

DOCUMENT RESUME

ED 381 109

HE 028 279

AUTHOR Blanchette, Cornelia M.
 TITLE Department of Education Information on Consolidation Opportunities and Student Aid. Testimony before the Subcommittee on Human Resources and the Intergovernmental Relations Committee on Government Reform and Oversight, House of Representatives. Statement of Cornelia M. Blanchette, Associate Director, Education and Employment Issues, Health, Education, and Human Services Division.

INSTITUTION General Accounting Office, Washington, DC. Health, Education, and Human Services Div.

REPORT NO GAO/T-HEHS-95-130

PUB DATE 6 Apr 95

NOTE 45p.

AVAILABLE FROM U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015 (first copy free, additional copies, \$2; 100 or more copies, 25% discount).

PUB TYPE Legal/Legislative/Regulatory Materials (090)

EDRS PRICE MF01/PC02 Plus Postage.

DESCRIPTORS Accreditation (Institutions); Cost Effectiveness; Economic Factors; Eligibility; *Federal Programs; Financial Exigency; Financial Problems; Government School Relationship; Higher Education; *Program Termination; *Student Financial Aid; Student Loan Programs

IDENTIFIERS Clinton Administration; *Department of Education; Direct Lending; Reform Efforts; State Postsecondary Review Entities

ABSTRACT

This report evaluates Department of Education opportunities to consolidate overlapping education programs, to find cost savings, and to strengthen its "gatekeeping" over schools' participation in student financial aid programs. It notes that, besides already proposed program consolidation, other programs that could be streamlined include vocational rehabilitation programs and small, specifically targeted postsecondary programs. Other programs administered by federal agencies that may overlap with Department programs might also be examined. Regarding cost savings, the Department's proposed budget includes initiatives to realize \$12 billion savings and an estimated \$4.1 billion saved by fully implementing direct lending by 1997-98. The report finds that even if that \$4.1 billion in savings is overstated, substantial cost reduction potential still exists. Department efforts to improve gatekeeping and prevent fraud and waste include two new types of program reviews, a standard survey review and a concentrated team review. The Department also plans a 23-week training program for new reviewers and refresher training for existing personnel; provisional certification of schools; State Postsecondary Review Entities; and modified accrediting organization requirements. Questions are raised about coordinated delivery of services at the local level and about implementation of direct lending and its sensitivity to future macroeconomic conditions. Appendixes contain four tables. (Contains 22 references.) (JB)

GAO

Testimony

Before the Subcommittee on Human Resources
and Intergovernmental Relations
Committee on Government Reform and Oversight
House of Representatives

For Release on Delivery
Expected at 10:00 a.m.
Thursday, April 6, 1995

DEPARTMENT OF
EDUCATION

Information on Consolidation
Opportunities and Student Aid

Statement of Cornelia M. Blanchette, Associate Director
Education and Employment Issues
Health, Education, and Human Services Division

ED 381 109



HE 028 279

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

- This document has been reproduced as received from the person or organization originating it.
- Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to present information on U.S. Department of Education and other federally supported education programs. In recent months, much attention has been given to streamlining government. This Subcommittee, in particular, has been concerned with eliminating program duplication and improving management weaknesses in the federal oversight of education programs. Because of your concerns, you asked us to discuss (1) potential opportunities to consolidate overlapping education programs; (2) potential cost savings attributed to the Department's proposal to accelerate and fully implement the direct student loan program;¹ and (3) the Department's efforts to strengthen its "gatekeeping"² over schools participating in federal student financial aid programs.

In developing this information, we analyzed education program data from the Catalog of Federal Domestic Assistance (CFDA), past GAO reports, and information provided by the Department. With respect to direct lending and gatekeeping, our comments stem from our initial reaction to the Department's proposal and recent modifications to its gatekeeping efforts.

In summary, the Department of Education's budget, in fiscal year 1995, accounts for about \$33 billion of the estimated \$70 billion in federal education assistance. The Department administers 244 education programs, and 30 other federal agencies administer another 308. The Department has already proposed several programs as candidates for consolidation or elimination. In addition, another 36 programs totaling about \$3.4 billion within the Department appear to us to be potential candidates for consolidation. Some portion of an additional 151 programs administered by both the Department and other federal agencies may also present an opportunity to streamline federal education spending. However, while the work we present today constitutes a necessary first step, additional factors need to be considered in determining how to achieve maximum efficiency from consolidation.

Concerning the Department's projected \$12 billion cost savings, the Department's budget proposal may overstate the cost savings associated with fully implementing direct lending under credit reform rules, but substantial savings could still accrue. Analyses made under the Federal Credit Reform Act of 1990 (P.L. 101-508)--which was used in the Department's cost estimates--require the exclusion of long-term administrative costs. If these

¹Under the direct student loan program, the federal government provides loan capital directly to schools through Treasury borrowing.

²"Gatekeeping" generally refers to the Department's procedures for determining which schools can participate--and whether they should continue participating--in federal student aid programs.

costs were taken into account, the Department's estimated savings would be less.³

To deal with numerous problems in its oversight of federal student aid programs, the Department has recently taken several steps to improve its gatekeeping abilities. But it is too early to tell whether they will be effective in weeding out schools that, for example, are likely to carry unacceptably high default rates.

BACKGROUND

The Department of Education is charged with managing the federal investment in education and leading the long-term effort to improve education. Established in 1980, the Department's stated purpose is to ensure access to education and to promote improvements in the quality and usefulness of education. Many recent congressional hearings have highlighted the need to improve the federal government's role in education.

Streamlining Federal Education Programs

Recently, the Department of Education has made progress in its effort to streamline operations and reduce costs. For example, in its fiscal year 1996 budget proposal, the Department identified 41 programs--such as Dropout Prevention Demonstrations and Teacher Corps--for rescission, elimination, or phase-out. In addition, the Department proposed consolidating another 39 categorical programs--such as adult education and family literacy programs--into 12 broader programs. (See app. I.) Past hearings on the Department have focused on achieving additional savings and efficiencies by consolidating, coordinating, or eliminating redundant education programs throughout the government. The need to look beyond Department of Education programs for opportunities to achieve cost savings through consolidation is supported by our past analysis of multiple employment training programs.⁴ For that body of work, we classified programs as potential consolidation candidates because they served the same clients, shared similar goals, or offered similar services.

