Student Loan Repayment for Federal Employees

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April 6, 2007

Congressional Research Service
7-....
www.crs.gov
RL31102

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

Under a law enacted in 1990 (P.L. 101-510) and amended in 2000 (P.L. 106-398) and 2003 (P.L. 108-123 and P.L. 108-136), federal agencies may repay portions of the student loans of highly qualified General Schedule (GS) and non-GS (including Foreign Service) employees they seek to recruit and retain. Eligible employees must sign at least a three-year service agreement to remain with their agencies. In return, these employees may receive loan repayments of up to $10,000 per year and up to $60,000 in total from an agency. Various student loans specified in law and authorized by the Higher Education Act of 1965 and the Public Health Service Act may be repaid. Concerns about the attractiveness of government service to, and the large amount of student loan indebtedness of, new graduates along with the possibility of a significant number of retirements from the federal government in the next several years underlie student loan repayment programs. The Office of Personnel Management (OPM) published final regulations to implement the original law on January 11, 2001, and final regulations to implement the amendments to the law on July 31, 2001, and April 20, 2004. Executive branch agencies are considering and implementing student loan repayment programs. OPM reported to Congress in May 2006 that 28 executive branch agencies made repayments to 4,171 employees at a cost of some $26.664 million in FY2005. The number of recipients increased by 55.6% and the cost of repayments increased by 77.4% from FY2004 to FY2005.

In the legislative branch, the Government Accountability Office (GAO, formerly the General Accounting Office), the Government Printing Office (GPO), and the Library of Congress also have authority under the laws stated above to establish student loan repayment programs. Enacted in the 107th Congress, P.L. 107-68 authorized the Senate and the Congressional Budget Office (CBO) to institute programs, and P.L. 107-117 authorized the U.S. Capitol Police to establish one. Under the Consolidated Appropriations Resolution, 2003 (P.L. 108-7), enacted in the 108th Congress, the House of Representatives has authority to establish a program for its employees, and additional authority was granted to the U.S. Capitol Police to establish a program and to provide tuition reimbursement for employees' ongoing career development education. To date, the Senate, the House, the U.S. Capitol Police, CBO, GAO, GPO, and the Library (not including the Congressional Research Service) have implemented repayment programs.

In both the executive and legislative branches, questions of how to fund the programs, what the required period of service should be, the criteria for repayment eligibility, and the kinds of program data to be collected will likely continue to be considered as repayment programs are implemented. OPM published proposed changes to the regulations governing repayments in the *Federal Register* on January 9, 2007. S. 1047, to exempt repayments from income tax, is pending in the Senate. The legislative history, statutory authority, status of executive and legislative branch implementation, issues for consideration, and oversight of student loan repayment programs are discussed in this report, which will be updated as events warrant.

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Background

Congress has authorized student loan repayments for highly qualified General Schedule (GS) and non-GS (including Foreign Service) employees in the executive branch.[1] Repayments also are authorized for employees in the House of Representatives,[2] the Senate, the Congressional Budget Office (CBO),[3] the Government Accountability Office (GAO), the Government Printing Office (GPO), the Library of Congress,[4] and the U.S. Capitol Police. In the executive branch, and in GAO, GPO, and the Library of Congress, the repayments may be up to $10,000 annually and up to $60,000 in the aggregate. In the legislative branch, the annual and aggregate limitations vary. The House and Senate each authorize repayments up to $500 a month, and $40,000 in the aggregate.[5] Repayments to the U.S. Capitol Police may be up to $10,000 annually, and $40,000 in aggregate. CBO's repayments may be up to $6,000 annually, and $40,000 in aggregate. A service agreement of at least three years is required in the executive branch, while in the legislative branch, the service agreement varies from one to three years.

Enactment of the executive branch statute followed a recommendation of the National Commission on the Public Service (commonly referred to as the Volcker Commission, after its chairman, Paul Volcker) that a federal service loan forgiveness program be established for federal service.[6] In April 1989, after an 18-month study, the commission issued its report on rebuilding the federal civil service. Formed in response to "concern[s] that the federal workforce may be ill-prepared to serve the nation in the 21st century," the commission dedicated itself to "placing high on the national agenda the need to strengthen the effectiveness of the career services in government."[7] A commission task force on recruitment and retention found that inadequate compensation and the unattractiveness of government employment to recent college graduates were among the reasons for the federal government's serious problems in recruiting and retaining a quality workforce.[8]

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[1] P.L. 101-510; Nov. 5, 1990; 104 Stat. 1659, 5 U.S.C. §5379, as amended by P.L. 106-398; Oct. 30, 2000; 114 Stat. 1654A-316 to 1654A-317, and P.L. 108-123; Nov. 11, 2003; 117 Stat. 1345, and P.L. 108-136; Nov. 24, 2003; 117 Stat. 1637. Loan repayment is sometimes referred to as loan forgiveness; these terms are used interchangeably in this report. For an analysis of loan forgiveness programs for employees in various public service (including teachers, child care providers, and law enforcement or corrections officers) and health care (including nurses, doctors, medical technicians, and health researchers) professions and in the military, see CRS Report RL32516, *Student Loan Forgiveness Programs*, by (name redacted).

[2] P.L. 108-7; Feb. 20, 2003; 117 Stat. 354 and 117 Stat. 358-359.

[3] P.L. 107-68; Nov. 12, 2001; 115 Stat. 563-568 and 115 Stat. 577-578. (For both the Senate and CBO.)

[4] See footnote 1.

[5] The monthly computation reflects the unique election cycles of Congress and the possible impact on congressional offices, committees, and administrative support offices.

[6] The National Commission on the Public Service, *Leadership for America; Rebuilding the Public Service*, Task Force Reports to the National Commission on the Public Service (Washington: 1989), pp. 76, 96. (Hereafter referred to as *Leadership for America*.) The commission was a private, nonprofit organization assembled to prepare recommendations to the President and Congress on rebuilding the public service.

[7] *Leadership for America*, Preface.

[8] U.S. The National Commission on the Public Service, *Committing To Excellence; Recruiting and Retaining a Quality Public Service*, The Report of the Task Force on Recruitment and Retention (Washington: 1989), pp. 69-111. With regard to private sector practices, a literature search did not reveal specific information about student loan repayments offered by private sector companies, but did show various types of compensation and benefits afforded to employees in the private sector. For example, see Robert Levering and Milton Moskowitz, "The 100 Best Companies to Work For," *Fortune*, vol. 155, Jan. 22, 2007.

At the time that student loan repayments were authorized by Congress, the issues of the attractiveness of government service to[9] and the large amount of student loan indebtedness of[10] new graduates were of particular interest. More recently, the possibility of a significant number of retirements[11] from the federal government in the next several years has joined these issues as a reason underlying student loan repayment programs in the federal government.[12] Authorization of repayments in the legislative branch resulted from similar concerns about these recruitment and retention issues.

The legislative history, statutory authority, status of executive and legislative branch implementation, issues for consideration, and oversight of student loan repayments are examined in the next sections of the report.

Legislative History of Student Loan Repayment

101st Congress: Executive Branch Loan Repayment Program

Senate Bill

On May 18, 1989, one month after the publication of the Volcker Commission's report, Senator Ted Stevens introduced, for himself and Senator David Pryor, S. 1071, a bill to authorize the

[9] The issue continues and is reinforced by opinion surveys. For example, a survey commissioned by the Partnership for Public Service of 805 graduating college seniors revealed that two-thirds of seniors said getting a private sector job or starting their own business would make their parents prouder than getting a job in government. (Partnership For Public Service, "New Survey of the 'Class of 9/11' Finds Patriotism is Not Enough to Inspire New College Graduates to Public Service," May 19, 2005).

[10] For data on the significant amount of student loan debt that college graduates are carrying, see, for example, The Project on Student Debt, *White Paper; Addressing Student Loan Repayment Burdens; Strengths and Weaknesses of the Current System* [Washington: DC], Feb. 2006; The College Board, *Trends in Student Aid 2006* (Washington: Oct. 24, 2006); Collegiate Funding Services (CFS) News Release, *With College Loans Bills Coming Due, Not All Graduates Are Prepared to Pay*, Aug. 27, 2003; American Bar Association Commission on Loan Repayment and Forgiveness, *Lifting the Burden: Law Student Debt as a Barrier to Public Service* [Chicago: Aug. 2003]; Equal Justice Works, National Association for Law Placement, Partnership for Public Service, *From Paper Chase to Money Chase: Law School Debt Diverts Road to Public Service* ([Washington], Nov. 2002); and Tracey King and Ellynne Bannon, *The Burden of Borrowing: A Report on the Rising Rates of Student Loan Debt* (Washington: State PIRGs' Higher Education Project, Mar. 2002).

[11] According to OPM, there were 50,643 retirements by full-time, permanent employees in FY2003, 54,285 retirements in FY2004, 60,070 retirements in FY2005, and 58,583 retirements in FY2006. OPM data are available at http://www.fedscope.opm.gov/index.asp; choose "Data Cubes Separations," then "Cube Interfaces Generic," then FY2003, FY2004, FY2005, and FY2006, and set the separation (separation from federal service) parameter to retirement, the work schedule parameter to full-time, and the type of appointment parameter to permanent. (FedScope shows that new hires for full-time permanent employees totaled 88,293 in FY2003; 84,548 in FY2004; 92,399 in FY2005; and 96,353 in FY2006.) Retirements projected for FY2006 are 55,508 and for FY2007 are 57,472. (U.S. Office of Personnel Management, Retirement Statistics (no date) available on the OPM website at http://www.opm.gov/feddata/retire/; choose "Projections" to access the document.)

[12] Student loan repayments are among the incentives available to federal agencies to foster recruitment and retention of employees. At an interagency management conference in 2005, Kevin Mahoney, deputy associate director at OPM, and other participants were reported to have said that the federal government must better promote "its job opportunities, potential for advancement, and competitive benefits packages." According to Mr. Mahoney, "There's no question there is a war for talent[;] the federal government is struggling to regain its image as an employer of choice." Tichakorn Hill, "In Battle for Talent, 'Go to Campuses and Market, Market, Market,'" *Federal Times*, May 3, 2005.

repayment of student loans for certain federal employees. In his statement accompanying the introduction, Senator Stevens noted the commission's recommendation and stated that the bill was "designed to improve the Federal Government's ability to compete for top college graduates," many of whom have heavy debt and "simply cannot afford the option of Federal service." Saying that agencies would have discretion to use the authority as they saw fit "to recruit highly qualified people that are important to its mission," Senator Stevens emphasized that agencies "would be required to absorb the expense of loan repayment out of [their] existing payroll budget," and went on to say that the provision envisioned "no new outlays whatsoever." According to Senator Stevens, this would ensure "that this authority is used sparingly and only when necessary" and require agency managers "to make some tough decisions" in "reallocating funds to use this recruiting incentive."

The bill's provisions requiring at least three years of service, an acceptable level of performance, and cessation of the loan repayments if the employee separated (either voluntarily or for reasons of poor performance) from federal service were viewed by Senator Stevens as "ensur[ing] the Government a return on its human resource investment."[13] Senator Pryor reiterated the comments of Senator Stevens in saying that "[a]gencies will have wide latitude to work out how much of a loan will be repaid by the agency and the length of time the employee will have to commit to staying with the agency." He anticipated "that agencies will exercise great discretion in using this program" as they "will be required to absorb the costs."[14] After referral to the Senate Committee on Governmental Affairs, S. 1071 saw no further action.

House Bill

In the House of Representatives, Representatives Benjamin Gilman and William Ford introduced H.R. 2544 on June 6, 1989, which included, as section 3, provisions on student loan repayment similar to those in S. 1071.[15] Representative Gilman, in a statement accompanying the introduction, noted that the Volcker Commission had recommended repayment of student loans and said the bill would make "the Federal Government an employer of first choice for many of our Nation's finest students." He stated, "Repayment shall be from funds already appropriated at the time of appointment." He also thanked Senators Stevens and Pryor for "formulating and drafting major provisions of the bill" on the repayments.[16]

House Subcommittee Hearing

The Public Service Education Assistance Act of 1990 (H.R. 2544) was referred to the Civil Service Subcommittee of the House Committee on Post Office and Civil Service. The subcommittee conducted a hearing on the bill on July 27, 1989, and took testimony from the director of the Office of Personnel Management, the executive director of the National Commission on the Public Service, and the special counsel of the Consumer Bankers Association.

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[13] Sen. Stevens, "Repayment of Certain Student Loans," remarks in the Senate, *Congressional Record*, vol. 135, May 18, 1989, pp. 9895-9896.

[14] Sen. Pryor, remarks in the Senate, *Congressional Record*, vol. 135, May 18, 1989, p. 9897.

[15] Section 2 of H.R. 2544 authorized agencies to pay or reimburse federal employees for the cost of basic degree training.

[16] Rep. Gilman, "The Public Service Education Assistance Act of 1989 (H.R. 2544)," remarks in the House, *Congressional Record*, vol. 135, June 6, 1989, pp. 11032-11034.

In remarks during the hearing, Representative Ford described H.R. 2544 as a "sort of a GI bill for civil servants."[17] OPM Director Constance Newman stated that the agency had "not given enough consideration to how much this approach would cost or to whether the benefits would justify the cost." She also expressed several concerns about the student loan repayment provisions in H.R. 2544. Those concerns related to:

- not wanting to induce people to work for the government just long enough to qualify for loan repayment and then move elsewhere;
- consideration of the equity of a recruitment incentive that would have no value for those who have already paid their own way through college;
- the essential need to limit the coverage to occupations where there is difficulty in recruiting or retaining employees with critical skills (identified as scientists and engineers);
- the need to examine carefully the administrative feasibility of agencies making loan repayments;
- the lack of a provision on a central regulatory authority to ensure uniformity among the agencies;
- the inappropriateness of not having an employee repay any loan payments made by the agency if he or she fails to complete the service requirement; and
- the lack of a limit on how large a repayment commitment could be made.[18]

The latter three concerns were addressed by provisions that were included in the bill when it was reported to the House. Asked about the appropriateness of a three-year service requirement, Mrs. Newman stated that "three is probably a fairly standard time," but:

> The concern is that we have some assurance that the kinds of people, if you go with this type of approach, actually have an intent to participate in public service, and that they aren't just using this as a vehicle to repay their loans. And whether or not a three year limitation provides enough assurance that you get at least some benefit from having participated in this, I don't know.[19]

L. Bruce Laingen, executive director of the National Commission on the Public Service, viewed the legislation as a step in "enriching the talent pool" of government and as "a practical way to get young people started on their careers." According to Laingen, "entry level payment in Government is increasingly noncompetitive with the private sector" and "combined with slow procedures by Government in hiring on the one hand and students loans to repay on the other, often makes Government even for those who actually seek Government service an unattractive career choice."[20]

[17] U.S. Congress, House Committee on Post Office and Civil Service, Subcommittee on the Civil Service, *Public Service Education Assistance Act of 1989*, hearing on H.R. 2544, 101st Cong., 1st sess., July 27, 1989 (Washington: GPO, 1989), p. 4.

