

GAO

Testimony

Before the Committee on Economic and Educational  
Opportunities, U.S. House of Representatives

---

For Release on Delivery  
Expected at 10:00 a.m.  
Thursday, June 29, 1995

FEDERAL  
REORGANIZATION

Proposed Merger's Impact on  
Existing Department of  
Education Activities

Statement of Linda G. Morra, Director  
Education and Employment Issues  
Health, Education, and Human Services Division



063969/154596

---

---

Mr. Chairman and Members of the Committee:

We are pleased to be here today to take part in the Committee's continuing series of hearings to examine the congressional proposal to merge the current Departments of Education and Labor. The proposal would also merge Equal Employment Opportunity Commission (EEOC)--the federal agency enforcing laws prohibiting employment discrimination--with the two departments. The merger would combine these agencies with other selected federal programs to create a new Department of Education and Employment. Our report on the merger proposal will serve as the basis of my remarks.<sup>1</sup>

In today's statement, you asked that we (1) describe the structure and resources envisioned by the proposal, (2) discuss the proposed merger's impact on the current Department of Education's programs and activities, and (3) identify planning and transition issues that would need to be addressed.

Briefly, we found that the proposal to merge the Departments of Education and Labor and EEOC into a new Department of Education and Employment could result in savings of about \$1.65 billion in selected administrative costs through the year 2000. However, downsizing existing agency operations to the degree necessary to achieve these savings must be carefully planned. The proposal's cost savings goal in addition to its organizational requirements would significantly change Education's existing structure, program offerings, and processes. The proposal would also raise program consolidation, workforce, accountability, implementation, and oversight issues that the Congress, Education, and other agencies may need to address to ensure that federal education and training programs meet our nation's needs.

#### BACKGROUND

According to congressional sponsors, the proposal for the Department of Education and Employment is based on the premise that the nation cannot adequately prepare its youth for the challenges of the 21st century until fundamental changes are made in federal policy on education and employment issues. The sponsors believe such policy changes would require merging federal duties and responsibilities into a single Department.

As one of the three agencies included in this merger proposal, Education manages the federal investment in education and is involved in the long-term effort to improve education. Established in 1980, Education's mission is to help ensure access to education and to promote improvement in the quality and usefulness of education. In fiscal year 1995, Education was appropriated \$32.1

---

<sup>1</sup>Federal Reorganization: Congressional Proposal to Merge Education, Labor, and EEOC (GAO/HEHS-95-140, June 7, 1995).

billion and authorized 5,131 full-time equivalent (FTE) positions to administer and carry out its activities. Education administers about 240 programs with its budget.

Over the years, the Congress and others have criticized Education for not carrying out its responsibilities effectively. In our 1993 report on Education's management, we highlighted several weaknesses such as lack of top-level leadership and clear priorities, poor financial management, and low staff morale.<sup>2</sup> However, Education has taken steps to improve its management and culture by, among other things, articulating management priorities, instituting a new management structure, and implementing various total quality management initiatives within the agency. According to Education, some of its improvements may realize budget savings.

