challenges: improper payments, information technology security, oversight and monitoring, and data quality and reporting. Although OIG noted some progress by the Department in addressing these areas, each remains as a management challenge for FY 2014 and a new challenge was added related to the Department’s information technology system development and implementation.

The FY 2014 management challenges are:

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

These challenges reflect continuing vulnerabilities and emerging issues faced by the Department as identified through OIG’s recent audit, inspection, and investigative work.

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>.

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OIG noted some progress by the Department in addressing the FY 2013 management challenges. The Department remains committed to improved governance and better business processes. Management has worked closely with OIG to gain its perspective about the Department's most significant management and performance challenges.

## Conclusion

Education is key to the nation's long-term economic prosperity and is an investment in its future. A highly educated workforce is necessary for American competitiveness in the global economy. The United States is seeing the highest high school graduation rate in three decades, and over the past four years, postsecondary financial assistance available to students and families has increased significantly. Moreover, the Department has seen an increase of more than 50 percent in the number of students accessing higher education on Pell Grants.

Finally, the Department's efforts to support and strengthen the teaching profession through improved teacher evaluation and professional development are predicted to pay long-term dividends.

Going forward, the Department will build on what it has already established:

- state-driven accountability that demands progress for all children;
- high-quality early education for more low-income children;
- more flexibility for state decision-making;
- more support for principals and teachers to apply high standards to practice;
- reforming career education in high schools and community colleges; and
- reforming and simplifying the application process for student aid to help drive college affordability and completion.

The Department cannot stop here, however. It needs to continue to strengthen the support systems necessary for all students to reach the middle class and beyond. Preschool should be accessible for all students. The Department needs to fund a set of pre-K–12 strategic reforms, including improving teaching for the benefit of students and making schools safer. The Department needs to ensure that college is more affordable. Ultimately, the Department looks to creating ladders of opportunity to support states and help students living in poverty advance beyond their means.



## 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: Unmodified (Unqualified)

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<b>Total Material Weaknesses</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>

### Summary of Management Assurances

#### Effectiveness of Internal Control over Financial Reporting—*Federal Managers' Financial Integrity Act (FMFIA)* 2

Statement of Assurance: Unqualified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	<b>0</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—*FMFIA* 2

Statement of Assurance: Unqualified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Conformance with Financial Management System Requirements—*FMFIA* 4

Statement of Assurance: The Department systems conform to financial management system requirements.

Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Non-Conformance</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Compliance with *Federal Financial Management Improvement Act*

	Agency	Auditor
<b>Overall Substantial Compliance</b>	<b>No noncompliance noted</b>	<b>Noncompliance noted</b>
1. System Requirements	<b>No noncompliance noted</b>	<b>Noncompliance noted</b>
2. Federal Accounting Standards	<b>No noncompliance noted</b>	<b>No noncompliance noted</b>
3. United States Standard General Ledger at Transaction Level	<b>No noncompliance noted</b>	<b>No noncompliance noted</b>

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