[18] Ibid., pp. 2-3.

[19] Ibid., p. 5.

[20] Ibid., p. 10.

Another witness, Consumer Bankers Association special counsel John Dean, noted the significant student loan indebtedness of students with advanced degrees:

> An individual facing this repayment burden may and frequently does feel obliged to seek employment with an employer able to provide the highest level of compensation possible and, in most cases, that is not the Federal Government.

In order to encourage extended government service, Dean suggested that larger repayments be made for longer years of service. His concerns about the legislation related to the following:

- the need for close examination of existing program regulations to assure that borrower records are appropriately documented, especially for cases where limitations on the maximum repayment amount provided under the program result in a residual amount still owed by the individual student loan borrower;
- making sure that when a federal check comes in for a student loan it is applied to the correct loan;
- ensuring that, if the check is for an amount that is less than the amount due on the loan, a note in the computer file will indicate that a second check will be coming, so that an insufficient notice payment will not follow receipt of the first check from the federal government;
- identifying who will be held accountable for delinquency on the loans if there is a paperwork error and the federal government payment arrives late; and
- the possibility of precipitating employee delinquency or default on a loan if he or she no longer qualifies for loan repayment because of performance reasons or separation from government service.[21]

House Bill Reported

On February 7, 1990, the House Committee on Post Office and Civil Service reported the bill to the House, but no further action occurred. As reported, H.R. 2544 differed from the Senate bill in several respects. For example, it did not cover student loans made, insured, or guaranteed by state governments. The bill also provided that "[i]n selecting employees to receive [student loan repayment] benefits ... an agency shall, consistent with the merit system principles set forth in paragraphs (1) and (2) of section 2301(b), take into consideration the need to maintain a balanced workforce in which women and members of racial and ethnic minority groups are appropriately represented in Government service." Additionally, H.R. 2544 authorized OPM to "prescribe regulations containing such standards and requirements as [it] considers necessary to provide for reasonable uniformity among programs."[22]

Discussing the need for the legislation, the committee cited the findings of the Volcker Commission, as well as reports published by the Merit Systems Protection Board in May 1988 and the Office of Personnel Management in June 1988, on the federal government's difficulties in

[21] Ibid., pp. 14-16.

[22] U.S. Congress, House Committee on Post Office and Civil Service, *Public Service Education Assistance Act of 1990*, report to accompany H.R. 2544, 101st Cong., 2nd sess., H.Rept. 101-402 (Washington: GPO, 1990), pp. 2-3. (Hereafter referred to as H.Rept. 101-402.)

recruiting and retaining highly qualified professional, technical, or administrative personnel.[23] According to these reports, pay rates significantly less than those offered by the private sector, a negative image of public service, and lack of information about careers in government were among the reasons inhibiting the federal government from attracting and keeping skilled individuals. The committee report stated that the "new authority is an attempt to bolster efforts to recruit top-flight candidates for employment with the federal government" and noted that "the repayment program would be used as a recruiting tool to attract individuals with critical skills necessary for the agency." It acknowledged criticisms that these repayment provisions could "result in disparate treatment of equally qualified candidates solely on the basis of their form of indebtedness." The report expressed the "committee's opinion that remedies for an otherwise gravely lacking Federal compensation system must be sought wherever the Federal Government can exert unique pressure."[24]

With regard to limitations on the size of the repayments, the committee stated its intent to "strike a balance" between the "extremely high loan indebtedness" of many college graduates and "the limited resources available to Federal agencies for new initiatives in programs and employee benefits." Further, the committee noted that the loan repayment was "to apply to indebtedness outstanding at the time an employee enter[ed] into an agreement."[25]

CBO Cost Estimate

The Congressional Budget Office (CBO) estimated that the cost of the student loan repayment program in 1991 would be between $2 and $3 million, with the potential to increase to $10 to $15 million by 1995. CBO also estimated that administrative costs would total less than one million dollars. The cost estimate assumed that "most agencies would agree to reimburse ... loan payments for at least five years."[26]

Views of the Departments of Education and Justice

The Department of Education (DoE) and the Department of Justice (DoJ) submitted views to the House Committee on Post Office and Civil Service opposing H.R. 2544's provisions to establish a student loan repayment program. DoE believed that the program "would be extremely costly, with overly generous agency repayment amounts permitted, and is unlikely to correlate to the recruitment needs of the Federal service or alter any significant number of students' decisions to enter the Federal service."[27] Additional concerns expressed by DoE were that the program would

> set a dangerous precedent by allowing for the first time cancellation of Guaranteed Student Loans (GSLs) in exchange for performance of a certain activity. Introducing cancellation for one activity would almost certainly lead to pressure for cancellation for many other "meritorious" activities.

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[23] U.S. Merit Systems Protection Board, Office of Policy and Evaluation, *Attracting Quality Graduates to the Federal Government: A View of College Recruiting*, May 1988; and The Hudson Institute, *Civil Service 2000*, prepared for the U.S. Office of Personnel Management, June 1988.

[24] H.Rept. 101-402, pp. 5-7.

[25] Ibid., p. 12.

[26] Ibid., p. 15.

[27] Ibid., pp. 17-18.

> Very probably be poorly correlated to recruitment needs [and be] unlikely to affect many decisions on whether to enter the Federal service. Prior efforts to attract recruits to certain professions such as teaching (through loan forgiveness and similar programs) have not had a significant impact on students' decisions to enter the field.
>
> Provide a potential windfall for some employees, particularly in light of the high agency repayment amounts permitted.
>
> Aggravate current retention problems if employees need only complete three years of federal service to take advantage of the repayment program .... Some ... may well work only long enough to earn the cancellation before moving elsewhere. Other programs, such as the Perkins Loan Program in the Higher Education Act of 1965 (20 U.S.C. §1001 *et seq.*) require five years of service in certain teaching positions before the entire loan is canceled.
>
> [By authorizing payments up to $6,000 per year, provide] a very generous yearly "bonus" ... far in excess of the amounts generally available to a small number of employees in the form of cash awards or merit pay bonuses for outstanding service. Thus, employees who either have no student loans or who have already repaid their loans would, in essence, be compensated at a lower rate than other employees simply because they do not have a particular form of debt. This type of inequity could have a demoralizing effect on the federal employees not participating in the repayment program ... and create retention problems.... The Federal government should not be in a position of "rewarding" students who finance their education through Federal student loans, and penalizing students who chose work or savings to finance their postsecondary education.
>
> [Create a situation in which] it could be very difficult to regulate effectively the very broad, subjective authority of an agency head to waive a right of recovery against an employee if it would be against equity and good conscience, or against the public interest.[28]

DoJ also declined to support student loan repayment. The agency's concerns were that the program would not "provide a reliable incentive for recruitment and retention because its usefulness depends upon the nature of an individual's indebtedness and thus varies from candidate to candidate."[29] Additionally, Justice believed that the program

> would require the Department to treat otherwise similarly situated candidates different solely because of their indebtedness or the form of their indebtedness.... Students who worked to pay their tuition would not qualify for benefits nor would those whose parents saved or borrowed to pay for the student's education. This disparate treatment of otherwise equally qualified candidates outweighs the minimal benefits to be gained by the student loan repayments.[30]

Final Action

During House consideration of the National Defense Authorization Act for FY1991 (H.R. 4739) on September 11, 1990, Representative Gilman offered the text of H.R. 2544 as an amendment to the bill.[31] He stated that the provisions were "intended to be applied systemwide to all Federal

[28] Ibid., pp. 16-17.

[29] Ibid., p. 19.

[30] Ibid.

[31] The amendment was an amendment to an amendment that had been offered by Rep. Mavroules.

agencies." He also noted that, as no new funds were being authorized, agencies would have to fund the program from salary and expense accounts and "use these tools in a cost efficient manner." According to Representative Gilman, the Department of Defense "d[id] not object" to the amendment and "considers it an important tool in enhancing their ability to recruit and keep essential qualified personnel." National Commission on the Public Service executive director L. Bruce Laingen stated in a letter to Representative Gilman, which was inserted into the *Congressional Record*, that the provisions were "an important step forward in the larger challenge of ensuring that the services of government in the years ahead are performed by personnel of the highest competence."[32] The House agreed to the amendment by voice vote on September 11, 1990. The President signed H.R. 4739 on November 5, 1990, and it became P.L. 101-510. Section 1206(b) of the law provides the repayment authority.[33]

On June 22, 2000, OPM proposed regulations to implement the initial student loan repayment program established by P.L. 101-510.[34] OPM did not explain the 10-year delay in issuing the regulations, but a *Government Executive* article on the regulations suggested that efforts to reduce the federal workforce in the early and mid-1990s created little demand in the agencies for the repayment authority.[35] Lack of funding for the program also may have contributed to the delay. OPM's final regulations became effective on April 12, 2001.[36]

106th Congress: Amendments

Ten years after the original student loan repayment authority had been enacted in P.L. 101-510, Senator Richard Durbin offered an amendment to the Floyd D. Spence National Defense Authorization Act for FY2001 (S. 2549) to make changes to the law. The amendment, No. 3480, provided for broader implementation of student loan repayment programs. It extended eligibility for student loan repayments to non-GS (including Foreign Service) federal employees and to employees in other than professional, technical, or administrative positions,[37] and expanded the types of student loans under the Higher Education Act and the Public Health Service Act eligible for repayment. The Senate agreed to the amendment by voice vote on June 20, 2000. In lieu of S. 2549, the Senate passed H.R. 4205, with an amendment.[38] On October 30, 2000, H.R. 4205

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[32] *Congressional Record*, vol. 136, Sept. 11, 1990, pp. 23901-23902.

[33] H.R. 4739 passed the House of Representatives (amended) on a 256-155 vote (No. 352) on Sept. 19, 1990. On Sept. 25, 1990, the Senate struck all after the enacting clause and substituted the language of S. 2884 as amended. The Senate then passed H.R. 4739 with an amendment in lieu of S. 2884 by unanimous consent. The House agreed to the conference report (H.Rept. 101-923) on a 271-156 vote (No. 517) on Oct. 24, 1990. The Senate agreed to the conference report on an 80-17 vote (No. 320) on Oct. 26, 1990.

[34] U.S. Office of Personnel Management, "Repayment of Student Loans," *Federal Register*, vol. 65, no. 121, June 22, 2000, pp. 38791-38794.

[35] Brian Friel, "Student Loan Help on Hold," *Government Executive*, Feb. 8, 2001, available at http://www.govexec.com, visited Apr. 5, 2007.

[36] U.S. Office of Personnel Management, "Repayment of Student Loans," *Federal Register*, vol. 65, no. 8, Jan. 11, 2001, pp. 2790-2793. The regulations were to have become effective on Feb. 12, 2001, but a 60-day moratorium on new regulations was imposed by President George W. Bush. U.S. Office of Personnel Management, "Repayment of Student Loans: Delay of Effective Date," *Federal Register*, vol. 66, no. 26, Feb. 7, 2001, p. 9187.

[37] P.L. 106-398; Oct. 30, 2000; 114 Stat. 1654A-316 to 1654A-317; 5 U.S.C. §5379.

[38] On July 13, 2000, the Senate struck all after the enacting clause and substituted the language of S. 2549, amended, into H.R. 4205. The Senate then passed H.R. 4205, with an amendment, on a 97-3 vote (No. 179). The House of Representatives agreed to the conference report (H.Rept. 106-945) on a 382-31 vote (No. 522) on Oct. 11, 2000. The Senate agreed to the conference report on a 90-3 vote (No. 275) the next day.

became P.L. 106-398. Section 1122 provides the expanded repayment authority. Regulations to implement the broadened student loan repayment program established by the law were proposed by OPM on March 16, 2001, and finalized on July 31, 2001. Those regulations became effective on August 30, 2001.[39]

107th Congress: Extension to Cover Senate Employees, the Congressional Budget Office, and U.S. Capitol Police

During its first session, the 107th Congress passed two separate pieces of legislation to extend the student loan repayment program to specific legislative branch entities. The FY2002 Legislative Branch Appropriations Act, P.L. 107-68, enacted on November 12, 2001,[40] authorized Senate employing offices to establish a program for Senate employees and authorized appropriations to fund the program. The law also authorized CBO to institute a program for student loan forgiveness. The FY2002 Department of Defense Appropriations Act, P.L. 107-117, enacted on January 10, 2002,[41] granted authority to the U.S. Capitol Police to offer a student loan repayment program for recruitment and retention purposes.

The House of Representatives attempted to establish a repayment program for House employees, but that effort failed. On July 30, 2001, Representative Barbara Lee submitted an amendment to the FY2002 Legislative Branch Appropriations Bill, H.R. 2647 to the House Committee on Rules. The amendment was similar to H.R. 2555, a bill Representative Lee had introduced previously to amend P.L. 101-510 by including legislative branch employees in the federal agency student loan repayment program. The rule (H.Res. 213) for H.R. 2647 did not make the amendment in order for consideration on the House floor. On July 31, 2001, however, during floor consideration of H.R. 2647, Representative James Moran stated that "a uniform policy should be developed across the board," and noted that the bill "calls for study of the issue by the Committee on House Administration." He further stated that because the Senate-passed version of the bill would authorize the student loan repayment benefit to all Senate employees, it was "essential that the Committee on House Administration develop guidelines rapidly."[42] Nevertheless, the FY2002 Legislative Branch Appropriations bill did not provide for a loan repayment program for House employees.

[39] U.S. Office of Personnel Management, "Repayment of Student Loans," *Federal Register*, vol. 66, no. 52, Mar. 16, 2001, pp. 15202-15203; U.S. Office of Personnel Management, "Repayment of Student Loans," *Federal Register*, vol. 66, no. 147, July 31, 2001, pp. 39405-39406.

[40] H.R. 2647, P.L. 107-68, Nov. 12, 2001, 115 Stat. 563-568 and 115 Stat. 577-578.

[41] H.R. 3338, P.L. 107-117, Jan. 10, 2002, 115 Stat. 2319-2320. U.S. Congress, Conference Committees, *Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2002, and for Other Purposes*, conference report to accompany H.R. 3338, 107th Cong., 1st sess., H.Rept. 107-350 (Washington: GPO, 2001), pp. 91-92.

[42] Rep. Moran, remarks in the House of Representatives, *Congressional Record*, vol. 147, July 31, 2001, p. H4888.