³Under credit reform rules, the budgetary cost of loans is the net present value of costs incurred over the life of the loans, excluding discretionary administrative costs, which continue to be treated on a cash basis. A guaranteed loan's cost is the discounted value of all interest subsidy and default costs, while a direct loan's cost is the initial outlay less the discounted stream of expected payments, including the borrowers' principal and interest payments.

⁴Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

Direct Lending

The guaranteed student loan program--now entitled the Federal Family Education Loan Program (FFELP)--has provided billions of dollars in student loans to postsecondary education students over the last 25 years. But problems have continually plagued the program, such as high student loan defaults and the lack of accurate and timely information required for sound management decisions. These problems are attributed partly to a complex and multilayered delivery system involving thousands of schools and lenders, about 40 guaranty agencies, and other participants. The Federal Direct Student Loan Program (FDSLPL), originally authorized by the Higher Education Amendments of 1992, was established in part because of problems with FFELP.

FDSLPL is in part an effort to simplify the student loan process by eliminating private sector lenders and guaranty agencies, and to reduce federal costs mainly by eliminating interest subsidy payments to lenders. Under the direct loan program, the government makes the loans, but the schools actually disburse the funds on behalf of the government.

The direct loan program, as originally authorized, was to operate as a 4-year pilot program. The Department was to select schools, which were to represent 5 percent of the student loan volume, to participate in the program over the 4 years. But that changed with the Student Loan Reform Act of 1993. Under that legislation, the direct loan program is to be gradually phased in over 5 years, beginning with the 1994-95 academic year. In the first year, direct loan volume is to represent 5 percent of new student loan volume; in the second year, 40 percent; in the third and fourth years, 50 percent; and by the fifth year (the 1998-99 academic year), 60 percent. The Department can exceed the goals for years 3 through 5 if more schools want to participate. However, in the Department's 1996 budget, FDSLPL loans would constitute 80 percent of student loan volume in the 1996-97 academic year and 100 percent in 1997-98.

To achieve additional cost savings, the Department proposes an accelerated and full implementation of FDSLPL. In its fiscal year 1996 budget, the Department maintains that full implementation of direct lending, combined with other legislative changes,⁵ would reduce student loan program costs by \$12 billion during fiscal years 1995 through 2000. The Department estimated that fully implementing FDSLPL by academic year 1997-98 would save about \$4.1 billion.

⁵For example, the Student Loan Reform Act of 1993 reduced lenders' reimbursements for defaulted loans from 100 percent to 98 percent.

Critics have challenged the assumptions that underlie the Department's cost-savings estimate for FDSLPL, indicating that actual savings could be considerably less. One frequently cited concern stems from the exclusion of administrative costs--mostly the costs to service direct loans--from cost comparisons between FFELP and FDSLPL because of Federal Credit Reform Act requirements.

Gatekeeping

Department gatekeeping practices have been subject to criticism for several years. Congressional oversight, both through hearings and reports; our reports; and the Department's Office of Inspector General's reports have detailed a series of problems and called for legislative changes and administrative reform. These problems included instances of the Department (1) allowing schools that failed to meet federal requirements to participate in federal student aid programs and (2) failing to identify schools that were receiving federal funds for students who either never attended the schools or attended but never applied for aid.

These gatekeeping problems have been costly. Some students have been reluctant or unable to repay their loans because they were pressured, by the lure of plentiful financial aid, to enroll in proprietary schools,⁶ some of which provided a poor-quality education and a bleak employment outlook. These students failed to get value for their money. Some schools, particularly proprietary schools, have been driven by a strong profit motive, with little concern for student needs--such as completing their education or obtaining employment--or for the frequency with which students default on their loans.

Other Federal Education-Related Programs

The federal government provides a range of support for education well beyond programs funded through the Department of Education. According to Office of Management and Budget data, fiscal year 1995 spending on education is estimated to be about \$70 billion.⁷ The Department of Education has the largest allotment--about \$33 billion, or a little less than half--to administer 244 programs.⁸ The remaining funds finance 308 education-related

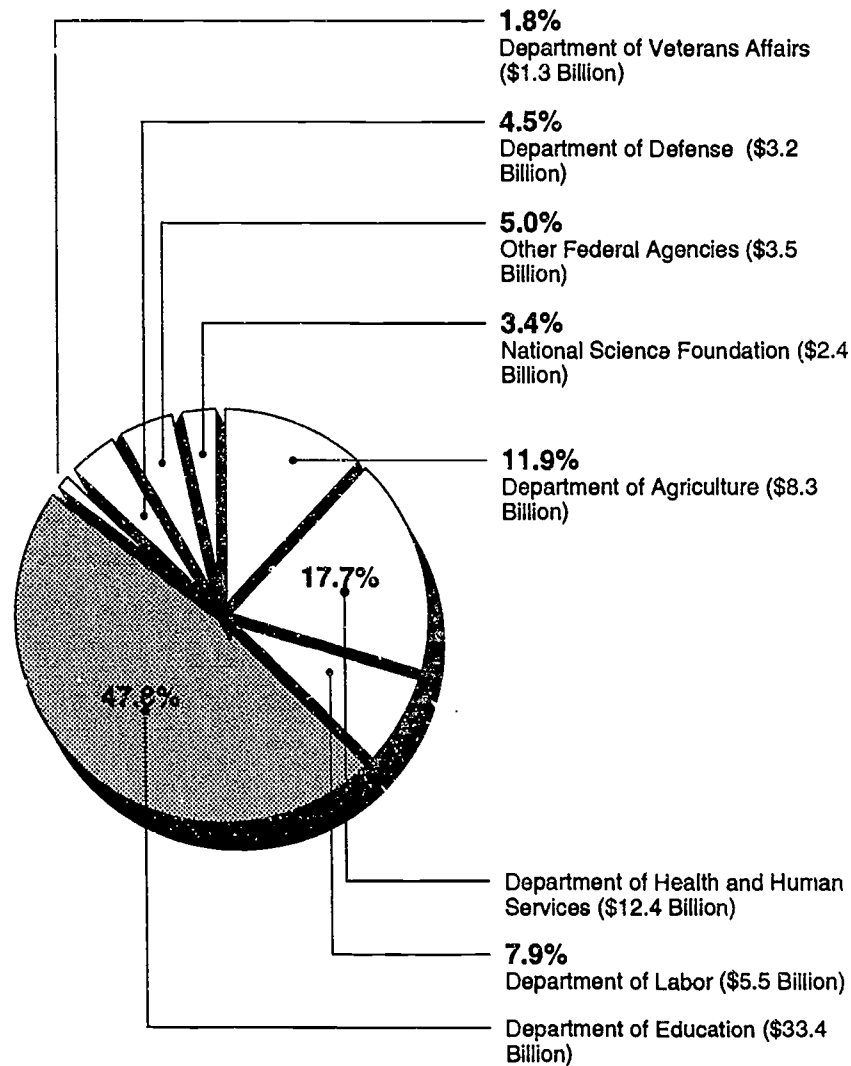
⁶Proprietary schools are for-profit trade and technical schools.

