
Message From the Secretary



November 14, 2016

Fiscal year 2016 has been an exciting year. I want to take a moment to share and celebrate what I have seen and learned and reflect on our progress across the country as our work continues on behalf of students, teachers, and families.

Our mission at the Department is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. The Department's FY 2016 Agency Financial Report (AFR), presented here, contains the Department's financial and performance highlights over the fiscal year ending September 30, 2016. During 2016, I set three priorities for the

Department to focus on: first, we must provide continued support for states, districts, and educators in their work to advance educational equity and excellence for every child; second, we must be committed to lifting up the teaching profession; and third, we must continue to progress on advancing access, affordability, and completion in higher education.

Thanks to the work of the Department, states, schools, students, educators, families, and communities, the country can demonstrate significant progress in education, from early learning through college.

For example, more of our youngest learners have access to quality preschool than ever before, through \$1.5 billion in federal investments from this agency and more robust state support for early learning. In 2016, the Department announced another important milestone: America's high school graduation rate hit a record high at just over 83 percent, with more traditionally underserved students graduating. Dropout rates are at historic lows, and more students—particularly African-American and Hispanic students—are enrolling in and graduating from college, representing an expansion of opportunity for millions of students.

Equality of opportunity is a core American value that helps form our national identity, solidify our democracy, and strengthen our economy. Despite progress, persistent educational opportunity gaps undermine that ideal across the country. In early FY 2016, however, the nation received a new tool to improve education for all: the *Every Student Succeeds Act* (ESSA), which was signed by the President on December 10, 2015.

ESSA advances equity by upholding critical protections and maintaining dedicated resources for America's most disadvantaged students. The law requires that action will be taken to improve outcomes for students in schools that chronically underperform, that do not improve low graduation rates over time, and that do not ensure progress for all students. Importantly, ESSA provides the chance to build on the progress we have made over the last eight years to improve our elementary and secondary schools, and to ensure that all children receive a rigorous, well-rounded education that prepares them to thrive in college and careers.

Our public elementary and secondary schools have undergone some of the most significant changes in decades over the last eight years—work that is being led by educators who are retooling their classroom practices to adapt to new and higher standards. The Department continues to support these efforts and knows results will not be seen overnight, so we need to be patient but not passive in continuing to pursue the goal of preparing all students for success after high school.

It is critically important to keep a college degree within reach for all families so that our institutions of higher education act as a bridge, not a barrier, to greater prosperity and self-fulfillment. There is an urgent need to rein in the unsustainable cost of college and reverse the devastating slide in state support for higher education—a primary driver behind escalating tuition.

When it comes to college success, the most expensive degree is the one you never get: an analysis by the Office of Federal Student Aid last year found that students who drop out of college with debt and no degree are three times more likely to default on their loans than borrowers who graduate. Although the percentage of young adults with some college experience has increased considerably, their likelihood of graduating strongly correlates with income or racial background, which means that we must shift our attention toward the more essential metric of success: completion of a high-quality degree.

The good news is that we are making progress toward reimagining higher education in ways that can make it more accessible, affordable, and, most importantly, scholastically attainable. We are working to hold institutions accountable for students' success, and we are working to provide tools (such as those listed in appendix A) that help students, educators, and researchers.

Performance Highlights

In the Department's *FY 2014–2018 Strategic Plan*, our mission is defined in six strategic goals and 22 supporting strategic objectives, as well as six programmatic two-year Agency Priority Goals, which are posted on performance.gov and reported in the [FY 2015 Annual Performance Report and FY 2017 Annual Performance Plan](#). The performance data the Department reports are often self-reported by states and other entities, although typically entities reporting the data provide assurances of the data's accuracy to the Department. Also, grantees and other recipients of federal funds disbursed by the Department are subject to monitoring, third-party audits and reviews of program compliance, and in some cases, specific management certifications attesting to accuracy and compliance with the Department's accountability standards. In addition, the Department uses data system edit checks and program reviews.

The *Government Performance and Results Act Modernization Act of 2010* requires agencies to describe the accuracy and reliability of data presented in the *Annual Performance Report and the Annual Performance Plan*. Details of how the Department assesses the completeness and reliability of the data are reported and presented as part of [Appendix A of the FY 2015 Annual Performance Report and FY 2017 Annual Performance Plan](#), and known limitations of the data are also included.

Financial Management

The Department is the smallest of the cabinet-level agencies in terms of staff, with a staffing level of over 4,200 full-time equivalents (FTE), yet it has the third-largest grant portfolio among the 26 federal grant-making organizations. Our balance sheet now exceeds \$1.1 trillion in assets, primarily from student loans. The Department had over \$1 trillion in loans outstanding at the end of the year, including new loans made in FY 2016, as well as the balances of old loans less collections of interest and principal.

Good stewardship of taxpayers' funds is a priority for our Department, and I have been assured that the financial data included in this AFR are complete and reliable in accordance with federal requirements. We received our 15th consecutive unmodified or "clean" audit opinion and no reported material internal control weaknesses. The financial report includes information and

assurances about the Department's financial management systems and controls, as well as control and compliance challenges noted by the Department and its auditors.

Management Challenges

The Office of Inspector General's (OIG) review, included in the Other Information section of this report, identifies five FY 2017 management challenges: improper payments, information technology security, oversight and monitoring, data quality and reporting, and information technology system development and implementation.

Management understands its challenges and remains committed to addressing them. In FY 2016, the Department implemented cross-cutting initiatives in partnership with internal and external stakeholders to address the management challenges both within the context of our agency and within that of the government as a whole. The Department has collaborated with both government and private sector partners to explore solutions to payment and data integrity issues, address fraud risk and provide better oversight of our programs. Specific initiatives are highlighted as applicable in the Management's Discussion and Analysis section of this report.

Outreach and Partnerships

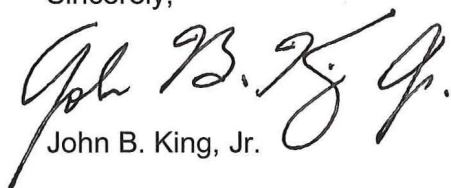
While states and state-level agencies provide most of the education funding in our nation, the Department's role as a disseminator of information is critical. We are reaching out to our stakeholders across many platforms, including the ed.gov website; blogs, such as the Department's main blog, [Homerroom](#); the Department's [YouTube](#) channel; newsletters; [Twitter](#); and the Department's [Facebook](#) page.

The Department continually meets and engages with stakeholders, including parent and student advocates, national organizations that represent the interests of higher education, primary and secondary education stakeholders, and civil rights and advocacy organizations. Through face-to-face meetings, online and digital engagement, and stakeholder forums, we and our national partners share updates with state and local affiliates.

Looking Ahead

The Department's *Fiscal Year 2014–2018 Strategic Plan*, available on [ed.gov](#) and [performance.gov](#), will be updated and revised by the next presidential administration, but the agency's core mission of advancing educational excellence and equity and ensuring equal access to quality teaching and learning will remain, as it has for almost four decades. The commitment to creating more opportunities and encouraging solutions that drive equity and excellence in the education system is one that the Department takes seriously. Together, we can accomplish great things for all students.

Sincerely,



John B. King, Jr.