United States Government Accountability Office

GAO

Report to Congressional Requesters

July 2005

FEDERAL STUDENT LOAN REPAYMENT PROGRAM

OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results

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GAO-05-762

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Highlights

Highlights of GAO-05-762, a report to congressional requesters

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Why GAO Did This Study

As federal workers retire in greater numbers, agencies will need to recruit and retain a new wave of talented individuals. Agencies need to determine if the federal student loan repayment (SLR) program is one of the best ways to make maximum use of available funds to attract and keep this key talent.

GAO was asked to identify (1) why agencies use or are not using the program; (2) how agencies are implementing the SLR program; and (3) what results and suggestions agency officials could provide about the program and how they view the Office of Personnel Management's (OPM) role in facilitating its use. Ten agencies were selected to provide illustrative examples of why and how agencies decided to use or chose not to use the program.

What GAO Recommends

GAO recommends that OPM work with the Chief Human Capital Officers (CHCO) Council to determine more efficient ways to administer the SLR program and to measure its results. GAO also recommends that the selected agencies using the SLR program extensively build on current efforts to measure the impact of their SLR programs. OPM generally agreed with the recommendations. The selected agencies either generally supported the recommendations or did not express an overall opinion about them.

www.gao.gov/cgi-bin/getrpt?GAO-05-762.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Eileen Larence, (202) 512-6806, larencee@gao.gov.

What GAO Found

The largest users among GAO's 10 selected executive branch agencies primarily employed their SLR programs as broad-based retention tools aimed at keeping more recently hired employees with the knowledge and skills critical to their agencies. Officials at these agencies said the program also has an indirect positive effect on their recruitment efforts because job candidates are aware of the benefit and find the incentive attractive. Other agencies used the program as a recruitment and retention tool on a case-by-case basis, offering repayments to highly qualified individuals in occupations where the labor market is competitive. Agencies not using the program reported no real need to do so at this time because they are not facing significant recruitment and retention challenges.

Agencies have a large degree of discretion in structuring their SLR programs, and they were tailoring program aspects to meet their unique needs. Those using their programs as broad-based retention tools operated them centrally, while those making loan repayments on a case-by-case basis had decentralized programs operated by their component units. Agencies also varied in the size of their loan repayments depending on the results they were trying to achieve.

Although agencies believe it is a useful tool, officials described the program as time consuming and cumbersome to operate. They suggested that more automation and consolidation of program activities would make the program more efficient and easier to operate. Officials also suggested ways to make the program more effective. Since the SLR program is relatively new, agencies did not yet have comprehensive data to assess the program's impact, although they will need to establish a baseline of measures now for future assessments of the program. Currently, anecdotal evidence indicates that employees value the program, and agency officials believe the incentive will become more attractive to agencies once administrative problems are reduced.

OPM has taken a number of steps to provide agencies with information and guidance on implementing the program. Human capital officials recognized OPM's efforts, but felt they could use more assistance on the technical aspects of operating the program, more coordination in sharing lessons learned in implementing it, and help consolidating some of the program processes. OPM and the CHCO Council have an important role in assisting agencies with implementing their SLR programs. They may also be able to help agencies assess their own program results as well as develop a common set of metrics to provide information to Congress on the impact of the SLR program governmentwide.

Contents

Abbreviations

ASD	alternative service delivery
CHCO	Chief Human Capital Officers
CRS	Congressional Research Service
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
DOS	Department of State
DOT	Department of Transportation
EEOC	Equal Employment Opportunity Commission
GSA	General Services Administration
OPM	Office of Personnel Management
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SLR	student loan repayment
SSA	Social Security Administration

United States Government Accountability Office
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July 22, 2005

The Honorable George V. Voinovich
Chairman
The Honorable Daniel K. Akaka
Ranking Member
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Richard J. Durbin
United States Senate

The Honorable Jon Porter
Chairman
Subcommittee on the Federal Workforce and Agency Organization
Committee on Government Reform
House of Representatives