⁷The total excludes military service academies and some programs smaller than \$1 million.

⁸See appendix II for a listing of federal education spending by agency.

programs being administered by 30 other federal departments and independent agencies (see fig. 1).⁹

Figure 1: Federal Agency Spending on Education Programs, Fiscal Year 1995



Although the Department of Education administers the greatest number of education programs, other federal agencies also manage numerous education-related programs: the Department of Health and Human Services oversees at least 129 programs; the National Endowment for the Arts and the Humanities is responsible for 27; and the Department of Agriculture manages approximately 26. In

⁹While many of these programs have broad education missions, such as supporting research and development in a particular field or offering public information or technical assistance, others provide direct support to education, such as curriculum development or faculty training.

fact, some of the largest and most significant federal education-related programs--excluding research and development programs--operate outside the Department of Education.

IDENTIFYING POTENTIAL EDUCATION PROGRAM CONSOLIDATION OPPORTUNITIES

Besides the program consolidation proposed by the Department, we identified two additional streamlining opportunities--vocational rehabilitation and small, specifically targeted postsecondary programs.¹⁰ We consider the Department's vocational rehabilitation programs to be potential candidates because states are already direct service providers for a number of these programs. For example, in fiscal year 1995, states are managing 16 (\$1 billion) of the 23 (\$2.4 billion) vocational rehabilitation programs under formula and project grants. For six of the remaining seven programs, the Department provides project demonstration funds to other entities to provide, for example, independent living services or to train deaf-blind interpreters.

In the case of small, specifically targeted postsecondary programs, such as Aid for Institutional Development and Faculty Development Fellowships, we consider them potential candidates because they appear to have overlapping target populations or provide similar services. These small programs are costly to implement and oversee, and evaluating their effectiveness is difficult.¹¹ Program consolidation could reduce program administrative costs, and the Department could better focus its management resources on evaluating these programs. For 13 such programs (\$1 billion in fiscal year 1995) that we identified,¹² 5 provided assistance for minority and disadvantaged students,

¹⁰See appendix III for a listing of these programs, along with funding information and program goals.

¹¹Our previous work on multiple employment training programs pointed out that extensive overlap among programs raises questions about the efficiency of having individual administrative structures for each program. Eliminating separate staffs to administer, monitor, and evaluate programs at the state and local levels could also save resources. See Multiple Employment Training Programs: Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results (GAO/T-HEHS-95-53, Jan. 10, 1995).

¹²Department of Education: Opportunities to Realize Savings (GAO/T-HEHS-95-56, Jan. 18, 1995). We identified 22 postsecondary programs for potential consolidation in this earlier testimony; however, 9 of these are now proposed by the Department for termination or rescission.

another 6 helped attract students to specific professions, and 2 addressed the quality of postsecondary education.

Consolidating Programs Outside the Department

In reviewing the federal education network, we found programs administered in other federal agencies that may overlap with Department programs.¹³ For our purposes, programs overlapped if they (1) served similar functions, such as providing teacher training, or (2) targeted similar populations, such as the economically disadvantaged.¹⁴ Mathematics and science education is a noteworthy example of program function overlap. Along with the Department of Education's 6 programs--such as Eisenhower Professional Development Federal Activities and Minority Science Improvement--10 other federal agencies administer an additional 37 mathematics and science education programs.¹⁵ Twenty-one of these programs provide instructional support (such as the National Science Foundation's Education and Human Resources program), at least 8 support faculty development, and 2 steer students into mathematics and science fields. Teacher training provides another example of programs performing the same function. In previous work, we identified 86 federally supported teacher training programs in 9 federal agencies and offices; about one-third of these were administered outside the Department of Education.¹⁶ Although the target groups varied widely, the services provided appear similar for many teacher training programs. Of the 42

¹³To identify program overlap, we placed each program--both those administered by the Department and those administered by other federal agencies--into education function and target group categories we developed based on our review of CFDA's function and beneficiary classifications, description of the program's objectives, and other program information provided by CFDA, such as previously funded projects. We did not include programs that were not in CFDA, such as national laboratories, military academies, sole source programs, or others identified through other sources for which we had no program data. We also included programs that are currently on the Department's list for consolidation, termination, or elimination.

¹⁴See appendix IV for a listing of education program consolidation candidates currently administered outside the Department of Education. Brief program descriptions and budget information are included.

¹⁵We did not include programs that support school facilities development, research and development only, or public education or information.

¹⁶Multiple Teacher Training Programs: Information on Budgets, Services, and Target Groups (GAO/HEHS-95-71FS, Feb. 22, 1995).

programs for which we received detailed program information, 27 funded conferences, 28 funded teacher salaries, 32 funded travel, 32 funded materials, and 30 funded other services, such as master teacher salaries or college course tuition.

We also found programs administered outside the Department that targeted groups served by Department programs. We consider these potential candidates for consolidation. One example is programs that serve the poor and disadvantaged. We identified 24 programs administered by the Department--such as Star Schools and Inexpensive Book Distribution--and another 19 administered by 3 other federal agencies that also provided education and education-related support to the poor and disadvantaged. The services these programs provided varied: 12 provided direct instructional support or special instructional services; 8 programs aimed to encourage poor and disadvantaged students to pursue a particular career; 14 provided social service support; and at least 8 programs provided vocational and adult education services.

