

GAO

Testimony

Before the Subcommittee on Readiness
Committee on Armed Services
House of Representatives

For Release on Delivery
Expected at 2:00 p.m., EDT
Tuesday, April 26, 1994

MILITARY DEPENDENTS'
EDUCATION

Current Program Information
and Potential Savings in
DODDS

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



Figure 1

GAO **Legislative Mandate**

- DODDS
- Section 6
- Impact Aid
- DoD Supplemental Financial Assistance

Mr. Chairman and Members of the Subcommittee:

We are pleased to have the opportunity to report to you today on the results of part of the work mandated for GAO in the 1994 Defense Authorization Act. The mandate included a review of the following four programs: (1) Department of Defense Dependents Schools (DODDS), which are schools run by the Department of Defense (DoD) to educate dependents overseas; (2) the Section 6 schools, schools also run by DOD on some military bases in the United States; (3) the Impact Aid program, which provides money to local school districts to replace revenues lost due to federal activities and is administered by the Department of Education; and (4) the DoD program which provides supplemental financial assistance to school districts with a substantial military dependent population. In addition, the Subcommittee asked us to identify potential savings in the DODDS program. Today we will provide current information on enrollments and costs for these programs. We will show that the military downsizing overseas has reduced DODDS enrollment considerably, Section 6 schools are relatively unaffected, and the number of military Impact Aid children has increased slightly. Finally, we will discuss savings that could be achieved in DODDS but would require changes in long-standing policies and practices.

We have worked with DODDS, Department of Education, DoD, and other related public and private organizations in obtaining the information we are providing today. With respect to the information obtained from DODDS, we want to note that we have not verified the data and we are aware that there may be some inaccuracies because of weaknesses in the underlying accounting and information systems. However, we do believe that the data can be used to describe trends and approximate savings.

Figure 2

GAO Testimony

- Section I: Current Picture
- Section II: Downsizing
- Section III: DODDS' Enrollment Policies

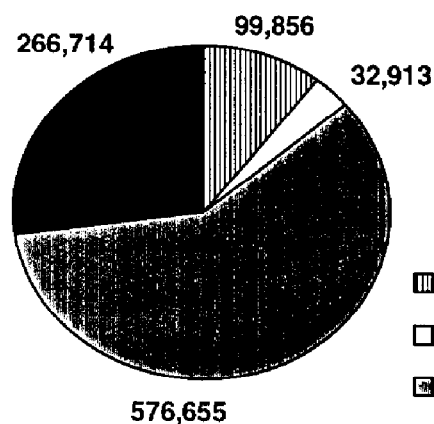
Our testimony today will be in three parts: the first part provides current descriptive information on these programs, the second part provides information on how the programs have changed since the downsizing of the military, and the third section discusses DODDS' enrollment policies and some of their financial impacts. We hope that the use of computerized graphics will facilitate our presentation and enhance its usefulness to you.

Let us proceed to describe the current picture of the programs.

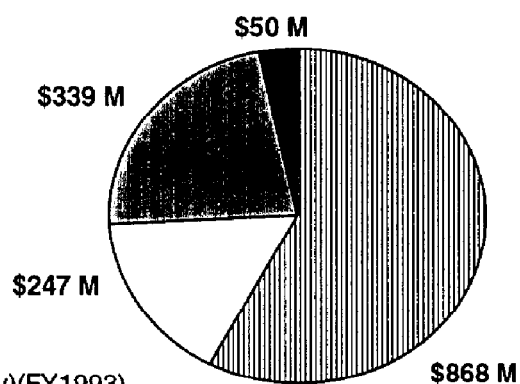
Figure I.1

GAO Enrollments and Costs

School Year 1993-94
Number of Students



FY 1994
Costs



- ▨ DODDS
- Section 6
- ▣ Impact Aid (Military)(FY1993)
- DoD Supplemental Financial Assistance (FY1993)

