Calendar No. 220

108th Congress
1st Session

SENATE

REPORT
108–109

FEDERAL EMPLOYEE STUDENT LOAN ASSISTANCE ACT

R E P O R T

TOGETHER WITH

ADDITIONAL VIEWS

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 926

TO AMEND SECTION 5379 OF TITLE 5, UNITED STATES CODE, TO INCREASE THE ANNUAL AND AGGRETATE LIMITS ON STUDENT LOAN REPAYMENTS BY FEDERAL AGENCIES

JULY 21, 2003.—Ordered to be printed

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JULY 21, 2003.—Ordered to be printed

Ms. COLLINS, from the Committee on Governmental Affairs, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany S. 926]

The Committee on Governmental Affairs, to which was referred the bill (S. 926) to amend section 5379 of title 5, United States Code, to increase the annual and aggretate limits on student loan repayments by Federal agencies, having considered the same reports favorably thereon without an amendment and recommends that the bill do pass.

I. PURPOSE AND SUMMARY

The purpose of S. 926, the Federal Employee Student Loan Assistance Act, is to increase the annual and aggregate amounts that federal agencies can offer a qualified employee to assist in repaying a student loan. The current repayment amount for an employee is limited to $6,000 per year and $40,000 total. This legislation would raise the annual amount to $10,000 and the aggregate amount to $60,000, reflecting an increase in annual college tuition costs since the enactment of the original statute in 1991. Repayment of student loans, as a recruitment and retention incentive, offsets the higher salaries offered by private industry and is a tool for restructuring the federal civilian workforce to meet changing mission needs. Without this additional authority, the rising cost of tuition would lessen the competitive value of this recruitment and retention tool.

An employee for whom a student loan repayment benefit is paid must sign a service agreement to remain in the service of the paying agency for a period of at least three years. The employee must reimburse the paying agency for all benefits paid if he or she separates voluntarily or is separated involuntarily for cause or poor performance before fulfilling the service agreement.

II. Background

According to a June 2003 Office of Personnel Management document entitled, Federal Student Loan Repayment Program—Fiscal Year 2002: Report to the Congress, "In FY 2002, 16 federal agencies provided more than $3.1 million in student loan repayments for 690 federal employees. In addition, eight other agencies reported that they have established an agency loan repayment plan and expect to make use of the program in the near future. In total, more than half (29) of the reporting agencies (57) reported that they either made student loan repayments in FY 2002, have an agency loan repayment plan in place, or are in the process of establishing a student loan repayment plan." The report continues, "Several agencies reported that use of the program has helped them achieve their recruitment and retention goals. Agencies are also making a concerted effort to make applicants and current employees aware of the availability of student loan repayments. The most common barrier to using the student loan repayment program reported by agencies was a lack of funding caused by limited budgets. The agencies also recommended several changes in the student loan repayment program, such as eliminating the tax liability and reducing the statutory 3-year service requirement in exchange for a student loan repayment, as well as increasing the annual payment limitation and lifetime payment limitation on student loan repayments. These proposed changes would require legislation and are under review." S. 926 addresses two of these agency recommendations by raising the annual and aggregate limits on student loan repayments.

III. Legislative History

S. 926 was introduced on April 28, 2003, by Senator George V. Voinovich and was referred to the Senate Committee on Governmental Affairs.

S. 926 was polled out by the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on June 11, 2003, by a vote of 10–0.

S. 926 was considered by the Committee on Governmental Affairs on June 17, 2003, approved en bloc with other bills by voice vote, and ordered to be reported, with no Members present dissenting. Senators present were as follows: Collins, Lieberman, Voinovich, Coleman, Fitzgerald, Sununu, Levin, Akaka, Durbin, Lautenberg, and Pryor.

IV. Section-by-Section Analysis

Section 1. Short title

This Act may be cited as the "Federal Employee Student Loan Assistance Act".

Section 2. Student loan repayments

This section amends section 5379(b)(2) of title 5 USC by increasing the annual and aggregate amounts that agencies can repay a highly qualified employee for a student loan to $10,000 and $60,000, respectively.

V. ESTIMATED COST OF LEGISLATION

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 20, 2003.

Hon. SUSAN M. COLLINS,
Chairman, Committee on Governmental Affairs,
U.S. Senate, Washington, DC.

DEAR MADAM CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 926, the Federal Employee Student Loan Assistance Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford.

Sincerely,

ROBERT A. SUNSHINE
(For Douglas Holtz-Eakin, Director).

Enclosure.

S. 926—Federal Employee Student Loan Assistance Act

S. 926 would amend the federal student loan repayment program to increase the limits on the amount of student loans that agencies may repay on behalf of eligible employees. Under current law, agencies can offer each eligible employee up to $6,000 a year for student loan repayments, and the total amount of repayment available to any employee is limited to $40,000. This legislation would increase the yearly limitation on such repayments to $10,000 and raise the individual limitation to $60,000.

CBO estimates that implementing S. 926 would cost less than $500,000 a year, subject to the availability of appropriated funds. Enacting the bill would not affect direct spending or revenues.