DEPARTMENT'S ESTIMATE MAY OVERSTATE ACHIEVABLE COST SAVINGS

In its fiscal year 1996 budget request, the Department proposed a number of initiatives to realize a \$12 billion cost savings over fiscal years 1995-2000. One part of this cost savings, estimated at \$4.1 billion, is attributed to the Department's proposal to fully implement direct lending by 1997-98. In effect, the Department is proposing to set aside the 5-year phase-in goal of 60 percent of new loans in favor of a mandatory 100-percent implementation of FDSLPL by 1997-98. Other components of the Department's proposed \$12 billion cost savings were (1) \$6.8 billion in savings attributed to changes made to both loan programs through the Student Loan Reform Act of 1993 and (2) \$1.1 billion generated by recovering reserve funds for guaranty agencies participating in FFELP.

You asked us to take a preliminary look at how realistic the Department's estimate is for accruing a \$4.1 billion cost savings from fully implementing FDSLPL. We have not had the opportunity to fully evaluate the estimate; we have some observations.

Department May Overstate Savings, but Substantial Cost Reduction Potential Exists

The application of credit reform rules may distort cost comparisons between direct and guaranteed loans in favor of direct lending. Under the Federal Credit Reform Act of 1990, only subsidy

costs¹⁷ are considered in estimating the net federal cost of making or guaranteeing loans; long-term administrative costs are recognized separately. According to Department analysts, including the present value of administrative costs for both guaranteed and direct loans would reduce the \$4.1 billion direct loan savings estimate to about \$2 billion.

However, the actual savings from fully implementing FDSLPL could be considerably more or less than \$2 billion. Costs of student loans are highly dependent upon forecasts for variables that are difficult to accurately predict--such as interest rates, inflation rates, and student loan default rates. Changes in all or some of these factors can result in significant variations in cost and savings estimates. For example, in November 1992 we reported on the effect of interest rate changes on savings that could result if direct loans replaced guaranteed loans over 5 years.¹⁸ We estimated that an increase of one-half percentage point in Treasury bill interest rates over the life of the loans (assuming no change in the government's cost of borrowing) could increase direct loan savings by \$1.6 billion over 5 years. We have not had the opportunity to update these sensitivity estimates to reflect changes in the programs resulting from the Student Loan Reform Act of 1993; however, Department and Congressional Budget Office analysts believe that their current models remain very sensitive to changes in assumptions such as interest rates.

Finally, FDSLPL loans have been made only since July 1994. Therefore, estimating the cost and savings of FDSLPL is especially difficult because of the few months of experience and because only a small proportion of borrowers have left school and completed the 6-month grace period before their loan repayments begin. With little past experience on which to base them, FDSLPL cost and savings estimates are necessarily imprecise.

The Department's proposal to fully implement FDSLPL is being made without the benefit of knowing if FDSLPL has been operating successfully during its short life. During FDSLPL's first year (the first loan was made on July 1, 1994), the Department appears to be meeting its legislative goal to have direct loans represent 5 percent of student loan volume. Also, the schools participating during this first year are very satisfied with the Department's performance in implementing the program and responding to problems as they surface.

¹⁷Subsidy estimates include, among other things, default costs, special allowances, and interest subsidies to private lenders as an incentive to participate.

¹⁸Student Loans: Direct Loans Could Save Billions in First 5 Years With Proper Implementation (GAO/HRD-93-27, Nov. 25, 1992).

However, in our testimony before the Senate Labor and Human Resources Committee last week, we reported that as of March 21, 1995, the Department has not selected enough schools to meet the legislative goal that direct student loans constitute 40 percent of student loan volume in FDSLPL's second year.¹⁹ Part of this shortfall is due to the withdrawal of schools that the Department originally selected to participate in the second year. These schools' stated principal reason for withdrawing was insufficient resources to implement direct lending. However, our work suggests that the schools might be more concerned about the uncertainty surrounding the future of FDSLPL.

The uncertainty about the number of schools planning to participate in FDSLPL, coupled with the unknowns about the cost savings, leaves us uncertain as to the level of cost savings that the Department attributed to the full implementation of FDSLPL by 1997-98.

ACTIONS TO STRENGTHEN GATEKEEPING

Over the past several years, we have reported--most recently in our High-Risk Series report on student financial aid--on the costs attributed to high student loan default rates and abusive practices of some schools, and on the nature of the inadequacies in the Department's gatekeeping practices.²⁰ For example, we reported that federal financial aid was provided to students attending schools that were not currently approved to participate in FFELP and other federal student aid programs. In response to these kinds of problems, the Higher Education Amendments of 1992 made a number of changes to strengthen controls over schools. Some of the provisions, especially those establishing federally funded state postsecondary review entities (SPRE) and more stringent responsibilities for organizations that accredit schools, are controversial because they may greatly expand the federal role.

Department Initiatives

The Department has been criticized for conducting program reviews that were limited in scope and performed by poorly skilled staff. The Department has undertaken several initiatives aimed at improving these conditions. First, the Department has established two types of program reviews--a standard survey review and a concentrated team review. Schools are selected for standard reviews on the basis of certain "red-flag" conditions, such as (1)

¹⁹Direct Student Loans: Selected Characteristics of Participating Schools (GAO/T-HEHS-95-123, Mar. 30, 1995).

²⁰High-Risk Series: Student Financial Aid (GAO/HR-95-10, Feb. 1995).

having students who receive multiple Pell grant awards during the same payment period or (2) having their number of loans increase significantly during a 12-month period. If a survey review discloses significant systemic violations, a concentrated team review may follow. Concentrated reviews focus on specific problem areas and should be completed within 30 days. Under the previous system, program reviews were undifferentiated by type, much broader in scope and coverage, and could take 2 years to complete. Also, the Department now provides a 23-week training program for new reviewers and refresher training for existing personnel.