108th Congress: Further Extension to House Employees and Others[43]

Early in the 108th Congress, the Senate and House passed an omnibus appropriations bill, the Consolidated Appropriations Resolution, 2003, that provided authority and appropriations at Section 105 to the House of Representatives for a student loan repayment program. The bill was enacted as P.L. 108-7 on February 20, 2003. At Section 1007, P.L. 108-7 also granted authority to the U.S. Capitol Police to establish a student loan repayment program as part of an educational and tuition reimbursement assistance program for employee career development.[44]

Legislation (S. 926) to increase the annual and aggregate limitations on student loan repayments was enacted as P.L. 108-123 on November 11, 2003.[45] The law amended 5 U.S.C. §5379(b)(2) and increased the amount of a student loan repayment from $6,000 to $10,000 per year and from $40,000 to $60,000 in total for employees in the executive branch, GAO, GPO, and the Library of Congress. CBO estimated that implementing the legislation "would cost less than $500,000 a year, subject to the availability of appropriated funds."[46] According to the Senate Governmental Affairs Committee report that accompanied the bill, the amendments reflected "an increase in annual college tuition costs since the enactment of the original statute in 1991." It further stated that without them the tuition increases "would lessen the competitive value of this recruitment and retention tool."[47]

On October 28, 2003, the House of Representatives suspended the rules and passed S. 926 by voice vote. During House consideration of the bill, Representative Jo Ann Davis stated that the Senate bill, which was identical to the House version, was taken up because it had already passed the Senate and would speed up approval of the measure. Explaining the need for the legislation, she stated that "it is the prospect of these daunting student loans, $50,000, $75,000, or even more than $100,000, that can prevent public service-minded people from coming to work for the government." She added that "[s]tudent loan repayment is at the top of the list for newly graduated students looking for jobs."[48] Representative Danny Davis noted that the student loan

[43] Legislation to establish a pilot program to repay the student loans of federal employees in national security positions in eight agencies passed the Senate in the 108th Congress and was referred to the House Committee on Government Reform, but saw no further action. Sen. Daniel Akaka, for himself and Sens. Durbin, George Allen, and George Voinovich, introduced S. 589, the Homeland Security Federal Workforce Act, on March 11, 2003. The bill was referred to the Senate Committee on Governmental Affairs, where it was marked up and ordered to be reported by voice vote on June 17, 2003. S. 589 was reported to the Senate on July 31, 2003 (S.Rept. 108-119). It passed the Senate with an amendment by unanimous consent on November 5, 2003. Prior to passage, an amendment in the nature of a substitute proposed by Sen. Bennett for Sen. Susan Collins was agreed to by unanimous consent. The bill was referred to the House Subcommittee on Civil Service and Agency Organization, on July 13, 2004, but saw no further action.

[44] P.L. 108-7, Feb. 20, 2003, 117 Stat. 354 and 117 Stat. 358-359. The provisions originally were included in H.R. 5121, Legislative Branch Appropriations Act, 2003.

[45] S. 926, P.L. 108-123; Nov. 11, 2003; 117 Stat. 1345.

[46] U.S. Congress, Senate Committee on Governmental Affairs, *Federal Employee Student Loan Assistance Act*, report to accompany S. 926, 108th Cong., 1st sess., S.Rept. 108-109 (Washington: GPO, 2003), p. 3. (Hereafter referred to as S.Rept. 108-109.)

[47] Ibid., p. 1. On April 28, 2003, Sen. Voinovich introduced S. 926, the Federal Employee Student Loan Assistance Act, and it was referred to the Senate Committee on Governmental Affairs. The bill was marked up and ordered to be reported by the committee en bloc with other bills by voice vote on June 17, 2003. It was reported to the Senate (S.Rept. 108-109) on July 21, 2003, and passed the Senate, without amendment, by unanimous consent on July 30, 2003. Rep. Jo Ann Davis introduced a companion bill, H.R. 3080, the Federal Employee Student Loan Assistance Act, on September 11, 2003, and it was referred to the House Committee on Government Reform.

[48] *Congressional Record*, daily edition, vol. 149, Oct. 28, 2003, p. H9835.

repayment program "is generally underutilized due to lack of agency funding caused by limited budgets" and that "without funding and without aggressive use of this and similar programs to promote Federal civil service, the Federal Government will be left behind in the competition for top talents."[49] Under S. 926, agencies would continue to fund student loan repayments from their own budgets.

Section 1123 of P.L. 108-136, the National Defense Authorization Act for FY2004 (H.R. 1588), enacted on November 24, 2003, amended 5 U.S.C. §5379(b)(2)(A) to increase the amount of a student loan repayment from $6,000 to $10,000 per year.[50] The provision became effective on January 1, 2004.

OPM's regulations to implement the higher annual and aggregate amounts for repayments authorized in P.L. 108-123 and P.L. 108-136 were published on April 20, 2004.[51]

Implementation in Legislative Branch Agencies

Student loan repayment programs at selected legislative branch agencies were established by different pieces of legislation in the 107th and the 108th Congresses; as a result, the implementation of these programs is at various stages in these agencies. Legislators believed that some uniform guidelines would assist the agencies as each agency began writing regulations and service agreements. Accordingly, the conferees to the FY2002 Legislative Branch appropriations bill (H.R. 2647, H.Rept. 107-259) directed the Legislative Branch Financial Managers Council (LBFMC)[52] to "develop, in consultation with all Legislative Branch entities, the controls and criteria that will govern [student loan repayment] program implementation." Specifically, the LBFMC was "directed to perform a comparative analysis between entity implementing regulations and governing controls and criteria and report the results of that analysis to the House and Senate" appropriations subcommittees on the legislative branch by March 1, 2002. The LBFMC consulted with each legislative branch entity beginning in December 2001, completed a comparative analysis of entity implementing regulations, and developed governing controls and criteria recommendations for the student loan repayment programs in the legislative branch. On February 27, 2002, the LBFMC reported the results of the analysis and recommendations to the House and Senate appropriations subcommittees on the legislative branch. In general, the legislative branch agencies have followed the LBFMC recommended guidelines.

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[49] Ibid., pp. H9835-H9836.

[50] 117 Stat. 1637. H.R. 1588 was introduced by Rep. Duncan Hunter, by request, on April 3, 2003, and was referred to the House Committee on Armed Services. The committee marked up the bill on May 9 and May 14, 2003. The bill was reported to the House, amended (H.Rept. 108-106) on May 16, 2003. H.R. 1588 passed the House, amended, on May 22, 2003, on a 361 to 68 (Roll No. 221) vote. On June 4, 2003, the Senate struck all after the enacting clause and substituted the text of S. 1050 in H.R. 1588. The Senate then passed H.R. 1588, amended, by voice vote the same day. On November 7, 2003, the House agreed to the conference report (H.Rept. 108-354) accompanying H.R. 1588 on a 362-40, 2 present (Roll No. 617) vote. The Senate agreed to the conference report on a 95-3 (No. 447) vote on November 12, 2003. U.S. Congress, Conference Committees, 2003, *National Defense Authorization Act for Fiscal Year 2004*, conference report to accompany H.R. 1588, 108th Cong., 1st sess., H.Rept. 108-354 (Washington: GPO, 2003), pp. 248, 762. The provision was Section 1104 of the bill as reported and passed by the House and Section 1123 of the conference agreement.

[51] U.S. Office of Personnel Management, "Repayment of Student Loans," *Federal Register*, vol. 69, no. 76, Apr. 20, 2004, p. 21039.

[52] Established by charter in March 1996, the Council's mission is to promote more effective financial management of the legislative branch, and to ensure that efficient and cost-effective financial systems are available to support decision making. The Council comprises the financial managers of legislative branch entities (including the Architect of the (continued...)

Executive Branch Law and Implementing Regulations

Authority for the student loan repayment program is codified at 5 U.S.C. §5379. The statute covers executive agencies, independent establishments, government corporations under 31 U.S.C. Chapter 91, as well as GAO, GPO, and the Library of Congress. Federal employees covered by the law are as follows:

- permanent employees;
- temporary employees who are serving on appointments which can be converted to term or permanent appointments;
- term employees with at least three years left on their appointments; and
- employees serving on excepted appointments which can be converted to term, career, or career conditional appointments (including, but not limited to, Career Intern or Presidential Management Intern appointments).

Schedule C appointees—employees in confidential, policy-determining, policy-making, or policy advocating positions—are not eligible for the repayments.

As amended by P.L. 108-123 and P.L. 108-136, an employee may currently receive a repayment of up to $10,000 annually and $60,000 in the aggregate from an agency.[53] Regulations to implement the current repayment amount were published in the *Federal Register* by OPM on April 20, 2004.[54]

Agencies may use the student loan repayment benefit in conjunction with other recruitment and retention incentives available under Title 5 of the *United States Code*. Student loan repayments are not subject to the Title 5 provision that limits the aggregate amount of pay an employee can receive to Executive Level I, or $183,500 (as of January 2006),[55] but it is unlikely that this would ever be an issue of concern.

Service Agreement

An employee seeking student loan repayment must sign a written agreement to work for the agency repaying the loan for at least three years. The implementing regulations specify that the following language should be stated in the service agreement: "A service agreement made under

(...continued)

Capitol, the U.S. Capitol Police, CBO, GAO, the House of Representatives, the Library of Congress, the Office of Compliance, and the Senate).

[53] P.L. 108-123 and P.L. 108-136. The previous limitations on repayments were $6,000 per year and $40,000 in total.

[54] U.S. Office of Personnel Management, "Repayment of Student Loans," *Federal Register*, vol. 69, no. 76, Apr. 20, 2004, p. 21039.

[55] 66 FR 39405. (Hereafter, citations to the *Federal Register* are noted as FR, preceded by the volume and followed by the page.) When it published the final regulations that implemented the amendments to the student loan repayment law, OPM stated that one agency had suggested that those regulations address the aggregate limitation on pay. OPM said that the issue was outside the scope of the regulations, but that it would amend its questions and answers on student loan repayment to clarify that the aggregate limitation does not apply to the repayments.

this part in no way constitutes a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service."[56] Other employment conditions the agency considers to be appropriate may be specified in the agreement. These might include the employee's position and the duties he or she is expected to perform, work schedule, or level of performance.

Reimbursement Required

An employee who separates voluntarily from the agency, does not maintain an acceptable level of performance,[57] or violates any of the conditions of the service agreement becomes ineligible to continue receiving student loan repayment benefits. An employee who fails to complete the required period of service must reimburse the agency for the total amount of any repayment benefits received. This would occur if the employee were separated involuntarily for misconduct or performance, or left the agency voluntarily. The agency must collect through appropriate debt collection procedures any amount the employee fails to reimburse. Reimbursement is not required of an employee who is involuntarily separated for reasons other than misconduct or performance or who leaves the agency voluntarily to enter into the service of another agency. The service agreement, however, may specify reimbursement in this latter instance. An agency head may waive, in whole or in part, a right of recovery of an employee's debt if "recovery would be against equity and good conscience or against the public interest."[58]

Repayment Plan Features

OPM regulations require the head of an agency to establish a student loan repayment plan before repaying any student loans. The plan must include the following seven elements:

> (1) The designation of officials with authority to review and approve offering student loan repayment benefits;
>
> (2) The situations when the loan repayment authority may be used;
>
> (3) Criteria that must be met or considered in authorizing loan repayments, including criteria for determining the size and timing of a payment [or payments];
>
> (4) Procedures for making loan repayments;
>
> (5) A system for selecting employees to receive repayment benefits that ensures fair and equitable treatment;
>
> (6) Requirements for service agreements (including a basis for determining the length of service to be required if greater than the statutory minimum), and provisions for recovering any amount outstanding from an employee who fails to complete the period of employment established under a service agreement and for conditions when the agency decides to waive the employee's obligation to reimburse the agency for payments; and

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[56] 66 FR 2792; 5 C.F.R. 537.107. (Hereafter, citations to the *Code of Federal Regulations* are designated by C.F.R. preceded by the title number and followed by the part designation.)

[57] The most recent performance rating of record must be at least level 3 ("fully successful") for an employee whose performance appraisal is covered by 5 C.F.R. 430, subpart B.

[58] 66 FR 2792; 5 C.F.R. 537.109.

(7) Documentation and record keeping requirements sufficient to allow reconstruction of the action taken in each case.[59]

Criteria for Repayments

The OPM regulations also establish criteria for loan repayments. The repayments "must be based on a written determination that, in the absence of offering loan repayment benefits, the agency would encounter difficulty either in filling the position with a highly qualified candidate, or retaining a highly qualified employee in that position." The written determination for recruitment purposes must be made before the employee actually enters on duty in the position for which he or she was recruited. For retention purposes, the written determination must state "that the high or unique qualifications of the employee or special need of the agency for the employee's services makes it essential to retain the employee, and that, in the absence of offering student loan repayment benefits, the employee would be likely to leave for employment outside the Federal service." The determination "must be based on a written description of the extent to which the employee's departure would affect the agency's ability to carry out an activity or perform a function that is deemed essential to the agency's mission."[60]

In selecting employees to receive the loan repayment, "agencies must adhere to merit system principles and take into consideration the need to maintain a balanced workforce in which women and members of racial and ethnic minority groups are appropriately represented in Government service."[61]

Student Loans Covered

Eligible for repayment are student loans made, insured, or guaranteed under parts B, D, or E of title IV of the Higher Education Act of 1965; and health education assistance loans made or insured under part A of title VII or part E of title VIII of the Public Health Service Act.[62] According to OPM, loans that qualify for repayment include the following:

- Federal Family Education Loans (FFEL)
- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- Federal PLUS Loans
- Federal Consolidation Loans
- William D. Ford Direct Loan Program (Direct Loans)
- Direct Subsidized Stafford Loans
- Direct Unsubsidized Stafford Loans
- Direct PLUS Loans

[59] 66 FR 2791; 5 C.F.R. 537.103.

[60] Ibid. 5 C.F.R. 537.105.

[61] Ibid. Also specified in 5 U.S.C. §5379(e).

[62] 114 Stat. 1654A-316; 66 FR 39406.