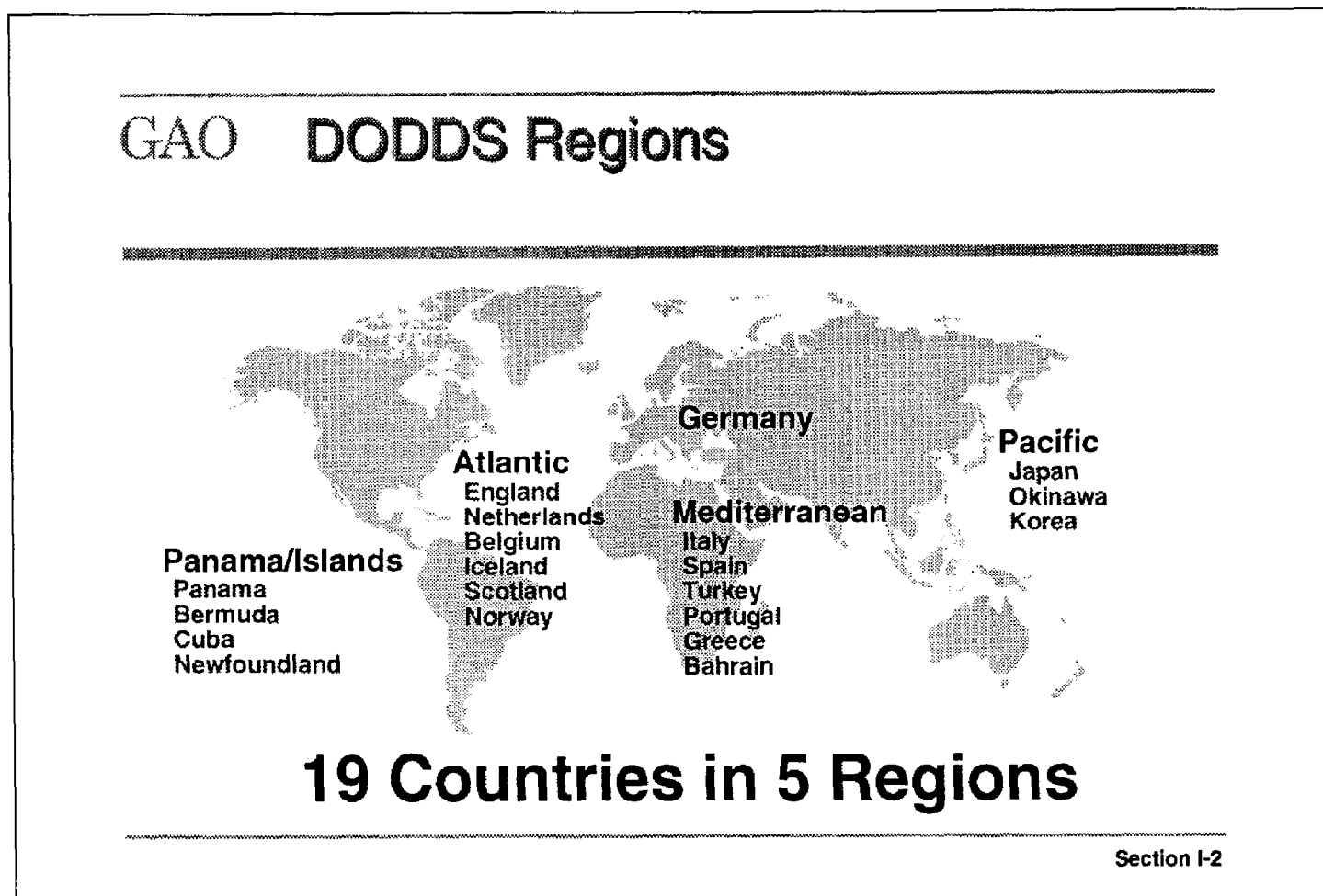
Section I-1

Section I

In this chart, the first pie shows most students are enrolled in the Impact Aid Program. For the purposes of this testimony, we are looking at only military dependents enrolled in Impact Aid. Looking at the second pie, we can see that the DODDS system has the greatest costs. This of course reflects the relative scopes of the two programs--DODDS provides a complete school system overseas and Impact Aid replaces only local revenues. Impact Aid is the only one of these programs that is currently underfunded. That is, appropriations do not fully fund Impact Aid authorizations. For example, FY 1993 appropriations enabled payment to school districts of 48 percent of the authorized payment for military "A" students and 14 percent for military "B" students.¹

¹Military "A" students are those dependents whose parent(s) or sponsor(s) live and work on federal property. Military "B" students are dependents whose parent(s) or sponsor(s) live or work on federal property.

