U.S. Department of Education
The FY 2014 Summary of Performance and Financial Information

U.S. Department of Education
Arne Duncan
Secretary

February 17, 2015

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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) 2014 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 2014.

This year, the Department consolidated its *FY 2014 Annual Performance Report* and the *FY 2016 Annual Performance Plan* to report on its *U.S. Department of Education Strategic Plan for Fiscal Years 2014–2018*. The Department's FY 2014 annual reporting includes these three documents:

FY 2014 Summary of Performance and Financial Information [available February 2015]

This document provides an integrated overview of performance and financial information that consolidates the *FY 2014 Agency Financial Report* (AFR) and the *FY 2014 Annual Performance Report* (APR) *and FY 2016 Annual Performance Plan* (APP) into a user-friendly format.

FY 2014 Annual Performance Report and FY 2016 Annual Performance Plan
[published February 2, 2015]

This report is produced in conjunction with the FY 2016 President's Budget Request and provides more detailed performance information and analysis of performance results.

***FY 2014 Agency Financial Report* (AFR)** [published November 14, 2014]

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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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 formally 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 address 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 all 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 highly qualified teachers and administrators, establish challenging content and achievement standards, and monitor students' progress against those standards.

The Department's largest asset is a portfolio of student loans. Grants to states are the second largest item on the balance sheet, mostly for elementary and secondary education, awarded based on legislated formulas. The third biggest item is student aid to help pay for college through Pell Grants, Work Study, and other campus-based programs. The Department also carries out competitive grant programs to promote innovation, performs research, collects education statistics, and enforces civil rights statutes.

Offices by Function. Federal Student Aid (FSA) administers need-based financial assistance programs for students pursuing postsecondary education and makes available federal grants, direct loans, and work-study funding to eligible undergraduate and graduate students.

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 (IES) is the research and statistics arm of the Department. The Department's goal is to provide rigorous and relevant evidence on which to ground education practice and policy and share this information broadly. By identifying what works, what doesn't, and why, IES aims to improve educational outcomes for all students, particularly those at risk of failure. Its goal is to transform 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 (OCR) 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 issues.

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

Support Service Offices. The Department's support services offices are major partners with the grant-making and other principal offices as they provide services to external customers. These offices include: Office of the Secretary; Office of the Deputy Secretary; Office of the Under Secretary; Office of Legislative and Congressional Affairs; Office of the Chief Financial Officer; Office of the Chief Information Officer; Risk Management Services; and Office of Communications and Outreach.

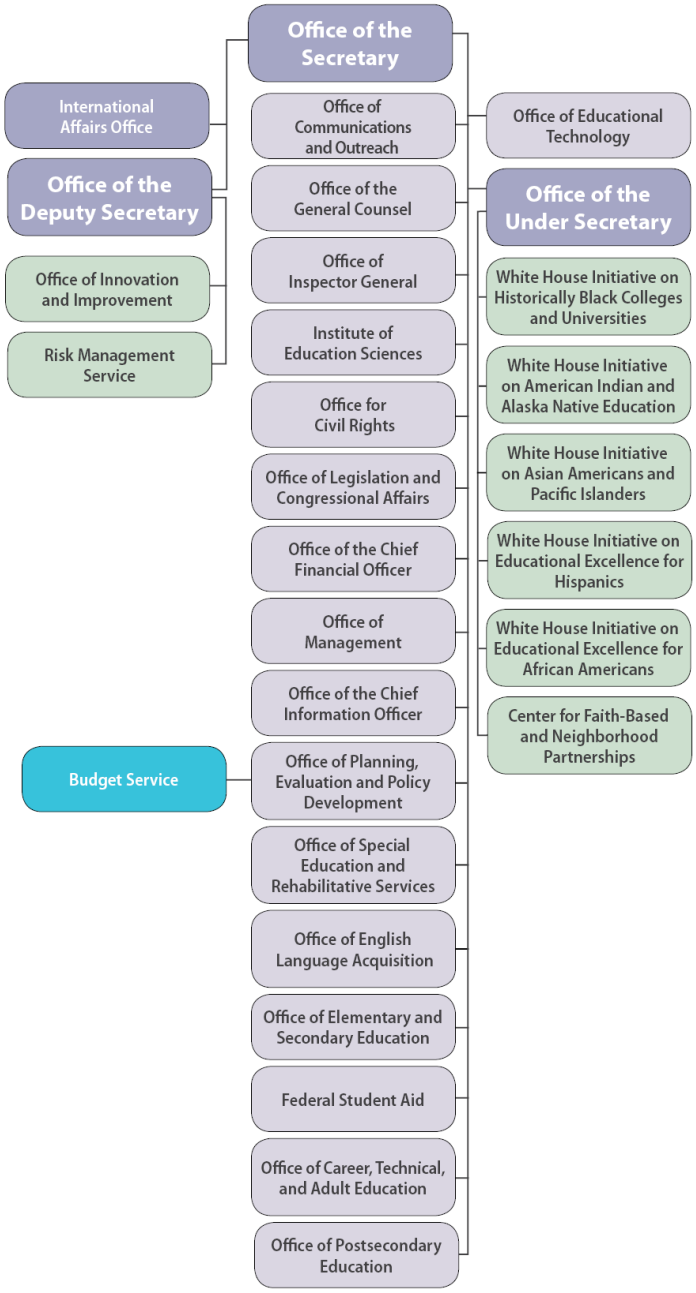
Regional Offices. The Department has 10 regional offices that provide points of contact and assistance for schools, parents, and citizens. Regional offices offer support through communications, civil rights enforcement, and federal student aid services to promote efficiency, effectiveness, and integrity in the programs and operations of the Department.

Descriptions of the principal offices and overviews of the activities of the Department and its programs can be found on the Department's website.

Selected Department Web links and education resources are provided in the *FY 2014 Annual Performance Report and FY 2016 Annual Performance Plan.*

Our Organization in Fiscal Year 2014

This chart reflects the statutory organizational structure of the U.S. Department of Education. Interactive and text versions of the coordinating structure of the Department are available.