- Direct Subsidized Consolidation Loans
- Direct Unsubsidized Consolidation Loans
- Federal Perkins Loan Program
- National Defense Student Loans (made before July 1, 1972)
- National Direct Student Loans (made between July 1, 1972 and July 1, 1987)
- Perkins Loans (made after July 1, 1987)

Loans made or insured under the Public Health Service Act

- Loans for Disadvantaged Students (LDS)
- Primary Care Loans (PCL)
- Nursing Student Loans (NSL)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)[63]

Tax Implications

The student loan repayment must be included in an employee's income for both income and employment tax purposes. OPM has posted on its website a document prepared by the Internal Revenue Service that addresses questions and answers on the tax liability of student loan repayments made by federal entities. The document includes a discussion on agency reporting and withholding requirements for tax purposes, and an explanation of how agencies should calculate and withhold employment taxes.[64]

The following is an example of an employee's tax liability if a federal agency were to provide a student loan repayment in the amount of $10,000. For tax year 2007, a single employee with taxable income between $31,850 and $77,100 is subject to a federal income tax rate of 25%. In addition to the income tax, employment taxes (at a 7.65% rate for Social Security and Medicare) would be collected on the repayment amount. Thus, a total of 32.65% in federal taxes would have to be paid by an employee receiving repayment benefits under the program. On a $10,000 repayment this amounts to $3,265. In addition, the $10,000 would be subject to any applicable state and local income taxes.[65]

[63] U.S. Office of Personnel Management, Office of Compensation Administration, *Student Loan Repayment Program Questions and Answers*, available at http://www.opm.gov/oca/pay/StudentLoan/HTML/QandAs.htm, visited Apr. 5, 2007.

[64] U.S. Office of Personnel Management, Office of Compensation Administration, *Student Loan Repayment Program, Tax Liability Questions and Answers*, available at http://www.opm.gov/oca/pay/StudentLoan/HTML/QandAsTax.htm, visited Apr. 5, 2007.

[65] This example was provided to the authors by Gregg Esenwein, Specialist in Public Finance, at CRS.

Legislation Introduced in the 110th Congress on Tax Implications

A bill to exclude student loan repayments from gross income for the purposes of federal income tax is pending in the Senate.[66] Senator George Voinovich, for himself and Senators Daniel Akaka and Susan Collins, introduced S. 1047, Generating Opportunity by Forgiving Educational Debt for Service Act of 2007, on March 29, 2007. The bill was referred to the Committee on Finance. In his statement upon introducing the legislation, Senator Voinovich stated that it would "help Federal agencies and the Armed Forces recruit talented individuals" and "the potential impact ... far outweighs its minimal cost."[67]

S. 1047 would amend 26 U.S.C. §108(f) to exclude student loan repayments from gross income for the purposes of federal income tax. The bill also would amend 26 U.S.C. §3121(a) to exclude student loan repayments from the definition of wages under the Internal Revenue Code and 42 U.S.C. §409(a) to exclude repayments from the definition of wages under Social Security. The amendments would apply to payments made in taxable years beginning on or after the act's enactment in taxable years ending after such date.

Reporting Requirement

OPM is required by law to report to Congress annually on the implementation of student loan repayment programs in the agencies, including the number and job classifications of federal employees receiving repayments, and the cost of the repayments.[68] The current statutory requirement is for the report to include information on those agencies having student loan repayment programs. Legislation (H.R. 1765, Section 3, 109th Congress)[69] would have amended current law to require that the OPM report also include information on those agencies that have not implemented repayment programs.[70]

Legislation Introduced, But Not Enacted, in the 109th Congress to Amend the Law

Senator Akaka, for himself and Senator Durbin, introduced S. 2450, the Homeland Security Education Act, on March 16, 2006. The bill was referred to the Senate Committee on Health, Education, Labor, and Pensions, but saw no further action. Section 11 of the legislation would have amended Title 5, *United States Code*, by adding a new Section 5379a authorizing the Director of OPM to establish and administer a pilot program under which the student loans of federal employees possessing science, technology, engineering, mathematics, and foreign language skills would have been repaid. The legislation provided that not less than three but not more than five agencies could have set aside funds for a student loan repayment program under 5 U.S.C. §5379 to repay any student loan previously taken out by employees possessing such skills

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[66] Similar legislation was introduced in the 107th (S. 1817, H.R. 3893, and H.R. 4555), 108th (S. 512 and H.R. 1056), and 109th (S. 1255 and H.R. 1765) Congresses, but was not enacted.

[67] Statement of Senator George Voinovich, *Congressional Record*, daily edition, vol. 153, March 29, 2007, p. S4180.

[68] 114 Stat. 1654A-316-1654A-317.

[69] See the discussion of H.R. 1765 in the text under Legislation Pending in the 109th Congress on Tax Implications.

[70] The amendment would apply to reports submitted after the end of the three-month period beginning on the act's enactment date. The legislation does not specify what information would be provided on agencies that have not implemented repayment programs.

deemed critical to the agencies under their human capital strategic plans.[71] The repayments would have been direct payments made on behalf of an employee. Agencies participating in the program would have been required to set aside enough funds to repay the student loans of at least one-half of the number of employees with the identified critical skills who are needed.

Loans Covered

Student loans eligible for repayment would have been the same as those covered by current law—loans made, insured, or guaranteed under parts B, D, or E of Title IV of the Higher Education Act of 1965; and health education assistance loans made or insured under Part A of Title VII or Part E of Title VIII of the Public Health Service Act.

Length of Program

The program would have remained in effect for five years, beginning on the enactment date of the proposed Section 5379a. Employees recruited under the program who were in compliance with its requirements would have continued to receive benefits until the end of their service commitments.

Regulations

Not later than 60 days after enactment of the proposed Section 5379a and after consultations with the heads of agencies, the OPM Director would have proposed regulations for the pilot program. The final regulations would have been promulgated by the OPM Director not later than 180 days after the date on which the comment period for the proposed regulations would have ended.

Reports

The OPM Director would have reported to the appropriate committees of Congress on the program's implementation not later than 180 days after enactment of the proposed Section 5379a. OPM's annual report on the student loan repayment program under 5 U.S.C. §5379 would have included information on the status of the Section 5379a program, including a determination of its impact in recruiting and retaining employees possessing the identified critical skills and an assessment of whether it should be expanded to other agencies or to individuals possessing other critical skills. Agency heads would have provided any necessary information to OPM.

Authorization of Appropriations

Such sums as may be necessary to carry out the proposed Section 5379a would have been authorized to be appropriated to enable the federal government to recruit and retain employees with the identified critical skills.

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[71] "Agency" would mean any agency that, based on its human capital strategic plan, has a shortfall in the number of individuals possessing critical science, technology, engineering, mathematics, and foreign language skills. "Human capital strategic plan" would mean an agency's strategic plan under 5 U.S.C. §306.

Proposed Changes to the Regulations

OPM published proposed regulations to revise the rules governing student loan repayments in the *Federal Register* on January 9, 2007.[72] Among the changes under consideration are the following:

- agencies would need to document just the actions taken in approving a student loan repayment;
- student loan repayments could not be used "to recruit an individual from outside the agency who is currently employed in the Federal service";
- a job candidate who will be receiving a student loan repayment could sign the service agreement before he or she begins serving in the position;
- agency plans for student loan repayments could specify "that only student loans made within a certain time-frame are eligible for repayment";
- the full gross amount of the repayment (before taxes) would "count toward the benefit cap";
- the service agreement could address the possibility that it could be modified to provide additional repayments because of contingencies or other conditions that would be stated in the agreement;
- by mutual agreement between the agency and the employee, a service agreement could be modified to provide additional repayments for additional service, thereby removing the need for a new service agreement;
- periods during which an employee is "not in a pay status would not count toward completion of the required service period";
- service agreements would include a provision stating whether an employee would need to repay a student loan repayment if he or she transferred to a different agency during the service period;
- service agreements would have to expressly state that a violation of a condition would result in the employee's loss of eligibility for a repayment;
- when a service agreement is modified to provide additional repayments for additional service, reimbursement, if the employee failed to complete the additional service period, would cover just the repayments received during that additional period;
- agencies would have to retain records of student loan repayments for at least three years after the employee's required service period ends; and
- agencies would be required to report to OPM by March 31of each year on student loan repayments made during the previous calendar (rather than fiscal) year.[73]

[72] U.S. Office of Personnel Management, "Repayment of Student Loans," *Federal Register*, vol. 72, no. 5, Jan. 9, 2007, pp. 914-918.

[73] Ibid., pp. 914-915.

Student Loan Repayments in the Executive Branch

Executive branch agencies have considerable flexibility to implement student loan repayment programs. Two sample student loan repayment plans have been published by OPM as guidance to the agencies.[74] OPM also includes a summary of agency best practices and lessons learned on its Internet website.[75] Among the best practices listed are developing an online application system, using standard application and justification forms, verifying loan information, confirming that lenders are properly crediting payments, and developing internal controls.

In May 2006, OPM submitted its report to Congress on the FY2005 student loan repayments.[76] The OPM document is based on reports from the individual agencies on their repayment programs. (Given that the individual agency reports are not publicly available, CRS is unable to independently evaluate agency results.) According to OPM, 28 executive branch agencies made repayments to 4,171 employees at a total cost of $26,663,897 in FY2005. This compares with 26 executive branch agencies making repayments to 2,680 employees at a total cost of $15,028,432 in FY2004. From FY2004 to FY2005, the number of recipients increased by 55.6% and the cost of repayments increased by 77.4% in the executive branch. With the addition of the Departments of Commerce and Homeland Security in FY2005, all 15 cabinet agencies have now implemented repayment programs. The cabinet agencies made 3,504 repayments in FY2005 and the non-cabinet agencies made 667 repayments. The average payment was $6,009 (cabinet agencies) and $8,405 (non-cabinet agencies).

As shown in **Figures 1 and 2**, the number of employees receiving student loan repayments and the cost of the repayments in the executive branch have grown significantly. For FY2001, OPM reported that one student loan repayment had been made; the Department of Health and Human Services made a repayment of $6,000 for one employee.[77] In FY2002, 15 executive branch agencies made repayments to 521 employees at a total cost of $2,561,328 and by FY2003, 22 executive branch agencies made repayments to 1,802 employees at a total cost of $7,984,207.[78] **Table A-1** in the Appendix provides data on repayments in executive and legislative branch agencies. **Table A-2** lists the number of recipients and the cost of repayments for each of the executive branch agencies for FY2002, FY2003, FY2004, and FY2005.

[74] Available at http://www.opm.gov/oca/pay/StudentLoan, visited Apr. 5, 2007.

[75] Available at http://www.opm.gov/oca/pay/studentloan/html/bestpractices.asp, visited Apr. 5, 2007.

[76] U.S. Office of Personnel Management, Federal Student Loan Repayment Program Fiscal Year 2005 Report to the Congress, May 2006, available at http://www.opm.gov/oca/pay/StudentLoan, visited Apr. 5, 2007. (Hereafter referred to as FY2005 Repayment Report.) The OPM report includes GAO and GPO, but the results for these two agencies are not included in this discussion. See the Legislative Branch section in the text for information on GAO and GPO.

[77] Letter to Rep. Hastert, Speaker of the House of Representatives, from Kay Coles James, Director of the Office of Personnel Management, Mar. 29, 2002.

[78] U.S. Office of Personnel Management, *Federal Student Loan Repayment Program Fiscal Year 2002 Report to the Congress*, June 2003. U.S. Office of Personnel Management, Federal Student Loan Repayment Program Fiscal Year 2003 Report to the Congress, May 2004. (Hereafter referred to as FY2003 Repayment Report.) Available on the OPM website at http://www.opm.gov/oca/pay/StudentLoan, visited Apr. 5, 2007.

Figure 1. Student Loan Repayments

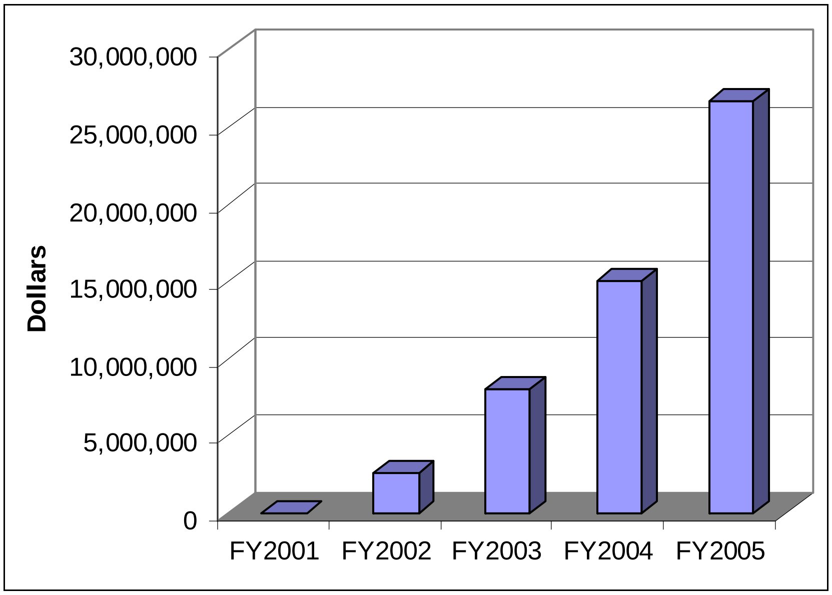
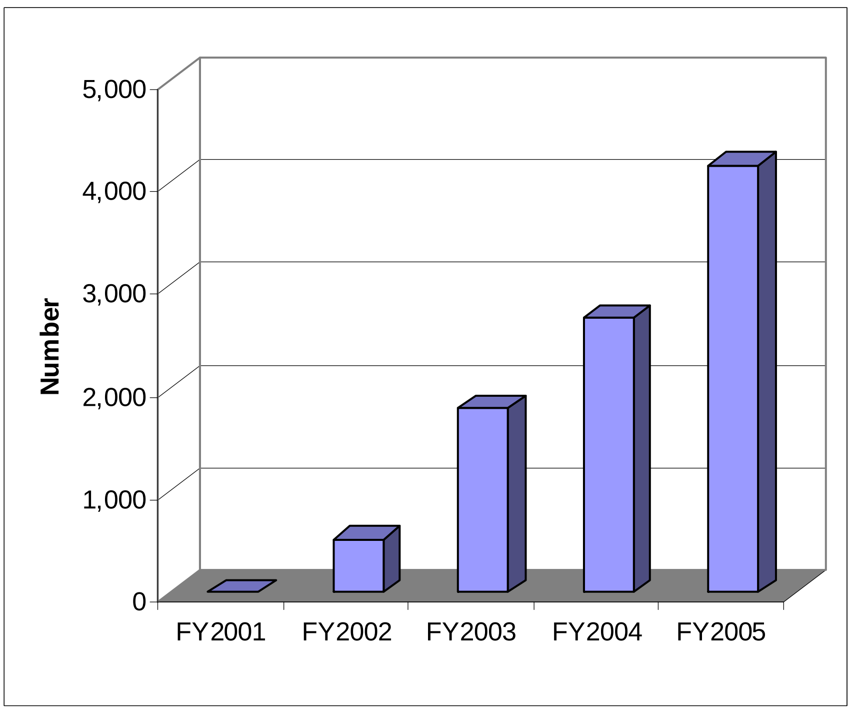


Figure 2. Student Loan Recipients



The top four agencies in terms of the number of employees receiving repayments in FY2005 were the Department of Justice (1,092 employees, up from 331 in FY2004 and 160 in FY2003); the Department of Defense (1,077 employees, up from 702 in FY2004 and 469 in FY2003); the Department of State (809 employees, up from 734 in FY2004 and 660 in FY2003); and the Securities and Exchange Commission (414 employees, up from 384 in FY2004 and 257 in

FY2003).[79] Of the four agencies, the Department of Justice, at 230%, had the greatest increase in the number of recipients from FY2004 to FY2005, followed by the Departments of Defense (53.4%) and State (10.2%) and the Securities and Exchange Commission (7.8%).