At a time when rising educational debt has the potential to drive college and professional school graduates away from public service and into higher paid private sector jobs, student loan repayment is viewed as one tool the federal government can use to attract and keep valuable talent. Congress passed a law in 1990 authorizing agencies to repay, at their discretion, their employees' student loans as a means to recruit and retain a talented workforce.[1] In 2001, the Office of Personnel Management (OPM) issued final regulations to implement the federal student loan repayment (SLR) program. The regulations were subsequently changed in 2004 to reflect legislative amendments that increased the ceiling on annual and total loan repayments. The provisions of the federal SLR program legislation initially authorized student loan repayments of up to $6,000 per year to a total of $40,000 per employee. These ceilings were later increased to a maximum amount of $10,000 per calendar year and a total of $60,000. Income and employment taxes are withheld from the repayment amount, and an employee seeking student loan repayment must sign a written service

[1]The law was enacted in 1990 (Pub. L. No. 101-510, § 1206(b) (Nov. 5, 1990)) and amended in 2000 (Pub. L. No. 106-398, § 1122 (Oct. 30, 2000)) and 2003 (Pub. L. No. 108-123 (Nov. 11, 2003) and Pub. L. No. 108-136, § 1123 (Nov. 24, 2003)). 5 U.S.C, § 5379.

agreement to work for the agency for at least 3 years. The law requires that agencies make the loan repayments directly to the lending institutions.

After a slow start, agencies' use of the SLR program has increased substantially since 2001. OPM reported that federal agencies increased the number of employees receiving student loan repayments by 42 percent in fiscal year 2004 compared to the previous fiscal year (from 2,077 to 2,945 employees) and increased their overall financial investment in the program by 79 percent (from $9.18 million to $16.42 million). Most of these repayments, approximately 81 percent, were made by five agencies, including GAO. In making these investments, agencies were required to address a range of issues, such as funding and criteria for participation, to determine whether a SLR program was desirable or feasible for them. Funding is particularly important given that the law providing authority to establish the programs does not provide separate or additional funding to implement them. Instead, agencies generally need to reallocate funds from existing pay and benefits programs or other recruitment and retention incentives to repay employees' student loans. Consequently, agencies must determine whether to use the SLR program given available funds and other tools to recruit and retain key talent.

To obtain a better understanding of agencies' use of the federal SLR program, you asked us to identify (1) why selected executive branch agencies are using or not using the program, (2) how agencies are implementing the SLR program, and (3) what results and suggestions agency officials could provide about the program and how they view OPM's role in facilitating its use.

To address our objectives, we identified a set of federal agencies varying in size and mission that had established SLR programs, were in the process of establishing programs, or had chosen not to use them. We then selected 10 agencies to provide illustrative examples of why and how agencies decided to use the program or chose not to use it. We selected the Department of State (DOS), the Department of Justice (DOJ),[2] and the Securities and Exchange Commission (SEC) because they were among the largest users of the program through fiscal year 2004, and the General Services Administration (GSA) and the Department of Energy (DOE) because they

[2]DOJ, in addition to the SLR programs administered by its units, implemented the Attorney Student Loan Repayment Program in 2003 to address both the recruitment and retention challenges the department faces in managing its attorney workforce.

used their programs on a more case-by-case basis. We selected the Department of Transportation (DOT) and the Department of Commerce (Commerce) because they were initiating programs, and the Social Security Administration (SSA), the Equal Employment Opportunity Commission (EEOC), and the Small Business Administration (SBA) because they did not use the program. Background information on the agencies appears in appendix II. We reviewed available documentation, such as strategic workforce plans, SLR implementation plans, and other documents associated with administering the program. To obtain governmentwide data on agencies' use of the program and to help identify our case study agencies, we reviewed and analyzed OPM's annual reports to Congress on the SLR program.[3] We interviewed agency officials, such as human capital officers, SLR program managers, and recruitment directors, from the selected agencies, as well as officials from OPM and other relevant parties. We conducted our review in Washington, D.C., in accordance with generally accepted government auditing standards from July 2004 through June 2005. Detailed information on our scope and methodology appears in appendix I.