The Higher Education Amendments of 1992

Provisions of the 1992 amendments provided the framework for strengthening the Department's gatekeeping responsibilities. The amendments included a program integrity provision that (1) requires provisional certification of schools, (2) establishes SPREs, and (3) modifies requirements for accrediting organizations:

- Provisional certification: The 1992 amendments empower the Department to provisionally certify postsecondary schools to participate in federal student aid programs. Provisional certification limits the time--usually 2 years--a new program entrant can participate until it demonstrates administrative and financial responsibility. Provisional certification should permit stricter oversight of schools' activities prior to granting final program participation approval and allow early identification of those with particularly weak management structures.
- State Postsecondary Review Entities: The 1992 amendments also established federally funded SPREs. The Department determines the eligibility of schools that want to participate in federal student aid programs. It conducts an initial review of the school and determines if the school meets the statutory criteria and whether a more comprehensive review by a SPRE is needed. Potentially, SPREs are valuable tools for helping to approve new applicants and for reviewing participating schools. However, funding for SPREs may be terminated, in part to achieve budget reductions. During fiscal year 1995 their funding (\$20 million) is subject to proposed rescission.
- Accrediting organizations: Accrediting organizations typically review and approve schools for their educational quality--instructor qualifications, materials and equipment, curriculum, and student achievement. The law requires that accreditation occur before the Department certifies schools for participation in federal student aid programs. The 1992 amendments strengthened the Department's influence over school accreditation. Now accrediting organizations, in conducting their reviews, must include among their approval criteria several Department-established priorities, such as minimizing

loan defaults, lowering student dropout rates, and increasing placement rates for students who complete their courses.

The legislative and administrative revisions made to the gatekeeping process should, if properly implemented, help address the risks in federal student loan programs. However, because these improvements were recently implemented, it is too soon for us to determine their effect.

CONCLUSIONS

The Congress is grappling with a large budget deficit and examining the federal government's role in providing services. Today the federal government invests more than \$70 billion in education support. The Department of Education has been proactive in identifying ways to streamline through program consolidation or elimination. However, it appears that there may be further opportunities to streamline beyond what the Department has proposed by consolidating or eliminating some of the programs that serve the same population or that provide the same services.

However, additional factors need to be considered. For example, because the host of uncoordinated overlapping federal programs has resulted in a patchwork service delivery system, how to achieve coordinated delivery of services at the local level needs to be considered.

In the area of the direct lending program, much is still uncertain. The Clinton administration has proposed a major adjustment to the program, moving it from limited voluntary participation to full mandatory participation by 1997-98. While the cost savings cited in the Department's budget proposal reflects an understatement of the administrative costs associated with direct lending, expediting FDSLPL could still save \$2 billion over the next 5 years. However, this kind of savings estimate is inherently sensitive to future macroeconomic conditions, such as interest rates and inflation levels, which precludes a precise measure of the actual budget implications.

- - - -

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions that you or members of the Subcommittee may have.

For more information on this testimony, please call Wayne B. Upshaw, Assistant Director, at (202) 512-7006. Other major contributors included Joseph J. Eglin, Jr., Nancy Kintner-Meyer, Paula M. Barnes, Regg Hatcher, Gene G. Kuehneman, Jr., Tamara A. Lumpkin, Benjamin P. Pfeiffer, and James W. Spaulding.

PROGRAM TERMINATIONS AND CONSOLIDATIONS
IN THE DEPARTMENT OF EDUCATION'S 1996 BUDGET

Table I.1: Program Terminations

Dollars in thousands

Program terminations by 1995 rescission	FY 1995 funding
Education Infrastructure	\$100,000
Instruction in Civics, Government, and the Law	5,899
Dropout Prevention Demonstrations	28,000
Ellender Fellowships	4,185
Vocational Education Community-Based Organizations	9,479 ^a
Vocational Education Consumer and Homemaking Education	34,409 ^a
Eisenhower Leadership Program	4,000
Law School Clinical Experience	14,920
National Early Intervention Scholarships and Partnerships	3,108
National Academy of Science, Space, and Technology	2,000
Olympic Scholarships	1,000
Teacher Corps	1,875
College Housing and Academic Facilities Loan Subsidies (\$10 million in new loans)	168
21st Century Community Learning Centers	750
Library Literacy Programs	8,026 ^b
Library Education and Training	4,916
Subtotal	222,735
Program terminations in 1996	
Migrant High School Equivalency Program	8,088
College Assistance Migrant Program	2,204
Impact Aid Payments for Federal Property	16,293
Innovative Education Program Strategies State Grants (previously Chapter 2)	347,250
Christa McAuliffe Fellowships	1,946
Education for Native Hawaiians	12,000

HEA III Endowment Challenge Grants (excludes HBCU set-aside)	6,045
Native Hawaiian and Alaska Native Culture and Arts Development	1,000
Innovative Projects for Community Service	1,423
Cooperative Education	6,927
Urban Community Service	13,000
Student Financial Aid Database and Information Line	496
Mary C. McLeod Bethune Memorial Fine Arts Center	4,000
National Science Scholars	4,424
Douglas Teacher Scholarships	14,599
Javits Fellowships	7,787
Harris Fellowships	20,244
Legal Training for the Disadvantaged	2,964
National Writing Project	3,212
Interlibrary Cooperation	23,700
Library Research and Demonstrations	6,500
Subtotal	504,102

Program phase-outs beginning in 1996	FY 1995 funding	FY 1996 estimate
Impact Aid Payments for Children with Disabilities	40,000	40,000
Training in Early Childhood Education and Violence Counseling	13,875	9,600
HEA Institutional Aid Strengthening Institutions--excludes HBCUs and Hispanic-serving institutions	80,000	40,000
State Student Incentive Grants	63,375	31,375
Subtotal	197,250	120,975
Total amount of program terminations	\$924,087	
Number of program terminations by 1995 rescission		-16
Number of program terminations in 1996		-21
Number of program phase-outs		-4
Total number of program terminations		-41

Legend

HEA Higher Educational Institutional Aid
HBCU Historically Black Colleges and Universities

*Proposed for consolidation under the Vocational Education Program. (Note: Programs included on the Office of Management and Budget's (OMB) list of consolidations rather than terminations.)

^bProposed for consolidation under the Adult Education and Family Literacy Program. (Note: Program included on OMB's list of consolidations rather than terminations.)

Source: U.S. Department of Education.

