

Why GAO Did This Study

Financial literacy—the ability to use knowledge and skills to manage financial resources effectively—plays an important role in helping to ensure the financial health and stability of individuals and families. Federal agencies promote financial literacy through activities including print and online materials, broadcast media, individual counseling, and classroom instruction. In response to a mandate requiring GAO to identify duplicative government programs and activities, this report addresses (1) the cost of federal financial literacy activities; (2) the extent of their overlap and fragmentation; (3) the federal government’s coordination of these activities; and (4) what is known about their effectiveness. GAO reviewed agency budget documents, strategic plans, performance reports, websites, and other materials, and interviewed representatives of federal agencies and other organizations.

What GAO Recommends

GAO recommends that CFPB clearly delineate with other agencies respective roles and responsibilities, and that the Financial Literacy and Education Commission identify options for consolidating federal financial literacy efforts and address the allocation of federal resources in its national strategy. CFPB neither agreed nor disagreed with these recommendations and the Department of the Treasury agreed with the recommendations directed to the commission.

FINANCIAL LITERACY

Overlap of Programs Suggests There May Be Opportunities for Consolidation

What GAO Found

The federal government spent about \$68 million on 15 of the 16 financial literacy programs that were comprehensive in scope or scale in fiscal year 2010; cost data were not available for the Consumer Financial Protection Bureau (CFPB), which was created that year. In addition, about \$137 million in federal funding in four other major programs was directed to housing counseling, which can include elements of financial education. Since fiscal year 2010, at least four of these programs have been defunded and CFPB has received resources to fund its financial literacy activities.

Federal financial literacy and housing counseling activities are spread across multiple agencies and programs. GAO has not identified duplication—programs providing the same activities and services to the same beneficiaries—but has found overlap—multiple programs with similar goals and activities—in areas such as housing counseling and the financial education of youth. Further, CFPB was charged with some financial education duties that overlap with those of other federal agencies, making it essential that their respective roles and responsibilities be clearly delineated to ensure efficient use of resources. Moreover, CFPB’s creation may signal an opportunity for consolidating some federal financial literacy efforts, which would be consistent with federal goals of reorganizing and consolidating federal agencies to reduce the number of overlapping government programs.

Federal agencies have made progress in recent years in coordinating their financial literacy activities and collaborating with nonfederal entities, in large part due to the efforts of the federal multiagency Financial Literacy and Education Commission. The commission’s 2011 national strategy includes some useful elements—such as plans to coordinate interagency communication, improve strategic partnerships, and promote evaluation. However, it does not recommend or provide guidance on the appropriate allocation of federal resources among programs and agencies, which GAO has found to be desirable in a national strategy. While the commission’s governance structure presents challenges in addressing resource issues, without a clear discussion of resource needs and where resources should be targeted, policymakers lack information to help direct the strategy’s implementation and help ensure efficient use of funds.

The wide range of federal financial literacy activities and evaluation methods makes it difficult to systematically assess overall effectiveness or compare results across programs. Among the federal financial literacy programs that we reviewed, most included some evaluation component. Some measured the effect on participant behavior and others assessed changes in participant knowledge or tracked output measures, such as the number of consumers reached. Rigorous evaluation measuring behavior change is costly and methodologically challenging and may not be practical for all types of activities. However, CFPB and other federal entities have new efforts under way that seek to determine the most effective approaches and programs, which GAO believes to be positive steps toward helping ensure the best and most efficient use of federal financial literacy resources.