Results in Brief

The agencies' decisions to use the SLR program were largely based on how well the program met each agency's unique recruitment and retention needs. Six of our case study agencies were using the program, one was just beginning to implement it, and three had chosen not to implement it. DOS, DOJ, and SEC, the largest users among the case study agencies, reported using the program primarily for broad-based retention efforts aimed, in many cases, at retaining more recently hired employees with knowledge and skills critical to the agencies. Officials at these agencies said that the program had a strong indirect effect on their recruitment efforts as well, because job candidates know the program exists and find it attractive. Officials from three other agencies, GSA, DOE, and DOT, said they offer student loan repayments in recruiting specific individuals, such as Presidential Management Fellows, and in occupations where the labor market is competitive, such as engineering. In addition, they offer student loan repayments to employees with skills critical to the agency that they need to retain. Officials at Commerce, which recently offered its first

[3]U.S. Office of Personnel Management, *Federal Student Loan Repayment Program* (Washington, D.C.: 2001), *Federal Student Loan Repayment Program* (Washington, D.C.: 2002), *Federal Student Loan Repayment Program* (Washington, D.C.: 2003), and *Federal Student Loan Repayment Program* (Washington, D.C.: 2004).

repayment, said the department will also use the program on a case-by-case basis for both recruitment and retention. SSA, EEOC, and SBA officials reported having no real need to implement the program at this time, because their agencies are not facing significant recruitment and retention challenges. SSA officials, for example, said the agency's recruitment needs generally do not require a focus on individuals with highly technical or unique qualifications.

Likewise, agencies are implementing the SLR program to meet their unique needs by tailoring various aspects of their programs. For example, the agencies using the SLR program more extensively and primarily as a broad-based retention tool operated their programs centrally, while the agencies using student loan repayments on a case-by-case basis decentralized operations to units within the agencies. DOS, for example, centrally funds and administers the program for all units within the department, such as the Bureau of Consular Affairs. DOE, on the other hand, allows its units to implement their own programs, primarily because they have diverse needs, including different geographic labor markets. Agencies also varied the amount of recipients' loan repayments to achieve particular results. The DOJ attorney program, for example, offers the largest loan repayments to attorneys in the lowest salary positions to attract a broader base of individuals who otherwise may not have been interested in these positions. Agencies also varied the length of service required before an employee can become eligible for the program. For instance, SEC, an agency that reports little difficulty recruiting candidates but has a relatively high attrition rate, requires employees to serve at least 1 year before becoming eligible to participate in the program. Because program participants sign a 3-year service agreement, the agency is likely to retain these employees for a minimum of 4 years.

Agency officials provided suggestions for making the SLR program more efficient and effective, but agencies using the SLR program did not yet have comprehensive data on the extent to which it is aiding them in their recruitment and retention efforts. For example, most officials agreed that the program is cumbersome to administer and proposed that certain changes, such as more automation of the application and loan repayment processes and consolidation of other program activities, could make it more efficient. In particular, an official at DOT indicated that alternative approaches could be explored to increase the cost effectiveness of administrative functions for agencies that use the program extensively. For example, one approach may be to create shared services—similar to the approach used to provide payroll services, wherein a small number of agencies service multiple agencies. Officials also suggested changes to the program they believed would increase its effectiveness by making the program more attractive to candidates and employees, such as reducing the 3-year service agreement. As for determining program results, although the program is still relatively new to most agencies, establishing now what data and indicators they will track to determine the program's effects, as well as a baseline to measure the changes over time, is important for future assessments of the program. All agencies are tracking the number of SLR recipients who do not fulfill their service agreements and stated that few are leaving the agency before their agreements expire, indicating the program is having at least a short-term positive impact on retention. As for longer-term measures of effect, agency officials identified several indicators they could track, such as participant attrition rates and survey data measuring employee attitudes about the program. Officials stated that they would need to track attrition rates of loan repayment recipients for at least a 3-year cycle because recipients sign at least a 3-year service agreement and are less likely to leave during this time frame. Nevertheless, agencies could establish the tracking systems now, and could conduct the employee surveys on a periodic basis to gauge program results.