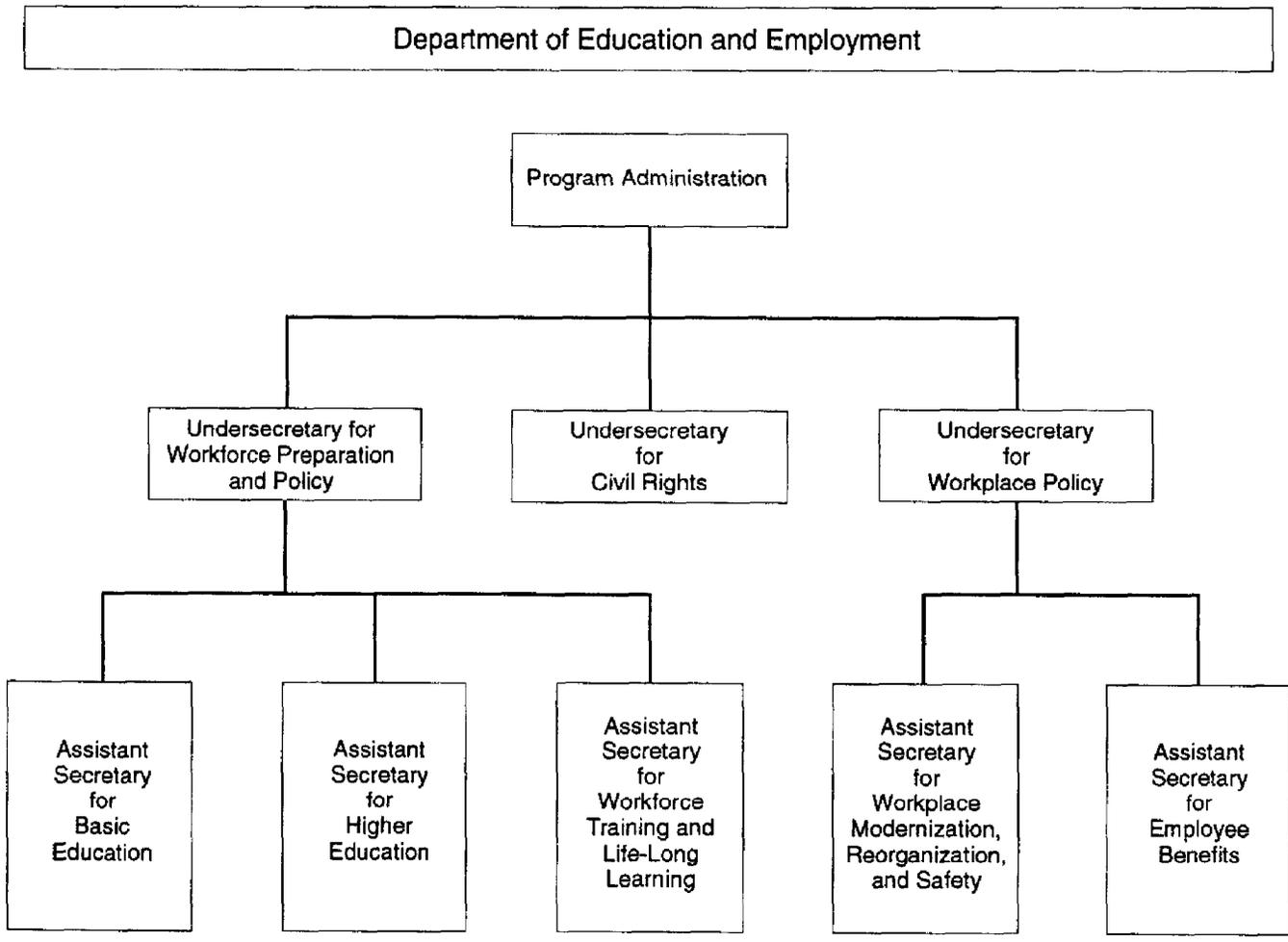
#### THE MERGER PROPOSAL

The Education-Labor-EEOC merger proposal, first announced in February, has two major components: (1) the consolidation, elimination, and reduction of existing management functions and programs from existing agencies into a new cabinet-level organizational structure and (2) the achievement of administrative cost savings resulting from this new structure. The structure of the proposed Department of Education and Employment is shown in figure 1.

---

<sup>2</sup>Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993).

Figure 1: Proposed Department of Education and Employment



Overall Department direction and vision would be provided through its Program Administration function. It would include all departmentwide management functions such as the Offices of the Secretary; Deputy Secretary; public, congressional, and intergovernmental and interagency affairs; management and budget; adjudication; general counsel and solicitor; inspector general; as well as statistical collection and dissemination activities.

In addition, three Undersecretaries would oversee all program-related activities: the first, for Workforce Preparation and Policy, would manage most education and adult training programs; the second, for Civil Rights, would direct the enforcement of all civil rights laws and the elimination of education and employment discrimination; and the third, for Workplace Policy, would administer programs focusing on workplace modernization, safety, and benefits.

