

## About the Management's Discussion and Analysis

The Department continued to enhance the usefulness of the *Agency Financial Report* (AFR) as a summary of the Department's activities and results in FY 2015 by augmenting this report with relevant web content. To take advantage of the multiple hyperlinks embedded in the report, we recommend reading it on the Internet. Our intent is to provide users with access to helpful information about the Department and its financial and performance activities. This year, we focused on improving disclosures about our performance management, internal controls, and legal compliance. To help continue to improve the content of the AFR, readers are encouraged to provide their feedback at: [AFRComments@ed.gov](mailto:AFRComments@ed.gov).

This section highlights information on the Department's performance, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address select challenges.

Through its performance, the Department demonstrated its continuing commitment to fortifying the education system by directing federal resources to, among other things: improving access to early learning programs, reforming elementary and secondary education to strengthen critical outcomes, making higher education more accessible and affordable, and working to attract talented people to the teaching profession. The Department also demonstrated good stewardship of federal resources by ensuring that its business and financial management systems and processes are well controlled and managed.

### Mission and Organizational Structure

This section provides information about the Department's mission, an overview of its history, and its structure. The active links include: the organization chart and principal offices, a map of its regional offices, and a link to the full list of [Department offices](#) with a description of selected offices by function.

### Discussion of Performance

The Department elected to produce separate financial and performance reports. The *Agency Financial Report* for FY 2015 provides a high-level description of performance measures and goals based on the [FY 2014–2018 Strategic Plan](#), with a focus on the Agency Priority Goals (APGs) for FY 2014–15. A detailed discussion of performance information for FY 2015 will be provided in the Department's *Annual Performance Report* (APR) to be released at the same time as the President's FY 2017 Budget.

The section includes an overview of performance reporting, a report on the APGs for FY 2014–15, and a high-level discussion of performance information. The Looking Ahead and Addressing Challenges section describes the challenges that the Department aims to address to achieve progress against the *FY 2014–2018 Strategic Plan*. Finally, the results achieved from Department expenditures are discussed at a high level in the AFR. For more details about performance, please refer to the Department's [budget and performance](#) web page and [performance.gov](#).

To view information on all Department programs, visit the [Department's website](#).

## Financial Highlights

The Department expends a substantial portion of its budgetary resources and cash on multiple loan and grant programs intended to increase college access, quality, and completion; improve preparation for college and career from birth through 12th grade, especially for children with high needs; and ensure effective educational opportunities for all students. Accordingly, the Department has included more high-level details about sources and uses of the federal funds received and net costs by program.

## Analysis of Systems, Controls, and Legal Compliance

The Department's internal control framework and its assessment of controls in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, provide assurance to Department leadership and external stakeholders that financial data produced by the Department's business and financial processes and systems are complete, accurate, and reliable.

Because the Department produces an *Agency Financial Report*, detailed performance reporting is included in the [Annual Performance Report](#), as specified in OMB Circular No. A-11, Part 6, Section 260. A high-level summary of performance is included in the AFR to provide context for reporting of financial data and assessment of controls.

## About the Department

### 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 in 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.

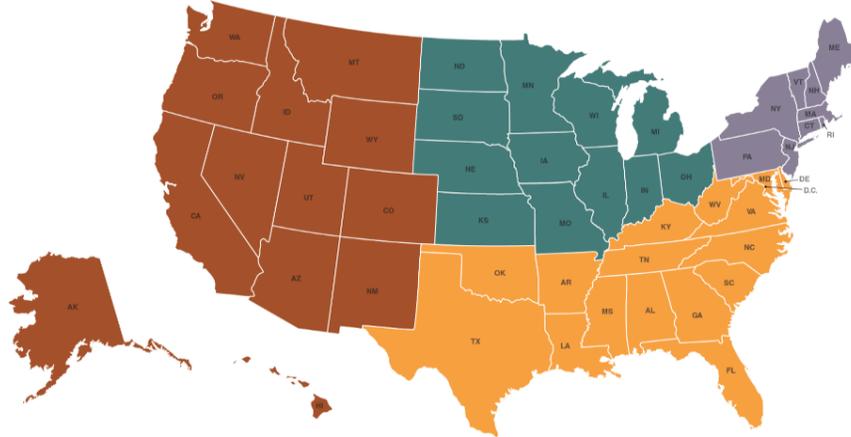
**Our Public Benefit.** The Department is committed to helping to ensure that students throughout the nation develop skills to succeed in school, college, and the workforce. While recognizing the primary role of states and school districts in providing a high-quality education, the Department supports efforts to employ effective teachers, principals, and district leaders; establish challenging content and achievement standards; ensure equity and access for all students to achieve according to high expectations; and monitor students' progress against those standards.

