

A photograph of a yellow school bus with its door open. A young boy with a backpack is stepping onto the bus. The bus has "SCHOOL BUS" written on its side. The background shows trees and a bright, sunny day.

Education Budget Cuts & Potential Financial Impacts on Programs & Key Contractors



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Executive Summary

The expected initiatives to abolish or significantly reduce the scope of the U.S. Department of Education (ED) under the incoming Trump Administration pose a critical threat to numerous programs and contracts. This analysis identifies the programs most at risk, outlines their associated contracts, and quantifies the financial impact on prime and subcontractors. Federal Student Aid (FSA), educational research, and technical assistance programs emerge as key areas vulnerable to budget cuts. Programs with substantial federal oversight, such as Title I and Individuals with Disabilities Education Act (IDEA) grants, may face administrative downsizing or devolvement to state-level control.

High-value contracts such as the \$966 million COD System contract, \$1.5 billion NextGen modernization effort, and \$13.5 billion annual IDEA funding are under scrutiny. Key prime contractors like Accenture, Maximus, and Educational Testing Service (ETS), along with subcontractors such as Oracle, IBM, and Westat, will experience substantial financial and operational impacts. While some programs are politically protected, supplementary initiatives like the 21st Century Community Learning Centers and technical assistance programs face potential elimination.



Programs at Risk

The combination of proposed spending cuts and efforts to abolish the Department of Education under the incoming Trump Administration signals a seismic shift in federal involvement in U.S. education. Federal programs and contracts that support student loans, educational research, special education, and career development are at risk of significant reductions. This analysis provides a detailed breakdown of vulnerable programs, highlights the associated contracts, and assesses the implications for prime and subcontractors.

The federal government currently administers over \$92 billion in education funding, spanning grants, operational contracts, and research initiatives. Programs like Federal Student Aid, Title I, and IDEA provide critical services, but their federal oversight makes them prime targets for restructuring or cuts. Key modernization efforts such as the NextGen Financial Services Environment and technical assistance programs face particular vulnerability due to their cost and perceived non-essential nature. Below, we provide a detailed analysis of programs and contracts most at risk, identifying stakeholders and quantifying financial implications.

We have prepared a detailed analysis of programs and specific contracts most at risk if the Department of Education (ED) is abolished or faces significant budget cuts, aligned with the overall initiative of closing the Department and/or the government spending reduction initiatives to be led by Elon Musk and Vivek Ramaswamy. This analysis includes programs, contracts, primes, subs (where available), contract values, and reasons for being targeted.

Key Observations

High Risk Programs

Focus on research (RELs, WWC), supplementary education (21st Century Learning), and technical assistance (OELA and OSERS).

Moderate Risk

Larger federal grants like Title I, IDEA, and career / technical education, but only for their administrative components.

Low Risk

Programs with strong legal or political backing, like IDEA funding.



Summary

Program	Contract	Prime Contractor	Subcontractor	Value (\$MN)	Risk Level	Reason for Risk
Federal Student Aid (FSA)	Common Origination & Disbursement (COD)	Accenture Federal Services	Oracle, IBM	966	High	Privatization or decentralization of lending
	Debt Management & Collection System (DMCS)	Maximus Federal Services	CGI Federal, TransUnion	400	High	Reduced need for collections if privatized
	NextGen Financial Services Environment	Accenture, Maximus	IT & fintech providers	1,500	Mid to High	Expensive modernization effort under scrutiny
Elementary & Secondary Education	Title I Grants to Local Agencies	State Education Depts.	Local school districts	16,000 (ann.)	Mid	Federal oversight may shift to states
	21st Century Community Learning Centers	State Education Depts.	Local schools, non-profits	1,200 (ann.)	High	Seen as supplementary rather than essential
Special Education (OSERS)	IDEA Grants	State Education Depts.	Local education agencies	13,500 (ann.)	Low to Mid	Federal admin roles could be streamlined
	Technical Assistance Centers	Universities, non-profits (AIR, SRI)	Specialized consultants	100 (ann.)	Mid to High	Assistance centers deprioritized for savings
Institute of Education Sciences (IES)	National Assessment of Educational Progress (NAEP)	ETS	Westat, Pearson	160 (10 yrs.)	Mid	Research perceived as non-essential
	Regional Educational Laboratories (RELs)	WestEd	RAND, SRI	200 (ann.)	High	Applied research is vulnerable to cuts

Program	Contract	Prime Contractor	Subcontractor	Value (\$MN)	Risk Level	Reason for Risk
Institute of Education Sciences (IES)	What Works Clearinghouse (WWC)	Mathematica Policy Research	Research organizations	100 (5 yrs.)	High	Focus on evidence-based practices may wane
Career, Technical, & Adult Ed (OCTAE)	Adult Ed. & Family Literacy (AEFLA)	State Education Departments	Community colleges	700 (ann.)	Mid	May shift to Dept. of Labor or consolidated
	Career & Technical Education Grants	State Education Departments	Technical schools	1,300 (ann.)	Mid	Overlapping objectives invite consolidation
English Language Acquisition (OELA)	State Grants	State Education Depts.	Local education agencies	875 (ann.)	High	Focused programs may merge with broader ones
	Technical Assistance Programs	Center for Applied Linguistics	Universities, non-profits	50 (ann.)	High	Assistance viewed as non-critical
Civil Rights (OCR)	Case Management Systems	Lockheed Martin	Booz Allen, Deloitte	30 (ann.)	Mid to High	Reduced federal enforcement focus
EdTech	EDUCATE (IT Infrastructure)	Dell Services	Microsoft, Cisco	500	High	Admin overhead, possible outsourcing
	Student Aid Internet Gateway (SAIG)	General Dynamics IT	Network service providers	200	High	Streamlining of redundant systems

Impact on Specific Primes & Subcontractors

Pathway providers can attract a broader student base by developing virtual preparatory programs that mirror the in-person experience. These online courses should be:

Organizations Most Impacted

Nonprofits like [Center for Applied Linguistics](#), [AIR](#), and [ETS](#) rely more heavily on ED contracts relative to their total revenue. For [Center for Applied Linguistics](#), ED revenue constitutes 50% of total revenue, putting it at high operational risk if funding is cut.