On the basis of fiscal year 1995 data and information available to us when we completed our work, the proposed Department would initially have a budget of almost \$71 billion. In addition, the new Department would have about 25,650 FTE positions and over 1,200 field offices throughout the country (see table 1).

Table 1: Staffing Levels for the Proposed Department of Education and Employment

Function/office in the proposed Department	Fiscal year 1995 staffing level <sup>a</sup>			Number of field offices
	Total	Headquarters	Field	
Program administration	7,007	4,604	2,403	154
Office of Civil Rights <sup>b</sup>	4,809	1,079	3,730	125
Office of Basic Education	851	691	160	12
Office of Higher Education	1,481	835	646	10
Office of Workforce Training and Life-Long Learning	1,930	773	1,157	296
Office of Workplace Modernization, Reorganization, and Safety	6,544	894	5,650	549
Office of Employee Benefits	3,030	1,188	1,842	76
Total	25,652	10,064	15,588	1,212 <sup>c</sup>

Source: The Departments of Education, Labor, and Health and Human Services and EEOC.

<sup>a</sup>Authorized FTEs.

<sup>b</sup>This office would bring together EEOC; Labor's Office of Federal Contract Compliance Programs, Directorate for Civil Rights, and the President's Committee for the Employment of People With Disabilities; and Education's Office for Civil Rights and Training and Advisory Services program (under Title IV of the Civil Rights Act).

<sup>c</sup>Totals do not add because, due to organizational changes called for in the proposal, 10 Labor field offices supporting job training activities are counted twice.

According to the proposal, administrative spending would be reduced by approximately 20 percent from current levels over the next 5 years. Our report illustrated the potential effects of these savings on current staffing levels under two different reduction scenarios. Both scenarios would save \$1.65 billion in administrative costs over 5 years--\$990 million in compensation and benefits; \$530 million in other expenses, such as rents, utilities, and travel; and \$140 million in administrative costs from eliminated programs. The first scenario would achieve the \$990 million through a 1-year reduction in staffing. This would mean that 3,500 FTEs would have to be eliminated in the first year to achieve a \$198 million reduction, which would equal \$990 million over the 5-year period.

Our past work has shown that staffing reductions of this size often require reduction in force (RIF) procedures.<sup>3</sup> If that is the case, under the 1-year scenario, additional staffing reductions--possibly one-third more--could be required to cover the costs associated with RIFs.<sup>4</sup> That would mean that the actual number of FTEs that might need to be eliminated may be closer to 4,600 (3,500 plus an additional 1,100).

The second scenario would be a more gradual staffing reduction--one that is phased in over 3 years. This would mean a relatively smaller FTE reduction the first year, but, overall, it could yield a greater staffing reduction to achieve the \$990 million in compensation and benefit savings. Our analysis showed that such an approach would require a reduction of almost 4,200 FTEs over 3 years to achieve the \$990 million in the 5-year period. While this approach would allow for additional alternatives to reduce staffing (such as attrition or buy-out incentives), a RIF of some kind could be necessary. If so, this would increase the number of FTEs--beyond 4,200--that would need to be eliminated.

Our past work on the downsizing experiences of private-sector organizations and state and foreign governments showed that

---

<sup>3</sup>Reduction in Force Can Sometimes Be More Costly to Agencies Than Attrition and Furlough (GAO/PEMD-85-6, July 24, 1985).

<sup>4</sup>Congressional Oversight: The General Accounting Office (GAO/T-OCG-95-4, Mar. 30, 1995).

decisions to downsize in the private sector were the result of corporate restructuring designed to make work processes more efficient or eliminate unnecessary functions. Reducing employment was seldom the initial objective; rather, it was the consequence of eliminating unnecessary work.

PROPOSED MERGER'S IMPACT  
ON DEPARTMENT OF EDUCATION

The merger proposal would significantly impact Education's (1) organizational structure and related staffing levels and (2) mix of programs and services.