Finally, agency officials' views were mixed on OPM's role in facilitating their use of the SLR program. They suggested that more coordination among agencies, which OPM could facilitate, would help with program implementation and administration. OPM has taken a number of steps to provide agencies with program information and guidance, including making reference materials, such as questions and answers on administering student loan repayments, available on its Web site, and sponsoring a forum for program managers. Since a number of the changes in program administration, such as more automation of the process or establishing shared-service arrangements, would benefit all agencies using the program, OPM, as the central human capital office, is well-positioned to help implement these program improvements. In addition, continued OPM support, such as the forums and training sessions on the program, could be helpful. Some of this assistance could also include working with the agencies to develop indicators and measures of program results, which in turn could help OPM to assess and report on program results governmentwide.

Given the challenges cited in administering the program and its potential to grow, simplifying and consolidating administrative tasks, sharing lessons learned, and assessing results will help ensure agencies make maximum use of funds to recruit and retain key talent, a critical goal in an era of fiscal constraints. In light of this, we recommend that the Director of OPM, in conjunction with the Chief Human Capital Officers (CHCO) Council,[4] continue to work with agencies using the program to determine the most important program improvements to implement, especially those that would have governmentwide benefits, such as shared service arrangements, and the most cost-effective ways to implement them. OPM could also help agencies identify possible data to collect, and indicators to use, to track long-term program results, as well as possible governmentwide indicators OPM could use to report overall program results to Congress. We are also recommending to our selected agencies making extensive use of the SLR program that they continue their efforts to measure the impact of their programs.

We provided a draft of this report to the Director of OPM and to our 10 selected agencies for their review and comment. We received written comments from OPM, DOS, DOJ, and DOE, which are included in appendixes III, IV, V, and VI respectively. OPM and DOS concurred with our recommendations. DOJ did not comment specifically on the recommendations but stated that the department has already started to develop ways to measure the impact of the attorney student loan repayment program on retention. DOE offered two opinions on our recommendations to OPM. First, DOE stated that the report did not fully describe OPM's efforts in assessing program implementation as part of its annual reporting process to Congress. We added language in the report to expand on what OPM included in its most recent report. DOE also suggested that GAO recommend that OPM assist agencies in measuring the effectiveness of specific incentives such as student loan repayments by including questions about them in the Federal Human Capital Survey. While this may be an effective method to collect data on program results, we did not prescribe the measures of effectiveness OPM should use but recommended that it work jointly with agencies and the CHCO Council to design these measures. These four agencies, as well as several of the remaining agencies, also provided technical comments, which we have incorporated as appropriate.

[4]The CHCO Council, headed by the Director of OPM, is responsible for advising and coordinating agencies' efforts concerning modernization of their human resources systems, improvement of the quality of human resources information, and legislation on human resources operations and organizations.

Background

In 1989, the National Commission on the Public Service found that the federal government experienced difficulties in recruiting and retaining a quality workforce.[5] The commission recommended that a student loan forgiveness program be established, and the SLR program was proposed in response to that recommendation. The reasons underlying enactment of the federal SLR program continue today and include the impending retirements of large numbers of federal workers and the difficulty, at times, in attracting the right individuals to public service to help fill the gaps. Today's college graduates are entering the workforce with even more substantial education loans than in 1989, and studies indicate that educational debt prevents many graduates from choosing employers in which they are interested but that provide lower salaries. A 2002 Congressional Budget Office study concluded that federal employees in selected professional and administrative occupations tend to hold jobs that paid less than comparable jobs in the private sector. The report stated that the jobs that show the greatest pay disadvantage for federal workers make up an increasing share of federal employment.[6]