Other executive branch agencies with more than 50 employees receiving repayments in FY2005 were the Department of Housing and Urban Development (180 employees, up from 81 in FY2004), the Federal Energy Regulatory Commission (87 employees, up from 78 in FY2004), the Department of Veterans Affairs (82 employees, up from 53 in FY2004), and the Department of Health and Human Services (51 employees, down from 55 in FY2004). Among these agencies, the Departments of Housing and Urban Development, at 122.2%, and Veterans Affairs, at 54.7%, had the greatest increase in the number of recipients from FY2004 to FY2005. Eight agencies were repaying student loans for under 10 employees each.[80]

The Departments of Justice, Defense, and State, and the Securities and Exchange Commission also are the top four agencies in terms of the cost of repayments. For FY2005, these costs (rounded) were $10.064 million (Justice), $4.818 million (Defense), $3.860 million (State), and $3.690 million (Securities and Exchange Commission).[81] From FY2004 to FY2005, the cost of repayments increased 424.3% at Justice, 56.5% at Defense, 6.9% at State, and 12% at the Securities and Exchange Commission.

According to OPM, some 21% of recipients work as attorneys or criminal investigators.[82] The OPM report also provides information on the occupations of the recipients at the agencies with the largest participation in the student loan repayment program as follows.

- At the Department of Justice, the majority of repayments were provided to special agents (424), intelligence analysts (182), trial attorneys (84), investigative specialists (83), and support service clerks/technicians (55). The special agents, intelligence analysts, and investigative specialists are among the 988 FBI employees receiving repayments. FBI recipients represent 90.5% of the department's total of 1,092 recipients.
- At the Department of Defense, employees in some 105 different occupations received repayments, but most of them were provided to mechanical engineers (135), contract specialists (70), nuclear engineers (69), information technology specialists (65), and electrical and electronics engineers (53 each).

[79] For FY2002, OPM's report to Congress showed that the Department of State had 407 employees receiving student loan repayments, the Department of Defense had 6 employees, the Securities and Exchange Commission did not have any employees, the Department of Justice had 1 employee, and GAO had 169 employees receiving student loan repayments.

[80] The agencies are the Export-Import Bank (nine employees), the General Services Administration (seven), the National Archives and Records Administration (six), the Defense Nuclear Facilities Safety Board, the National Mediation Board and the Office of Personnel Management (four each), the Department of Commerce (two), and the Inter-American Foundation (one). (FY2005 Repayment Report.)

[81] FY2005 Repayment Report, pp. 1-3, 6-8, 12. The Department of Justice reported costs of $4,000 in FY2002; $688,149 in FY2003; and $1,919,412 in FY2004. The Department of Defense reported costs of $11,839 in FY2002; $1,309,247 in FY2003; and $3,079,228 in FY2004. The Department of State reported costs of $2 million in FY2002; $3,234,602 in FY2003; and $3,610,773 in FY2004. The Securities and Exchange Commission reported no repayments in FY2002 and costs of $1,462,450 in FY2003 and $3,293,727 in FY2004.

[82] FY2005 Repayment Report, p. 5.

- At the Department of State, 599 recipients were members of the Foreign Service (up from 547 in FY2004 and 472 in FY2003) and 210 recipients were General Schedule (GS) civil service employees (up from 187 in FY2004 and 188 in FY2003). Employees in some 44 different occupations received repayments, but the greatest number of recipients were in the Foreign Service positions of Political Affairs Officer (121), Economics Officer (104), Public Diplomacy Officer (97), Administrative Management (79), and Consular Officer (64). As for the GS positions, most of the recipients were in general management or passport/visa examiners (38 each) and foreign affairs officers (34).
- At the Securities and Exchange Commission, repayments were used primarily to recruit and retain attorney-advisers (242), staff accountants (78), and securities compliance examiners (48). Approximately 77% of the repayments made by the SEC were at the annual maximum amount of $10,000.[83]

Of those executive branch agencies which have not made student loan repayments, five reported that they have established a repayment plan and seven said they are in the process of developing such a plan. Agencies not offering repayments reported that among their reasons for not doing so are that higher-graded specialist positions are typically filled with individuals whose student loan debts have been paid off, recruitment or retention is not problematic, and hiring targets can be met.[84]

Effectiveness of Student Loan Repayments

As in its earlier reports, OPM asked agencies about the effect of student loan repayments on recruitment and retention. "Very positive comments" were provided by the agencies according to OPM and the responses of 12 agencies were summarized in its FY2005 report. Several of the responses were general statements, not supported by any evidence, that repayments: create "good employee morale," are "a useful tool in targeting difficult-to-fill occupations," "provide stability in the workforce," and "reinforced employees' belief they made the correct career choice."[85] Other responses addressed the specific use of repayment programs, including these:

> The Department of the Interior reported its program has been particularly important to its bureaus for attracting competent employees in the fields of engineering, environmental science, telecommunications, and financial analysis ... helpful in attracting highly-skilled employees to assist in the recovery and clean-up of damage caused by the devastating hurricanes ... during FY2005.
>
> The Department of Labor reported its ... program enabled its Office of Inspector General to retain valuable employees in jobs with high turnover rates.
>
> The National Aeronautics and Space Administration (NASA) uses its ... program as a tool for recruiting highly skilled graduates from undergraduate and graduate school programs ... [and] targets benefits to individuals participating in ... the Presidential Management Fellows Program, the Federal Career Intern Program, and the National Security Education Program.[86]

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[83] Ibid., pp. 6-7, and Attachment 2, pp. 1-3, 6-7, 8, 12.

[84] Ibid., pp. 4-5, 12.

[85] Ibid., pp. 8-9.

[86] Ibid.

When asked by OPM in 2004 "if using student loan repayment had improved recruitment and retention efforts," 21 of the 27 agencies responding to the question reported "a positive impact" while four agencies "gave neutral responses, mostly stating it was too early to determine the effectiveness of the program."[87] DOD provided an example to OPM of results in these areas. During the previous two years, one DOD component had recruited 335 college graduates in various career fields, thereby enabling the component to meet its recruitment goals in the scientist, engineer, and information technology fields. As for retention, a DOD component reported only five separations out of 173 program participants.

Five agencies reported to OPM that they were using student loan repayments to recruit Presidential Management Fellows (PMFs) or federal interns. For example,

> At the Department of Education, student loan repayment contributed to the successful recruitment of eight highly skilled PMFs during FY2004 ... the Department of Energy reported that it was able to hire four high caliber Technical Interns that it probably would not have been able to hire in the absence of student loan repayment. After recruiting these individuals using the program, the Department ... has had success in retaining these employees by converting them to permanent positions.[88]

OPM's FY2003 report noted: "The vast majority of the responding agencies stated that the use of the program had assisted them in recruiting and retaining highly qualified personnel."[89] Comments from agencies using the program for recruitment included statements that the repayments "allowed them to remain competitive with the private sector in recruiting top notch employees," heightened interest during recruiting at college campuses, and aided workforce diversity. Agencies using the program for retention said that the repayments reduced attrition among recent new hires, permitted the filling of a position requiring a particular competency, and positively affected the morale of employees, among other results.[90]

The majority of agencies told OPM in FY2004 that they had not established specific metrics to measure the effectiveness of student loan repayments as a recruitment and retention tool. Five agencies, however, reported that they had established metrics, three agencies were working to do so, and two agencies were using metrics already available. Another agency, HUD, was identifying baseline metrics for its repayment program on employee satisfaction, participant versus non-participant retention rates, and service agreement statistics.

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[87] U.S. Office of Personnel Management, *Federal Student Loan Repayment Program Fiscal Year 2004 Report to the Congress*, April 2005, p. 8. (Hereafter referred to as FY2004 Repayment Report.)

[88] Ibid., p. 9.

[89] FY2003 Repayment Report, p. 6.

[90] Ibid.

Administration

OPM's FY2005 report notes "the considerable administrative burden" reported by agencies who are implementing and administering repayment programs. "[W]orking with student loan lenders to verify an employee's loan information and ensuring loan payments are credited properly" is the most common difficulty. According to the agencies, such administrative tasks "can place heavy demands on staff resources."[91] Among administrative practices reported to OPM, the Department of Defense delegates approval of repayments "to the lowest practical management level," and the State Department provided 89% of recipients with a lump sum repayment of $4,600 in FY2005.[92]

Some agencies administer funding of the repayment programs centrally, while other agencies delegate authority to component agencies or organizations, and still others apply a case-by-case approach. OPM's FY2004 report provided examples of each approach as follows.

HUD centrally allocates funds for repayments and offers them to all qualifying employees. The State Department's repayment program is both centrally funded and administered. Repayment decisions are almost entirely based on the recruitment needs for specific posts or positions. An individual's eligibility for a repayment is determined by using six recruitment and retention difficulty factors for Civil Service employees and 11 factors for Foreign Service employees. The repayment amounts provided depend on annual funding and the number of employees eligible.

As for delegated authority, the Federal Energy Regulatory Commission allocates salary funds to each of its program offices based on their full-time employment totals; each office then determines, by managing-to-budget, the amount of repayments. At the Department of the Treasury, several program offices have reserved special funds for incentives, such as student loan repayments, for critical positions requiring unique skills. DOD applies established criteria to justify and budget for repayments that meet specific recruitment and retention needs.

On a case-by-case basis, a committee of three senior managers at the Export-Import Bank reviews each request for student loan repayment against factors such as difficulty recruiting or retaining highly or uniquely qualified individuals, availability of funds, the employee's performance, and the availability of other tools for recruitment or retention.[93]

OPM stated that the "vast majority" of agencies reported in FY2003 that budgeting decisions for student loan repayments were delegated to their component organizations. Some agencies said that they "manage-to-budget" according to available funding. Another agency reported that limited funds dictate that repayments be justified against other types of incentives. OPM stated that it would continue to assist agencies in establishing budget plans for loan repayments.[94] Several agencies not currently using student loan repayments noted that "lack of funding for the program or general budgetary constraints" was the reason.[95]

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[91] FY2005 Repayment Report, pp. 11-12.

[92] Ibid., p. 6.

[93] The information in the preceding four paragraphs is taken from the FY2004 Repayment Report at pp. 8-12.

[94] FY2003 Repayment Report, p. 7.

[95] Ibid.

Barriers

According to OPM, the three primary barriers to using student loan repayments continue to be difficulty in funding the program, the tax liability of the repayment, and the requirement of a three-year service agreement in return for a repayment.[96] "Fiscal constraints" were reported by 18 of 22 agencies who responded to OPM's question on impediments to the use of student loan repayments in FY2005. Eight of the 18 said that lack of funding precluded making any repayments.[97] The FY2002 OPM report on the repayment program stated that several agencies recommended that tax liability on repayments be eliminated and that the three-year service requirement be reduced.[98] In its FY2005 report, OPM notes the views of one agency that the "service obligation is overly burdensome to employees, considering no pro rata credit is given (i.e., the penalty for failing to complete the service agreement is full reimbursement to the paying agency)."[99] Legislation would be required to make the changes on tax liability and service required. H.R. 1765 and S. 1255, the Generating Opportunity by Forgiving Educational Debt for Service Act of 2006, which would address the tax liability issue, are pending in the 109th Congress. (See the discussion under "Tax Implications," above.)

Publicity

The agencies reported using various means to publicize their repayment programs in FY2003. When the benefit is used for recruitment purposes, "career fairs, website announcements, college placement office notices, college recruiting trips, pamphlets and brochures, and job announcements" are used to announce the availability of the benefit. "New employee orientation, agency intranet, employee newsletters, employee guides, supervisor guides, briefings to managers, supervisory training courses, email announcements, and telegrams to offices abroad" are among the methods used to publicize the availability of repayments for retention purposes.[100]

The FY2004 report notes that OPM hosted a focus group on student loan repayments in September 2004, and the FY2005 report states that two interagency forums were conducted in August and December 2005. Agencies exchanged information about the implementation of their repayment programs at both events. An interagency working group and an e-mail list server were established in 2005 to foster such information sharing; the working group has met several times, most recently on May 23, 2006. OPM anticipates that the increased use of student loan repayments will continue in FY2006.[101]

OPM's Administrative Role

In a July 22, 2005, report on the student loan repayment program, GAO suggested that OPM and the Chief Human Capital Officers Council could improve the efficiency, administration, and evaluation of the program by

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96 FY2004 Repayment Report, p. 12, and FY2005 Repayment Report, p. 11.

97 FY2005 Repayment Report, p. 11.

98 FY2002 Repayment Report, p. 7.

99 FY2005 Repayment Report, p. 11.

100 FY2003 Repayment Report, p. 6.

101 FY2004 Repayment Report, pp. 12-13, and FY2005 Repayment Report, pp. 12-13.

> working with the agencies, [to] determine where program streamlining and consolidation of agencies' administrative tasks are most feasible and appropriate, and design ways to implement these program improvements, especially those that could be implemented governmentwide and the most cost-effective ways to implement them. Examples of program improvements ... include creating a central database of student loan lender information and establishing a shared service center arrangement for student loan repayments.
>
> Continu[ing] and expand[ing] on its efforts to provide agencies assistance and to help facilitate coordination and sharing of leading practices ... .
>
> Help[ing] agencies determine ways in which they can monitor long-term program effects on their recruitment and retention needs, such as determining data to collect and use as indicators of effects. This ... could provide a consistent set of governmentwide indicators that would allow OPM to assess, and report to Congress on, the program's overall results achieved.[102]

OPM concurred with GAO's recommendations and addressed the third suggestion, related to data requirements and indicators, as part of its comments on a draft of the report. The Enterprise Human Resources Integration (EHRI) data warehouse, with more than 400 human resources, training, and payroll data elements, will provide OPM with "a greatly improved ability to track and measure the success" of the student loan repayment program by facilitating the establishment of data requirements and the creation of a baseline, according to the agency. The HR Line of Business initiative, under which multiple agencies are served by a few providers, may allow for consolidation and automation of the repayment program in a cost-effective way.[103]

Managers responsible for administering student loan repayment programs in the executive branch discussed the GAO recommendations at two forums hosted by OPM on August 3, 2005, and December 14, 2005. An issue reportedly examined at the earlier forum focused on the responsibility of employees to have their student loan papers in order.[104] Following the August meeting, OPM encouraged departments and agencies to "develop a budget plan for using recruitment and retention incentives, including student loan repayments."[105] In a November 22, 2005, letter to the Chief Human Capital Officers, OPM Director Linda Springer requested that departments and agencies submit FY2005 data to OPM for the annual report on student loan repayments and identify ways OPM could assist them with their programs. She also encouraged them to share information on "best practices, lessons learned, program effectiveness, metrics used to measure program success, establishing a business case, problem areas, or other relevant details."[106]

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[102] U.S. Government Accountability Office, *Federal Student Loan Repayment Program; OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results*, GAO-05-762 (Washington: July 2005).