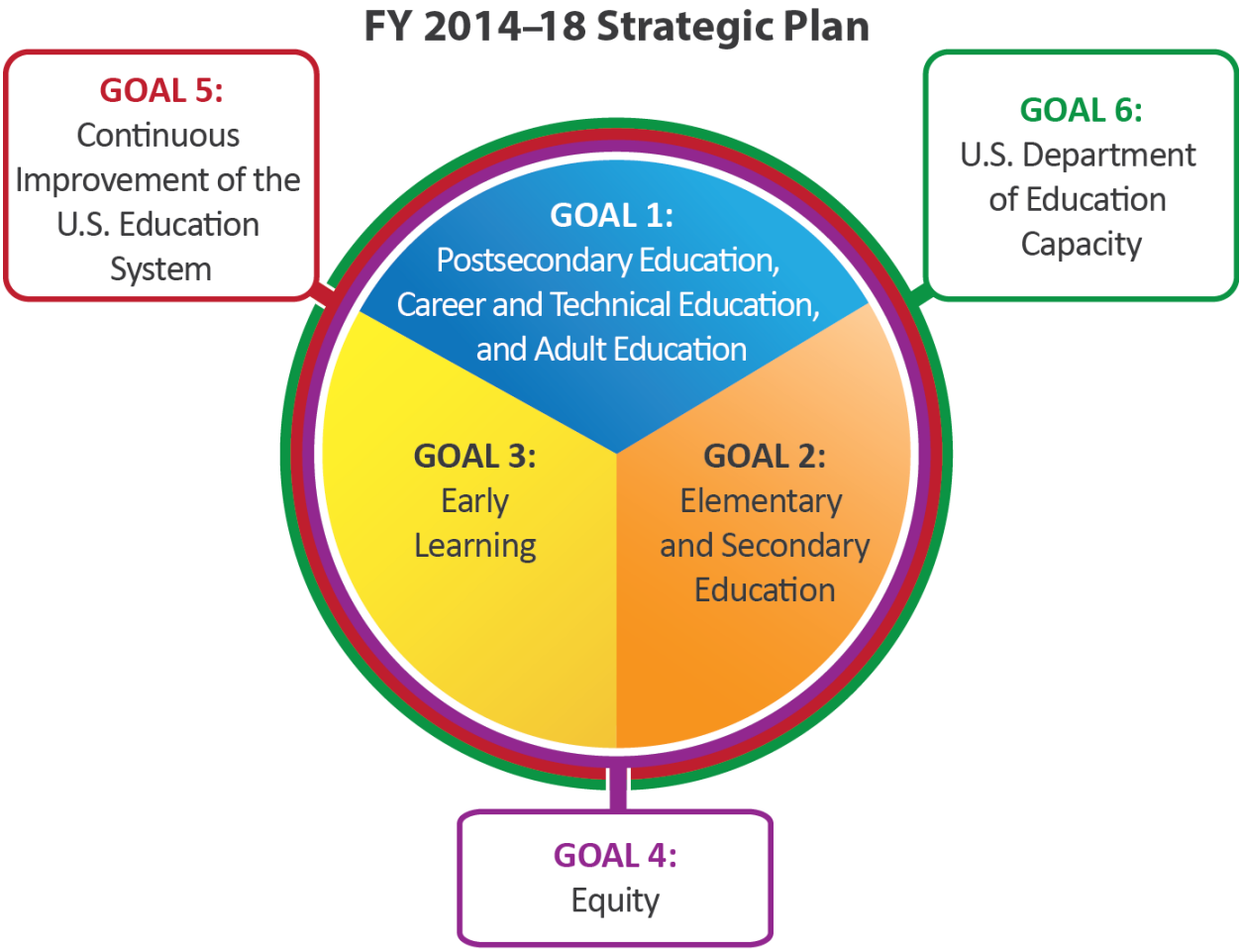


Performance Results

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 Agency Priority Goals (APGs), which serve as the foundation for establishing long-term priorities and developing performance goals, objectives, and metrics by which the Department can gauge achievement of its stated outcomes. Progress toward the Department's *Strategic Plan* is measured using data-driven review and analysis. This focus promotes active management engagement across the Department. Additional information is available in the *Department's Annual Performance Plans and Annual Performance Reports*.

The *FY 2014–18 Strategic Plan* is comprised of six strategic goals that influence the day-to-day work of the Department's staff. To support the tracking and reporting of progress against the Department's goals and 22 supporting objectives, the Department provides regular updates to its data profile on performance.gov.



The Department's *FY 2014 Annual Performance Report and FY 2016 Annual Performance Plan* identifies 26 *Strategic Plan* metrics that met or exceeded FY 2014 targets. Details on performance metrics, including historical trend data for the Department's strategic goals and

objectives, and candid assessments are available in the Performance Plan Summary of the *FY 2014 Annual Performance Report and FY 2016 Annual Performance Plan*. The Performance Plan Summary also provides an explanation and analysis of progress as well as challenges and next steps by strategic objective. Budget and cost information associated with performance measures is also available.

The Department's evaluation and evidence planning initiatives are used to determine the effectiveness programs, policies, and strategies for improving education outcomes. Funding is directed toward evaluations that will yield valid, reliable, and useful information for the field. For a list of evaluations completed in FY 2014 and of those planned through FY 2016, see appendix C in the *FY 2014 Annual Performance Report and FY 2016 Annual Performance Plan*. For a complete list of program evaluations and studies from the Office of Planning, Evaluation and Policy Development, please visit http://www2.ed.gov/about/offices/list/opepd/ppss/reports.html. For a complete list of evaluation studies of the National Center for Education Evaluation and Regional Assistance, please visit http://ies.ed.gov/ncee/projects/evaluation/index.asp.

Continuous improvement rests on ongoing cycles of assessing performance, examining data, and employing lessons to improve practices. Creating a culture of continuous improvement is at the heart of the Department's efforts to partner with and support educators, administrators, and policy makers. The Department continues to welcome input from Congress, state and local partners, and other education stakeholders about the *Strategic Plan.* Questions or comments about the *Strategic Plan* should be e-mailed to APP_APRComments@ed.gov.

FY 2014–18 Strategic Plan

AGENCY MISSION

Mission: To promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access

FY 2014–18 STRATEGIC PLAN

Strategic Goals	Strategic Objectives	Agency Priority Goals
Goal 1: ***Postsecondary Education, Career and Technical Education, and Adult Education.*** Increase college access, affordability, quality, and completion by improving postsecondary education and lifelong learning opportunities for youths and adults.	**Objective 1.1:** ***Access and Affordability.*** 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.). **Objective 1.2:** ***Quality.*** Foster institutional value to ensure that postsecondary education credentials represent effective preparation for students to succeed in the workforce and participate in civic life. **Objective 1.3:** ***Completion.*** Increase degree and certificate completion and job placement in high-need and high-skill areas, particularly among underrepresented and/or underprepared populations. **Objective 1.4:** ***Science, Technology, Engineering, and Mathematics Pathways.*** Increase STEM pathway opportunities that enable access to and completion of postsecondary programs.	• Increase college degree attainment in America
Goal 2: ***Elementary and Secondary Education.*** 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.	**Objective 2.1:** ***Standards and Assessments.*** Support implementation of internationally benchmarked college- and career-ready standards, with aligned, valid, and reliable assessments. **Objective 2.2:** ***Effective Teachers and Strong Leaders.*** Improve the preparation, recruitment, retention, development, support, evaluation, recognition, and equitable distribution of effective teachers and leaders. **Objective 2.3:** ***School Climate and Community.*** Increase the success, safety, and health of students, particularly in high-need schools, and deepen family and community engagement. **Objective 2.4:** ***Turn Around Schools and Close Achievement Gaps.*** 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. **Objective 2.5:** ***STEM Teaching and Learning.*** Increase the number and quality of STEM teachers and increase opportunities for students to access rich STEM learning experiences.	• Support implementation of college- and career-ready standards and assessments • Improve learning by ensuring that more students have effective teachers and leaders