Table I.2: Program Consolidations

Dollars in thousands

Program consolidations	FY 1995 funding	FY 1996 estimate
Special Education		
Research and Demonstrations		\$63,000
Technical Assistance and Systems Change		50,000
Professional Development		97,000
Parent Training		14,534
Technology Development and Support		29,500
Deaf-blindness	\$12,832	
Serious Emotional Disturbance	4,147	
Severe Disabilities	10,030	
Early Childhood Education	25,167	
Secondary and Transitional Services	23,966	
Postsecondary Education	8,839	
Innovation and Development	20,635	
Media and Captioning Services	19,142	
Technology Applications	10,862	
Special Studies	4,160	
Personnel Development	91,339	
Parent Training	13,535	
Clearinghouses	2,162	
Regional Resource Centers	7,218	
Rehabilitation Services Special Demonstration Programs		23,942
Special Demonstration Programs	19,942	
Supported Employment Projects	10,616	
National Technical Institute for the Deaf		43,041
Operations	42,705	
Endowment Grant	336	
Construction	150	
Gallaudet University		80,030

University Programs	54,244	
Elementary and Secondary Education Programs	24,786	
Endowment Grant	1,000	
Vocational Education Consolidation		
State Grants		1,141,088
National Programs		37,000
Basic State Grants	955,626	
Basic Grants Territorial Set-aside	2,015	
Basic Grants Indians and Hawaiian Natives Set-aside	15,109	
Tech-Prep Education	108,000	
Tribally-Controlled Postsecondary Vocational Institutions	2,919	
State Councils	8,848	
Vocational Education Research	7,851	
Vocational Education Demonstrations	20,684	
National Occupational Information Coordinating Committee	6,000	
Adult Education and Family Literacy Consolidation		
State Grants		479,487
National Programs		11,000
Even Start	102,024	
Adult Education State Programs	336,506 ^a	
Adult Education Evaluation and Technical Assistance	3,900	
National Institute for Literacy	4,869	
State Literacy Resource Centers	7,787	
Workplace Literacy Partnerships	18,736	
Literacy Training for Homeless Adults	9,498	
Literacy Programs for Prisoners	5,100	
Total	\$2,023,285	\$2,069,622
Total number of programs consolidated		-39
Total number of broader, more flexible programs		12
Net change		-27

^aAdjusted for comparability. Includes \$84,161 for literacy training carried out prior to 1996 under the Job Training Partnership Act in the Department of Labor; such activities will be incorporated into the Adult Education and Family Literacy consolidation and carried out by the Department of Education as part of the GI Bill for America's Workers.

Source: U.S. Department of Education.

FEDERAL EDUCATION SPENDING

Dollars in millions

Agency	Estimated fiscal year 1995	Proposed fiscal year 1996
Agriculture	\$8,326.1	\$8,841.0
Commerce	90.1	83.1
Defense	3,163.7	2,903.1
Education	33,360.4	30,170.4
Energy	653.2	663.0
Health and Human Services	12,370.1	11,904.5
Housing and Urban Development	1.2	1.2
Interior	556.0	584.4
Justice	3.1	4.0
Labor	5,515.2	8,231.5
National Aeronautics and Space Administration	774.9	783.3
Social Security Administration	143.5	176.4
National Science Foundation	2,358.1	2,479.0
Transportation	110.7	116.3
Veterans Affairs	1,270.6	1,305.6
Other independent agencies	1,722.9	1,809.5
Total	\$70,419.8	\$70,056.3

Source: Office of Management and Budget.

ADDITIONAL STREAMLINING OPPORTUNITIES

Table III.1: Department of Education Vocational Rehabilitation Programs

Dollars in millions

Program	CFDA number	FY 1995 funding	Funding type/purpose
State programs			
Vocational Rehabilitation Grants to States and Indians	84.126	\$2,054.1	Formula grants to states and tribal organizations to provide vocational rehabilitation services for the disabled.
Supported Employment Services*	84.187	36.5	Formula grants to states for limited services leading to support employment for severely disabled individuals.
Client Assistance Program	84.161	9.8	Formula grants to states to provide information about services available for disabled persons.
Protection and Advocacy of Rights	84.240	7.5	Project grants to states to establish systems of advocacy for the rights of disabled individuals.
Technical Assistance to States	n/a	0.0 ^b	To provide technical assistance to states.
Training programs			
Long-Term Training	84.129	39.6	Project grants to state voc-rehab agencies and other public, nonprofit agencies to increase the numbers and skills of personnel providing rehabilitation services.
Interpreter Training	84.160	c	Project grants to eligible public or private agencies to increase the number of deaf-blind interpreters.
Short-Term Training	84.246	c	Project grants to state voc-rehab agencies and other public, nonprofit agencies to train personnel to deliver rehabilitation services.
Experimental and Innovative Training	84.263	c	Project grants to state voc-rehab agencies and other public, nonprofit agencies to develop new types of training for rehabilitation personnel.
Continuing Education	84.264	c	Project grants to state voc-rehab agencies and other public, nonprofit agencies to support training centers.
In-Service Training	84.265	c	Project grants to state voc-rehab agencies for training state rehabilitation services training.
Parental Information and Training	84.275	c	n/a

Program	CFDA number	FY 1995 funding	Funding type/purpose
Project and demonstration grants			
Special Demonstration Projects*	84.235	30.6	Project grants to states and other public, nonprofit agencies for projects expanding services to individuals with severe disabilities.
Projects With Industry	84.234	22.1	Project grants to state voc-rehab agencies, employers, and other entities to expand career opportunities for disabled individuals.
Service Projects (1) Migratory Workers (2) Recreational Programs	84.128	4.0	Project grants to state voc-rehab agencies and other public, non-profit agencies for projects and demonstrations expanding services to the disabled.
Independent living			
Centers for Independent Living	84.132	40.5	Project grants to independent centers to provide independent living services to the disabled.
Independent Living State Grants	84.169	21.9	Formula grants to states to provide assistance for independent living services.
Independent Living Services for Older Individuals Who Are Blind	84.177	9.0	Project grants to states to provide independent living services to blind senior citizens.
Research and development			
National Institute on Disability and Rehabilitation Research	84.133	70.0	Project grants to states and public, private, nonprofit agencies to support and coordinate research.
Assistive Technology	84.231	39.2	Project grants for profit, nonprofit, and public organizations for research in assistive technology for disabled individuals.
Other			
Helen Keller National Center	n/a	6.9	National center to provide services to deaf-blind individuals.
Evaluation	n/a	1.6	Studies to evaluate the impact and effectiveness of programs authorized under the Rehabilitation Act of 1973.
Total		82,393.3	

Legend

n/a = not applicable

*Proposed by the Department of Education for consolidation in its fiscal year 1996 budget request.