Large Public Companies

For companies like [Accenture](#), [Dell](#), [Lockheed Martin](#), and [General Dynamics](#), ED contracts represent a very small percentage of overall revenue. These companies would experience minimal corporate-level impact but may see adjustments within their education-focused divisions.

Moderately Impacted Players

Organizations like [Maximus](#), [Westat](#), and [SRI International](#) would face moderate impacts, primarily at the division or project level. They may need to reposition resources or seek alternative federal and state-level contracts.

Strategic Shifts

Many of these organizations could pivot to serve state education agencies, private education markets, or other federal agencies if ED cuts are implemented.

The table on the next page details the financial exposure of key players based on their reliance on ED contracts.



Summary of Impact

Organization	Type	Annual Revenue (\$M)	Est ED Revenue (\$M)	% of Revenue from ED	Impact Level
Center for Applied Linguistics	Nonprofit	10	5	50%	Substantial (High Risk)
American Institutes for Research	Nonprofit	600	20	3.33%	Moderate
Maximus Federal Services	Public Company	4,630	90	1.94%	Moderate
SRI International	Nonprofit	540	10	1.85%	Modest
Westat	Private / Employee-Owned	500	8	1.60%	Limited but Notable
Educational Testing Service (ETS)	Nonprofit	1,100	16	1.45%	Modest
Accenture Federal Services	Public Company	64,900	247	0.38%	Minimal
Pearson	Public Company	4,800 (approx)	8	0.20%	Minimal
Dell Services (Dell Technologies)	Public Company	102,300	50	0.05%	Minimal
Lockheed Martin	Public Company	66,000	30	0.045%	Negligible
General Dynamics (GDIT)	Public Company	43,900	20	0.045%	Negligible

Conclusion

The Department of Education's potential restructuring or abolition would lead to significant disruptions for contractors, service providers, and millions of Americans reliant on federal education programs. High-risk areas such as Federal Student Aid modernization, educational research, and technical assistance programs may face severe cuts or elimination. Programs like Title I and IDEA, while politically protected, could see their federal oversight shifted to state governments, leading to potential decentralization and variability in service quality.

For prime contractors like Accenture, Maximus, and ETS, as well as their subcontractor networks, the financial impact could run into billions of dollars. To mitigate risks, contractors must diversify their portfolios, strengthen relationships with state education agencies, and prepare for a potential pivot toward privatized or state-administered funding structures. As federal education funding evolves, stakeholders must remain agile to adapt to an uncertain and rapidly changing landscape.



Winners

Provider	Description
Google for Education	Provides cloud-based tools and platforms for classrooms. Likely to benefit from decentralized funding as states adopt scalable edtech solutions.
Coursera	Online learning platform offering flexible course options, appealing to states, private institutions, and individuals seeking cost-effective alternatives.
Udemy	Skill-based learning marketplace, well-positioned to attract learners as gaps in publicly funded education programs grow.
Khan Academy	Free, personalized online learning resource. Likely to gain popularity as local and private entities look to fill educational gaps.
Pearson	Diversified educational publisher with strong state-level relationships, ready to capitalize on decentralized funding flows.
McGraw Hill	Established provider of curriculum and content, well-suited to support states and districts adapting to reduced federal oversight.

No Change

Provider	Description
Accenture	Diversified federal contractor with a small percentage of its portfolio tied to ED contracts. Revenue impact will be minimal.
Lockheed Martin	Primarily a defense contractor with negligible dependency on ED contracts, making education-related cuts irrelevant to its overall business.
General Dynamics IT (GDIT)	Federal IT contractor supporting education-related systems like SAIG. Dependency on ED is very low relative to total revenue.
Higher Education Institutions	Colleges and universities are less reliant on federal program administration and can shift to alternative revenue sources such as private grants.

Losers

Provider	Description
Educational Testing Service (ETS)	Relies heavily on federal contracts like NAEP. Budget cuts to assessment programs could significantly reduce ETS's revenue and scope.
Westat	A key subcontractor for NAEP and other education research projects. Federal budget cuts to research funding would shrink its market.
American Institutes for Research	Nonprofit heavily reliant on federal grants for technical assistance and research, both of which are vulnerable to federal spending cuts.
Center for Applied Linguistics	Nonprofit deriving 50% of its revenue from ED contracts, particularly in language learning. Federal cuts could severely threaten its operations.
Maximus Federal Services	Manages federal student loan servicing contracts. Privatization or reductions in loan servicing programs would directly impact its revenues.
Nelnet	Federal student loan servicer whose business depends on maintaining federal loan programs. Budget cuts or privatization would reduce its role.
MOHELA	Another federal loan servicer, vulnerable to changes in student aid policies, including reductions or restructuring of federal programs.