FY 2014–18 STRATEGIC PLAN		
Strategic Goals	Strategic Objectives	Agency Priority Goals
Goal 3: *Early Learning.* 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.	**Objective 3.1: *Access to High-Quality Programs and Services.*** Increase access to high-quality early learning programs and comprehensive services, especially for children with high needs. **Objective 3.2: *Effective Workforce.*** 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. **Objective 3.3: *Measuring Progress, Outcomes, and Readiness.*** Improve the capacity of states and early learning programs to develop and implement comprehensive early learning assessment systems.	• Support comprehensive early learning assessment systems
Goal 4: *Equity.* Increase educational opportunities for underserved students and reduce discrimination so that all students are well-positioned to succeed.	**Objective 4.1: *Equitable Educational Opportunities.*** 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. **Objective 4.2: *Civil Rights Compliance.*** Ensure educational institutions' awareness of and compliance with federal civil rights obligations and enhance the public's knowledge of their civil rights.	• Ensure equitable educational opportunities
Goal 5: *Continuous Improvement of the U.S. Education System.* 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.	**Objective 5.1: *Data Systems and Transparency.*** 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. **Objective 5.2: *Privacy.*** 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. **Objective 5.3: *Research, Evaluation, and Use of Evidence.*** 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. **Objective 5.4: *Technology and Innovation.*** Accelerate the development and broad adoption of new, effective programs, processes, and strategies, including education technology.	• Enable evidence-based decision making
Goal 6: *U.S. Department of Education Capacity.* Improve the organizational capacities of the Department to implement the *Strategic Plan*.	**Objective 6.1: *Effective Workforce.*** Continue to build a high-performing, skilled, diverse, and engaged workforce within the Department. **Objective 6.2: *Risk Management.*** Improve the Department's program efficacy through comprehensive risk management, and grant and contract monitoring. **Objective 6.3: *Implementation and Support.*** 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. **Objective 6.4: *Productivity and Performance Management.*** 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.	

The Department's Agency Priority Goals

The Department identified six APGs for FY 2014–15 that serve to focus its activities, with a particular emphasis over the next two years. These goals are consistent with the Department's five-year strategic plan, which will be used to monitor and report regularly on progress, reflect the Department's cradle-to-career education strategy, and help concentrate efforts on the importance of teaching and learning at all levels of the education system. Quarterly updates for the APGs are available on performance.gov.

Progress on the Department's FY 2014–15 Agency Priority Goals

Agency Priority Goal: Increase college degree attainment in America

Goal for FY 2014–2015: By September 30, 2015, 45.6 percent of adults ages 25–34 will have an associate degree or higher, which will place the nation on track to reach the President's goal of 60 percent degree attainment by 2020.

Supports Strategic Goal 1.

Overview: In 2009, the President set a goal that the United States will have the highest proportion of college graduates in the world. Meeting this goal will require millions of additional Americans to earn a postsecondary degree by the end of this decade. The President's focus on the educational attainment among adults ages 25–34 allows the Department to assess progress in preparing the next generation of workers and to benchmark for international comparisons.

In August 2013, the President outlined an ambitious new agenda to combat rising college costs and make college affordable for American families. The Department's strategy to implement the President's College Value and Affordability Agenda comprises three areas of focus: (1) promoting evidence-based innovation and competition so that colleges offer students a greater range of affordable, high-quality options; (2) fostering institutional and student accountability in tandem with better consumer awareness; and (3) helping borrowers who are struggling with their student loan debt. These strategies aim to support college attainment by reducing the cost and amount of time necessary to attain a degree; measuring college performance and providing consumer information about access, affordability, and outcomes; supporting the use of open educational low-cost textbooks; and incentivizing state, institutional, and student behavior to increase college access and success.

Progress: Starting from a baseline of 44.0 percent in 2012, the Department projected that the annual increase of educational attainment among ages 25–34 would grow progressively each year above the four-year historical average of 0.7 percentage points. Based on this projection, the Department established performance targets of 44.7 percent for 2014 and 45.6 percent for 2015. The Department is on pace to achieve this APG as 44.8 percent of adults ages 25–34 have an associate's degree or higher, exceeding the 2014 performance target (note that the rate reflects prior year data, in this case from 2013, but is reported in 2014 when data are available). Examples of the Department's activities that support this goal include collaborating with the White House to plan and host College Opportunity Summits that announced institutional commitments to expand college opportunity; updating and refining the College Scorecard; announcing regulations that will bring accountability to institutions offering career training programs; developing draft regulations to help ensure teacher training programs are preparing educators who are ready to succeed in the classroom; expanding the reach of the Free Application for Federal Student Aid (FAFSA) Completion Initiative; implementing a new

First in the World grant program to support college access and completion through innovation and evidence-based practices; and redesigning existing programs to encourage efforts to improve college fit, reduce the need for remediation, increase the availability of open educational resources, and implement evidence-based practices. These activities promote innovation, competition, and accountability in the postsecondary sector, which will boost completion rates and educational attainment.

Opportunities and Challenges: The administration's landmark investments in Pell Grants, coupled with the creation of more generous tax credits and loan repayment options, have helped more Americans access a college education. However, the Department is concerned that federal student aid may not be able to keep pace with rising college costs indefinitely. Instead, systemic state and institutional reforms are necessary to address the root causes affecting college affordability, while also creating incentives to provide greater quality at a lower cost to students. This task is not one that the federal government can take on alone. As such, success will also depend largely on the extent to which states invest in higher education and whether institutions pursue practices and policies that will help improve affordability and student outcomes. Specifically, whether and to what extent states and institutions (a) implement policies and programs to increase college access and success; (b) reduce costs and time to completion; (c) support accelerated learning opportunities, including dual enrollment; (d) develop and adopt effective and innovative practices that improve student outcomes; and (e) promote seamless transitions from secondary to postsecondary education and among higher education institutions will influence the Department's success in achieving this APG. While some of the Department's budgetary proposals that would more fully address these areas have not received traction in Congress, the Department has some limited leverage to influence states' policies and the practices of postsecondary institutions, and the Department will use its available resources, including grant programs and technical assistance, and the ability to convene stakeholders to encourage collaboration and best practices.

Agency Priority Goal: Support implementation of college- and career-ready standards and assessments

Goal for FY 2014–2015: By September 30, 2015, at least 50 states/territories will be implementing next-generation assessments, aligned with college- and career-ready standards.

Supports Strategic Goal 2.

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 increasing the number of college graduates in the United States. Moreover, these standards must be coupled with high-quality formative and summative assessments that will measure the extent to which students are mastering them.

Progress: Most states have adopted college- and career-ready standards and have developed assessments aligned with those standards. The Race to the Top - Assessment consortia and the consortia developing alternate assessments based on alternate academic achievement standards completed the field testing of their assessments in preparation for operational administration in spring 2015. The Department supported states in addressing challenges in this area in their *Elementary and Secondary Education Act* (ESEA) Flexibility extension requests, through which an SEA can request renewal of its ESEA Flexibility request for an additional three or four years.