Organizational Structure and Staffing

On the basis of the merger proposal, specific management and research functions within Education would be combined with those of other agencies to eliminate the redundancy of administrative and oversight activities. The proposal calls for most of Education's departmentwide management functions--such as the Secretary, Chief Financial Officer, Inspector General, and Public and Congressional Affairs--to be consolidated with similar functions from Labor to form the proposed Department's Program Administration function. Currently, 2,354 Education FTEs carry out these functions. Merging the functions of these two departments might eliminate, for example, the need for separate management positions or personnel and computer systems. Education's civil rights activities, however, would not become part of the proposed Department's Program Administration; instead, they would be managed by the Undersecretary for Civil Rights.

Proposal sponsors anticipate a 40-percent administrative cost reduction in departmentwide management functions, including both Education and Labor positions. On the basis of our analysis, this could result in reduced staffing in this area of 1,578 or 2,009 FTEs in 1 or 3 years, respectively.

Education's National Center for Education Statistics and National Occupational and Information Coordinating Committee would be combined with Labor's Bureau of Labor Statistics, Women's Bureau, America's Job Bank, and National Occupational and Information Coordinating Committee to form the Bureau of Education and Employment Statistics. According to the proposal, this new Bureau, included in the Program Administration function, would realize efficiencies from administrative and data consolidations. About 150 Education FTEs carry out education statistics functions. We determined that the Bureau of Education and Employment Statistics would need to reduce its staffing by 133 FTEs in 1 year or 146 FTEs in 3 years to help achieve the proposal's overall cost reduction goal.

In addition, under the direction of the Undersecretary for Workforce Preparation and Policy, three Assistant Secretaries would manage education-related programs in the proposed new Offices of Basic Education, Higher Education, and Workforce Training and Life-Long Learning to create a consistent strategy for providing education and training for youth and adults of all ages.

The merger proposal did not designate an administrative cost savings goal for specific types of education programs. It did, however, specify about a 30-percent reduction in administrative costs for all education programs to be included in the Offices of Basic Education, Higher Education, and Workforce Training and Life-Long Learning. Our analysis showed that, to achieve the proposal's overall administrative cost reduction goal of \$1.65 billion in 5 years, these three offices would have to be reduced by 1,069 positions in 1 year or 1,241 positions in 3 years.

#### Mix of Programs and Services

Some of Education's current categorical programs, including the Title I program--the largest Education categorical grant program--would be absorbed into the proposed Department in their present form, while others could become components of consolidation grants. Still other programs would be eliminated or transferred to other federal agencies.

About 115 programs currently administered by Education would continue to be managed by the proposed Offices of Basic Education, Higher Education, and Workforce Training and Life-Long Learning. These programs would support the general education of U.S. youth from kindergarten through adulthood, including programs targeting special populations such as the disadvantaged, disabled, limited-English proficient, and Native American children. These programs received about \$31 billion in fiscal year 1995 in grants and represent about 2,443 FTEs.

Proposal sponsors anticipate that Education programs supporting vocational and adult education, school-to-work transition, vocational rehabilitation, and literacy would become parts of four proposed consolidation grants. These grants were suggested in the merger proposal and included in H.R. 1617 introduced in the Congress on May 11, 1995. With this legislation--titled the Consolidated and Reformed Education, Employment and Rehabilitation Systems (CAREERS) Act--sponsors intend to repackage the array of categorical workforce development and literacy programs now administered by Education and other federal agencies into a comprehensive system to meet the education, employment, and training needs of U.S. youth and adults. States would be eligible to receive funding from one or more of the following consolidation grants: Youth Workforce Preparation and Development; Adult Employment and Training; Adult Education, Family Literacy, and Library Technology; and Vocational Rehabilitation.

The proposal also earmarked 20 Education programs for elimination and two others (Innovative Community Services Projects and Urban Community Service) for transfer to the Corporation for National Service. The CAREERS bill also identifies for elimination at least 10 Education programs supporting postsecondary education included in the proposal and over 20 others not included.

