

ABOUT THE MANAGEMENT'S DISCUSSION AND ANALYSIS

The U.S. Department of Education (the Department) continued to enhance the content quality, report layout, and public accessibility of the Fiscal Year (FY) 2017 Agency Financial Report (AFR) by providing additional graphics and more useful, balanced, and easily understood information about the Department's grant and loan programs, including additional cost and risk information. Additionally, we augmented information provided in the body of the AFR with relevant web content to provide users with additional information about the Department's operations and performance. To take advantage of the hyperlinks embedded in the report, the Department recommends reading it **on the Internet**. To help us continue to improve the quality and usefulness of information provided in our AFR, we encourage our public and other stakeholders to provide feedback and suggestions 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.

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 and a link to the full list of **Department offices** with a description of selected offices by function.

DISCUSSION OF PERFORMANCE

This section includes an overview of performance reporting and a high-level discussion on the Department's focus areas for FY 2017. 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**.

FORWARD-LOOKING INFORMATION

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).

FINANCIAL HIGHLIGHTS

The Department expends a substantial portion of its budgetary resources and cash on multiple loan and grant programs intended to support state and local efforts to improve learning outcomes for all prekindergarten through 12th grade (P-12) students in every community and to expand postsecondary education options and improve outcomes to foster economic opportunity and informed, thoughtful, and productive citizens. Accordingly, the Department 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.

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 from preschool through postdoctoral research.

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 promoting equal access and prohibiting discrimination in programs that receive federal funds.

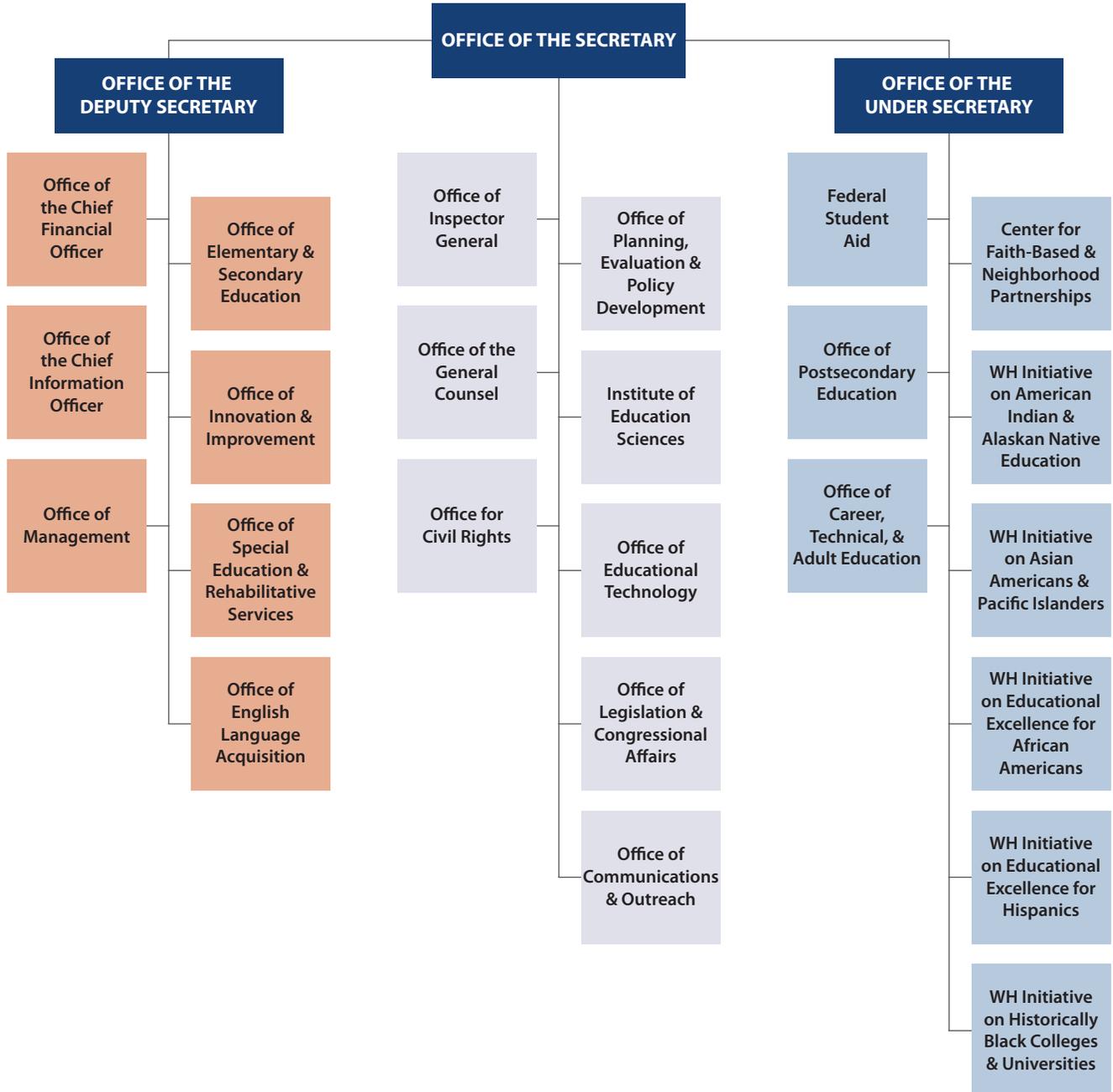
Our Public Benefit. The Department executes the laws passed by Congress to promote student academic achievement and preparation for global competitiveness. The Department works with students, parents,

educational institutions, school districts, and states to foster educational excellence and to ensure equal access to a high quality education for all students. While recognizing the primary role of states and school districts in providing high quality education, the Department is committed to helping ensure students throughout the nation develop skills to succeed in school, pursue postsecondary options, and transition to the workforce. The Department's vision is to improve educational outcomes for all students.

Many of the Department's programs involve awarding grants to state and local educational agencies and providing grants and loans to postsecondary students. The Department's largest outlays are for its portfolio of student loans (see the **Financial Highlights** and **Notes** sections). Grant programs constitute the second-largest driver of outlays. The grant programs include: student aid to help pay for college through Pell Grants, Work Study, and other campus-based programs; grants awarded based on statutory formulas mostly for elementary and secondary education (see the chart on page 5); and competitive grant programs to promote innovation (see **The Department's Approach to Performance Management** section). The Department also supports research, collects education statistics, and enforces civil rights statutes. We manage and spend financial resources on programs designed to support parents, teachers, principals, school leadership, institutions, and states in the pursuit of instilling knowledge and transferring skills to students.

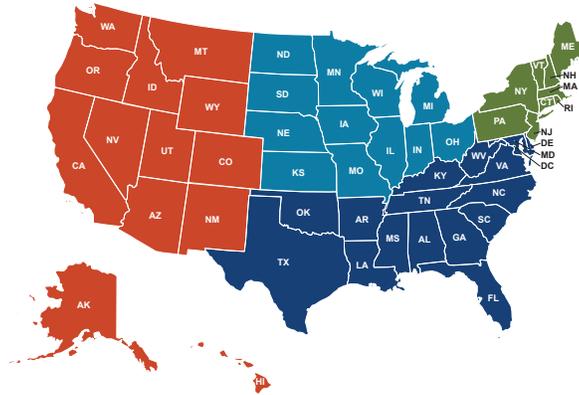
OUR ORGANIZATION IN FISCAL YEAR 2017

This chart reflects the coordinating structure of the U.S. Department of Education. **Interactive** and **text versions** of the FY 2017 coordinating structure of the Department are available.



FY 2016 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	\$ 258	\$ 36	\$ 12
Arizona	829	1,044	100
California	4,058	3,791	404
Colorado	440	418	51
Hawaii	165	75	16
Idaho	163	162	21
Montana	170	67	16
Nevada	253	133	24
New Mexico	348	181	30
Oregon	372	342	58
Utah	272	378	34
Washington	662	429	68
Wyoming	112	29	11
TOTAL	\$ 8,103	\$ 7,086	\$ 844

South	Grades K-12	Postsec	All Other
Alabama	\$ 538	\$ 496	\$ 74
Arkansas	352	268	53
Delaware	116	60	15
District of Columbia	93	132	18
Florida	1,865	1,807	227
Georgia	1,111	942	111
Kentucky	495	379	65
Louisiana	627	383	47
Maryland	535	378	53
Mississippi	401	325	52
North Carolina	986	803	129
Oklahoma	457	295	45
South Carolina	525	379	68
Tennessee	678	529	73
Texas	3,217	2,166	308
Virginia	725	668	92
West Virginia	217	206	37
TOTAL	\$ 12,936	\$ 10,217	\$ 1,469

NOTES: Dollars in millions. Detail may not add to totals due to rounding. Data are current as of September 13, 2017.

Midwest	Grades K-12	Postsec	All Other
Illinois	\$ 1,488	\$ 1,140	\$ 137
Indiana	660	724	71
Iowa	285	374	35
Kansas	332	237	28
Michigan	1,149	829	124
Minnesota	483	461	59
Missouri	620	532	78
Nebraska	212	132	24
North Dakota	120	46	12
Ohio	1,275	793	129
South Dakota	164	86	12
Wisconsin	564	390	73
TOTAL	\$ 7,352	\$ 5,744	\$ 782

Northeast	Grades K-12	Postsec	All Other
Connecticut	\$ 330	\$ 266	\$ 33
Maine	148	107	19
Massachusetts	656	518	71
New Hampshire	128	117	13
New Jersey	898	617	80
New York	2,478	1,923	204
Pennsylvania	1,280	937	166
Rhode Island	131	108	16
Vermont	95	48	14
TOTAL	\$ 6,144	\$ 4,640	\$ 616

Other	Grades K-12	Postsec	All Other
American Samoa	\$ 26	\$ 4	\$ 1
Freely Associated States	7	16	0
Guam	43	15	4
Indian set-aside	247	-	43
Northern Mariana Islands	18	4	1
Puerto Rico	682	890	69
Virgin Islands	25	5	3
All Other	329	-	2
TOTAL	\$ 1,376	\$ 934	\$ 123