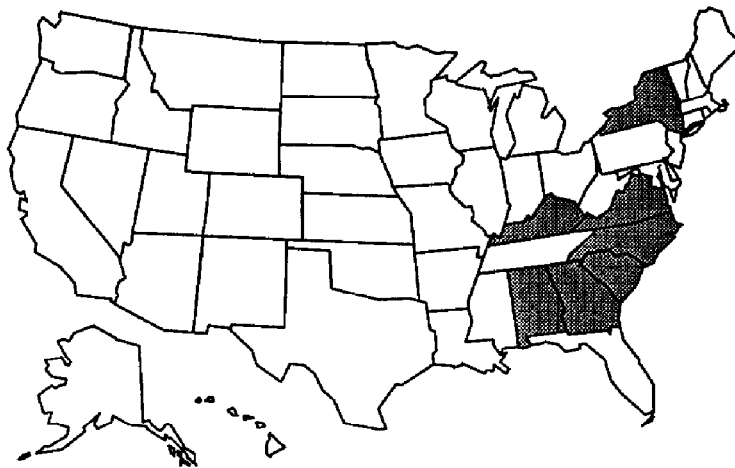
Figure I.2



DODDS maintains 209 schools in 19 countries around the world. These schools are administered currently through 5 regional offices as shown.

Figure I.3

GAO Section 6 Schools



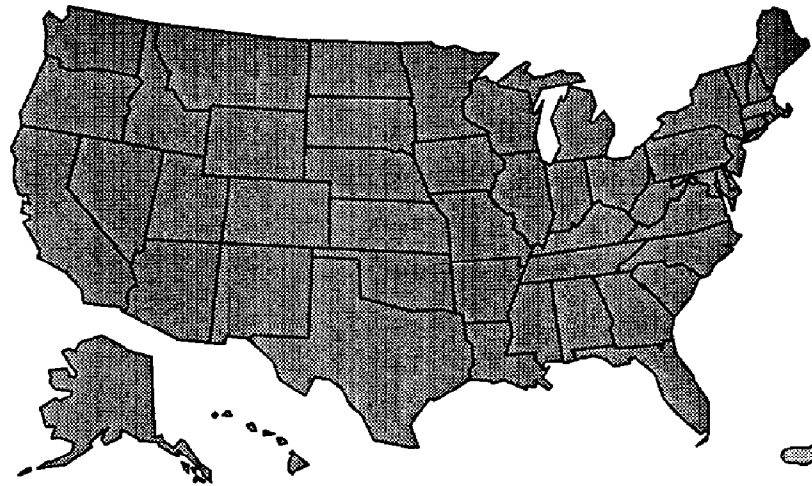
67 in 7 States and Puerto Rico

Section I-3

Turning now to Section 6 schools, there are 67 Section 6 schools located in 7 states and Puerto Rico.

Figure I.4

GAO Impact Aid Districts



2,600 Districts in 50 States, Puerto Rico, & the Virgin Islands

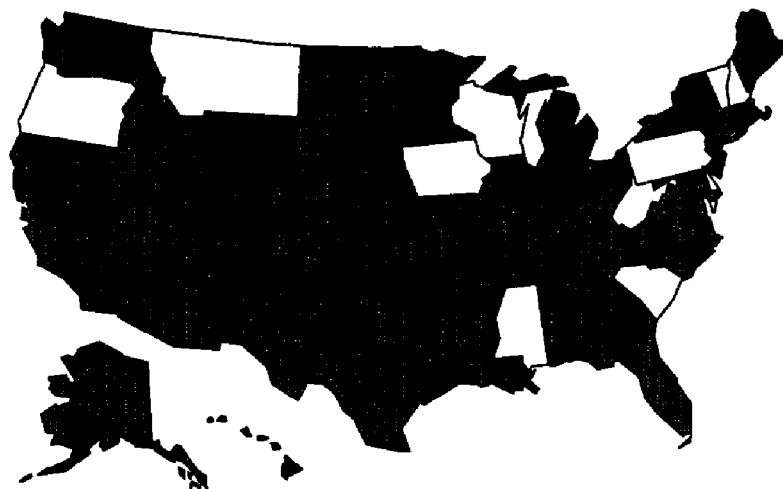
Section I-4

The Impact Aid program provides money for 2600² school districts in 50 states, Puerto Rico and the Virgin Islands. About 1700 of these districts serve military dependent students.

²Impact Aid also provides payments for children living on Indian lands, living in federally subsidized, low-rent housing and children of non-DoD federal workers who live and/or work on federal property in the local district.