The Department's largest asset is the portfolio of student loans (see the Financial Highlights and Notes sections). Grants to states are the second-largest item, mostly for elementary and secondary education, awarded based on statutory formulas (see the chart on the following page). The third biggest item is student aid to help pay for college through Pell Grants, Work Study, and other campus-based programs (see the Notes section). The Department also carries out competitive grant programs to promote innovation, supports research, collects education statistics, and enforces civil rights statutes (see the Performance section).

**Regional Offices.** The [Department has 10 regional offices](#) that provide points of contact and assistance for schools, parents, and citizens. Regional offices offer support through 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 civil rights enforcement offices in federal regions, civil rights enforcement offices are located in Washington, D.C., and Cleveland, Ohio.

Descriptions of the [principal offices](#) and [overviews of the activities of the Department](#) and its programs are available on the Department's website.

## FY 2014 Actual Formula Grant Distribution by Region and State



The figures in these tables are made up of funding, from multiple programs, allocated to states based on statutory formulas. These do not include discretionary grants, need-based grants, or federal loans. For more details, view the [Department's State Budget Tables](#).

★ West	Grades K-12	Postsec	All Other
Alaska	253	46	12
Arizona	820	1,464	77
California	3,953	4,117	394
Colorado	431	519	48
Hawaii	170	84	16
Idaho	162	179	20
Montana	163	78	16
Nevada	244	159	24
New Mexico	344	223	27
Oregon	368	419	56
Utah	269	409	43
Washington	622	495	65
Wyoming	107	40	11
<b>TOTAL</b>	<b>\$7,906m</b>	<b>\$8,232m</b>	<b>\$809m</b>

★ South	Grades K-12	Postsec	All Other
Alabama	517	554	70
Arkansas	350	294	54
Delaware	111	69	16
Dist. of Columbia	91	154	20
Florida	1,806	2,099	214
Georgia	1,080	1,086	81
Kentucky	499	435	57
Louisiana	626	404	46
Maryland	506	448	58
Mississippi	398	335	51
North Carolina	956	887	124
Oklahoma	450	337	51
South Carolina	492	431	66
Tennessee	644	588	84
Texas	3,106	2,301	298
Virginia	682	746	86
West Virginia	217	254	41
<b>TOTAL</b>	<b>\$12,531m</b>	<b>\$11,422m</b>	<b>\$1,417m</b>

★ Midwest	Grades K-12	Postsec	All Other
Illinois	1,458	1,367	132
Indiana	653	837	71
Iowa	269	451	33
Kansas	322	274	25
Michigan	1,171	1,024	107
Minnesota	456	592	59
Missouri	612	632	73
Nebraska	204	159	23
North Dakota	117	51	12
Ohio	1,256	1,015	128
South Dakota	158	110	12
Wisconsin	549	464	71
<b>TOTAL</b>	<b>\$7,225m</b>	<b>\$6,976m</b>	<b>\$746m</b>

★ Northeast	Grades K-12	Postsec	All Other
Connecticut	319	308	32
Maine	145	127	20
Massachusetts	623	564	64
New Hampshire	126	133	14
New Jersey	842	656	76
New York	2,396	2,083	188
Pennsylvania	1,239	1,007	143
Rhode Island	128	127	17
Vermont	91	55	18
<b>TOTAL</b>	<b>\$5,909m</b>	<b>\$5,060m</b>	<b>\$572m</b>

Other	Grades K-12	Postsec	All Other
American Samoa	24	6	1
Freely Associated States	7	18	1
Guam	42	17	3
Indian Set Aside	236	n/a	37
Northern Mariana Islands	17	5	1
Puerto Rico	704	800	80
US Virgin Islands	28	6	3
All Other	368	n/a	50
<b>TOTAL</b>	<b>\$1,426m</b>	<b>\$852m</b>	<b>\$176m</b>

NOTE: Data is current as of October 21, 2015.

## Our Organization in Fiscal Year 2015

This chart reflects the organizational structure of the U.S. Department of Education. [Interactive](#) and [text versions](#) of the coordinating structure of the Department are available.

