

About the Management's Discussion and Analysis

The U.S. Department of Education (the Department) continued to enhance the usefulness of the Fiscal Year (FY) 2016 *Agency Financial Report* (AFR) by augmenting the report with relevant web content. To take advantage of the numerous hyperlinks embedded in the report, the Department recommends reading it [on the Internet](#). The Department's intent is to provide users with access to helpful information about the Department and its financial and performance activities. To help continue to improve the content of the AFR, readers are encouraged to provide their feedback at 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.

The Department has demonstrated its commitment to fortifying the education system by directing federal resources to, among other things: improve access to early learning programs, reform elementary and secondary education to strengthen critical outcomes, make higher education more accessible and affordable, and work to attract talented people to the teaching profession. The Department also demonstrated good stewardship of federal resources by producing complete and accurate financial reports and 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

For the 8th year, the Department elected to produce separate financial and performance reports. The *Agency Financial Report* for FY 2016 provides a high-level description of performance measures and goals based on the [FY 2014–18 Strategic Plan](#). A detailed discussion of performance information for FY 2016 will be provided in the Department's *Annual Performance Report* to be released at the same time as the President's FY 2018 Budget. The Department's annual performance reports for prior years are available online at <http://www2.ed.gov/about/reports/annual/index.html>.

The section includes an overview of performance reporting and a high-level discussion on the Department's focus areas for FY 2016–17. 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](#). Finally, the Forward-Looking Information section describes the challenges that the Department aims to address to achieve progress on Direct Loans, Shared Services, and Enterprise Risk Management (ERM).

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 prekindergarten through 12th grade (P–12), 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 Enterprise Risk Management and 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. The revised OMB Circular A-123 is effective for FY 2016 and supersedes all previous versions.

Because the Department produces an AFR, detailed performance reporting is included in the [Annual Performance Report](#), as specified in OMB Circular 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 1980. Today, the Department supports programs in every area and level of education.

The [Department](#) makes funds and information available to individuals pursuing education, colleges and universities, state education agencies, and school districts by engaging in four major types of activities:

- establishing policies related to federal education funding, including distributing 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 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 recruit, prepare, support, retain, and reward outstanding teachers and leaders in America's schools. The Department supports efforts to help students succeed regardless of background or circumstance by establishing challenging content, setting high expectations for all students, and monitoring academic progress.

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 page 6). 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 supports research, collects education statistics, enforces civil rights statutes, and also carries out competitive grant programs to promote innovation (see [The Department's Approach to Performance Management 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 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.

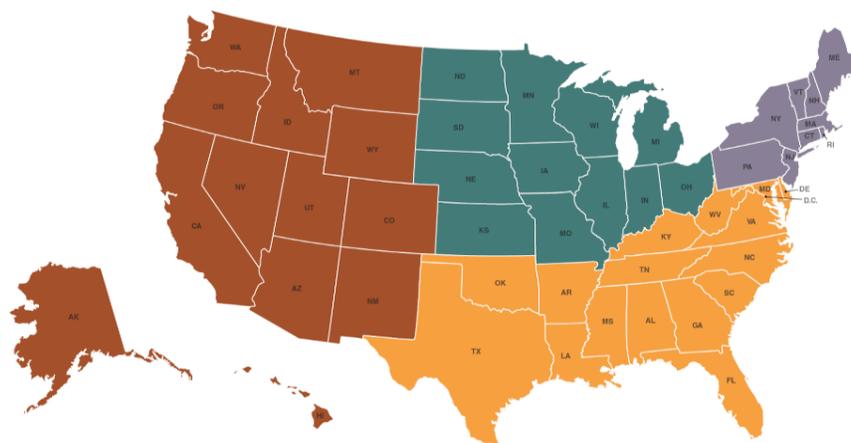
Descriptions of the [principal offices](#) and [overviews of the activities of the Department](#) and its programs are available on the Department's website.

Our Organization in Fiscal Year 2016

This chart reflects the coordinating structure of the U.S. Department of Education. [Interactive](#) and [text versions](#) of the FY 2016 coordinating structure of the Department are available.



FY 2015 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	\$ 266	\$ 41	\$ 12
Arizona	820	1,259	78
California	3,947	3,985	397
Colorado	430	478	49
Hawaii	150	77	16
Idaho	161	163	20
Montana	166	71	16
Nevada	246	145	24
New Mexico	355	205	27
Oregon	362	385	56
Utah	267	373	43
Washington	647	454	65
Wyoming	107	36	11
TOTAL	\$ 7,926	\$ 7,672	\$ 814

★ South	Grades K-12	Postsec	All Other
Alabama	\$ 517	\$ 508	\$ 70
Arkansas	347	269	54
Delaware	112	62	16
Dist. of Columbia	91	141	20
Florida	1,808	1,918	215
Georgia	1,072	1,017	82
Kentucky	488	401	57
Louisiana	617	371	46
Maryland	504	411	58
Mississippi	403	308	52
North Carolina	962	847	125
Oklahoma	453	309	51
South Carolina	504	395	66
Tennessee	652	538	84
Texas	3,111	2,213	301
Virginia	690	687	86
West Virginia	214	232	42
TOTAL	\$ 12,542	\$ 10,628	\$ 1,424

★ Midwest	Grades K-12	Postsec	All Other
Illinois	\$ 1,471	\$ 1,243	\$ 133
Indiana	652	801	71
Iowa	276	411	33
Kansas	320	251	25
Michigan	1,148	919	107
Minnesota	462	544	59
Missouri	612	581	73
Nebraska	203	145	23
North Dakota	117	46	12
Ohio	1,246	854	128
South Dakota	163	100	12
Wisconsin	549	427	71
TOTAL	\$ 7,218	\$ 6,322	\$ 747

★ Northeast	Grades K-12	Postsec	All Other
Connecticut	\$ 319	\$ 283	\$ 32
Maine	144	111	20
Massachusetts	644	521	64
New Hampshire	122	122	14
New Jersey	871	601	76
New York	2,420	1,933	189
Pennsylvania	1,234	977	143
Rhode Island	129	116	17
Vermont	91	51	18
TOTAL	\$ 5,973	\$ 4,715	\$ 573

Other	Grades K-12	Postsec	All Other
American Samoa	\$ 24	\$ 4	\$ 1
Freely Associated States	7	15	0
Guam	41	14	3
Indian Set Aside	240	n/a	37
Northern Mariana Islands	17	3	1
Puerto Rico	686	897	80
U.S. Virgin Islands	26	4	3
All Other	367	n/a	41
TOTAL	\$ 1,408	\$ 938	\$ 167

NOTES: Dollars in millions. Detail may not add to totals due to rounding. Data are current as of October 21, 2016.