Figure I.5

GAO DoD Supplemental Financial Assistance to Districts



116 Districts in 39 States

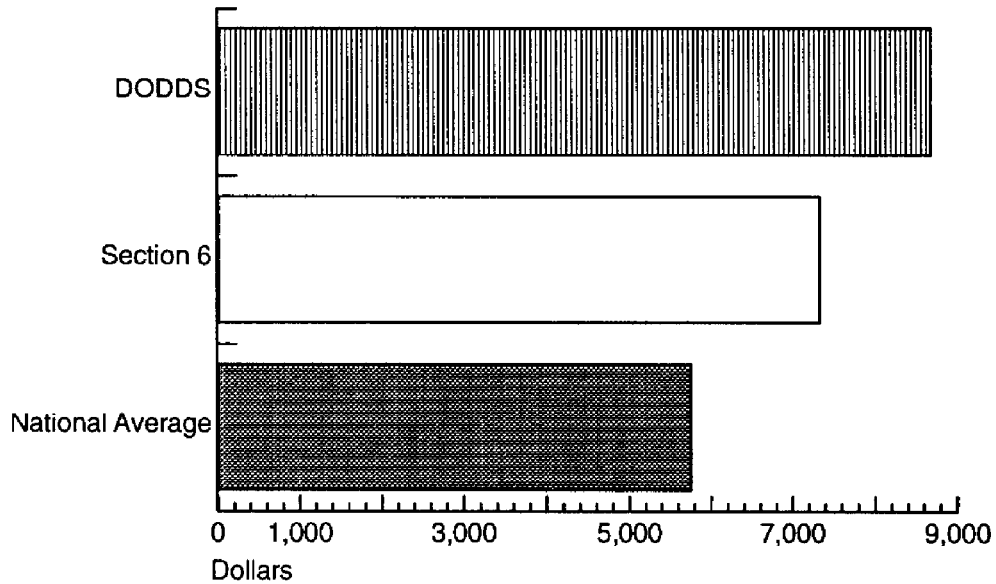
Section I-5

The supplemental financial assistance provided by DoD to districts heavily impacted by military dependents, affects 116 districts in 39 states.³

³Districts qualify for supplemental financial assistance when they meet these criteria: the Local Education Agency (LEA) cannot provide a level of education equivalent to the minimum level available in other LEAs of the same state without the aid and (1) at least 30 percent of the students are military dependents or (2) the number of military dependent students increases by 15 percent

Figure I.6

GAO Per Pupil Cost FY 94



Section I-6

Our last slide in this section shows the per pupil costs (ppc) for DODDS, including the unique overseas allowances. Also, we have the ppc for the Section 6 schools as well as the most current national average for stateside school districts which is for 1992-93. The ppc for DODDS reflects the cost of operating an entire school system overseas.

or more from FY 1991 to FY 1993 as a result of Armed Forces relocations and at least 30% of the students are military dependents. In addition, the LEA can qualify if by reason of reorganization of LEAs, the LEA is a successor of an LEA that received aid in FY 1992.