The provisions of the federal student loan repayment program legislation authorize student loan repayments as recruitment or retention incentives for highly qualified federal job candidates or current employees. In retention situations, however, the SLR program may be used only when an employee is likely to leave for employment outside the federal government, not to another federal agency. As mentioned previously, agencies are authorized to provide an employee with a maximum repayment amount of $10,000 per calendar year up to a total of $60,000, with the payments included in gross income for both income and employment tax purposes. An employee who separates voluntarily from the agency, who does not maintain an acceptable level of performance, or who violates any of the conditions of the service agreement becomes ineligible to continue to receive the benefit and must reimburse the agency for the total amount of any repayment benefits received. Under the law, student loans made, insured, or guaranteed under the Higher Education Act of 1965 or health education assistance loans made or insured under the Public Health

[5]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, D.C.: 1989).

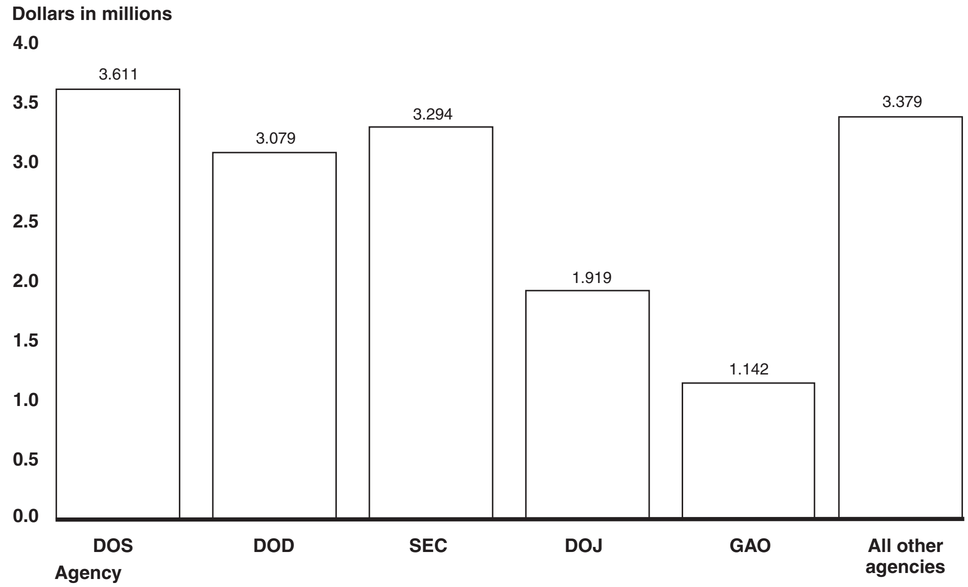
[6]Congressional Budget Office, *Measuring Differences between Federal and Private Pay* (Washington, D.C.: November 2002).

Service Act are eligible for repayment. The SLR program legislation covers executive and select legislative branch agencies and government corporations such as the Pension Benefit Guaranty Corporation.[7]

Authorizing legislation also requires OPM to annually report to Congress on agency program use. According to OPM, the Department of Health and Human Services was the only agency to make a student loan repayment in fiscal year 2001. More agencies began using the program in fiscal year 2002, with 16 of them reporting to OPM that they had repaid some employees' student loans. Participation increased again in fiscal year 2003 with 24 agencies distributing more than $9.18 million among a total of 2,077 recipients. During fiscal year 2004, 28 agencies provided 2,945 employees with a total of more than $16.42 million in student loan repayments. Compared to fiscal year 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. As figure 1 shows, five agencies invested the most funding on student loan repayments in fiscal year 2004. These five agencies also made the greatest number of loan repayments.

[7] 5 U.S.C. § 5379(a)(1)(A).

Figure 1: Fiscal Year 2004 Benefits Provided by Users of the Student Loan Repayment Program



Source: OPM data.

As with other human capital flexibilities, Congress has directed that agencies use the incentive strategically; therefore, some agencies may not need to make large numbers of student loan repayments to use the program effectively, or need to use the program at all to manage their workforces.