[103] Ibid., pp. 38-39.

[104] Karen Rutzick, "Agencies Seek to Iron Out Student Loan Repayment Details," *Government Executive*, Aug. 3, 2005.

[105] U.S. Office of Personnel Management, *OPM Encourages Agencies to Use Federal Student Loan Repayment Program as Hiring Incentive and Retention Tool*, Aug. 8, 2005.

[106] U.S. Office of Personnel Management, Memorandum for Chief Human Capital Officers, From Linda M. Springer, Director, *Fiscal Year 2005 Student Loan Repayment Report*, Nov. 22, 2005.

Student Loan Repayments in the Legislative Branch

There is considerable interest in student loan repayment in the legislative branch, but no single policy for, or approach to, repayments currently applies evenly across the entire legislative branch. The 1990 student loan repayment statute (P.L. 101-510) provided authority to GAO, GPO, and the Library of Congress to establish student loan repayment programs. The FY2002 Legislative Branch Appropriations Act (P.L. 107-68, H.R. 2647) provided the Senate and CBO with authority to establish student loan repayment programs. The FY2002 Department of Defense Appropriations Act (P.L. 107-117, H.R. 3338) extended similar authority to the U.S. Capitol Police.

As noted earlier, the House tried unsuccessfully in the 107th Congress to establishment a repayment program for its employees. A House bill (H.R. 2555), referred to two House committees, proposed that a student loan repayment program be authorized for the entire legislative branch. No further action was taken on this bill. Early in the 108th Congress, however, Congress passed legislation authorizing a program for House employees under P.L. 108-7, the Consolidated Appropriations Resolution, 2003.

Conferees to the FY2002 Legislative Branch Appropriations bill[107] directed the Legislative Branch Financial Managers Council (LBFMC)[108] to "develop, in consultation with all Legislative Branch entities the controls and criteria that will govern [student loan repayment] program implementation." The LBFMC was directed to perform a comparative analysis between entity implementing regulations and governing controls and criteria. The LBFMC consulted with each legislative branch entity, completed a comparative analysis, and developed governing controls and criteria recommendations for the repayment programs in the legislative branch. The LBFMC reported the results of the analysis and recommendations to the House and Senate appropriations subcommittees on the legislative branch on February 27, 2002. These recommendations included guidelines for the purpose of the repayments; designation of authorizing officials; service agreement criteria and duration; amount and size of repayments; eligibility for repayments; eligible loans; repayment exceptions and waivers; records and reports; and review of the program. The recommendations would provide for consistent application of the program, yet at the same time permit some flexibility. For instance, the duration of the service agreement would necessarily be different for the House and the Senate due to the congressional election cycles. In general, the legislative branch agencies have modeled their programs on the recommended guidelines.

Seeking to be competitive with other employers, Congress and several legislative branch entities have established or continue to consider the loan repayment programs as a possible tool to recruit highly qualified and talented individuals, as part of benefits packages.[109]

[107] H.R. 2647, H.Rept. 107-259.

[108] Established by charter in March 1996, the Council's mission is to promote more effective financial management of the legislative branch, and works to ensure that efficient and cost-effective financial systems are available to support decision making. The Council comprises the financial managers of legislative branch entities (including the Architect of the Capitol, the U.S. Capitol Police, CBO, GAO, the House of Representatives, the Library of Congress, the Office of Compliance, and the Senate).

[109] Legislative branch support agencies also have offered the flexibility (or are seeking authority to offer greater flexibility) to establish selected family-friendly policies such as flexitime, child care, and telework, as well as the promise of professional training and development, upward mobility, and recruitment bonuses.

Service agreements in the legislative branch agencies vary from one to three years. For the House and Senate, the requirement for a shorter service agreement than the executive branch (one-year agreement) is attributed to the impact that election cycles and possible changes in Congress' majority/minority composition may have on the individual Members' offices, committees, and administrative support offices.

Table A-1 includes data on repayment programs in the legislative branch for FY2004.

Need for Congressional Program

Some Members in both the Senate and the House, concerned about high turnover and "brain drain" in their personal and committee offices, have expressed varying degrees of interest in and support for student loan repayment programs. Congressional staff, on average, tend to be younger than other federal employees, and many are recent college graduates carrying significant student loan debt. According to the *2001 Senate Staff Employment Study*, conducted by the Congressional Management Foundation (CMF),[110] in the offices that responded, about 86% of Senate staff held at least a bachelor's degree and about 20% had advanced degrees.[111] The *2004 House Staff Employment Study* found that, in the offices that responded, 70% of House staff held a minimum of a bachelor's degree and 17% held advanced degrees.[112]

Proponents of the repayment program want the same tools as other federal employers to attract and retain high caliber individuals. Others do not see the necessity for a student loan forgiveness program as a recruitment incentive, however, because they find no lack of highly qualified applicants for congressional jobs. Working for a congressional office or committee is viewed as highly desirable, and these staff positions have a certain cachet that, arguably, makes them at least as desirable as other federal jobs.[113]

Congress watchers observe that congressional staff tenure is relatively short because congressional salaries cannot compete with those in the private sector, the hours are long, and the workload is heavy. Even under such conditions, thousands of highly qualified individuals flock to Capitol Hill for the opportunity to work for a Member of Congress or congressional committee, to have input into public policy, and to play a role in shaping the nation's laws. Some observers maintain that a high percentage of staff never intend to stay long, and view the Hill experience as a launching pad from which to reach other career goals.[114]

On the other hand, in the view of many, while recruitment of congressional staff is not a problem, retention is. According to the CMF 2001 Senate study, 50% of Senate staff had less than one year of experience in their current positions, including 52% of communication directors, 44%

[110] Established in 1977 by former congressional staff to help improve congressional office management practices, the Congressional Management Foundation is a nonprofit, nonpartisan organization. The studies of the Senate and House apply only to congressional staff in personal offices, not to leadership or committee staff.

[111] Sheree L. Beverly, *2001 Senate Staff Employment Study* (Washington: Congressional Management Foundation, 2002). This study was based on 62 Senate offices responding to the CMF questionnaire. (Hereafter referred to as *2001 Senate Staff Employment Study*.) This is the most recent report available.

[112] CMF produced the study, *2004 House Staff Employment Study*, for the Chief Administrative Officer of the House of Representatives. Questionnaires were sent to 440 House personal offices, and the study was based on the responses of 212 House offices. (Hereafter referred to as *2004 House Staff Employment Study*.) See p. 85 for education statistics.

[113] Congressional Quarterly, Inc., *Guide to Congress*, 5th ed., vol. 1 (Washington: CQ Press), p. 581.

[114] Roger H. Davidson and (name redacted), *Congress and Its Members*, 9th ed. (Washington: CQ Press), p. 219.

of legislative assistants, 73% of legislative correspondents, 50% of legislative directors, and 34% of chiefs of staff.[115] Results of the CMF 2004 House study indicated that over 60% of House staff have two or fewer years experience in their current positions, including 39% of chiefs of staff, 64% of legislative directors, and 66% of press secretaries.[116] Turnover is higher for entry-level positions.

High staff turnover not only affects an individual Member's office or a committee on which the Member serves, but also is a qualitative and quantitative loss to Congress as an institution. The potential disruption to the smooth operations of a congressional office or committee, and the time needed to recruit, interview, hire, and train new staff is a cost that has not been precisely calculated. This concern has led the Senate and the House to establish student loan repayment programs, which are detailed below.

Senate

Senate employing offices have the authority to establish a student loan repayment program under the FY2002 Legislative Branch Appropriations Act (P.L. 107-68) for recruitment and retention purposes. The act authorizes the head of a Senate employing office, at his or her discretion, to establish a program under which the office may agree to repay student loan debt by direct payments on behalf of the Senate employee.

Under P.L. 107-68, the authorized appropriation for the program for the personal office of a Senator is to equal 2% of the total sum appropriated for administrative and clerical salaries. The amount for all other employing offices (committee, leadership, and administrative) is 2% of the total sums appropriated for the fiscal year for the salaries of those offices. For Senate committees, the funds are to be apportioned between the majority and minority staff. The Secretary of the Senate established a central account specifically for the program from which repayments are made available, and within that account there are sub-accounts for each employing office from which the student loan repayments are to be made. The authorization applies to FY2002 and each fiscal year thereafter, and is subject to annual appropriations.

The Senate began implementation of student loan repayments in mid-March 2002. A minimum one-year service agreement is required, with the possibility of additional one-year agreements.[117] The monthly maximum is $500 ($6,000 per year) over a 12-month period with a total limit of $40,000. There are no plans at this time to increase the monthly or aggregate amounts permitted for repayments to the levels authorized for executive branch employees ($10,000 per year, $60,000 aggregate). The program has components similar to those provided for the executive branch, including the requirement that an employee must repay the benefit if the employee does not fulfill the terms of the service agreement. The benefit is not an entitlement or a guarantee of continued employment. The repayment may be made on current and outstanding specified loans only, and the amounts are in addition to basic pay and subject to taxes. The types of eligible loans are the same as those approved for the executive branch.

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[115] *2001 Senate Staff Employment Study*.

[116] *2004 House Staff Employment Study*, p. 82.

[117] The shorter service agreement requirement takes into consideration the unique realities of the Senate election cycles, and any potential changes in the majority in the Senate.

The Secretary of the Senate has provided offices with guidance on the steps to implement the student loan program, and has prepared a standard service agreement for the use of employing offices. Written service agreements must be signed and submitted to the Senate Disbursing Office, which will make the repayments directly to the lender.

At the April 13, 2005, Senate Appropriations Subcommittee on Legislative Branch hearing on the FY2006 appropriations bill, the Secretary of the Senate reported that a survey on the student loan program was conducted about a year ago. Sixty offices out of 140 Senate offices (personal, committee, leadership, and administrative) responded to the survey, and the responses indicated strong support for the program. Although there is no statistical evidence that the benefit has been an effective recruitment and retention tool, the secretary stated that there is anecdotal evidence that Senate offices view it as an effective tool. Each of the Senate offices participating in the program varies in the benefit amounts, up to the program maximum of $500 a month, and each sets its own program within the parameters of the law. Currently, some 126 offices are providing the student loan repayment to nearly 900 Senate employees at a cost of about $3 million (an average of approximately $3,333 a year per employee). The administration of the program is quite complex; and the secretary indicated that at times as there could be as many as 100 lenders to pay, with many lending institutions being sold and re-managed, and stated that efforts were underway to streamline the process in paying lenders. At the hearing, Senator Durbin expressed the hope that information be gathered and safeguards be put in place to prevent abuses and waste and to enhance the initial goals of the program (recruitment and retention). The Secretary of the Senate stated that she looked forward to working on this with the Senator.[118]

House of Representatives

Under the Consolidated Appropriations Resolution, 2003 (P.L. 108-7), the House was granted authority to establish a student loan repayment program for its employees. The Committee on House Administration directed the Chief Administrative Officer (CAO) to design and administer a program modeled after the Senate's and, in general, executive branch repayment programs. Like the Senate program, the House program requires a one-year service agreement, with the possibility of additional one-year agreements. The maximum monthly payment is $500 ($6,000 annual) with a total limit of $40,000 per employee. There are no plans at this time to increase the annual and aggregate amounts permitted for repayments to the levels authorized for executive branch employees.

A central account, administered by the CAO, funds the House repayment program; thus, costs do not come from the Member's Representational Allowance (MRA), or committee or office budgets. The personal office of a Member, Delegate, or Resident Commissioner is to be allocated an amount equal to 2% of the average MRA for all Member offices for the year. For other House employing offices, an amount equal to 2% of the salaries and expenses for the year is to be made available. The House Offices of Finance and Human Resources have established a reporting mechanism by which Member personal offices, House officers, and other House offices are informed of monthly student loan repayments made to the participating offices.

[118] Remarks during Senate Appropriations Subcommittee on Legislative Branch Appropriations Hearings on FY2006, April 13, 2005.

The CAO has prepared a standard written agreement for the offices to use. If a House employee violates or leaves the office before fulfilling the terms of the service agreement, the employee must pay back the benefit. The benefit is not an entitlement or a guarantee of continued employment. The decision for granting the benefit is at the sole discretion of each employing office, subject to law and regulations. Repayments may be granted only to full-time employees. Interns, volunteers, unpaid staff, and Members are not eligible for the program. The repayment may be made to current and outstanding specified loans only, it must be paid directly to the lender, and payments are counted as taxable income.

At the beginning of March 2003, the Committee on House Administration held briefings on the repayment program for leadership, committee, and personal offices. Details about the repayment benefit are available on the committee's website, at http://www.house.gov/cha/studentloan.htm.

Student loan repayments began in the House in May 2003. The House Committees on Appropriations and House Administration receive annual reports on student loan repayments made on behalf of House employees.

In FY2004, a total of 2,102 House employees in 465 Member offices, leadership offices, committees, and administrative support offices received the repayment benefit. The repayments ranged from $300 to $500 a month per employee, and the House spent a total of $7,075,000 (an average of $3,366 a year per employee) for the program during the fiscal year. In FY2005, the total monthly limit of repayment benefits for each individual Member's office is $2,147. The repayment program is generally viewed as useful for both recruitment and retention.[119]

According to the CMF *2004 House Staff Employment Study*, a majority (63%) believed that the repayment program helped the offices with recruitment and retention.[120] About 11% of the offices said they did not believe it assisted with these goals and nearly 26% were "not sure" of the impact.[121]

Other Legislative Branch Entities

Congress has indicated concern about impending retirements within the federal workforce[122] and in the legislative branch. As with executive branch agencies, several legislative branch entities have implemented programs or are currently considering or formulating possible student loan repayment programs for their respective employees.

Legislative branch entities are planning for substantial retirements in their respective agencies over the next several years. For example, by the end of FY2006, 30% of all employees at CBO will be eligible for retirement, including 22% of analysts and 46% of managers.[123] The Library of

[119] Based on telephone conversation with the Office of the Chief Administrative Officer on May 12, 2005 and June 7, 2005.

[120] 440 offices were surveyed and 212 offices responded.

[121] CMF *2004 House Staff Employment Study*, p. 59-61.

[122] U.S. Congress, Senate Committee on Governmental Affairs, *Report of Senator Fred Thompson on Management Challenges Facing the New Administration*, 106th Cong., 2nd sess., S.Prt. 106-62 (Washington: GPO, 2000). U.S. Congress, Senate Committee on Governmental Affairs, Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, *Report to the President: The Crisis in Human Capital*, 106th Cong., 2nd sess., subcommittee rept. prepared by Sen. George V. Voinovich, Chairman (unpublished: 2000).

[123] Information provided to CRS by CBO staff by electronic mail on June 8, 2004.

Congress estimates that 32% of its employees, including 27% of information technology specialists, will be eligible for retirement by that date.[124] Thirty-eight percent of Congressional Research Service (CRS) employees will be eligible to retire by the end of FY2006, including 40% of the research and analytical staff and 79% of senior management.[125] At GAO, more than 28% of the analysts and 61% of senior executives will be eligible for retirement by the end of FY2009.[126]

These agencies have devised strategic plans to replace seasoned employees who retire with highly qualified and skilled personnel. Some agencies view student loan repayment programs as an attractive additional component to the benefits package available to potential candidates who might have heavy student debt.

The authority of the legislative entities to establish student loan repayment programs and the status of the programs are discussed below.

U.S. Capitol Police

The FY2002 Department of Defense Appropriations Act (P.L. 107-117, H.R. 3338) authorized the U.S. Capitol Police to establish a student loan repayment program similar to those established under P.L. 101-510. Subsequently, the Consolidated Appropriations Resolution, 2003 (P.L. 108-7, H.R. 5121), authorized an educational assistance program for Capitol Police employees. Under this law, the Chief of the Capitol Police may recruit and retain qualified personnel using incentives such as student loan repayment, educational and tuition assistance, training, and career development programs. Currently, repayments of up to $10,000 annually and up to $40,000 in the aggregate per employee are permissible. These amounts include monies granted to an employee for student loan repayment, and tuition reimbursement and assistance expected to be implemented soon. Service agreements are for two years.

In December 2003, the Capitol Police issued regulations for the repayment program and began making loan repayments in May 2004 in support of efforts to recruit and retain highly qualified employees, mainly law enforcement professionals and some human resources and information technology specialists. For FY2004, 107 Capitol Police employees were given the repayment benefit at a total cost of $944,000 (an average of $8,822 per employee). In FY2005, the Capitol Police estimates that $1.1 million will be spent on repayments, and the FY2006 budget request for the repayment is $1,383,000.

[124] Information provided to CRS by Library of Congress staff by electronic mail on June 9, 2004. The data do not include the Congressional Research Service.

[125] Information provided by CRS staff by electronic mail on June 3, 2004.

[126] Information provided to CRS by GAO staff by electronic mail on June 3, 2004.

No studies or surveys on the program's effectiveness in recruitment or retention are currently available, partly because it is still new. The Capitol Police have stated however, that there is anecdotal evidence the program is attracting law enforcement candidates and reducing attrition. In the aftermath of the September 11, 2001, terrorist attacks and concerns about bio-terrorism, the Capitol Police lost many officers who took employment in other federal agencies or in the private sector. The agency has found the program to be useful in the intense competition for law enforcement professionals. The Capitol Police also noted that many more of their sworn officers who have been recruited hold degrees.[127]

Congressional Budget Office (CBO)

Authority for CBO to establish a student loan repayment program was provided for under the FY2002 Legislative Branch Appropriations Act (P.L. 107-68, H.R. 2647). Currently, approved employees are eligible for repayments of up to $6,000 (annual) and up to $40,000 (aggregate). In February 2003, CBO established guidelines for the program and began to offer the benefit as a recruiting tool for analysts specializing in the areas of health, finance, and tax. For FY2003, CBO received $30,000 to fund the program. For FY2004, CBO requested $25,000, received a budget of $15,000, and spent $14,683 for three employees (an average of $4,894 a year per employee). For FY2005, CBO requested and received $25,000. To date, CBO has spent $6,000 and provided benefits to one employee. CBO again requested $25,000 for FY2006.[128]

Government Accountability Office (GAO)

Authority for a student loan repayment program is provided for GAO under P.L. 101-510. GAO issued the final order to implement the program on June 7, 2002. Each fiscal year, GAO allocates funds to be used for the program based on GAO's Human Capital Office estimates of program participation in a given fiscal year.

GAO reported the following information to OPM on student loan repayments at the agency:

- in FY2002, 169 recipients at a cost of $602,662;
- in FY2003, 231 recipients at a cost of $945,206;
- in FY2004, 237 recipients at a cost of $1,142,295; and
- in FY2005, 218 recipients at a cost of $1,170,876.

For FY2006, GAO made repayments to 286 recipients at a cost of $1,396,538. According to the agency, "a demographic breakdown of the FY2006 recipients shows that 59 percent were in headquarters and 41 percent [were] in the field; 26 percent were minorities ... 43 percent have been with GAO more than three years [and] 57 percent, less than three years." The repayments ranged from less than $4,500 (received by 17 employees with lower student loan balances), to $4,500 (received by 228 employees) to $8,000 (received by 40 employees in hard-to-fill positions).[129]

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[127] Based on a telephone conversation with staff of the U.S. Capitol Police, Office of Financial Management, budget office on April 27, 2005 and June 8, 2005.

[128] Based on email from staff of the Congressional Budget Office on April 28, 2005.

[129] U.S. Government Accountability Office, *GAO's Management News*, Week of Jan. 15-19, 2007, Vol. 34, No. 15.

In the spring of 2004, GAO conducted an evaluation of the FY2003 repayment program in a web survey. The question concerning the efficacy of the program read as follows: "The purpose of the student loan repayment program is to repay all or part of a student loan to facilitate the recruitment or retention of highly qualified employees. Overall, how much influence does the student loan repayment program have on your decision to stay at GAO?" A total of 286 respondents answered as follows:

Great Influence—18.9%

Some Influence—17.1%

Moderate Influence—25.9%

Little or no influence—30.1%[130]

Government Printing Office (GPO)

Authority to establish a student loan repayment program is granted to GPO under P.L. 101-510. GPO implemented a repayment program in April 2002, and since that time, 52 employees have received repayments. The program is funded from GPO's revolving fund. In FY2004, GPO provided 28 employees with the benefit at a cost of $253,638 (an average of $9,059 a year per employee). The estimate for FY2005 is to provide 25 employees with the repayment benefit at a cost of about $175,000.[131]

Library of Congress (LOC) (including the Congressional Research Service (CRS))

Authority for the Library of Congress to establish a student loan repayment program is provided for under P.L. 101-510. The Library issued final regulations on the student loan repayment program on October 7, 2002, and revised those regulations on May 5, 2004.[132] CRS requested, but did not receive, funding for a repayment program in FY2003 and FY2004. In FY2005, Congress did not approve a proposal for CRS to establish a pilot repayment program.

Library offices (not including CRS) are absorbing costs for the repayment program within their base budgets because the Library did not receive funding for the program in both FY2004 and FY2005. The Library did not request funds for FY2006. In FY2003, the Library provided the repayment benefit to two employees and in FY2004, to eight employees at a total cost of $46,000 (an average of $5,750 a year per employee). In FY2005, the Library anticipates providing benefits to seven employees at a total cost of approximately $41,000.[133]

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[130] Any GAO employee could answer the survey. Based on an electronic mail transmission from GAO on June 6, 2005.

[131] Based on emails from the GPO budget office on May 12 and May 13, 2005. The data presented are the most current and may differ from the OPM statistics because of differences in the reporting date.

[132] U.S. Library of Congress, Regulations, *Repayment of Student Loans*. LCR 2017-6. May 5, 2004.

[133] Based on information provided by the Budget Office of the Library of Congress on April 26, 2005.

The Architect of the Capitol[134] and the Office of Compliance[135] each have examined the repayment program as a possible recruitment and retention tool. Although each agency requested authority to establish a student loan repayment program in the past, Congress did not grant the requests.

Student Loan Repayments in the Judicial Branch

The Administrative Office of the U.S. Courts administers personnel policies for the judicial branch. According to the Office, consistent with Judicial Conference of the United States policy, statutory language was included in courts improvement legislation in the 108th Congress (H.R. 1302 and S. 2396)[136] that would have authorized judicial law clerks working full-time to defer payment of principal and interest on federally insured student loans for up to three years (typically the term law clerks serve). A similar legislative proposal was submitted to the 109th Congress in March 2005, but has not been introduced. The authority is sought to enable federal judges to be more competitive with law firms in hiring new attorneys as clerks. Unlike executive branch agencies, the Judiciary has not sought statutory authorization to use its appropriated funds to repay student loans as a recruitment or retention incentive for prospective or current employees.[137]

Issues for Consideration

Agencies may consider several issues as they implement student loan repayment programs or determine whether the establishment of such programs is desirable or feasible. Among these issues are how the program will be funded, the length of the service agreement between the agency and the employee, the criteria for eligibility, and the kinds of program data to be collected. Each is discussed below.

Funding

While P.L. 101-510, as amended, provides authority to executive and certain legislative branch support agencies to establish student loan repayment programs, the law does not provide funding to implement those programs. The legislative history of the 1990 law is clear that the authority is to be used "sparingly" and that no additional appropriations were anticipated. Despite this intention, a specific appropriation for repayments is sometimes requested and received by

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[134] The AOC requested, but was not granted, authority to establish a repayment program in its FY2003 and FY2004 budget proposals. No request was made in FY2005 or FY2006. Based on a telephone conversation with Architect of the Capitol staff on April 27, 2005.

[135] The Office of Compliance requested, but was not granted, authority for a repayment program in FY2004 or in FY2005, and did not request authority in FY2006. Based on a telephone conversation with Office of Compliance staff on April 29, 2005.

[136] H.R. 1302, Federal Courts Improvement Act of 2003, was introduced by Representative Lamar Smith on March 18, 2003, and was referred to the House Committee on the Judiciary the same day. The Subcommittee on Courts, the Internet, and Intellectual Property marked-up the bill and forwarded it to the full committee on March 20, 2003. S. 2396, Federal Courts Improvement Act of 2004, was introduced by Senator Orrin Hatch on May 10, 2004, and was referred to the Senate Committee on the Judiciary the same day. Neither bill saw further action.

[137] Information provided by electronic mail to CRS by Administrative Office of the U.S. Courts staff on May 3, 2005.

agencies. The Department of State, for example, requested an appropriation of $7 million for FY2002 and received an appropriation of $2 million for such repayments.[138] The FY2002 Legislative Branch Appropriations Act (P.L. 107-68) authorized appropriations for a student loan repayment program for Senate employing offices in FY2002 and each succeeding year. Not all agencies receive specific funds for the program, however. Absent this, agencies must prioritize among all available recruitment and retention incentives, including student loan repayments, and then allocate funds accordingly from existing pay and benefits programs. A consideration might be how to use the funding available for incentives in a manner that would benefit the greatest number of employees.[139]

The U.S. Commission on National Security/21st Century, known as the Hart-Rudman Commission, recommended that additional funds "to maximize agencies' options in recruiting and retaining high-quality personnel" be provided. Identifying student loan repayments as one of many incentive programs designed to recruit and retain employees, the commission stated that the lack of agency use of the programs resulted from a "lack of funds." The commission noted that, "Because all incentive programs are drawn from the same pool of money as that for salaries, administrators must trade off incentives for some employees against the ability to hire additional personnel." The commission also recommended loan forgiveness for those individuals in science, mathematics, and engineering entering civilian government or military service.[140]

Required Service Agreement

Currently, a service agreement of at least three years is required in the executive branch. In the legislative branch, the service agreement varies from one to three years. Among the considerations that might enter into an agency's discussion of the appropriate length of a service agreement are these: Whether the repayments are used to recruit or retain employees, the time and resources that would be expended to hire and train employees to replace those who are leaving, the time that it takes for newly hired employees to develop expertise in their positions, and whether a service agreement longer than the minimum would diminish the interest of employees in working in agencies with extended requirements. Additionally, a Member of Congress's tenure in office may affect the decision on the length of the service period required in House and Senate offices.

[138] Telephone conversation with Department of State staff on Feb. 6, 2002. P.L. 107-77, Nov. 28, 2001, 115 Stat. 783; U.S. Congress, Conference Committees, *Making Appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies for the Fiscal Year Ending September 30, 2002, and for Other Purposes*, conference report to accompany H.R. 2500, 107th Cong., 1st sess., H.Rept. 107-278 (Washington: GPO, 2001), p. 145.

[139] The National Treasury Employees Union (NTEU) "strongly supports" the student loan repayment program, but is concerned that "no new funding was authorized." NTEU is "hopeful Congress will provide additional funding to help agencies pay for this important benefit, and that Congress will require agencies to utilize this incentive authority." NTEU statement received by CRS by facsimile on July 18, 2001.

[140] U.S. Commission on National Security/21st Century, *Road Map for National Security: Imperative for Change*; The Phase III Report (Washington: Feb. 15, 2001), pp. 99 and 125.

Eligibility Criteria

When publishing the proposed regulations, OPM identified five factors to be considered in determining whether the loan repayments should be authorized and the amount of such payments:

- the success of recent efforts to recruit high quality candidates,
- labor market factors affecting recruitment,
- special qualifications or education needed,
- the cost of training current versus new employees, and
- the practicality of using other recruitment and retention incentives.

OPM's final regulations noted that because "Several agencies complained that the 'factors to be considered' portion of the [Criteria for Payment] section were overly restrictive and burdensome," these were deleted from the final rules.[141] Requirements for written determinations of the need for the repayments based on recruitment and retention (see the "Criteria for Repayments" section above) were retained in the final regulations.

In final regulations implementing the amendments to the law, OPM noted a suggestion that the term "highly qualified personnel" be defined in the regulations. OPM stated that it did not adopt this suggestion because "A standard definition of 'highly qualified personnel' may limit agencies in their use of this authority, as there are many ways in which [individuals] may be deemed highly qualified in relation to the duties they perform or the skills they possess."[142] As for making the determination that an employee would likely leave government service without the repayment benefit, OPM stated that the regulations give agencies "wide latitude" and do not require "proof from a private sector employer" to use repayment as a retention incentive.[143]

The flexibility inherent in the OPM criteria for student loan repayments may be considered by agencies in deciding whether repayments or other recruitment and retention incentives would best meet their needs. The desire to fairly administer a repayment program and not adversely affect employee morale may prompt consideration of these issues: whether just new recruits or both new recruits and current employees would be eligible for student loan repayments, the capability of new recruits to repay their student loans depending on the pay grade at which they are hired, and the fact that some current employees may have already recently paid off their student loans.[144]

[141] 66 FR 2790.

[142] 66 FR 39405.

[143] Ibid.

[144] The American Federation of Government Employees (AFGE) "very much favors" the benefit for both recruits and incumbent employees and believes that it might help current employees to advance themselves and remain in government service. The National Federation of Federal Employees (NFFE) views the program as a good recruitment and retention tool. NTEU "believe[s] that agencies should give priority consideration to using this incentive to retain those individuals already in the government workforce before using it as a recruitment incentive." Telephone responses from AFGE (July 18, 2001) and NFFE (July 16, 2001) and NTEU statement received by CRS by facsimile on July 18, 2001.

Records and Reports

P.L. 106-398 requires covered agencies to report annually to OPM on the number and job classifications of employees receiving student loan repayments and the cost of providing the repayments. The regulations implementing the law state that "cost" is defined as the total amount of student loan repayments, and not the costs of administering the program. Under the regulations, records on student loan repayments must be maintained by the agencies for three years, or until after OPM formally evaluates the program, whichever comes first. OPM must report annually to Congress on agencies' use of student loan repayments.[145] Given the expansion of student loan repayment programs, especially in the last year, a more comprehensive indicator of expenses would be provided if OPM's annual report included information on the costs of administering the programs.

In Congress, the Senate Disbursing Office, under the Office of the Secretary of the Senate, reports annually to the Committee on Appropriations and to the Committee on Rules and Administration on the loan repayments made to Senate employees. The Office of the Chief Administrative Officer reports annually to the Committee on Appropriations and the Committee on House Administration on repayments made to House employees.

The legislative branch does not require a report of its agencies that is publicly available or comparable to OPM's report. One way to assess the effectiveness of the repayments as a recruitment and retention tool could be a survey of the employing offices providing repayment benefits that would detail similar elements as presented in the OPM report.

Agencies might examine whether student loan repayment records should be maintained beyond the period prescribed by regulation. A longer period of record keeping might be useful if an employee leaves to work at another federal agency and, in turn, also receives loan repayment from that agency. The collected data could be useful in evaluating the cost, desirability, feasibility, and effectiveness of the programs. Pilot programs, instituted to test the effectiveness of repayments in meeting workforce management goals, could serve as models for other agencies as yet undecided about establishing repayment programs.

Oversight of Repayment Programs

In order to enhance the oversight of student loan repayment programs, OPM may want to expand the information provided in its annual report to Congress. Additional data that could be reported might include the following:

- the costs of administering such programs;
- the number of individuals who leave government service after receiving repayments and completing the minimum required service period,

[145] Although the law does not specify the committees, the Senate Committee on Governmental Affairs and the House Committee on Government Reform, in general, have exercised jurisdiction over federal employee issues. Other committees, such as Appropriations, also may have an interest in seeing the reports.

- the number of individuals who have been granted waivers from repaying the benefit if they do not fulfill the service agreement (an agency head may waive the repayment for reasons of equity or public interest), and
- the attrition rates of employees both receiving and not receiving repayments.

Other information that could be included in the OPM report might be the composition as to sex and race of recipients, to determine whether the program is being administered in an equitable manner, and details on the written determination document that recipients sign to attest that they would leave federal service in the absence of the student loan repayment.

Congress, OPM, and the agencies themselves also may wish to examine whether the intent of Congress that repayments be used sparingly and with great discretion is being fulfilled, particularly since the number of repayments has increased so significantly between FY2004 and FY2005. Individual executive agency reports on student loan repayments are not available publicly. Perhaps agencies would consider posting these reports on their Internet websites. Oversight of the repayment programs may be strengthened by evaluations conducted by agency Inspectors General or the National Academy of Public Administration.

Currently, several agencies have anecdotal evidence on the effectiveness of their student loan repayment programs. Some agencies are into their fourth year of using the incentive while others have one to three years of experience with the program. In order to further assess the impact of repayments, agencies may institute systematic entrance and exit interviews that query their employees on the importance of receiving student loan repayments compared to other available recruitment and retention incentives. In addition, the recruitment and retention results for new hires who received and did not receive the repayments could be compared to determine the effectiveness of the repayments. Information on the specific recruitment and retention challenges that agencies are trying to mitigate through the use of repayments also would illuminate whether they are primarily competing with other agencies or with the private sector for staff.

Three executive branch agencies—the Departments of Justice and Defense and the Securities and Exchange Commission—have been in the forefront of student loan repayment programs since FY2003. The Department of State has been so since FY2002. Together, these four agencies account for 81.3% (3,392) of recipients of repayments and 84.1% ($22,432,654) of the total cost of repayments in the executive branch in FY2005. OPM's annual report could provide Congress with a more complete measure of the efficiency and effectiveness of repayment programs if it included detailed information on the administrative practices and costs and the outcomes of the programs at these four agencies.

Appendix.

Table A-1. Student Loan Repayment—Executive and Legislative Branch Agencies, FY2004 and FY2005

				In FY2004			In FY2005			
Agencies	**Authority**	**Payment Amount (Limit)**	**Service Agreement**	**Number of Recipients**	**Average Repayment Amount**	**Total Cost of Repayments**	**Number of Recipients**	**Average Repayment Amount**	**Total Cost of Repayments**	**Types of Positions**
Executive branch— Cabinet Agencies	P.L. 101-510 (1990); P.L. 106-398 (2000); P.L. 108-123 (2003); P.L. 108-136 (2003)	$10,000 per year; $60,000 total	at least 3 years	2,102	$4,856	$10,208,826	3,504	$6,009	$21,057,683	Accountant, Analyst, Attorney, Economist, Engineer, Intelligence Specialist, Management and Program Analysis, Scientist
Executive branch— Non-Cabinet Agencies	Same as above	$10,000 per year; $60,000 total	at least 3 years	578	$8,338	$4,819,606	667	$8,405	$5,606,214	(in addition to positions listed above) Administration, Archivist, Contracting, Information Technology, Loan Specialist, Human Resources, Social Science, Criminal Investigator
House of Representatives	P.L. 108-7 (2003)	$500 per month, $40,000	1 year	2,102	$3,366	$7,075,000	not available (NA)	NA	NA	Legislative, Administrative, and Technical Positions

Agencies	Authority	Payment Amount (Limit)	Service Agreement	In FY2004 Number of Recipients	Average Repayment Amount	Total Cost of Repayments	In FY2005 Number of Recipients	Average Repayment Amount	Total Cost of Repayments	Types of Positions
Senate	P.L. 107-68 (2001)	$500 per month, $40,000	1 year	900 (approx.)	$3,333 (approx.)	$3,000,000 (approx.)	NA	NA	NA	Legislative, Administrative, and Technical Positions
Congressional Budget Office	P.L. 107-68 (2001)	$6,000 per year, $40,000 total	3 years	3	$4,894	$14,683	NA	NA	NA	Financial Analyst, Health Analyst
Government Accountability Office	Same as executive branch	$10,000 per year; $60,000 total	at least 3 years	237	$4,837	$1,146,295	NA	NA	NA	Analyst, Attorney, Auditor, Economist, Social Scientist
Government Printing Office	Same as executive branch	$10,000 per year; $60,000 total	at least 3 years	28	$9,059	$253,638	NA	NA	NA	Specialists in Printing, Information Technology, Program Planning, Human Capital, and Contracting; Inspector General

Agencies	Authority	Payment Amount (Limit)	Service Agreement	In FY2004 Number of Recipients	In FY2004 Average Repayment Amount	In FY2004 Total Cost of Repayments	In FY2005 Number of Recipients	In FY2005 Average Repayment Amount	In FY2005 Total Cost of Repayments	Types of Positions
Library of Congress	Same as executive branch	$10,000 per year; $60,000 total	at least 3 years	8	$5,750	$46,000	NA	NA	NA	Information Technology Specialist, Supervisory Librarian, Supervisory Printing Specialist, Special Assistant, Confidential Assistant, Labor Relations Specialist
U.S. Capitol Police	P.L. 107-117 (2002); P.L. 108-7 (2003)	$10,000 per year; $40,000 total	2 years	107	$8,822	$944,000	NA	NA	NA	Predominantly Officers, Information Technology and Human Resource Professionals
Total				6,065 (approx.)		$27,508,048 (approx.)				

Sources: The executive branch information on the number of recipients, total cost of repayments, and positions is derived from U.S. Office of Personnel Management, *Federal Student Loan Repayment Program Fiscal Year* 2004 Report to the Congress, April 2005 and U.S. Office of Personnel Management, *Federal Student Loan Repayment Program Fiscal Year 2005 Report to the Congress*, May 2006. Average repayment amounts were calculated by CRS. Examples of positions held by recipients of student loan repayments are included. For a complete list of positions, see the OPM report. The legislative branch information for FY2004 was provided to CRS by the budget and human resources offices of the individual entities in June 2005. Senate data are from the April 13, 2005, Senate Appropriations Subcommittee on Legislative branch hearings on the FY2006 (remarks of the Secretary of the Senate). Average repayment amounts were calculated by computer. The FY2005 data are not available as of the cover date of this report.

Table A-2. Student Loan Repayments by Executive Branch Agency, with Number of Recipients and Cost of Repayments, FY2002, FY2003, FY2004, and FY2005

Agency	Fiscal Year 2002 Number of Recipients	Fiscal Year 2002 Cost of Repayments	Fiscal Year 2003 Number of Recipients	Fiscal Year 2003 Cost of Repayments	Fiscal Year 2004 Number of Recipients	Fiscal Year 2004 Cost of Repayments	Fiscal Year 2005 Number of Recipients	Fiscal Year 2005 Cost of Repayments
Department of Agriculture	2	$8,524	4	$28,000	10	$54,000	17	$93,650
Department of Commerce	—	—	—	—	—	—	2	$10,000
Department of Defense	6	$11,839	469	$1,309,247	702	$3,079,228	1,077	$4,818,492
Department of Education	—	—	2	$12,000	11	$44,000	16	$74,834
Department of Energy	17	$50,592	27	$149,855	36	$86,653	43	$212,093
Department of Health and Human Services	8	$35,000	38	$130,323	55	$195,746	51	$138,106
Department of Homeland Security	—	—	—	—	—	—	18	$160,000
Department of Housing and Urban Development	—	—	—	—	81	$323,353	180	$397,255
Department of the Interior	13	$74,625	20	$113,015	41	$246,216	47	$318,276
Department of Justice	1	$4,000	160	$688,149	331	$1,919,412	1,092	$10,063,954
Department of Labor	—	—	11	$59,000	24	$118,084	21	$79,418
Department of State	407	$2,000,000	660	$3,234,602	734	$3,610,773	809	$3,859,737
Department of Transportation	—	—	—	—	6	$52,928	18	$180,000
Department of the Treasury	9	$14,829	10	$64,150	18	$155,364	31	$185,181
Department of Veterans Affairs	—	—	46	$211,329	53	$323,069	82	$466,687
Agency for International Development	—	—	—	—	—	—	43	$200,000
Chemical Safety and Hazard Investigation Board	—	—	1	$2,000	—	—	—	—

Agency	Fiscal Year 2002		Fiscal Year 2003		Fiscal Year 2004		Fiscal Year 2005	
	Number of Recipients	Cost of Repayments	Number of Recipients	Cost of Repayments	Number of Recipients	Cost of Repayments	Number of Recipients	Cost of Repayments
Committee for Purchase from People Who Are Blind or Severely Disabled	3	$18,000	2	$12,000	2	$20,000	—	—
Defense Nuclear Facilities Safety Board	1	$6,000	4	$21,450	5	$41,689	4	$40,000
Environmental Protection Agency	—	—	—	—	7	$41,000	21	$123,200
Export-Import Bank	3	$18,000	10	$60,000	12	$76,164	9	$54,000
Farm Credit Administration	—	—	—	—	15	$71,462	—	—
Federal Energy Regulatory Commission	35	$226,435	47	$269,787	78	$703,831	87	$759,212
General Services Administration	7	$39,484	14	$75,711	17	$93,197	7	$36,484
Inter-American Foundation	1	$6,000	1	$6,000	1	$6,000	1	$6,000
National Aeronautics and Space Administration	8	$48,000	10	$34,000	40	$341,786	45	$381,033
National Archives and Records Administration	—	—	—	—	4	$24,000	6	$44,302
National Mediation Board	—	—	4	$11,139	3	$10,750	4	$20,512
Nuclear Regulatory Commission	—	—	5	$30,000	10	$96,000	22	$220,000
Office of Personnel Management	—	—	—	—	—	—	4	$31,000
Securities and Exchange Commission	—	—	257	$1,462,450	384	$3,293,727	414	$3,690,471
Total of 15 (FY2002), 22 (FY2003), 26 (FY2004), and 28 (FY2005) Agencies	521	$2,561,328	1,802	$7,984,207	2,680	$15,028,432	4,171	$26,663,897

Source: U.S. Office of Personnel Management, Federal Student Loan Repayment Program Fiscal Year 2002 Report to the Congress, June 2003. U.S. Office of Personnel Management, Federal Student Loan Repayment Program Fiscal Year 2003 Report to the Congress, May 2004. U.S. Office of Personnel Management, Federal Student Loan

Repayment Program Fiscal Year 2004 Report to the Congress, April 2005. U.S. Office of Personnel Management, Federal Student Loan Repayment Program Fiscal Year 2005 Report to the Congress, May 2006, available at http://www.opm.gov/oca/pay/StudentLoan. The agencies are listed as they appear in the report. Reported costs are rounded to the nearest whole dollar.

The OPM report includes the Government Accountability Office (GAO) and the Government Printing Office (GPO), but data for these two legislative branch agencies are not included in this table. (GAO reported the following to OPM: in FY2002, 169 recipients at a cost of $602,662; in FY2003, 231 recipients at a cost of $945,206; in FY2004, 237 recipients at a cost of $1,142,295; and in FY2005, 218 recipients at a cost of $1,170,876. GPO reported the following: in FY2002, no repayments; in FY2003, 44 recipients at a cost of $253,224; in FY2004, 28 recipients at a cost of $253,638; and in FY2005, 20 recipients at a cost of $147,907.) See the legislative branch section in the text for additional information on the GAO and GPO programs.

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