Figure II.1

GAO Effects of Downsizing 1990-95

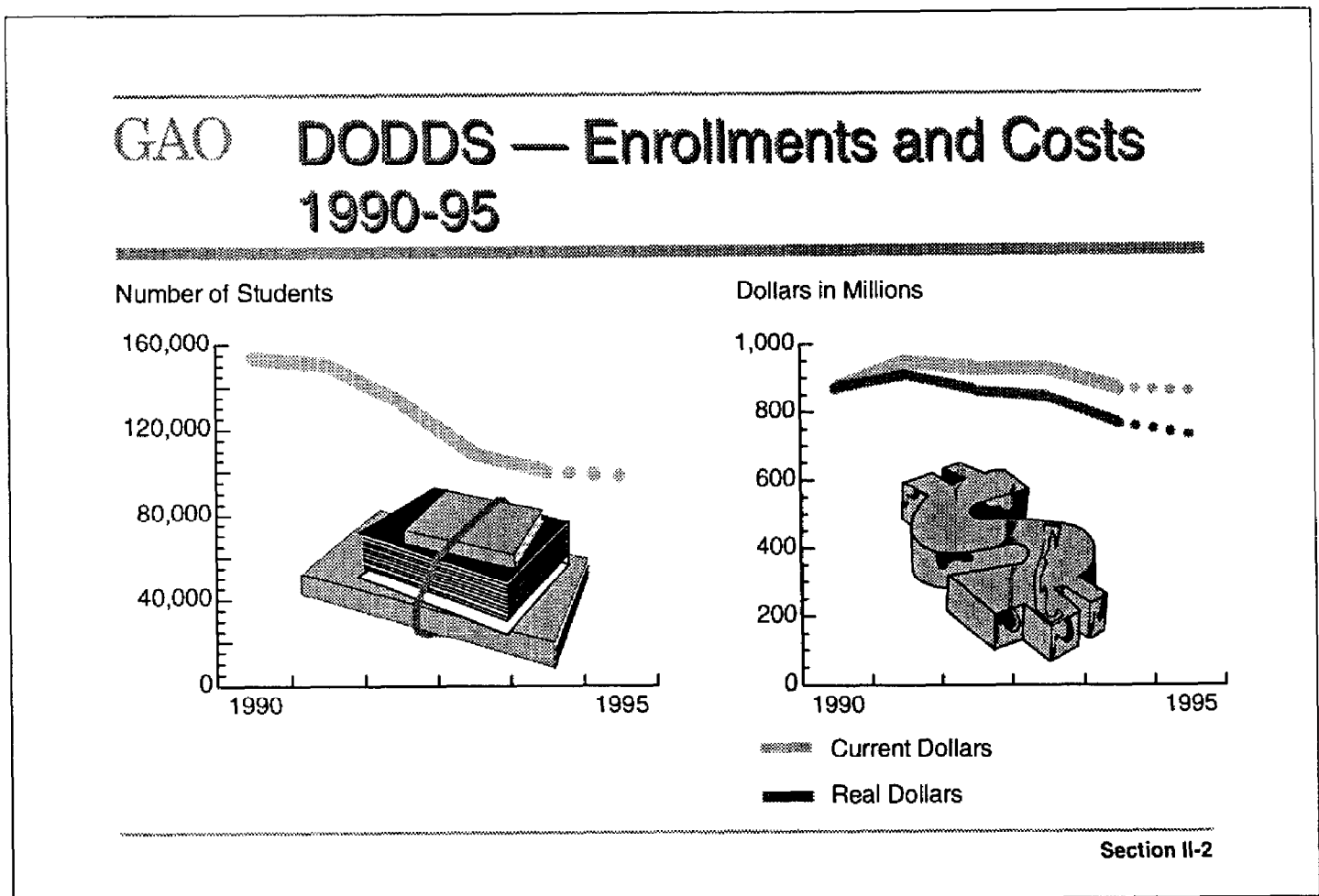
- DODDS
- Section 6
- Impact Aid

Section II-1

Section II

Let us move now to the descriptive information showing how the military downsizing has affected these programs. DoD's supplemental financial assistance program to LEAs is not included because it did not exist before the downsizing.

Figure II.2

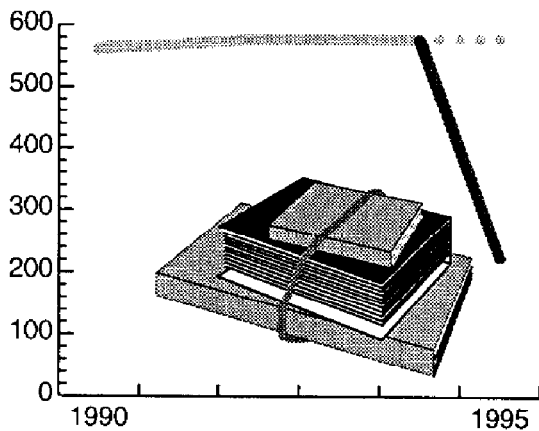


Since only children living in base housing attend Section 6 schools, their enrollments continue to remain relatively stable as base housing remains stable. The budget has increased in response to inflation and as education programs, such as preschool programs, have been added. The black line again represents budget figures adjusted for inflation.