GAO is one of the top five agencies accounting for most of the student loan repayments made in fiscal year 2004. GAO implemented its SLR program in fiscal year 2002 for employees who indicated interest and were willing to make a 3-year commitment to stay with the agency. The objective of the program is to facilitate the recruitment and retention of highly qualified employees by (1) providing an incentive for selected candidates to accept a GAO position that may otherwise be difficult to fill and (2) retaining highly competent employees with knowledge or skills critical to GAO. At the current time, GAO's program is used mostly to retain top talent. The goal is to retain employees longer than 3 years, after which they are more likely to consider a longer-term career at GAO. The agency focuses on retaining recently hired staff because of the considerable time and effort expended on selecting these employees and the substantial amount of money required to train new hires who will replace retiring employees. The program's operating plan specifies groups or categories of employees who will be considered for student loan repayment for retention purposes based on job series. Analysts and financial auditors, for example, generally received the same amount of loan repayment, $5,000 in fiscal year 2004. Employees in often hard-to-fill job series—such as economists and attorneys—are considered for GAO's maximum loan repayment, $6,000 in fiscal year 2004, on a case-by-case basis. To help measure the effectiveness of its program, GAO distributed a survey to program recipients in 2004. More than 50 percent of respondents confirmed that the program had some influence over their decision to stay with GAO.

Pending legislation in the House of Representatives and the Senate would exclude student loan repayments from gross income for federal tax purposes. The Generating Opportunity by Forgiving Educational Debt for Service bill would, in effect, increase the amount of the student loan repayment benefit by relieving federal employees of the obligation to pay income tax on the repayments their federal agencies have provided them.[8] Those in favor of eliminating the tax argue that, with the current program, the federal government is taxing its own ability to recruit and retain employees. They also note that loan repayments made by educational institutions or nonprofit organizations to encourage public service are not counted as taxable income for the recipient.

Legislation was also introduced but not passed in the last Congress to authorize a separate SLR program for federal employees in national security positions. The Homeland Security Federal Workforce Act would grant authority to the heads of selected agencies to establish a pilot SLR program to recruit or retain highly qualified professional personnel employed by their agencies in national security positions.[9] This pilot program, which would remain in effect for 8 years, would be limited to agencies with national security responsibilities, namely national security positions in the Departments of Defense, Energy, Homeland Security, Justice, State, and the Treasury; the Central Intelligence Agency; and the National Security Agency. The proposed SLR program is similar to the existing one except that the legislation will authorize the appropriation of funding specifically for the loan repayments. However, actual funding of the loan repayments may be at the discretion of Congress via annual

[8]H.R. 1765, introduced on April 21, 2005, Generating Opportunity by Forgiving Educational Debt for Service Act of 2005. S. 1255, introduced on June 16, 2005.

[9]S. 589, introduced on March 11, 2003, Homeland Security Federal Workforce Act.

appropriations acts. The legislation also requires that, no later than 4 years after its enactment, the OPM Director report to the appropriate congressional committees on the status of the programs established and the success of such programs in recruiting and retaining employees for national security positions.

Selected Agencies' Use of the SLR Program Largely Depended on Their Unique Recruitment and Retention Needs

DOS, DOJ, and SEC used the SLR program more extensively and primarily as a broad-based tool to retain more recently hired employees in specific positions that require knowledge or skills critical to the agency. GSA, DOE, and DOT, on the other hand, used it in on a case-by-case basis as an incentive to either recruit selected highly qualified candidates or retain employees with skills critical to the agency. Commerce recently started to offer repayments, also on a case-by-case basis, for recruitment and retention. At this time, SSA, EEOC, and SBA were satisfied with their efforts using other recruitment and retention tools and have not needed to use the program.