#### SIGNIFICANT PLANNING AND TRANSITION ISSUES NEED TO BE ADDRESSED

If the proposed merger takes place, congressional and federal officials responsible for planning the merger and transitioning current Education programs and functions into the new agency would face challenging issues. Education and other affected and designated officials would likely work together to address the following consolidation, workforce, accountability, implementation, and oversight issues.

#### Consolidation

Should education-related programs currently administered by other federal agencies also be managed by the proposed Department? On the basis of our past work, we have identified education- and employment training-related categorical programs that may be candidates for consolidation. At least 13 federal agencies other than Education manage these programs now. For example, the Departments of Veterans Affairs, Energy, and Health and Human Services administer about 32 postsecondary education programs.

#### Workforce

What skills, roles, and staff would be needed to implement the proposed Department's priorities and manage the new mix of education-related programs and activities? On the basis of our past work, movement toward a streamlined, more consolidated array of programs may dictate a change in the skills, roles, and number of staff administering these programs. For example, certain grant processing activities associated with managing categorical programs could be eliminated or devolved to grantees, requiring more emphasis on data collection, compliance, and other assessment activities at the federal level. In addition, the proposed Department's "reinvented" role in education envisioned by sponsors of this proposal could require a workforce with skills that differ from those of the current workforce.

To what extent would field offices still be needed to implement certain programs and administrative functions effectively? Our work on the merger proposal identified field office functions, as well as headquarters positions, that must also be considered in merger deliberations. Currently, 22 Education field locations support the agency's inspector general, management, and intergovernmental affairs functions as well as its vocational

rehabilitation services and student financial assistance activities. Proposed decreases in the number of programs to be administered and changes in the types of programs available may require a reexamination of these offices within the new Department's organizational structure.

### Accountability

How would the proposed Department ensure the accountability of states and localities that receive federal consolidation grants? Ensuring a focus on program results and outcomes while preserving the flexibility inherent in consolidation grants could be extremely challenging. The Congress maintains an interest in the use and effectiveness of federal funds provided through consolidation grants. We found, however, on the basis of our past work, that when information is lacking about these types of grants, the Congress becomes more prescriptive.<sup>5</sup> The proposed Department, in consultation with the Congress, would need to decide the nature and kind of information needed to assess program results.

### Implementation

How would current Education functions be realigned in the proposed organization, and who would lead the transition effort? As with other federal reorganizations (most recently the Social Security Administration), someone must be directly accountable for ensuring that the transition of Education's programs and functions proceeds in a manner least disruptive to its staff and customers.

On the basis of our past work, we suggested that a high-level, interagency implementation team could be established to plan and oversee the transition process.<sup>6</sup> Our work indicates that this team could consist of representatives from the affected agencies and perhaps the Office of Management and Budget, General Services Administration, and Office of Personnel Management. This team would be responsible for developing an implementation plan that, among other things, addresses issues of staff, funding, office space, and administrative support function requirements as soon as practicable. More importantly, the team would have the authority to ensure that sufficient resources and support functions are available on the first day of the proposed Department's existence so that administrative problems would not distract managers from their new missions and responsibilities. Such a team could be especially useful for addressing sensitive topics such as field office closings.

---

<sup>5</sup>Block Grants: Characteristics, Experiences, and Lessons Learned (GAO/HEHS-95-74, Feb. 9, 1995).

<sup>6</sup>Implementation: The Missing Link in Planning Reorganizations (GAO/GGD-81-57, Mar. 20, 1981).

Oversight

The Congress has had a long-standing and important role in overseeing federal reorganizations. We expect that as merger plans proceed, the Congress will continue its vital role and strive, through hearings and other public forums, to involve the public by giving affected parties the opportunity to comment on planned and ongoing activities.

- - - -

Mr. Chairman, that concludes my prepared statement. At this time, I will be happy to answer any questions you or other members of the Committee may have.

For more information, please call Fred Yohey at (202) 512-7218 or Karen Whiten on (202) 512-7291. Other major contributors to this testimony included Nancy Kawahara and Lori Rectanus.

(104824)

---

---

### 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**

---