Figure II.4

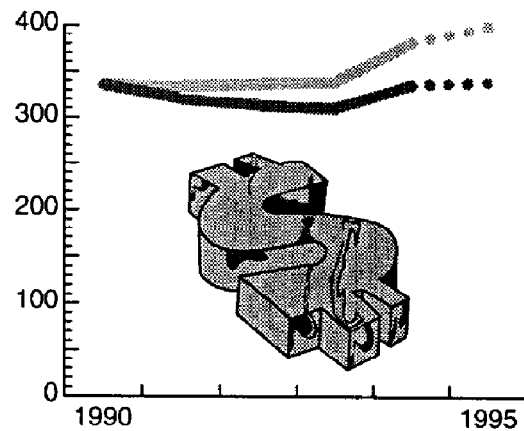
GAO Impact Aid — Enrollments and Payments 1990-95

Number of Students



— Enrollment of "A" students only

Dollars in Millions



..... Current Dollars

— Real Dollars

Section II-4

The dotted gray line for Impact Aid enrollments represents estimates under current eligibility rules. The black line shows a sharp decrease in the estimated number of children for 1995 under Education's budget proposal which would eliminate all "B" students. The gray line on the payment chart reflects Education's proposal for 1995 payments to "A" children only. Because several alternative payment scenarios are currently being proposed for including "B" students, we were unable to obtain an estimate of 1995 payments with their inclusion. Again, the black line represents an adjustment for inflation.

Figure III.1

GAO **Policy:**
Eligibility for DODDS Enrollment

Space required

- DODDS must educate all authorized DoD dependents

Space available

- DODDS educates unauthorized DoD dependents, if space is available
- DODDS educates non DoD students who pay tuition

Section III-f

Section III

Let us proceed to our final section and the policies driving DODDS. DODDS must educate all authorized dependents, that is, any dependent whose transportation overseas is paid by DoD. For these children DODDS is required to provide space. The child is enrolled in a DODDS school if one is available, otherwise, DODDS pays to send the child to a school acceptable to DoD, if one is available.

In addition, DODDS enrolls children who are not authorized, but who are dependents of DoD personnel, on a space-available basis. DODDS provides free education for these children. DODDS also enrolls children who are not dependents of DoD personnel, such as U.S. citizens living abroad, on a space-available basis and charges them a tuition.

Figure III.2

GAO **Impacts of Space Required Policy: Small Schools & Tuition Payments**

- DODDS has 75 small schools with less than 300 students
 - 17 with fewer than 100 students
 - 19 with 100-199 students
 - 39 with 200-299 students
- DODDS paid \$14.3 M in FY 1993 for 1,765 students to attend non-DODDS schools

Section III-2

The policy for educating all authorized dependents has resulted in some very small schools. This chart shows the number and size of these schools. These schools cannot take advantage of economies of scale and may have difficulty providing a quality education.

The chart also shows the number of students and tuition costs for those students living in areas where no DODDS schools are available.

Figure III.3

GAO **Impacts of Space Available Policy:
Free Tuition & Tuition Cap**

- DODDS does not charge tuition to 2,254 unauthorized DoD students
- Tuition charged to non DoD students does not cover all costs
 - 10% cap on tuition increases
 - Construction, repair or maintenance not included

Section III-3

This chart shows the number of unauthorized dependents DODDS enrolled this year who pay no tuition.

Further, DODDS' methodology for computing tuition rates to charge non-DoD students does not reflect all of its costs. One reason is that DODDS has capped tuition increases at 10 percent a year. Thus, even though DODDS has computed a higher tuition rate, it is not charging it. Additionally, DODDS does not include all construction, repair and maintenance costs in its calculation (although DODDS does capture some of these costs through an asset use charge). We believe that these factors cause DODDS' base tuition rate for non-DOD students to be understated by at least 12 percent.

Figure III.4

GAO Potential Annual Gross Savings: Changes in Policy

- If DODDS is prohibited from operating small schools:
 - \$12.6 M for schools < 100 students
 - \$23.2 M for schools < 200 students
 - \$79.5 M for schools < 300 students

Section III-4

If DODDS could close their small schools, here are rough estimates of potential annual gross savings based on direct costs charged to these schools in FY 1993. These are gross savings because there is no way to identify potential offsets and transfer costs. These estimates do not include construction or full overhead costs and, therefore, potentially, savings may be even greater.

Figure III.5

GAO **Potential Annual Gross Savings:
Changes in Policy**

- If DODDS is prohibited from:
 - Paying tuition for DoD dependents to attend non-DODDS schools
— \$14.3 M savings
 - Providing a free education to unauthorized dependents of DoD personnel
— \$18 M savings
 - Capping tuition increases
— \$4.3 M savings

Section III-5

In addition, if policies were changed so that (1) school-aged dependents were not authorized to areas without DODDS schools, (2) free education were no longer provided to unauthorized dependents and (3) full tuition were charged to non-DoD students, DODDS could realize additional savings.