†In its 1996 fiscal year budget request, the Department proposes to provide \$1 million to the states for technical assistance for vocational rehabilitation services.

*Covers all training programs, including Short-Term Training, Experimental and Innovative Training, Continuing Education, In-Service Training, Parental Information and Training, and Interpreter Training.

Source: U.S. Department of Education.

Table III.2: Department of Education Small, Specifically Targeted Programs

Dollars in millions

Program	1995 funding	Purpose
To encourage education of minorities and disadvantaged		
TRIO programs	\$463.0	Support to minorities and disadvantaged students for completion of high school, college, and preparation for graduate study.
Historically Black Colleges Capital Financing Program	0.3	Administration of federal guarantees of facility repair and construction.
Aid for Institutional Development	229.7	Strengthen fiscal management and academic programs of financially needy postsecondary institutions serving the disadvantaged.
Faculty Development Fellowships	3.7	Second-year grants for underrepresented students in graduate or professional education.
Howard University	205.5	Provides 55 percent of Howard's expenses, serving as a major avenue of postsecondary access for minority and disadvantaged students.
To attract students to specific professions, jobs, or leadership roles		
Minority Teacher Recruitment	2.5	Grants to institutions for programs to encourage minorities' becoming teachers.
Minority Science Improvement	5.8	Grants to institutions for programs to encourage minorities' becoming scientists.
International Education and Foreign Language Studies	58.1	Access for minorities and disadvantaged to international studies.
Institute for International Public Policy	1.0	Access for minorities and disadvantaged to international studies.
Graduate Assistance in Areas of National Need	27.3	Grants to graduate students in such fields as science, math, and foreign languages.

School, College, and University Partnerships	3.9	Continuation awards for partnerships with businesses and other organizations to improve high school students' job preparedness.
To achieve quality postsecondary education		
State Postsecondary Review Program	20.0	Ensure schools' educational quality, financial responsibility, and administrative capability.
Fund for the Improvement of Postsecondary Education	17.5	Support for projects that enhance postsecondary quality and cost effectiveness.
Total	\$1,038.0	

Source: 1995 funding from U.S. Department of Education.

OVERLAPPING FEDERAL EDUCATION-RELATED PROGRAMS

Dollars in thousands

Programs	CFDA number	Department/ agency	Education-related component
Poor/disadvantaged			
Legal Training for the Disadvantaged ^a	n/a	Education	Encourage students
Chapter 1 Grants to Local Educational Agencies	84.010	Education	Instructional support
Student Support Services	84.042	Education	Instructional support
Talent Search	84.044	Education	Instructional support
Upward Bound	84.047	Education	Instructional support
Women's Educational Equity Act Program	84.083	Education	Instructional support
Graduate Assistance in Areas of National Need	84.200	Education	Faculty development; encourage students to a field
School, College, and University Partnerships	84.204	Education	Instructional support
McNair Post-Baccalaureate Achievement	84.217	Education	Instructional support
Faculty Development Fellowship	84.271	Education	Instructional support
National Early Intervention Scholarship and Partnership ^b	84.272	Education	Instructional support; financial assistance
Federal Supplemental Educational Opportunity Grants	84.007	Education	Financial assistance
Federal Perkins Loan Program-Federal Capital Contributions	84.038	Education	Financial assistance
Federal Pell Grant Program	84.063	Education	Financial assistance

Programs	CFDA number	Department/ agency	Education-related component
State Student Incentives Grants	84.069	Education	Financial assistance
Vocational Education-Community Based Organizations ^c	84.174	Education	Vocational education
Star Schools	84.203	Education	Educational technology and media
Capital Expenses	84.216	Education	School facilities development
Demonstration Projects for the Integration of Vocational and Academic Learning	84.248	Education	Vocational education
Inexpensive Book Distribution	n/a	Education	Social services support
Higher Education-TRIO Staff Training Program	84.103	Education	Training
Even Start-State Educational Agencies ^b	84.213	Education	Social services support; adult education
State Program Improvement Grants	84.218	Education	Technical assistance
Family and Community Endeavor Schools	84.285	Education	Social services support
Community Development Work-Study Program	14.234	Housing and Urban Development	Financial assistance
Public and Indian Housing Family Investment Centers	14.861	Housing and Urban Development	Vocational education; social service support
Federal Employment for Disadvantaged Youth-Part-Time	27.003	Office of Personnel Management	Financial assistance
Financial Assistance for Disadvantaged Health Professions Students	93.139	Health and Human Services	Encourage students

Programs	CFDA number	Department/ agency	Education-related component
Loan Repayment Program for Individuals from Disadvantaged Backgrounds	93.220	Health and Human Services	Encourage students
Health Professions Student Loans, Including Primary Care	93.342	Health and Human Services	Encourage students
Family Support Center and Gateway Demonstration Program	93.578	Health and Human Services	Instructional support; social service support
Head Start	93.600	Health and Human Services	Instructional support; social service support
Comprehensive Child Development Centers	93.666	Health and Human Services	Instructional support; social service support
Scholarships for Students of Exceptional Financial Need	93.820	Health and Human Services	Encourage students
Health Careers Opportunity Program	93.822	Health and Human Services	Encourage students
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	Health and Human Services	Encourage students
Family Support Payments to States-Assistance Payments	93.560	Health and Human Services	Social services support
Job Opportunities and Basic Skills Training	93.561	Health and Human Services	Vocational and adult education; social service support
Community Services Block Grant	93.569	Health and Human Services	Vocational and adult education; social services support
Community Services Block Grant-Discretionary Awards	93.570	Health and Human Services	Vocational and adult education; social services support