Based on information from the Office of Personnel Management (OPM), CBO does not expect that an increase in the limitations on student loan repayment would lead to a significant increase in the cost of the program. OPM reports that the most common barrier to federal agencies using the student loan repayment program is a lack of specific funding. During fiscal year 2002, 16 government agencies provided student loan repayment benefits to 690 employees at a cost of $3.1 million, with an average repayment amount of $4,500. (The Department of State made most of those loan payments, providing $2 million to 407 employees.) Because current spending for student loan repayments does not appear to be significantly constrained by the current annual limit of $6,000 per eligible employee, CBO estimates that increasing the limit by $4,000 would result in only a minor increase in spending for this benefit.

S. 926 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Matthew Pickford. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.

VI. Evaluation of Regulatory Impact

Paragraph 11(b)(1) of rule XXVI of the Standing Rules of the Senate requires that each report accompanying a bill evaluate the "regulatory impact which would be incurred in carrying out this bill." Carrying out S. 926 would have no regulatory impact.

VII. Additional Views of Senator Akaka

I support the Federal Employee Student Loan Assistance Act, S. 926, which will increase the annual and aggregate amounts that federal agencies can offer a qualified employee to assist in repaying a student loan. However, I am concerned with the lack of funding available to agencies to effectively use this important recruitment and retention tool. Without adequate funding, federal agencies are hindered in their ability to hire or provide appropriate retention incentives to talented employees who are strong candidates for the program.

Responding to recommendations of the National Commission on the Public Service that a loan forgiveness program be established for federal service, Congress authorized a student loan repayment program for highly qualified federal employees in 1990. The April 1989 Commission report found that the federal government faced serious problems in recruiting and retaining a quality workforce. Student loan repayment was viewed as a way to make government service more attractive to candidates, many of whom have incurred significant student loan debt in acquiring their education.

However, the program has not lived up to its full potential. According to the Office of Personnel Management (OPM) report entitled Federal Student Loan Repayment Program—Fiscal Year 2002: Report to the Congress, of the 16 agencies that have used this authority, most have awarded student loan repayment to a small number of individuals.[1] Only the Department of State and the General Accounting Office have utilized the program as intended.[2] According to agencies, the most common barrier to using the student loan repayment incentive was a lack of funding for the program. One agency even commented that because agencies have such limited budgets, it is difficult, if not impossible, to find the money to fund the program. This raises serious concerns about the effective use of the program and our recruitment and retention efforts.

If we are to bridge the gap between retiring employees and the need for new workers, we must find ways to encourage government service. Ensuring that student loan debt is not an impediment to the federal government being an employer of choice is an important step. This is especially important as high educational debt has been found to make a significant difference in the federal government's ability to recruit talented employees. On June 4, 2003, Paul Light,

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[1] Beneficiaries of student loan repayments in FY 2002 included 35 employees at the Federal Energy Regulatory Commission, 17 at the Department of Energy, 13 at the Department of the Interior, 9 at the Department of the Treasury, 8 at the National Aeronautics and Space Administration, 8 at the Department of Health and Human Services, 7 at the General Services Administration, 6 at the Department of Defense, 3 at the Export-Import Bank, 3 at the Committee for Purchase from People Who Are Blind or Severely Disabled, 2 at the Department of Agriculture, and 1 employee each at the Department of Justice, the Defense Nuclear Facilities Safety Board, and the Inter-American Foundation.

[2] The Department of State made loan repayments benefitting 407 employees while the General Accounting Office (GAO) made loan repayments for 169 employees.

Director of the Brookings Institution Center for Public Service, testified before the Committee that while the nature of the job remains the most important consideration in making a decision about where to work, college debt makes a difference in job choice for the class of 2003.

The Committee notes in its report accompanying S. 926 that funding for the student loan repayment program is a problem. However, I do not believe that this problem has received the attention it deserves. I am pleased to have joined Senator Voinovich in urging the Appropriations Committee for the past three years to provide funds to address agencies' human capital needs. However, more must be done. To address this need, federal agencies may require specific funding for recruitment and retention initiatives. I look forward to working with my colleagues to secure funding for the repayment of student loans for federal employees. Only then will the federal government be able to effectively compete with the private sector and recruit and retain talented individuals.

DANIEL K. AKAKA.

VIII. Changes in Existing Law

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic and existing law, in which no change is proposed, is shown in roman):

TITLE 5—GOVERNMENT ORGANIZATION AND EMPLOYEES

PART III—EMPLOYEES

Subpart D—Pay and Allowances

CHAPTER 53—PAY RATES AND SYSTEMS

Subchapter VII—Miscellaneous Provisions

§ 5379. Student loan repayments

* * * * * * *

(b)(1) The head of an agency may, in order to recruit or retain highly qualified personnel, establish a program under which the agency may agree to repay (by direct payments on behalf of the employee) any student loan previously taken out by such employee.

(2) Payments under this section shall be made subject to such terms, limitations, or conditions as may be mutually agreed to by the agency and employee concerned, except that the amount paid by an agency under this section may not exceed—

(A) [$6,000] *$10,000* for any employee in any calendar year; or

(B) a total of [$40,000] *$60,000* in the case of any employee.

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