

Coburn Amendment #401-- To eliminate program duplication, fragmentation, and overlap within the 15 “financial literacy” programs

GAO found 15 financial literacy programs operated by 13 different federal agencies. However, a 2011 survey conducted by the Departments of Treasury and Education found 56 financial literacy programs operated by 20 different federal agencies. GAO estimates the cost of these programs was \$30.7 million in FY 2010. GAO is still working on estimates for the cost of financial literacy programs through the Department of Defense and the Bureau of Consumer Financial Protection, which were created in July 2010.

With the national debt now over \$16.5 trillion, Congress should be working to put our own finances in order by eliminating the overlap, and consolidating these programs.

This amendment allows the appropriate committees to reduce the deficit through eliminating, consolidating, or reforming duplicative financial literacy programs outlined in GAO’s annual report to reduce program duplication.

This amendment does not eliminate all of the federal government’s financial literacy programs, but allows the committees to streamline the work of the federal government in this area to increase efficiency, increase the effectiveness of the financial literacy programs, and save the federal government up to \$30.7 million a year.

Programs are Ineffective: Very little research has been done on the effectiveness of the federal government’s financial literacy program or which strategies are more effective in teaching financial literacy. However, the Federal Reserve Bank of Cleveland previously noted “unfortunately, we do not find conclusive evidence that, in general, financial education programmes do lead to greater financial knowledge and ultimately to better financial behavior.”¹ Specifically, Jump\$tart Coalition for Personal Financial Literacy found “those who had not taken a financial course were

¹ “Teacher, leave them kids alone,” *The Economist*, February 16, 2013, <http://www.economist.com/news/finance-and-economics/21571883-financial-education-has-had-disappointing-results-past-teacher-leave-them>.

more likely to pay their credit card in full every month (avoiding fees and charges) than those who had actually studied the subject.”²

A report in 2010 funded by the U.S. Social Security Administration as part of the Financial Literacy Research Consortium found “none of the four traditional approaches to financial literacy—employer-based, school-based, credit counseling, or community-based—has generated strong evidence that financial literacy efforts have had positive and substantial impacts.”³

Yet, some members of Congress are trying to create still more financial literacy programs.

Government continues to add new financial literacy programs: The Dodd-Frank Act created a Bureau of Consumer Financial Protection to “improve financial literacy through activities including opportunities for consumers to access, among other things, financial counseling; information to assist consumer with understanding credit products, histories, and scores; information about saving and borrowing tools; and assistance in developing long-term savings strategies. This office overlaps the role of the Office of Financial Education and Financial Access within the Department of the Treasury.

These “financial literacy” programs do not include housing counseling, such as foreclosure mitigation counseling services. Federal agencies spent an additional \$136.6 million in fiscal year 2010 on housing counseling programs. “Four federal agencies and one government-chartered nonprofit corporation provide various forms of housing counseling to consumers- Department of Defense, Housing and Urban Development, Department of

² “Teacher, leave them kids alone,” *The Economist*, February 16, 2013, <http://www.economist.com/news/finance-and-economics/21571883-financial-education-has-had-disappointing-results-past-teacher-leave-them>.

³ Gale, William G. and Ruth Levine, “Financial Literacy: What Works? How Could it Be More Effective?” The Brookings Institute, October 2010, <http://www.rand.org/content/dam/rand/www/external/events/2010/11/18/financial-literacy-what-works.pdf>.

Veterans Affairs, Department of the Treasury, and NeighborWorks America.”⁴

GAO Found “financial literacy” programs within the following Departments and Agencies:

Federal Reserve, 1 program
Consumer Financial Protection Bureau, 1 program
Department of Agriculture, 1 program
Department of Defense, 1 program
Department of Education, 2 programs
Department of Health and Human Services, 1 program
Department of Labor, 2 programs
Department of the Treasury, 1 program
Federal Deposit Insurance Corporation, 1 program
Federal Trade Commission, 1 program
Office of the Comptroller of the Currency, 1 program
Securities and Exchange Commission, 1 program
Social Security Administration, 1 program

GAO recommended Congress require federal agencies to evaluate the effectiveness of their financial literacy efforts, and, where appropriate, consolidate the efforts into the most effective, making the most of scarce resources. This would improve effectiveness as well as save money.

⁴ GAO-12-342SP: 2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue. Government Accountability Office. February 2012.
<http://www.gao.gov/assets/590/588818.pdf>.