Figure III.6

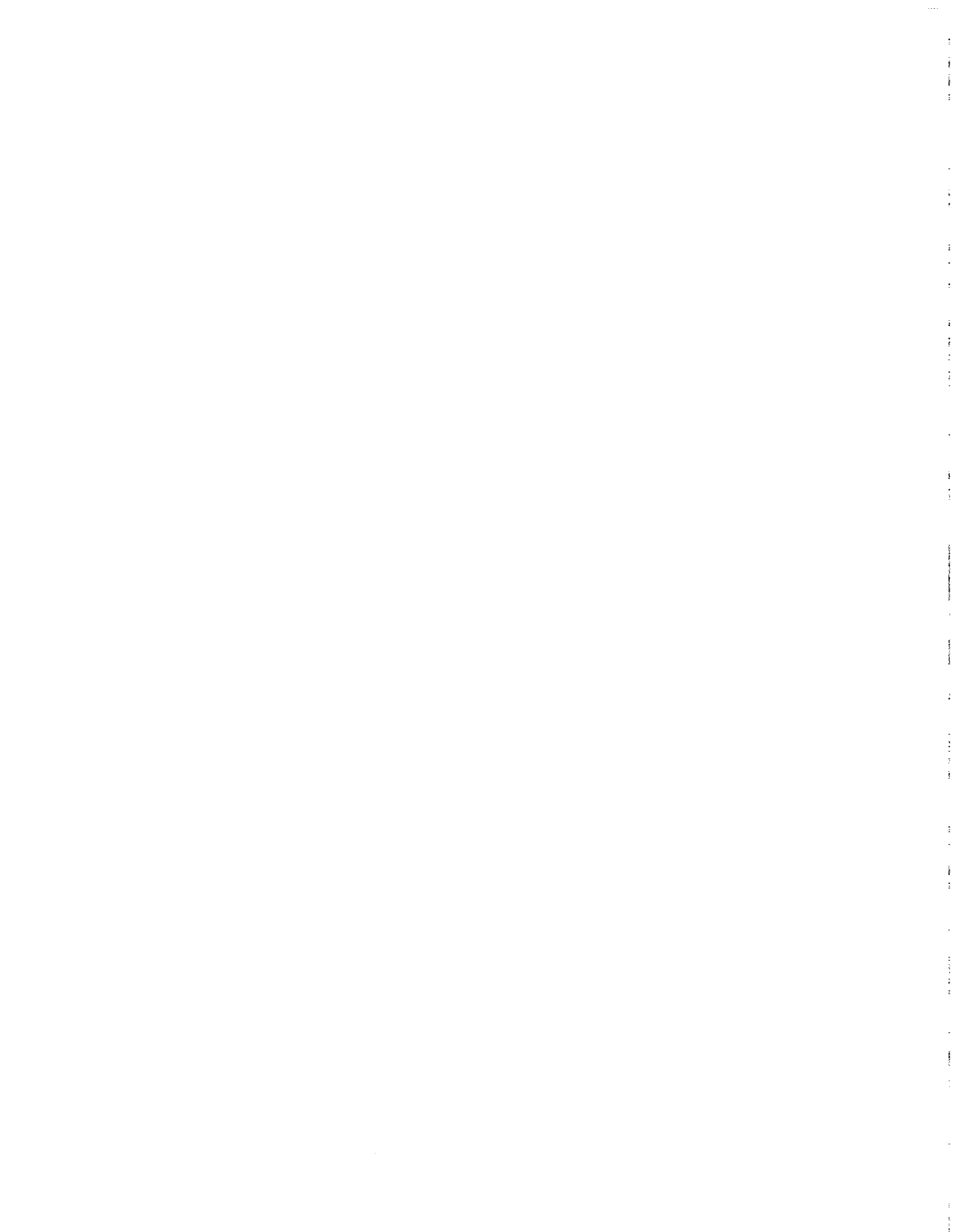
GAO Other Factors to be Considered

- Morale
- Family support initiatives
- Retention
- Recruitment

Section III-6

Although we have not evaluated their effects, we would be remiss not to point out that factors other than costs would have to be considered before schools were closed or enrollments prohibited. Factors, such as those listed on the chart, which may or may not have a monetary value, could override the cost savings involved in these policy changes.

(104767)



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 1000
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.**

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

<p>Bulk Mail Postage & Fees Paid GAO Permit No. G100</p>

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

Address Correction Requested