Opportunities and Challenges: State capacity to develop and implement college- and career-ready standards and assessments aligned with those standards varies. To provide support in this area, the Department is developing and targeting technical assistance activities that will, in part, increase state capacity to leverage resources effectively and continue to identify promising practices across multiple states. For example, the Department will build a "bank" of resources that support the implementation of college- and career-ready standards. Included in such a bank will be materials to assist in full and effective transition to college- and career-ready standards.

The Department will continue to leverage the ESEA Flexibility monitoring and renewal process to support implementation of college- and career-ready standards and aligned, valid, and reliable assessments. By using the ESEA Flexibility monitoring process, the Department can work with states to support implementation and identify areas where technical assistance is needed. This approach follows the different kind of relationship the Department has built internally across its offices and externally with states during the ESEA Flexibility approval process, including the use of cross-Departmental teams, which reduces burden and duplication between other Department programs and ESEA Flexibility.

Agency Priority Goal: Improve learning by ensuring that more students have effective teachers and leaders

Goal for FY 2014–2015: By September 30, 2015, at least 37 states will have fully implemented teacher and principal evaluation and support systems that consider multiple measures of effectiveness, with student growth as a significant factor.

Supports Strategic Goal 2.

Overview: Teacher and principal evaluation and support systems enable the development and identification of effective educators and provide information to improve the educator workforce. The nation needs to do more to ensure that every student has an effective teacher, every school has an effective leader, and every teacher and leader has access to the preparation, ongoing support, recognition, and collaboration opportunities he or she needs to succeed. The Department will help strengthen the profession by focusing on meaningful feedback, support, and incentives at every stage of a career, based on fair evaluation and support systems that look at multiple metrics, including, in significant part, student growth.

The Department will support the development and adoption of state requirements for comprehensive teacher and principal evaluations and support systems as well as the district development and implementation of comprehensive evaluation systems. This additional support is necessary, for example, in helping teachers and educator evaluators develop and use student learning objectives to measure student growth and to implement new classroom observation tools.

Progress: The performance targets for this APG are based on the implementation timelines that states were required to meet under their original ESEA Flexibility requests, which indicated that 37 states were expected to implement high-quality systems by September 30, 2015. However, as states and districts are moving forward, they are encountering challenges with implementation of these systems. As a result, they are making adjustments to timelines, sequencing, and implementation steps that may not align with their original plans but will ultimately result in the implementation of high-quality teacher and principal evaluation and

support systems. As of September 30, 2014, seven states have fully implemented teacher and principal evaluation and support systems.[1]

Opportunities and Challenges: Providing support to states to do this work well is resource-intensive. In a September 2013 letter, the Department outlined ways in which SEAs and LEAs can use Title I, Title II, and IDEA funds to conduct activities related to implementing teacher and principal evaluation and support systems, such as training evaluators, providing professional development to assist teachers in using evaluation data to improve instruction, and recruiting and retaining effective and highly qualified teachers using differential pay. Additionally, states have experienced a range of political challenges to their original plans for this work and with further changes in leadership, those challenges are likely to continue. However, as states continue work to implement teacher and leader evaluation systems, the Department will continue to provide robust technical assistance. In addition to monitoring, the Department designed and implemented a one-year ESEA Flexibility extension process for Windows 1 and 2 states. Through that process, the Department committed to working with states that have requested changes to their timelines or sequencing of implementation to ensure that they are continuing to make progress toward full implementation of their evaluation systems.

Agency Priority Goal: Support comprehensive early learning assessment systems

Goal for FY 2014–2015: By September 30, 2015, at least nine states will be collecting and reporting disaggregated data on the status of children at kindergarten entry using a common measure.

Supports Strategic Goal 3.

Overview: Kindergarten Entry Assessments (KEAs) should be included in a state's comprehensive early learning assessment system. When properly designed and implemented, KEAs may improve student outcomes, increase program effectiveness, and inform professional development and support to improve the early learning workforce. KEAs also can inform instruction and support students' educational success by identifying the early learning needs of each child. Further, KEAs can provide an opportunity for teachers and families to understand the status of children when they enter kindergarten and an opportunity to provide policy makers with information needed to support high-quality early learning programs that ensure children enter school prepared for success.

Progress: The Department is on track to achieve this APG. As of June 30, 2014, the Early Learning Challenge Technical Assistance Center (ELC TAC) reported that six states are collecting and reporting disaggregated data on the status of children at kindergarten entry using a common measure. Additionally, the Department's Office of Early Learning conducted an analysis of the Race to the Top - Early Learning Challenge (RTT-ELC) grantees' annual performance reports and found that four states are in the process of revising their current statewide KEAs, five other states are beginning a phased-in implementation of KEAs, and six

[1] "Fully implemented" is defined as the school year in which teachers and principals receive effectiveness ratings, which include data on student growth for all students as a significant factor for all teachers and principals, and other measures of professional practice. Note that the Department reported 10 states having fully implemented systems in the FY 2014 AFR based on data available as of Quarter 3 of FY 2014. However, subsequent to that reporting, the Department provided flexibility to states regarding the timing of their implementation and three states elected to delay full implementation until the 2015–16 school year. As such, the FY 2014 APR reports 7 states instead of 10 states.

others are pilot testing their KEAs. Although there are challenges with the implementation of KEAs, the Department is on track to achieve the APG.

Opportunities and Challenges: In December 2014, the Departments of Education and Health and Human Services (Departments) released an annual report about RTT-ELC grantees that includes information on how states are engaging stakeholders in KEA development, providing more professional development to teachers, and evaluating what is and is not working in order to improve the KEA process. The sharing of these lessons learned will advance progress toward this goal. Additionally, the Departments will reach out to external organizations that share our interest in advancing quality KEAs to develop strategies that may increase our collective impact.

Because assessment in early learning is evolving, many states are in the early stages of developing valid and reliable measures for KEAs. Constructing and testing these instruments and implementing them across every school in the state will be challenging and will take time. In addition, new measures and systems require significant investment, and state budget cuts could impact deployment. The Departments will continue to convene states and share resources that support states in their collecting and reporting of disaggregated data on the status of children at kindergarten entry using a common statewide measure, in an effort to continue the push for progress in this area.

Agency Priority Goal: Ensure equitable educational opportunities

Goal for FY 2014–2015: By September 30, 2015, the number of high schools with persistently low graduation rates will decrease by 5 percent annually. The national high school graduation rate will increase to 83 percent, as measured by the Adjusted Cohort Graduation Rate, and disparities in the national high school graduation rate among minority students, students with disabilities, English learners, and students in poverty will decrease.

Supports Strategic Goal 4.

Overview: Equality of opportunity is a core American value. All students in this country—regardless of their race, ethnicity, or national origin; sex; sexual orientation; gender identity or expression; disability; English language ability; religion; socioeconomic status; or geographical location—must have the chance to learn and achieve. Through Race to the Top (RTT), the School Improvement Grant (SIG) program, ESEA Flexibility, and other federal initiatives, the Department dedicates significant effort and resources to improve the nation's lowest-achieving schools dramatically by using intensive turnaround models and targeted interventions, and also by identifying the low-achieving schools that are successfully turning around their performance. The Department continues to focus on supporting innovation and data-driven decision-making, not just compliance monitoring, and on spurring growth in achievement, not just absolute achievement measures, as was done in the past.