Programs	CFDA number	Department/ agency	Education-related component
Payments to States for Child Care Assistance	93.575	Health and Human Services	Social services support
Family Resource Centers	93.580	Health and Human Services	Social services support
Residents of Public Housing Primary Care Program	93.927	Health and Human Services	Social services support
Math/science			
Regional Math and Science Consortia	n/a	Education	Instructional support
Minority Science Improvement	84.120	Education	Instructional support
Eisenhower Professional Development National Activities	84.168	Education	Instructional support
National Science Scholars ^a	84.242	Education	Encourage students to a particular field
National Academy of Science, Space, and Technology ^c	84.260	Education	Encourage students
Telecommunications Demonstration for Mathematics	84.286	Education	Instructional support
Sea Grant Support	11.417	Commerce	Instructional support; faculty development
Cooperative Science and Education Program	11.455	Commerce	Instructional support
Meteorologic and Hydrologic Modernization Development	11.467	Commerce	Other
Office of Administration Special Programs	11.470	Commerce	Encourage students
Basic and Applied Scientific Research	12.300	Defense	Encourage students

Programs	CFDA number	Department/ agency	Education-related component
Basic, Applied, and Advanced Research in Science	12.630	Defense	Encourage students
Mathematical Sciences Grants Program	12.901	Defense	Encourage students
Grants for Mining and Mineral Resources and Research	15.308	Interior	Encourage students
Aviation Education	20.100	Transportation	Instructional support; faculty development; encourage students
Aviation Research Grants	20.108	Transportation	Encourage students
Federal Transit Grants for University Research and Training	20.502	Transportation	Encourage students
University Transportation Centers Program	20.701	Transportation	Instructional support
Aerospace Education Services Program	43.001	National Aeronautics and Space Administration	Instructional support; faculty development; encourage students
Engineering Grants	47.041	National Science Foundation	Instructional support; encourage students
Computer and Information Science and Engineering	47.070	National Science Foundation	Other
Biological Sciences	47.074	National Science Foundation	Encourage students
Social, Behavioral, and Economic Sciences	47.075	National Science Foundation	Encourage students

Programs	CFDA number	Department/ agency	Education-related component
Education and Human Resources	47.076	N tional Science Foundation	Instructional support; faculty development; encourage students
Academic Research Facilities and Instrumentation	47.077	National Science Foundation	Instructional support
Environmental Education and Training Program	66.950	Environmental Protection Agency	Faculty development
Environmental Education Grants	66.951	Environmental Protection Agency	Instructional support
Enhance Technology Transfer and Dissemination of Nuclear Energy Process and Safety Information	77.003	Environmental Protection Agency	Technical assistance; other
Used Energy-Related Laboratory Equipment Grants	81.022	Energy	Instructional support (equipment)
Basic Energy Sciences	81.049	Energy	Training; other
Regional Biomass Energy Programs	81.079	Energy	Other
Minority Educational Institution Research Travel Fund	81.083	Energy	Instructional support
Minority Energy Information Clearinghouse	81.085	Energy	Other
Science and Engineering Research Semester	81.097	Energy	Encourage students
Minority Undergraduate Training for Energy- Related Careers	81.098	Energy	Encourage students
Academic Partnerships	81.102	Energy	Instructional support; encourage students

Programs	CFDA number	Department/ agency	Education-related component
Epidemiology and Other Health Studies Financial Assistance	81.108	Energy	Instructional support
Financial Assistance Program-Science Education	81.109	Energy	Instructional support; encourage students; financial assistance
Minority International Research Training Grant in the Biomedical and Behavioral Sciences	93.106	Health and Human Services	Faculty development; encourage students
Area Health Education Centers - Model Programs	93.107	Health and Human Services	Instructional support; encourage students
Health Education Assistance Loans	93.108	Health and Human Services	Encourage students
Health Education and Training Centers	93.189	Health and Human Services	Instructional support; encourage students
Allied Health Project Grants	93.191	Health and Human Services	Instructional support; encourage students

^aPrograms scheduled for termination in Department of Education's fiscal year 1996 budget.

^bPrograms scheduled for rescission in Department of Education's fiscal year 1996 budget.

^cPrograms scheduled for consolidation in Department of Education's fiscal year 1996 budget.

RELATED GAO PRODUCTS

Direct Student Loans: Selected Characteristics of Participating Schools (GAO/T-HEHS-95-123, Mar. 30, 1995).

Multiple Teacher Training Programs: Information on Budgets, Services, and Target Groups (GAO/HEHS-95-71FS, Feb. 22, 1995).

Block Grants: Characteristics, Experience, and Lessons Learned (GAO/HEHS-95-74, Feb. 9, 1995).

High-Risk Series: Student Financial Aid (GAO/HR-95-10, Feb. 1995).

Department of Education: Opportunities to Realize Savings (GAO/T-HEHS-95-56, Jan. 18, 1995).

Multiple Employment Training Programs: Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results (GAO/T-HEHS-95-53, Jan. 10, 1995).

Management Reform: Implementation of the National Performance Review's Recommendations (GAO/OCG-95-1, Dec. 5, 1994).

Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1994).

Education Finance: Extent of Federal Funding in State Education Agencies (GAO/HEHS-95-3, Oct. 14, 1994).

Pell Grant Costs (GAO/HEHS-94-215R, Sept. 28, 1994).

Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1993 and 1992 (GAO/AIMD-04-131, June 30, 1994).

Early Childhood Programs: Many Poor Children and Strained Resources Challenge Head Start (GAO/HEHS-94-169BR, May 17, 1994).

Immigrant Education: Federal Funding Has Not Kept Pace With Student Increases (GAO/T-HEHS-94-146, Apr. 14, 1994).

School-Aged Children: Poverty and Diversity Challenge Schools Nationwide (GAO/T-HEHS-94-125, Mar. 16, 1994).

Limited English Proficiency: A Growing and Costly Educational Challenge Facing Many Schools Districts (GAO/HEHS-94-38, Jan. 28, 1994).

Student Loans: Millions Loaned Inappropriately to U.S. Nationals at Foreign Medical Schools (GAO/HEHS-94-28, Jan. 21, 1994).

Student Financial Aid Programs: Pell Grant Program Abuse (GAO/T-OSI-94-8, Oct. 27, 1993).

Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993).

Compensatory Education: Additional Funds Help More Private School Students Receive Chapter 1 Services (GAO/HRD-93-65, Feb. 26, 1993).

Student Loans: Direct Loans Could Save Billions in First 5 Years with Proper Implementation (GAO/HRD-93-27, Nov. 25, 1992).

Remedial Education: Modifying Chapter 1 Formula Would Targe More Funds to Those Most in Need (GAO/HRD-92-16, July 28, 1992).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested