

FEDERAL STUDENT LOAN REPAYMENT PROGRAM FISCAL YEAR 2004

REPORT TO THE CONGRESS

Working for America



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
APRIL 2005

A MESSAGE FROM THE ACTING DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT

I am pleased to present the Office of Personnel Management's (OPM's) report to Congress on agencies' use of the Federal student loan repayment program in Fiscal Year (FY) 2004. We are delighted to report that in FY 2004, 28 Federal agencies provided 2,945 employees with a total of more than \$16.4 million in student loan repayment benefits. Compared to FY 2003, this represents a 42 percent increase in the number of employees receiving the benefit and a 79 percent increase in the agencies' overall financial investment in the program. Notably, 56 percent of the reporting agencies have established, or are in the process of implementing, an agency student loan repayment program.

The first Governmentwide initiative in the President's Management Agenda is the "Strategic Management of Human Capital." OPM is proud of its leadership role in assisting Federal agencies to recruit, retain, and develop the employees they need to meet their specific missions. OPM has led the way to encourage agencies to implement effective human capital strategies to build successful, high-performing organizations.

This report was prepared in response to the statutory requirement that OPM prepare, and submit annually to the Congress, information on agencies' use of the student loan repayment program. Section 5379 of title 5, United States Code, authorizes agencies to establish a program under which they may repay certain types of Federally insured student loans as a recruitment or retention incentive for highly qualified candidates or current employees.

We are encouraged by the agencies' increased use of the student loan repayment program in FY 2004. We will continue to work closely with agencies to assist them in taking full advantage of this program, as well as other existing recruitment and retention incentives, to attract and retain well-qualified, high-performing employees.

The report is available on the OPM Web site at www.opm.gov/oca.

Dan G. Blair
Acting Director

**FEDERAL STUDENT LOAN REPAYMENT PROGRAM
FISCAL YEAR 2004**

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I. EXECUTIVE SUMMARY

Section 5379(h)(1) of title 5, United States Code, requires agencies to report annually to the Office of Personnel Management (OPM) on their use of the Federal student loan repayment program for the previous fiscal year. (We note that the term “agency” is used in this report to generally refer to a Federal department, independent agency, or other entity to which the Federal student loan repayment program applies.) Section 5379(h)(2) requires OPM to prepare, and annually submit to Congress, a report containing information provided by the agencies. We are delighted to report use of the program increased considerably in FY 2004. In total, 28 Federal agencies provided 2,945 employees with a total of more than \$16.4 million in student loan repayment benefits during FY 2004. Compared to FY 2003, this represents a 42 percent increase in the number of employees receiving the benefit and a 79 percent increase in the agencies’ overall financial investment in the program.

We were pleased to learn that, of the 24 agencies that used the student loan repayment program in FY 2003, 23 agencies continued to use the program during FY 2004. In fact, 21 of the agencies provided benefits to as many or more employees as during the last fiscal year. In addition, we were encouraged to learn that 5 agencies began using student loan repayment for the first time in FY 2004. Notably, 56 percent of the reporting agencies have established, or are in the process of implementing, an agency student loan repayment program.

When we asked agencies if using student loan repayment has improved recruitment and retention efforts, 78 percent of the responding agencies stated it has. According to agency comments, the primary impediments to using the program are a lack of funding caused by budget limitations, recipients’ tax liability, and the length of the service requirement. Any modification to the tax liability associated with student loan repayment or the length of the service requirement would require a statutory amendment.

We are encouraged by agencies’ increased use of the student loan repayment program. We are committed to promoting the value of student loan repayment, as well as other existing recruitment and retention incentives, as effective tools for attracting and retaining well-qualified, high-performing employees. We will continue to work with agencies to assist them in establishing a budget plan to target the use of student loan repayments, as well as other recruitment and retention flexibilities, to meet their human capital management needs.

II. BACKGROUND

Section 5379 of title 5, United States Code, authorizes agencies to establish a program under which they may repay certain types of Federally made, insured, or guaranteed student loans as a recruitment or retention incentive for highly qualified candidates or current employees.

Agencies may make payments to a loan holder of up to \$10,000 for an employee in a calendar year up to an aggregate maximum of \$60,000 for any one employee. In return, the employee must sign a service agreement to remain in the service of the paying agency for a period of at least 3 years. If the employee separates voluntarily or is separated involuntarily for cause or poor performance before fulfilling the service agreement, he or she must reimburse the paying agency for all benefits paid.

Section 5379(h) of title 5, United States Code, requires agencies to report annually to OPM on their use of the student loan repayment program. The law also directs OPM to prepare and submit annually to Congress a report containing the following information with respect to agencies that have provided student loan repayment benefits:

- (1) the number of Federal employees selected to receive student loan repayment benefits;
- (2) the job classifications of the recipients; and
- (3) the cost to the Federal Government of providing the benefits.

In June 2003, OPM reported to Congress that 16 Federal agencies provided more than \$3.1 million in student loan repayment benefits to 690 Federal employees during FY 2002. In May 2004, we reported to Congress that agencies' use of the program greatly increased in FY 2003, as 24 Federal agencies provided more than \$9.1 million in student loan repayment benefits to 2,077 Federal employees. Based on the significant increase in agencies' use of the student loan repayment program in FY 2003, reports that additional agencies had established or were in the process of establishing agency loan repayment plans, and the higher payment limitations provided by the Federal Employee Student Loan Assistance Act (Public Law 108-123, November 11, 2003), we anticipated another increase in the use of this incentive in FY 2004.

III. AGENCY REPORTS

OPM's regulations at 5 CFR 537.110(b) require agencies to submit a written report to OPM before January 1 of each year on their use of the Federal student loan repayment program for the previous fiscal year. On November 19, 2004, OPM issued a memorandum for Chief Human Capital Officers requesting agency reports on the use of the student loan repayment program in FY 2004. We received responses from 68 agencies. (See Attachment 1 for a list of the reporting agencies.)

We are pleased to report that in FY 2004, 28 Federal agencies provided 2,945 employees with a total of more than \$16.4 million in student loan repayment benefits. (See Attachment 2 for a summary of agency reports.) As shown in Table 1 below, the agencies' use of student loan repayment as a recruitment and retention incentive has increased dramatically over the last three fiscal years. Overall, Federal agencies invested 79 percent more funding in the program during FY 2004 than in FY 2003. When compared to FY 2002, the program's first full fiscal year, agencies invested more than 5 times as much funding on student loan repayment.

TABLE 1

	FY 2002	FY 2003	FY 2004
Participating Agencies	16	24	28
Employees Receiving Benefits	690	2,077	2,945
Amount of Benefits Provided	\$3,163,990	\$9,182,637	\$16,424,366

With agencies increasing funding for student loan repayment, the number of employees benefiting from this provision has increased as well. In FY 2004, 42 percent more employees received benefits than during FY 2003. Since FY 2002, the number of employees receiving benefits has more than quadrupled.

Of the 24 agencies that used the student loan repayment program in FY 2003, 23 agencies continued to use the program during FY 2004. In fact, 21 of the agencies provided benefits to as many or more employees as during the previous fiscal year. In addition, we were encouraged to learn that 5 agencies—the Department of Housing and Urban Development, Department of Transportation, Environmental Protection Agency, Farm Credit Administration, and National Archives and Records Administration—began using student loan repayment for the first time in FY 2004.

In addition to the 28 agencies that made student loan repayments during FY 2004, 4 other agencies have an agency loan repayment plan in place and 6 are in the process of developing a plan. Thus, 38 of the 68 reporting agencies (56 percent) made student loan repayments during FY 2004, have an established agency student loan repayment plan, or are in the process of implementing an agency plan.

Occupational Data

During FY 2004, agencies used student loan repayment as an incentive for employees in many different occupations. Agencies may choose to use student loan repayment to recruit or retain employees across all job series, or target the incentive to a particular occupation or set of occupations. Table 2 lists the occupations for which agencies used student loan repayment most frequently. The table lists the number of employees in the specified occupation who received student loan repayments during FY 2004 and the percentage of all recipients employed in that occupation.

TABLE 2

Occupation	Employee Count	% of Total
General Attorney	473	16.1
GAO Analyst	189	6.4
Mechanical Engineer	128	4.3
Foreign Service Political Affairs Officer	113	3.8
Criminal Investigator	107	3.6
Miscellaneous Administration	104	3.5
Foreign Service Public Diplomacy Officer	90	3.1
Foreign Service Economics	89	3.0
Accounting	76	2.6
Contract Specialist	75	2.5
Nuclear Engineer	74	2.5
<i>All Other Occupations</i>	<i>1,427</i>	<i>48.5</i>
Total	2,945	

As evidenced by the table, agencies used student loan repayment most frequently to recruit and retain Federal attorneys. In total, 473 Federal attorneys received student loan repayment benefits, which is more than 16 percent of all employees who received benefits during FY 2004. Twelve agencies used student loan repayment to encourage attorneys to join or remain in Federal service. The Securities and Exchange Commission made attorneys a large focus of its program,

providing benefits to 239 attorneys. The Department of Justice also made extensive use of the program for attorneys, making student loan repayments on behalf of 118 of its attorneys.

As it has since the inception of its program, the Government Accountability Office (GAO) used student loan repayment frequently during FY 2004 to staff its analyst positions. In total, GAO made student loan repayments on behalf of 189 analysts, which amounted to 6.4 percent of the total number of employees receiving student loan repayment benefits.

In FY 2004, mechanical engineers made up 4.3 percent of the overall number of employees receiving student loan repayment benefits. In total, 128 mechanical engineers—mostly employed by the Department of Defense—benefited from the program. In addition to mechanical engineers, 74 nuclear engineers received benefits during FY 2004. Across all engineering series, 12 agencies provided benefits to 430 engineers, or 14.6 percent of the total number of employees receiving benefits.

Agency Data

In FY 2003, the five agencies that made the most extensive use of student loan repayment were the Departments of State, Defense, and Justice, the Securities and Exchange Commission, and the Government Accountability Office. As presented in Table 3, these five agencies were the most frequent users of student loan repayment again in FY 2004.

TABLE 3

Agency	Employee Count	Amount of Benefits Provided
Department of State	734	\$3,610,773
Department of Defense	702	\$3,079,228
Securities and Exchange Commission	384	\$3,293,727
Department of Justice	331	\$1,919,412
Government Accountability Office	237	\$1,142,295
<i>All Others</i>	557	\$3,378,930
Total	2,945	\$16,424,365

For the third consecutive fiscal year, the Department of State provided more student loan repayment benefits to more employees than any other Federal agency. In FY 2003, the Department provided more than \$3.2 million in student loan repayment benefits to 660 employees. During FY 2004, State used student loan repayment even more, paying more than \$3.6 million in benefits to recruit or retain 734 employees. As it has in the past, the Department used the program as an incentive for both its General Schedule (GS) positions and its Foreign Service positions. Of the 734 employees who received benefits during the fiscal year, 187 were employed in GS positions and 547 were members of the Foreign Service. Employees across 41 different occupations received benefits, with the most repayments made on behalf of employees serving in the Foreign Service as Political Affairs Officers (113), Public Diplomacy Officers (90), and Economists (89).

The Department of Defense (DOD) greatly increased its use of student loan repayment during FY 2004. In FY 2003, DOD provided 469 employees with more than \$1.3 million in benefits. During FY 2004, DOD made student loan repayments on behalf of 702 employees totaling more than \$3 million. Compared to FY 2003, DOD provided benefits to 50 percent more employees and more than doubled its financial investment in the program in FY 2004. As evidence of the breadth of DOD's program, student loan repayments were provided to employees in 81 different occupations and 9 different pay plans. The Department used the program extensively as an employment incentive for engineers, providing benefits to a total of 377 employees in engineering positions. Across all occupations, DOD made the most repayments on behalf of Mechanical Engineers (125) and Nuclear Engineers (73).

The Securities and Exchange Commission (SEC) established its program midway through FY 2003 and provided 257 employees with more than \$1.4 million in student loan repayment benefits during that fiscal year. In FY 2004, SEC provided benefits of nearly \$3.3 million to 384 employees. Like DOD, SEC more than doubled its investment in the student loan repayment program, and provided benefits to nearly 50 percent more employees. SEC used student loan repayment extensively to recruit and retain attorneys, providing benefits to 239 attorneys. Also of note, SEC took advantage of the higher annual payment limitation established in November 2003 by making 75 percent of repayments at the maximum of \$10,000. As a result, SEC's average student loan repayment was \$8,577.

The Department of Justice (DOJ) significantly increased its usage of student loan repayment in FY 2004. In FY 2003, DOJ made repayments of \$688,149 on behalf of 160 employees. In FY 2004, DOJ more than doubled the number of employees receiving benefits to 331 and increased its investment in the program to more than \$1.9 million. DOJ made payments on behalf of 118 attorneys, representing a little more than a third of the Department's total. Also, DOJ often used student loan repayments to recruit or retain Special Agents, making payments on behalf of 92 agents.

During FY 2003, the Government Accountability Office (GAO)—then named the General Accounting Office—provided \$945,206 in student loan repayment benefits to 231 employees. GAO increased its use of the program in FY 2004, making student loan repayments totaling more than \$1.1 million on behalf of 237 employees. GAO used its program primarily to recruit and retain Analysts, making student loan repayments on behalf of 189 of them.

In addition to these five agencies, 23 other Federal agencies used the student loan repayment program during FY 2004. In total, these 23 agencies made student loan repayments of nearly \$3.4 million as an incentive for 557 employees. The Departments of Health and Human Services, Housing and Urban Development, Interior, Labor, Treasury, and Veterans Affairs, and the Federal Energy Regulatory Commission, Government Printing Office, and the National Aeronautics and Space Administration each invested more than \$100,000 in student loan repayment as a recruitment or retention incentive.

We note the Federal student loan repayment program is a flexibility that agencies may use as necessary to achieve their human capital goals. Therefore, agencies do not necessarily need to make a large number of student loan repayments to use the program effectively. We applaud all

agencies making use of the program, and we will continue to work with them to find the most strategic uses of this valuable incentive. Based on the significant increase in agencies' use of the student loan repayment program in FY 2004 and reports that additional agencies have established or will be establishing agency loan repayment plans, we anticipate continued growth of the program in FY 2005.

IV. AGENCY COMMENTS

To gain additional information about agencies' use of the Federal student loan repayment program, we asked agencies to provide information on their experiences in administering the program. We included the following questions in our November 19, 2004, memorandum to Chief Human Capital Officers:

- Has your agency's use of the program improved your recruitment and retention efforts? If so, how? (Please provide specific data and examples, if available.)
- To what extent have you developed metrics for measuring the effectiveness of your student loan repayment program?
- To what extent have components or bureaus (or the department or agency as a whole) developed a business case for the use of available funds to meet recruitment and retention needs through the use of student loan repayments?
- What type of assistance have you requested from OPM in implementing your agency plan and administering your student loan repayment program?
- What is the major impediment, if any, to fully implementing a student loan repayment program in your agency?

We received comments from 41 agencies. In this section, we provide a summary of the comments.

Effect on Recruitment and Retention

We asked agencies if using student loan repayment has improved recruitment and retention efforts. Of the 27 agencies that responded to this question, 21 (78 percent) stated student loan repayment had a positive impact on their recruitment and retention efforts during FY 2004. Four other agencies gave neutral responses, mostly stating it was too early to determine the effectiveness of the program.

A key element of the Federal student loan repayment program is its ability to attract talented young individuals to Federal employment. We were pleased to learn that, as a result of the program, Department of Defense (DOD) college recruitment teams are finding considerable interest from highly qualified students who might otherwise overlook Federal employment. In fact, one DOD component has recruited 335 college graduates during the last two years in a wide variety of career fields, enabling it to meet recruitment goals in the highly competitive scientist, engineer, and information technology career fields. As evidence of the success of DOD's program, one component reported that interns who received student loan repayments and who were recruited to work at a large research and development organization have since contributed significantly to mission accomplishment (e.g., obtaining patents, publishing research, and

receiving national recognition). The Department reported its use of student loan repayment also appears to have a positive effect on retention. For example, of 173 program participants at one DOD component, only 5 have separated.

Agencies also reported success in recruiting individuals as Presidential Management Fellows (PMFs) or Federal interns using student loan repayment as an incentive. Five agencies commented on using the program to recruit PMFs or other Federal interns. In many cases, these individuals are recent graduates and may be more likely to have outstanding student loan debt. The Department of State, for example, reported that 75-85 percent of its PMFs have student loan debt when they begin employment. At the Department of Education, student loan repayment contributed to the successful recruitment of 8 highly skilled PMFs during FY 2004. Also, the Department of Energy reported that it was able to hire 4 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 of Energy has had success in retaining these employees by converting them to permanent positions.

The Federal Energy Regulatory Commission (FERC) reported it emphasized the need to increase hiring at the entry level in its agency human capital plan. The agency found the use of student loan repayment as a recruitment tool key to achieving this goal. For example, several of FERC's employees expressed that student loan repayment was a definite factor in their decision to begin employment or to remain employed with the agency. The agency also found that certain employees were looking outside of Federal service for higher paying jobs in order to assist in paying off their student loans, but were willing to remain employed with FERC if the agency offered student loan repayment as an incentive. Of the employees who have participated in the student loan repayment program, FERC reports that less than 10 percent have separated from the agency prior to completing their service agreement.

In addition to helping agencies recruit and retain highly qualified individuals at the entry level, the use of student loan repayment allows agencies to target specific occupations key to accomplishing human capital goals. For instance, a few agencies have used the program extensively to recruit and retain Federal attorneys. As an example, the Nuclear Regulatory Commission (NRC) reported that the program has been of tremendous benefit in recruiting and retaining attorneys in its Honors Law Graduate program. NRC commented that law school debt is continuing to rise—reportedly to more than \$100,000 in some cases—and a gap exists between Federal and private law firm salaries. As a result, some quality candidates may rule out a career as an attorney in the Federal Government. NRC believes the Federal student loan repayment program helps the Commission overcome these obstacles.

Agencies may find that the program is most effective as a recruitment incentive for a certain set of employees and as a retention incentive for another. The best example of this is the student loan repayment program managed by the Department of State. As reported in previous fiscal years, the Department used student loan repayment as a retention incentive for Civil Service employees and as an internal recruitment incentive for members of the Foreign Service. As the number of danger pay and hardship posts worldwide increases, the Department commented, student loan repayment has become increasingly important to staff certain overseas posts. The Department reported that approximately 80 percent of entry-level assignments are to hardship

posts overseas, and using student loan repayment greatly facilitates its ability to fill these positions with qualified and eager individuals. As a testament to the value of its internal recruitment efforts, only 14 of the 1,050 individuals approved for student loan repayment to fill hardship posts overseas have resigned. The Department commented that feedback is uniformly positive, and employees say that it is their intent to bid on posts that will allow them to qualify or continue to qualify for the incentive.

Metrics

As agencies have worked to implement student loan repayment as a human capital management tool, one of the challenges has been to determine appropriate methods of measuring the program's effectiveness. According to agency comments, the majority of agencies have not established specific metrics for measuring the success of student loan repayments. However, five agencies have established metrics for measuring the effectiveness of the program, three agencies are working to develop metrics, and two agencies are using metrics already available.

For example, one DOD component has begun to obtain retention data on recipients whose loan obligations have been fulfilled and on recipients who separate with student loans still outstanding for the purpose of determining how effectively the program is promoting long-term retention. Also, the Department of Veterans Affairs is assessing the effectiveness of the program by tracking resignation and transfer rates and by monitoring exit interviews. For its key occupations, the Export-Import Bank monitors who leaves the agency, why they leave, and to what degree financial considerations entered into the employee's decision making. This information is then used to adjust recruitment and retention strategies.

The Government Accountability Office (GAO) conducts an annual survey of eligible individuals to ascertain the program's importance and relevance to employees. Additionally, GAO compares attrition rates for eligible individuals who receive student loan repayment benefits to those for eligible individuals who do not receive the incentive. As a result, the agency is able to learn more about the impact of the program on employees' employment decisions. Similarly, the Department of Housing and Urban Development is identifying baseline retention metrics for its program, including employee satisfaction, participant versus non-participant retention rates, and service agreement statistics.

Alternatively, a DOD component implemented a review board to review the execution and return on investment of all centrally funded civilian recruitment and retention incentives, including student loan repayment. The component's headquarters tracks the employment status, repayment obligations, and total repayments made for each loan repayment recipient. The data is analyzed and presented to the review board twice a year to determine the overall effectiveness of the program and determine future funding.

Business Case

According to agency comments, the agencies using student loan repayment as a recruitment and retention incentive have implemented different processes to budget for and fund the program. A few agencies reported that they manage a centrally funded program. For example, GAO

identifies a dollar amount to be earmarked for its student loan repayment program as a line item in its annual appropriations request. The program is available across GAO and is not limited to any one organization within the agency. Also, the Department of Housing and Urban Development (HUD) reported that it placed a high value on student loan repayment by identifying it as a departmental priority this year. As a result, funds were centrally allocated to offer this benefit to all qualifying HUD employees.

At the Department of State, student loan repayment is centrally funded, as well as centrally administered. Program eligibility is based on identified hiring and recruitment needs of all offices and bureaus of the Department and is almost entirely post or position-based. Six recruitment and retention difficulty factors for Civil Service employees and 11 criteria for Foreign Service employees are reviewed annually and act as the eligibility checklist when determining qualifying job series and hardship postings. Annual funding, in combination with the number of eligible employees, determines the amount of benefits the Department provides. For each of the three years of the program, \$4,700 has been the maximum payment.

Other agencies do not fund the program centrally, choosing to delegate the authority to component agencies or organizations. For example, the Federal Energy Regulatory Commission commented that it does not budget for student loan repayment costs as a separate line item in its budget. Each of its program offices is allocated salary funds based on the number of full-time employees. Within that salary account, each office determines under the principles of manage-to-budget what amount to allocate for student loan repayment and makes payments accordingly. The Department of the Treasury reported that several program areas have expressed great satisfaction with the quality of recent hires and set aside special funding for incentives, including student loan repayment, for critical vacancies requiring individuals with unique skills. DOD reported that one of its component organizations applies established criteria to justify, budget, and adjust funds to facilitate student loan repayment determinations that fit the component's specific recruitment and retention challenges.

Another approach is to approve funding for each student loan repayment on a case-by-case basis. At the Export-Import Bank, for example, each request for using student loan repayment is reviewed at the agency level by a committee of three senior managers. The committee considers factors such as the difficulty of recruiting or retaining an individual with high or unique qualifications, funds availability, employee performance, and the potential use of other recruitment or retention tools.

OPM Assistance

Nearly all of the agencies that responded to our question regarding requests for OPM assistance have already established an agency student loan repayment program. The majority of these agencies commented that they requested little or no assistance from OPM during FY 2004. However, a few agencies reported contacting OPM with informal inquiries about technical aspects of the program. Also, several agencies commented that they do use OPM's implementing regulations or the guidance provided on OPM's Web site. To assist agencies and interested individuals in learning more about the program, we continue to provide informational materials on the OPM Web site at www.opm.gov/oca/pay/StudentLoan/index.asp. The Web site

includes a fact sheet, applicable law and regulations, questions and answers, sample agency plans, and our recent reports to Congress.

We also note that OPM hosted a focus group on the use of student loan repayment in September 2004. The focus group included representatives from several agencies that are currently using student loan repayment. The focus group gave the representatives an opportunity to discuss the incentive with each other and share experiences in managing an agency program. They shared the successes they have had with using the program, the obstacles they face in using it effectively, and provided some suggestions for improving the program.

Impediments to Using Student Loan Repayment

We asked agencies to comment on the barriers they are facing in using student loan repayment as a human capital management flexibility. Overwhelmingly, the primary barrier reported is the difficulty of funding the program. Of the 29 agencies that commented on this issue, 21 (72 percent) reported that fiscal restraints are an impediment to using the program. As mentioned previously, only a few agencies earmark funds specifically for the program. Other agencies fund the program exclusively from existing salary and expense budgets. As a result, available funding for student loan repayment and other pay flexibilities may be minimal. OPM will continue to work with agencies to assist them in establishing a budget plan to target the use of student loan repayments, as well as other recruitment and retention flexibilities, to meet their human capital management needs.

According to agency comments, the second most common barrier is the tax liability associated with student loan repayments. As described by the Department of State, because the payment is considered taxable income for an employee, the employee's lender only receives 62 percent of the lump-sum payment. Based on the Department's award of \$4,700, most employees realize an annual payment of \$2,940. Additionally, because the payment is taxable, the Department stated that it can never completely pay off an employee's loan balance. A few agencies commented that employees are particularly displeased with this feature of the program. For example, DOD commented that the value of the student loan repayment program would be greatly enhanced if loan repayments were to achieve tax-exempt status. DOD indicated that such a change would eliminate the most common complaint from participants. We note that making student loan repayments tax-free would require a legislative change.

At the focus group OPM hosted in September 2004, the agencies noted a third barrier to using student loan repayment effectively. The agencies pointed out that some employees are not comfortable with making a 3-year service agreement in return for student loan repayment. Employee concern is amplified by the fact that the penalty for failing to complete the service agreement is full reimbursement to the paying agency. In its response to our November 19, 2004, memorandum, one agency suggested that the service requirement for student loan repayment be reduced to be similar to those for other recruitment and retention incentives (e.g., recruitment bonuses, which require a service agreement of 6 months). Like eliminating taxes on student loan repayments, reducing the required service period for student loan repayment would require a statutory amendment.

V. CONCLUSION

One of the biggest challenges for Federal agencies is attracting and retaining well-qualified, high-performing employees. Student loan repayment is a valuable human capital management tool that enables agencies to recruit highly qualified candidates into Federal service and keep talented employees in the Federal workforce. Agencies may tailor their use of the incentive to meet their specific human capital goals.

The Congress has placed a priority on ensuring that the Federal Government is getting the most out of this valuable program. The House Subcommittee on the Federal Workforce and Agency Organization, Committee on Government Reform, included the student loan repayment program in its oversight plan for the 109th Congress. In addition, per Congressional request, the Government Accountability Office is currently conducting a study of the program. OPM stands ready to work with the Congress to help Federal agencies recruit and retain the best and the brightest using student loan repayment, as well as other human capital incentives.

In addition, OPM will continue to work with agencies to encourage them to take full advantage of the student loan repayment program. We will continue to assist agencies in establishing a budget plan for using strategic recruitment and retention incentives, including student loan repayments. We are committed to providing agencies with the most up-to-date and useful information on using student loan repayment and other human capital management flexibilities. Based on the significant increase in agencies' use of the student loan repayment program in FY 2004 and reports that additional agencies have established or will be establishing agency loan repayment plans, we anticipate continued growth of the program in FY 2005.

LIST OF REPORTING AGENCIES

DEPARTMENTS

Agriculture	Interior
Commerce	Justice
Defense	Labor
Education	State
Energy	Transportation
Health and Human Services	Treasury
Homeland Security	Veterans Affairs
Housing and Urban Development	

INDEPENDENT AGENCIES

African Development Foundation	Holocaust Memorial Museum
Agency for International Development	Inter-American Foundation
Architect of the Capitol	International Trade Commission
Armed Forces Retirement Home	Merit Systems Protection Board
Barry M. Goldwater Scholarship and Excellence in Education Foundation	National Aeronautics and Space Administration
Broadcasting Board of Governors	National Archives and Records Administration
Chemical Safety and Hazard Investigation Board	National Credit Union Administration
Commission on Civil Rights	National Endowment for the Arts
Committee for Purchase from People Who Are Blind or Severely Disabled	National Endowment for the Humanities
Commodity Futures Trading Commission	National Gallery of Art
Consumer Product Safety Commission	National Labor Relations Board
Defense Nuclear Facilities Safety Board	National Mediation Board
Environmental Protection Agency	National Science Foundation
Export-Import Bank	Nuclear Regulatory Commission
Farm Credit Administration	Office of Government Ethics
Federal Communications Commission	Office of Personnel Management
Federal Election Commission	Overseas Private Investment Corporation
Federal Energy Regulatory Commission	Pension Benefit Guarantee Corporation
Federal Housing Finance Board	Postal Rate Commission
Federal Labor Relations Authority	Railroad Retirement Board
Federal Maritime Commission	Securities and Exchange Commission
Federal Mediation and Conciliation Service	Selective Service System
Federal Trade Commission	Small Business Administration
General Services Administration	Smithsonian Institution
Government Accountability Office	Social Security Administration
Government Printing Office	Tax Court
	Trade and Development Agency

AGENCY REPORTS - FY 2004

Department/Agency	Number Of Employees	Job Classifications	Cost
<i>Departments</i>			
Agriculture	10	GS-0343, Management Analyst GS-0401, Molecular Biologist, (2) GS-0404, Science Technician GS-0414, Research Entomologist (2) GS-1035, Public Affairs Specialist GS-1165, Loan Specialist (2) GS-1165, Business and Community Program	\$54,000
Defense	702	AD-1710, Education and Vocational Training DB-0403, Microbiologist DB-0830, Mechanical Engineer DB-0855, Electronics Engineer (3) DB-0861, Aerospace Engineer (2) DB-1550, Computer Science DJ-1910, Quality Assurance DR-0810, Civil Engineer DR-0830, Mechanical Engineer DR-0855, Electronics Engineer (2) DR-0861, Aerospace Engineer (3) GG-0080, Security Administration GG-0132, Intelligence (10) GG-0343, Management Analyst GG-0802, Engineering Technician GG-0830, Mechanical Engineer GG-0855, Electronics Engineer (4) GG-0861, Aerospace Engineer (2) GS-0020, Community Planner (3) GS-0028, Environmental Protection Specialist GS-0080, Security Administration (3) GS-0099, General Student Trainee GS-0101, Social Scientist (2) GS-0170, Historian (3) GS-0185, Social Worker GS-0189, Recreation Aid GS-0201, Human Resources Specialist (8) GS-0203, Human Resources Assistant GS-0299, Personnel Management Trainee GS-0301, Miscellaneous Administration (13) GS-0303, Miscellaneous Clerk (3) GS-0318, Secretary GS-0326, Office Automation Clerk (2) GS-0335, Computer Clerk GS-0341, Administrative Officer GS-0343, Management and Program Analyst GS-0346, Logistics Management (23) GS-0399, Administrative Trainee (2) GS-0401, Biologist	\$3,079,228

Department/Agency	Number Of Employees	Job Classifications	Cost
Defense (continued)	702	GS-0403, Microbiologist GS-0501, Financial Administration (5) GS-0510, Accountant (8) GS-0511, Auditor (14) GS-0525, Accounting Technician (2) GS-0545, Military Pay GS-0560, Budget Analyst (16) GS-0599, Financial Management Trainee (4) GS-0660, Pharmacist GS-0801, General Engineer (11) GS-0802, Engineering Technician (3) GS-0803, Safety Engineer GS-0806, Materials Engineer (4) GS-0807, Landscape Architect GS-0808, Architect (5) GS-0810, Civil Engineer (8) GS-0819, Environmental Engineer (9) GS-0830, Mechanical Engineer (119) GS-0840, Nuclear Engineer (73) GS-0850, Electrical Engineer (28) GS-0854, Computer Engineer (9) GS-0855, Electronics Engineer (32) GS-0856, Electronics Technician GS-0861, Aerospace Engineer (17) GS-0871, Naval Architect (16) GS-0893, Chemical Engineer (11) GS-0896, Industrial Engineer (14) GS-0899, Engineering Trainee (7) GS-0905, General Attorney (7) GS-1035, Public Affairs (2) GS-1071, Audiovisual Production GS-1083, Technical Writing & Editing GS-1084, Visual Information (3) GS-1101, General Business and Industry (2) GS-1102, Contract Specialist (40) GS-1104, Property Disposal GS-1106, Procurement Technician GS-1199, Business and Industry Trainee (5) GS-1222, Patent Attorney (2) GS-1301, Physical Scientist (3) GS-1306, Health Physics GS-1310, Physicist (2) GS-1311, Physical Science Technician (6) GS-1320, Chemist (2) GS-1384, Textile Technologist (3) GS-1515, Operations Research Analyst (2) GS-1550, Computer Scientist (12) GS-1701, General Education and Training (8) GS-1740, Education Services	\$3,079,228

Department/Agency	Number Of Employees	Job Classifications	Cost
Defense (continued)	702	GS-1811, Criminal Investigator (5) GS-1910, Quality Assurance (2) GS-2005, Supply Clerk/Technician GS-2010, Inventory Management (9) GS-2032, Packaging GS-2150, Transportation Operations GS-2181, Aircraft Operations (3) GS-2210, Information Technologist (24) NH-0830, Mechanical Engineer (3) NH-0855, Electronics Engineer (6) NH-0861, Aerospace Engineer NH-0905, General Attorney NH-1515, Operations Research NO-0343, Management Analyst WG-6907, Materials Handler	\$3,079,228
Education	11	GS-0301, Misc. Administration and Program (9) GS-1530, Statistician GS-2210, Information Technology Management	\$44,000
Energy	36	GS-0110, Economist GS-0201, Human Resource Specialist GS-0301, Energy Tech. Program Specialist (4) GS-0301, Fish and Wildlife Project Manager GS-0301, Policy Analyst GS-0343, Program Analyst (2) GS-0361, Equal Opportunity Assistant GS-0510, Accountant GS-0801, General Engineer (10) GS-0850, Electrical Engineer GS-1102, Contract Specialist (2) GS-1130, Public Utilities Specialist (3) GS-1160, Financial Analyst (4) GS-1301, Physical Scientist GS-2003, Supply Systems Analyst GS-2210, Information Technology Specialist (2)	\$86,653
Health and Human Services	55	GS-0110, Economist (4) GS-0301, Misc. Administration and Program (7) GS-0318, Secretary (2) GS-0401, General Biological Science (3) GS-0403, Microbiology (3) GS-0415, Toxicology (2) GS-0501, Financial Adm. and Program GS-0502, Financial Clerical and Technician GS-0601, General Health Science (6) GS-0602, Medical Officer (2) GS-0690, Industrial Hygiene GS-0696, Consumer Safety (9) GS-0905, General Attorney (8) GS-1320, Chemistry (5) GS-1515, Operations Research	\$195,746

Department/Agency	Number Of Employees	Job Classifications	Cost
Housing and Urban Development	81	GS-0101, Social Science Analyst GS-0246, Contractor and Industrial Rel. Spec. GS-0260, Equal Opportunity Specialist (2) GS-0301, Community Planning and GS-0301, Housing Program Specialist GS-0301, Operations Specialist GS-0301, Program Coordinator GS-0301, Relocation Specialist GS-0301, Senior Community Planning Dev. GS-0301, Special Needs Assistance Specialist GS-0343, Management Analyst (2) GS-0343, Program Analyst (7) GS-0560, Budget Analyst (2) GS-0905, Attorney (39) GS-0950, Paralegal Specialist (4) GS-1101, Contract Oversight Specialist GS-1101, Housing Program Specialist GS-1101, Program Liaison Specialist GS-1101, Project Manager (2) GS-1101, Public Housing Revitalization Spec. GS-1102, Contract Specialist GS-1171, Appraiser GS-2210, Information Technology Specialist (3)	\$323,353
Interior	41	GS-0028, Environmental Protection Specialist GS-0110, Economist GS-0193, Archeology (2) GS-0301, Misc. Administration and Program (2) GS-0334, Computer Specialist GS-0343, Management and Prog. Analysis (2) GS-0391, Telecommunications GS-0401, General Biological Science GS-0454, Rangeland Management Series (2) GS-0455, Range Technician (2) GS-0460, Forestry GS-0501, Financial Administration and Program GS-0510, Accounting GS-0560, Budget Analysis (2) GS-0810, Civil Engineering (5) GS-0880, Mining Engineering GS-0899, Engin. and Architect. Student Trainee GS-1071, Audiovisual Production GS-1101, General Business and Industry (2) GS-1102, Contracting GS-1170, Realty GS-1301, General Physical Science GS-1310, Physics GS-1350, Geology GS-1373, Land Surveying WG-2604, Electronics Mechanic (2)	\$246,216

Department/Agency	Number Of Employees	Job Classifications	Cost
Justice	331	GS-0083, Police Officer (3) GS-0132, Intelligence Analyst (40) GS-0180, Psychologist (8) GS-0301, Victim Specialist (2) GS-0341, Administrative Officer (3) GS-0343, Management and Prog. Analyst (2) GS-0401, Biologist (8) GS-0511, Audit GS-0602, Physicians Assistant GS-0603, Medical Officer GS-0855, Electronic Engineer GS-0856, Electronic Technician (15) GS-0905, Attorney (118) GS-1040, Language Specialist (2) GS-1160, Financial Analyst (3) GS-1301, Physical Scientist (9) GS-1320, Chemist (2) GS-1350, Geologist GS-1397, Document Analyst (3) GS-1541, Cryptanalyst GS-1801, Investigative Specialist (4) GS-1811, Special Agent (92) GS-2210, Information Technology Specialist	\$1,919,412
Labor	24	GS-0201, Human Resources Specialist (2) GS-0326, Office Automation Assistant GS-0343, Program Analyst (3) GS-0511, Auditor (3) GS-0905, Attorney GS-1801, Investigative Analyst GS-1811, Criminal Investigator (10) GS-1899, Student Trainee (2) GS-2210, Information Technology Specialist	\$118,084
State	734	GS-0080, Security Administration (5) GS-0110, Economist GS-0130, Foreign Affairs Officer (35) GS-0132, Intelligence Specialist (5) GS-0170, Historian (4) GS-0201, Human Resources (6) GS-0301, General Management (36) GS-0303, Admin Support (2) GS-0318, Secretary (4) GS-0343, Management Analyst (4) GS-0501, Financial Management GS-0511, Auditor (2) GS-0560, Budget Analyst (4) GS-0610, Nurse GS-0801, General Engineer GS-0808, Architect GS-0904, Law Clerk GS-0905, Attorney (15) GS-0967, Passport/Visa Examiner (33) GS-1035, Public Affairs Specialist GS-1101, Defense Controls Analyst (2)	\$3,610,773

Department/Agency	Number Of Employees	Job Classifications	Cost
State (continued)	734	GS-1102, Contract or Procurement Specialist GS-1370, Cartographer GS-1801, Compliance Specialist (4) GS-2210, Computer Specialist (10) FS-2010, Administrative Management (62) FS-2101, Financial Management (7) FS-2201, HR Management (3) FS-2301, General Services (3) FS-2501, Security (46) FS-2550, Security Engineering (8) FS-2880, Information Management (32) FS-3001, Consular Officer (70) FS-4400, Public Diplomacy Officer (90) FS-5015, Economics (89) FS-5505, Political Affairs Officer (113) FS-6050, Political/Economics Officer FS-6115, Health Practitioner (3) FS-6145, Medical Technology FS-6217, Facilities Maintenance FS-9017, Office Management (18)	\$3,610,773
Transportation	6	GS-0020, Community Planner GS-0020, Transportation Planner GS-0301, Policy Analyst GS-0343, Program Analyst GS-0801, Engineer GS-1102, Contract Specialist	\$52,928
Treasury	18	GS-0301, Supervisory Claims Analyst GS-0340, Director GS-0343, Program Analyst (2) GS-0510, Accountant (3) GS-0511, Auditor (2) GS-0905, Attorney Advisor (General) GS-1102, Benefits Specialist GS-2210, Computer Specialist GS-2210, Information Technology Specialist (6)	\$155,364
Veterans Affairs	53	GS-0185, Social Worker (20) GS-0201, Human Resources Specialist (2) GS-0301, Special Assistant GS-0343, Management Analyst (4) GS-0601, Nuclear Medicine Technologist (2) GS-0620, Licensed Vocational Nurse GS-0631, Occupational Therapist (2) GS-0633, Physical Therapist (8) GS-0644, Medical Technologist (2) GS-0647, Diagnostic Radiology Technician GS-0660, Pharmacist (2) GS-0671, Health System Specialist (4) GS-0830, Mechanical Engineer GS-0996, Veterans Service Representative GS-1170, Realty Specialist (2)	\$323,069

Department/Agency	Number Of Employees	Job Classifications	Cost
Independent Agencies			
Committee for Purchase from People Who Are Blind or Severely Disabled	2	GS-0343, Management and Program Analysis GS-1035, Public Affairs	\$20,000
Defense Nuclear Facilities Safety Board	5	DN-0801, General Engineer (4) GS-0905, Attorney	\$41,689
Environmental Protection Agency	7	GS-0028, Environmental Protection Specialist GS-0343, Program Analyst (5) GS-2210, Information Technology Specialist	\$41,000
Export-Import Bank	12	GS-0201, Human Resources Specialist GS-0343, Policy Analyst (2) GS-1101, Business Development Specialist GS-1165, Loan Specialist (8)	\$76,164
Farm Credit Administration	15	VH-1101, General Business and Industry (15)	\$71,462
Federal Energy Regulatory Commission	78	GS-0023, Outdoor Recreation Planner GS-0028, Environmental Protection Specialist GS-0110, Economist (2) GS-0201, Human Resources Specialist (2) GS-0301, Tribal Liaison GS-0343, Program Analyst (2) GS-0401, Environmental Biologist (2) GS-0408, Ecologist GS-0482, Fishery Biologist GS-0510, Accountant (3) GS-0511, Auditor (7) GS-0560, Budget Analyst GS-0810, Civil Engineer (10) GS-0819, Environmental Engineer GS-0830, Mechanical Engineer GS-0850, Electrical Engineer (3) GS-0881, Petroleum Engineer GS-0904, Law Clerk (2) GS-0905, Attorney (28) GS-1101, Energy Industry Analyst (8)	\$703,831
General Services Administration	17	GS-0301, Management Intern (2) GS-0301, Industrial Operations Analyst GS-0343, Program Analyst (3) GS-0560, Budget Analyst GS-0830, Mechanical Engineer GS-1101, Business Development Specialist GS-1101, Asset Manager GS-1102, Contract Specialist GS-1102, Contract Administrator GS-1170, Realty Specialist GS-2210, IT Specialist GS-2210, Lead IT Project Manager (2) GS-2210, Supervisory IT Specialist	\$93,197
Government Accountability Office	237	AC-0303, Misc. Clerk and Assistant PA-0905, General Attorney (8) PE-0101, Social Science (6) PE-0110, Economist (5)	\$1,142,295

Department/Agency	Number Of Employees	Job Classifications	Cost
Government Accountability Office (continued)	237	PE-0347, Analyst (189) PE-0511, Auditing (15) PE-1550, Computer Science (9) PT-0301, Misc. Administration and Program (2) PT-0343, Management and Program Analysis PT-1529, Mathematical Statistician	\$1,142,295
Government Printing Office	28	PG-0201, Human Capital Specialist (2) PG-0301, Program Development Specialist PG-0304, Program Planning Specialist PG-0510, Accountant PG-1102, Contract Specialist PG-1410, Librarian PG-1654, Employee Communication Specialist PG-1654, Printing Assistant PG-1654, Printing Officer PG-1654, Printing Services Specialist (8) PG-1801, Inspector General PG-2210, Information Technology Specialist (8)	\$253,638
Inter-American Foundation	1	GS-0101, Social Science	\$6,000
National Aeronautics and Space Administration	40	GS-0201, HR Specialist (3) GS-0301, Program Specialist (9) GS-0343, Program Analyst (3) GS-0801, General Engineer GS-1102, Contract Specialist (24)	\$341,786
National Archives and Records Administration	4	GS-1420, Archivist (2) GS-1421, Archives Technician (2)	\$24,000
National Mediation Board	3	GS-0241, Mediation GS-0301, Misc. Administration and Program (2)	\$10,750
Nuclear Regulatory Commission	10	GG-0801, Engineer GG-0840, Nuclear Engineer GG-0905, Attorney (7) GG-1160, Financial Analyst	\$96,000
Securities and Exchange Commission	384	SK-0110, Economist (2) SK-0201, Human Resources Management (5) SK-0203, Human Resources Assistance SK-0301, Misc. Administration and Program SK-0303, Misc. Clerk and Assistant (2) SK-0305, Mail and File SK-0318, Secretary (4) SK-0510, Accounting (59) SK-0905, General Attorney (239) SK-0950, Paralegal Specialist (4) SK-0963, Legal Instruments Examining (5) SK-0986, Legal Assistance SK-1001, General Arts and Information (3) SK-1102, Contracting SK-1160, Financial Analysis SK-1801, General Insp., Inv., and Compliance SK-1802, Compliance Inspection and Support SK-1831, Securities Compliance Examining (38) SK-2210, Information Technology Mgt. (6)	\$3,293,727
28 Agencies	2,945		\$16,424,365

Note: Reported costs are rounded to the nearest whole dollar.



**United States Office of
Personnel Management**
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