Increasing the national high school graduation rate and decreasing disparities in the graduation rate among minority students, students with disabilities, English learners, and students in poverty is critical not only to ensure greater attainment in secondary education but also a necessary step toward achieving the President's college graduation goal. The nation has made significant progress in increasing high school graduation rates, but gaps between rates for different student groups continue to persist. This APG aims to reduce that gap.

Progress: Although the Department just missed the FY 2014 performance targets for the two metrics associated with this APG, the Department has taken a number of steps to ensure equitable educational opportunities and increase graduation rates for all students. For example, the Department announced the Excellent Educators for All initiative, a 50-state strategy to support state efforts to ensure that low-income students and students of color have equal access to qualified and effective teachers and leaders. This initiative includes a new technical assistance network, educator equity data profiles for every state, and guidance for states on developing plans to ensure equitable access to excellent educators. Recognizing that inequities in educational opportunities begin early, the Department also has dedicated significant resources to increase access to early childhood education through programs such as RTT-ELC and Preschool Development Grants. The Department also granted extensions of ESEA Flexibility for the 2014–15 school year for 34 states, ensuring that those states continue to hold districts and schools accountable for subgroup performance, including graduation rates. The Department has also issued policy guidance and enforced civil rights laws to encourage civil rights awareness and compliance and remove barriers to high school graduation, such as discriminatory discipline practices, sexual violence, or inequitable access to school resources.

Opportunities and Challenges: One key challenge in achieving this APG is providing differentiated support to states based on their current status and progress in increasing graduation rates. While all states have room for improvement, some states are farther behind than others, particularly for different subgroups of students. Recently, the Department addressed one major barrier, which was the incomparability of graduation rate data across states. All states are now required to use an adjusted cohort graduation rate, and the Department is releasing these data at the state, district, and school levels. However, differences in how states define a regular high school diploma, and other technical features of their calculations, continue to make comparisons challenging. The Department will continue to improve its data release processes to ensure that data on graduation rates are released to the public on a regular schedule, and on a timely basis, to help states and districts better use data to drive improvement. The Department will also use the upcoming ESEA Flexibility renewal process as an opportunity to support states in continuously improving their systems of differentiated recognition, accountability, and support to ensure that they are effectively supporting schools with low graduation rates for all students and for particular subgroups of students.

Another challenge for this APG is sustaining the reforms in schools after SIG and RTT funding ends. Insufficient focus or funding for comprehensive turnaround efforts at the state and local levels compounds this challenge. As such, the Department recently proposed new requirements for the SIG program that, among other things, proposed parameters for implementing recent legislative changes to the SIG program that extended the length of the SIG grants that a state educational agency (SEA) can award to its local educational agencies (LEAs). The proposed requirements gave SEAs the flexibility to use the additional time for planning and sustainability activities during the grant period. Once the Department issues final requirements, it will develop and disseminate guidance and technical assistance on the requirements, including sustainability strategies to help states and districts continue reforms after federal funding ends.

Agency Priority Goal: Enable evidence-based decision making

Goal for FY 2014–2015: By September 30, 2015, the percentage of select new (non-continuation) competitive grant dollars that reward evidence will increase by 70 percent.

Supports Strategic Goal 5.

Overview: There is an increasing emphasis from the Department and among stakeholders on the importance of using evidence to support government program funding decisions. In support of this APG, the Department is increasing its internal capacity to make competitive grant awards based on the existing strength of evidence. For example, with the inclusion of a common evidence framework in the Education Department General Administrative Regulations (EDGAR), the Department may select from four tiers of evidence to use as priorities[2] or selection criteria in competitive grant programs, as appropriate. Additionally, through its mix of grants, contracts, and internal analytic work, the Department aims to support the use of research methods and rigorous study designs of grants to contribute to the evidence base.

Progress: The Department surpassed the FY 2014 performance target for increasing the percentage of select new (non-continuation) discretionary grant dollars that reward evidence. In FY 2014, 15.92 percent of the Department's discretionary dollars was awarded to new projects with supporting evidence of effectiveness, with five competitions in OII, OESE, and OPE incentivizing evidence through eligibility requirements, competitive preference priorities, and selection criteria.

Opportunities and Challenges: The Department is exploring ways to support and build the capacity of program offices as they shift to evidence-based funding models. For example, the Department shares the Regional Educational Laboratories' (RELs) resources about logic models and evaluation design with applicants, grantees, and program offices. Although these resources support both internal and external stakeholders, the Department has limited resources for providing direct and targeted technical assistance to applicants and grantees, which vary in their comfort with and understanding of evaluation and use of evidence. To continue building the capacity of the education field to use and generate evidence, it is important that the Department is able to provide appropriate technical assistance to its grantees and applicants.

[2] The Department may use a priority as an absolute priority, meaning applicants must propose projects that meet it to be eligible to receive funds, or as a competitive preference priority, meaning applicants may choose to address it and could receive additional points depending on how well the priority is addressed.

Cross-Agency Priority Goals

In accordance with the *GPRA Modernization Act of 2010,* Cross-Agency Priority Goals (CAP Goals) were published on performance.gov in March 2014. The CAP Goals are divided into two categories:

Mission CAP Goals	Management CAP Goals
• Cybersecurity • Climate Change (federal actions) • Insider Threat and Security Clearance • Job-creating Investment • Infrastructure Permitting Modernization • STEM Education • Service Member and Veterans Mental Health	• Customer Service • IT Delivery • Strategic Sourcing • Shared Services • Benchmarking and Mission-support Operations • Open Data • Lab-to-Market • People and Culture

Each CAP Goal has a goal leader(s) and deputy goal leader(s) who will manage the processes by which goals are executed. Goal leaders are given flexibility when managing CAP Goals and are encouraged to leverage existing structures as much as practicable (e.g., existing working groups, interagency policy committees, councils). Every CAP Goal will have a governance team chaired by the goal leader, a deputy goal leader, and representatives from agencies contributing to the goal, OMB, and others as determined by the goal leader. Each governance team will develop an action plan explaining how the federal government will execute on the goal, including agencies' contributions, areas where cross-agency coordination is needed, and anticipated risks or obstacles. The action plan will be updated as experience is gained and new information is learned.[3]

The Department currently contributes to the following CAP Goals:

Customer Service: Deliver world-class customer services to citizens by making it faster and easier for individuals and businesses to complete transactions and have a positive experience with government.

Science, Technology, Engineering, and Math (STEM) Education: In support of the President's goal that the United States have the highest proportion of college graduates in the world, the federal government will work with education partners to improve the quality of STEM education at all levels to help increase the number of well-prepared graduates with STEM degrees, the number of STEM teachers with corresponding undergraduate degrees, and students' access to quality STEM learning experiences.

Real-time information on Cross-Agency Priority Goals is available at performance.gov. The CAP Goal Leader, the Performance Improvement Council (PIC), and OMB coordinate quarterly updates to the website, which will reflect the overall action plan and will describe how the agency's goals and objectives contribute to the CAP Goal.[4]

[3] OMB Circular A-11, *Preparation, Submission, and Execution of the Budget,* Part 6, Section 220.9, 2014.
[4] OMB Circular A-11, *Preparation, Submission, and Execution of the Budget,* Part 6, Section 220.5, 2014.

Management Priorities and Challenges

The Department continues to make a substantive commitment and investment in improving its working capacity and infrastructure. Goal 6 of the *Strategic Plan* (U.S. Department of Education Capacity: Improve the organizational capacities of the Department to implement the *Strategic Plan*) supports those aims by ensuring that the Department's hiring, staffing, training, culture, systems, and procedures enable the Department to deliver programs and resources in ways that are faster, smarter, and better year after year. Thus, the commitment and the investments are both short- and long-range in nature.

Examples of the Department's employee-focused strategies are seen in prioritizing greater employee engagement, diversity, and inclusion, and on expanding leadership and knowledge management efforts in mission-support operations such as IT customer service. Because the Department aims to be a best place to work, the Department has created a workgroup on employee engagement to work on key areas for improvement, including formalized supervisor and peer recognition, intensive manager training and development pilots, increased development and usage of telework policies and flexibilities, and employee wellness, lifestyle balance, and volunteerism campaigns.

IT delivery is another area where the Department has committed considerable resources. The Office of the Chief Information Officer has pushed for greater technology innovation to improve the workload capacity for employees. Efforts to improve security, gain efficiency in storage, improve network service and responsiveness, increase system speed, and increase the footprint of Wi-Fi and other wireless and mobility solutions in the Department's facilities and for those working remotely, have significantly improved the employee computing experience. These efforts have clarified the Department's needs and provide a clear vision for how technology can help employees in their work.

The Department has also made significant progress on Cybersecurity, one of the President's mission CAP goals. During FY 2014, the Department significantly reduced the number of threats and risks, including security breaches. For example, the technology group saw a nearly 150 percent increase in the number of grantees who now use personal identity verification (PIV) to electronically sign grant award notices. These advances resulted from the Department's proactive strategies to seek innovation.

Financial Highlights

Introduction

This section provides summarized information and analyses about the Department's assets, liabilities, net position, sources and uses of funds, program costs, and related trend data. It is intended to help increase the AFR users' understanding about how the Department used the resources it was entrusted with and provides a high-level perspective of the detailed information contained in the financial statements and related notes.

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 format and content specified by OMB, specifically in Circular No. A-136, *Financial Reporting Requirements.* The financial statements, notes, and underlying business processes, systems, and controls are audited by an independent accounting firm with audit oversight provided by the Office of Inspector General (OIG). For thirteen consecutive years, the Department has earned an unmodified (or "clean") audit opinion.

An overview and analysis of the Department's sources of funds and financial position, including a section on trend analysis, is available in the Department's Agency Financial Report, as is a review the Department's financial summary and complete financial statements—including required supplementary stewardship information and notes to the principal financial statements for the fiscal years ended September 30, 2014, and September 30, 2013.

Management's assessment of internal controls in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, provides the Department with credibility to external stakeholders and confidence that financial data produced from its underlying financial systems and business processes are complete, accurate, and reliable. This ensures the financial statements conform with applicable federal reporting requirements, the Department has trustworthy financial information for good decision-making, and various reports can be produced for both internal and external stakeholders timely and accurately. Additionally, the Department's complete and accurate financial data enables it to provide transparency pertaining to the finances of the Department and how it is spending federal funds.

The AFR provides more information on management assurances regarding compliance with the *Federal Managers' Financial Integrity Act of 1982* (P.L. 97-255) (FMFIA) and Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control,* as well as an analysis of the Department's controls, systems, and legal compliance.

Trend Analysis

The tables below summarize trend information about components of the Department's financial condition. The Table of Key Measures summarizes trend information about components of the Department's Consolidated Balance Sheet and Statement of Net Cost, and provides a snapshot of the Department's financial condition as of September 30, 2014, compared with the end of fiscal years 2013–2010, displaying assets, liabilities, net position, and net cost, rounded to the millions. The Summarized Financial Data graphic presents the table data, as a graph, for an alternate display over the same five consecutive years, rounded to the billions.

Table of Key Measures

As of September 2014, 2013, 2012, 2011, and 2010

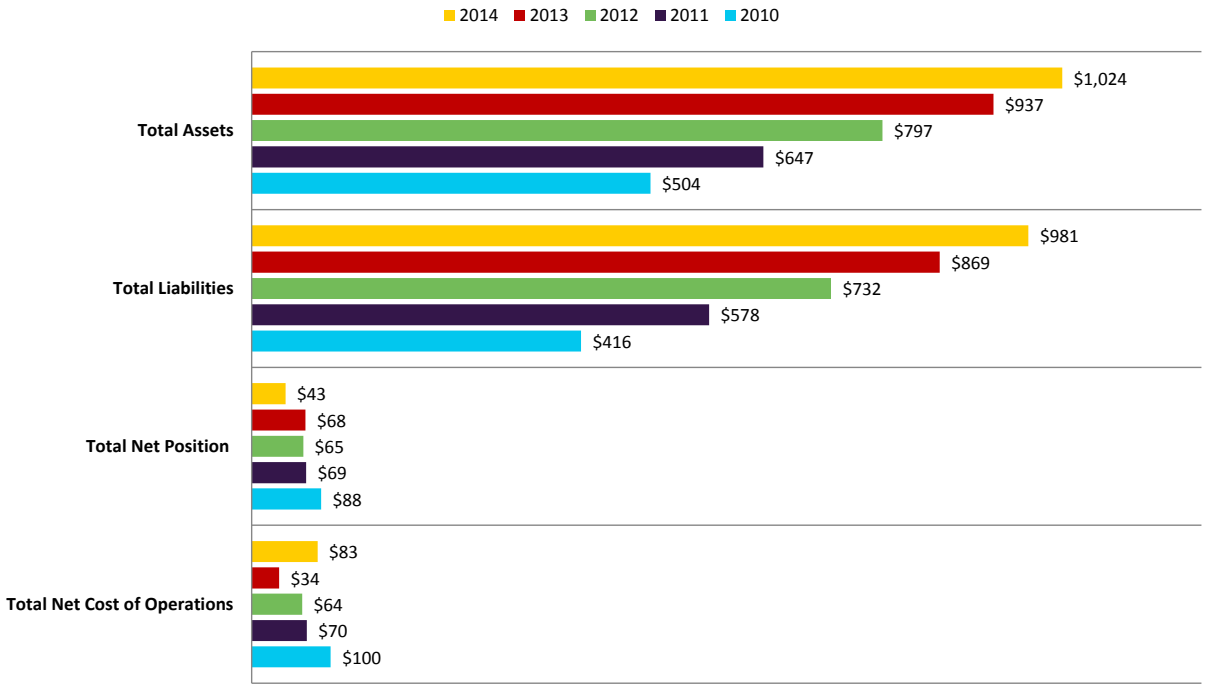
(Dollars in Millions)

	% Change FY 14 / FY 13	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Consolidated Balance Sheet						
Fund Balance with Treasury	-9%	$ 98,696	$ 108,732	$ 121,993	$ 114,085	$ 132,259
Credit Program Receivables, Net	+12%	923,545	826,684	673,488	530,491	367,904
Other	+3%	1,685	1,642	1,446	1,966	3,501
Total Assets	+9%	**1,023,926**	**937,058**	**796,927**	**646,542**	**503,664**
Debt	+13%	966,671	852,432	715,303	547,108	374,335
Liabilities for Loan Guarantees*	+0%	-	-	1,037	10,025	14,479
Other	-13%	14,549	16,783	15,432	20,824	27,248
Total Liabilities	+13%	**981,220**	**869,215**	**731,772**	**577,957**	**416,062**
Unexpended Appropriations	-7%	66,447	71,371	72,686	71,729	94,371
Cumulative Results of Operations	-573%	(23,741)	(3,528)	(7,531)	(3,144)	(6,769)
Total Net Position	-37%	**$ 42,706**	**$ 67,843**	**$ 65,155**	**$ 68,585**	**$ 87,602**
Consolidated Statement of Net Cost						
Gross Cost	+83%	$ 112,295	$ 61,353	$ 89,263	$ 89,910	$ 116,953
Earned Revenue	+8%	(29,125)	(26,881)	(25,490)	(20,397)	(17,279)
Total Net Cost of Operations	+141%	**$ 83,170**	**$ 34,472**	**$ 63,773**	**$ 69,513**	**$ 99,674**

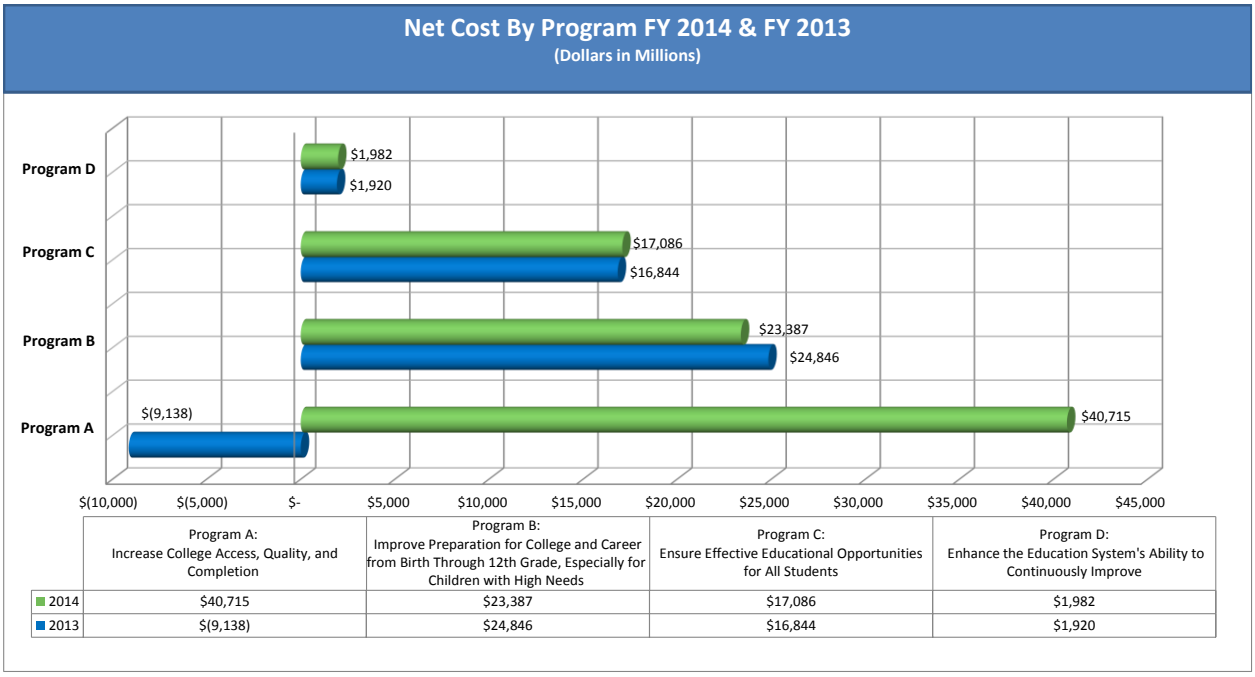
* The presentation of the FY 2012 and earlier Liability for Loan Guarantees is in the Liability section of the Department's Balance Sheet; however, the presentation of the same FY 2013 and FY 2014 liability is in the Credit Program Receivables, Net Balance Sheet line item, due to its negative value.

Summarized Financial Data

(Dollars in Billions)



The following table presents a breakdown of net cost by program area for FY 2014 and FY 2013.



	Program A: Increase College Access, Quality, and Completion	Program B: Improve Preparation for College and Career from Birth Through 12th Grade, Especially for Children with High Needs	Program C: Ensure Effective Educational Opportunities for All Students	Program D: Enhance the Education System's Ability to Continuously Improve
2014	$40,715	$23,387	$17,086	$1,982
2013	$(9,138)	$24,846	$16,844	$1,920

As required by the *GPRA Modernization Act of 2010*, each of the Department's reporting groups and major program offices have been aligned with the strategic goals presented in the Department's *FY 2014–2018 Strategic Plan*.

The Department has more than 100 grant and loan programs. In the Statement of Net Cost, they have been mapped to the Strategic Goals. The three largest grant programs are Title I, Pell, and the *Individuals with Disabilities Education Act* (IDEA) grants. Each of these programs' FY 2014 appropriations exceeded $11 billion. In addition to student loans and grants, the Department offers other discretionary grants under a variety of authorizing legislation, awarded using a competitive process, and formula grants, using formulas determined by Congress with no application process. Among the largest K-12 discretionary grants are RTT and the Teacher Incentive Fund. Among the largest formula grants are Title I Grants to LEAs (Title I, ESEA, as amended) and IDEA grants.

As of FY 2014, disclosure of the *American Recovery and Reinvestment Act of 2009* (ARRA) for FY 2013 has been reclassified to present ARRA funding under the specific program offices distributing the funding.

Program Outcomes

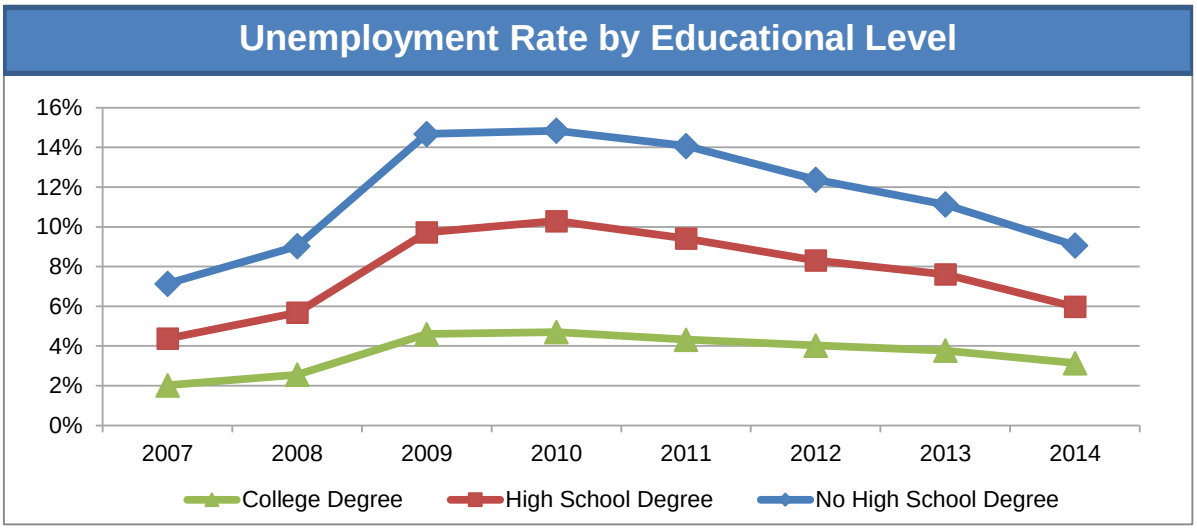
Dramatically boosting completion rates for bachelor's and associate degrees is essential for Americans to compete in a global economy. Education is the stepping stone to higher living standards for American citizens and is vital to national economic growth and security. Economic outcomes, such as wage and salary levels, have historically correlated with individuals' educational attainments and the high level skills employers expect of those entering the labor force. Like all investments, developing higher-level skills involves costs and benefits. Other potential returns may include: increased job opportunities; jobs that are less sensitive to general

economic conditions; improved employability of a person over one's lifetime; and economic well-being of the nation through increased national productivity.

Improving education increases the equity of opportunity for every child to succeed. As a nation, we are making progress: High school graduation rates are at their highest ever (80 percent), dropout rates have gone down sharply, the National Assessment of Educational Progress (NAEP) is at its highest ever for 4th/8th grade reading/math, and college enrollment has gone up. Our greatest progress has been in places with the boldest and most sustained commitment to reform.

The Department administers federal investments, including Titles I, II, and III of ESEA, as well as IDEA, and provides guidance and technical assistance to states to ensure that teachers and principals are well prepared and students have the resources and support needed to graduate from high school ready for college and careers.

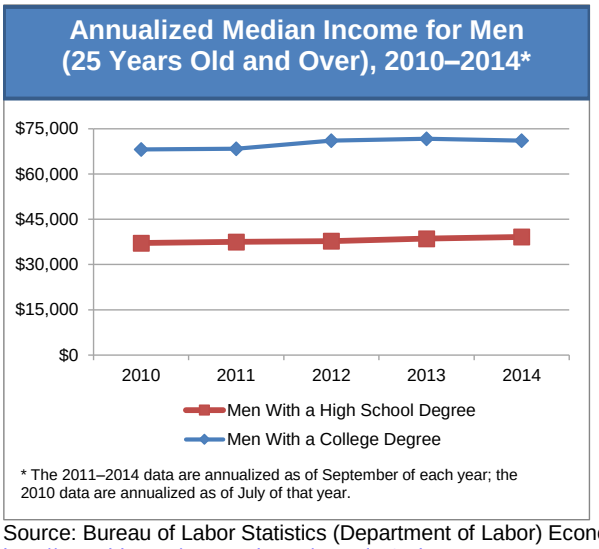
Unemployment Rate. As depicted in the graph below, individuals with lower levels of educational attainment are more likely to be unemployed than those individuals with higher levels of educational attainment. The September 2014 Department of Labor unemployment rate for adults (25 years old and over) who had not completed high school was 9.1 percent, compared with 6.2 percent for those with four years of high school and 3.2 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.

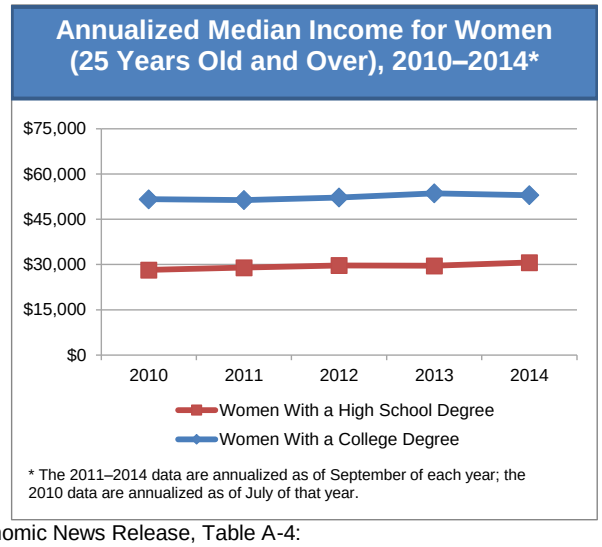


Source: Bureau of Labor Statistics (Department of Labor) Economic News Release, Table A-4: http://www.bls.gov/news.release/empsit.t04.htm

Annual Income. As depicted in the two graphs below, according to the September 2014 Department of Labor data, annualized median income for adults (25 years old and over) varied considerably by education level as follows:

- Men with a high school diploma earned $38,324, compared with $71,604 for men with a college degree.
- Women with a high school diploma earned $30,368, compared with $54,548 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 on investment in education directly translate into the advancement of the American economy as a whole.





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

Office of Inspector General's (OIG) Management Challenges

OIG works to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. Through audits, inspections, investigations, and other reviews, OIG continues to identify areas of concern within the Department's programs and operations and recommend actions the Department should take to address these weaknesses. The *Reports Consolidation Act of 2000* requires the OIG to identify and report annually on the most serious management challenges the Department faces. The *GPRA 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 five management challenges. Although OIG noted some progress by the Department in addressing these areas, each remains as a management challenge for FY 2015.

The FY 2015 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 though OIG's recent audit, inspection, and investigative work.

The full report is published by the OIG. OIG noted some progress by the Department in addressing the FY 2014 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.

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*

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

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
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

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
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Conformance with Financial Management System Requirements—FMFIA 4

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

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	**0**	**0**	**0**	**0**	**0**	**0**

Compliance with *Federal Financial Management Improvement Act (FFMIA)*

	Agency	Auditor
1. System Requirements	**No lack of substantial compliance noted**	**No lack of substantial compliance noted**
2. Federal Accounting Standards	**No lack of substantial compliance noted**	**No lack of substantial compliance noted**
3. United States Standard General Ledger at Transaction Level	**No lack of substantial compliance noted**	**No lack of substantial compliance noted**

*Table uses the term "unmodified" for financial statement audit opinions and "unqualified" for management assurances based on OMB guidance.

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