DOS, DOJ, and SEC Use the Program Primarily to Retain Employees

DOS heads the list of federal agencies in the number of employees participating in, and funds expended on, student loan repayments. The department began using the program in fiscal year 2002 and reported making loan repayments for 734 employees in fiscal year 2004. Repayments totaled approximately $3.6 million. Officials from DOS noted that many of their recently hired employees have student loan debts. For example, most of the Presidential Management Fellows entering the department have eligible student debt, which automatically qualifies them for the benefit. DOS uses its program primarily to recruit current employees for foreign service hardship posts, and also to retain employees in civil service positions that are difficult to fill. The department has determined that offering the program to candidates who accept or remain in positions at the most difficult posts, such as those experiencing hazardous political or health-related conditions, helps attract candidates to seek these assignments or encourages employees to remain in them. Employees, or potential employees, in certain historically difficult-to-fill civil service occupational series may also qualify for the program. These positions range from those requiring historians with a Ph.D. in history to passport and visa examiners working throughout the country. While DOS primarily uses the program for retention, its recruiters also report that the SLR program is of great interest on college campuses across the country, thereby indirectly helping recruiting. The department noted that student loan repayments are only one of several incentives and benefits available to those considering a State Department career, but that the repayments are an important part of its overall benefits package.

While DOJ made only one student loan repayment in fiscal year 2002, it began using the program extensively in fiscal year 2003. In fiscal year 2004, the department reported making 331 repayments totaling approximately $1.9 million, with the majority of payments made on behalf of attorneys, special agents, and intelligence analysts. DOJ's use of the SLR program is unique in that there is a centrally administered departmentwide program for attorneys, as well as unit-run programs for a variety of other positions. According to the attorney SLR program officials, DOJ uses the program mostly to retain experienced attorneys. About 10 percent of the loan repayments is being used for recruitment, including qualifying new attorneys entering the department under the Honors Program.[10] An attorney SLR program manager reported that DOJ advertises the program heavily to law students because it perceives the program to be an effective indirect recruiting tool.

In terms of DOJ's unit-run programs, 12 of its 16 components reported using the SLR program in fiscal year 2004, according to a DOJ human capital official. For example, the Bureau of Prisons found the program helped to retain highly skilled and experienced employees who would consider seeking employment in the private sector, as well as attract candidates who normally would not be interested in working with the agency due to the salary level.

SEC, which began using the SLR program in the last half of fiscal year 2003, reported making 384 student loan repayments totaling approximately $3.3 million in fiscal year 2004. Most of these repayments were made on behalf of attorneys. According to SEC officials, the agency generally does not have trouble attracting job candidates, but it does have a relatively high attrition rate. An official remarked that the agency has a highly skilled workforce comprised largely of securities attorneys, accountants, and examiners, many of whom are highly sought after by the private sector, and it historically has been a challenge for SEC to retain them. SEC, therefore, uses the program only for retention. SEC officials said that thus far they have had only a few employees leave before the 3-year service agreement

[10]The Attorney General's Honors Program is DOJ's recruitment program for entry-level attorneys and is the only way DOJ hires graduating law students.

was completed. In addition, they reported that a large percentage of employees are reapplying for benefits, indicating their willingness to stay with the agency long enough to reduce or pay off their student loan debt. Although the program is used for retention, SEC advertises in its recruitment efforts that the benefit is available after 1 year of service, making it an indirect recruiting incentive. Officials noted that SEC also uses other recruitment and retention incentives, but uses those incentives on a strategic basis to recruit and retain highly qualified employees with qualifications critical to SEC's mission.

GSA, DOE, and DOT Target Repayments to Both Recruit and Retain Specific Individuals for Certain Occupations; Commerce Also Intends to Use Its Program for These Reasons

GSA units generally determine the use of incentive pay, including student loan repayments, on a case-by-case basis. GSA guidance on the program states that student loan repayments are not an entitlement, but rather a recruitment and retention incentive that may be used optionally by a manager who would not otherwise be able to recruit or retain a highly qualified employee with qualifications critical to GSA missions. An official noted that SLR authorizations are based on the particular recruitment or retention situation, whether the position is a critical need or difficult to fill, and the ability of the unit to fund the repayments. In fiscal year 2004, GSA repaid 17 loans at a total cost of approximately $93,000. The agency reported that it uses the SLR program for both recruitment and retention, although most of the repayments in fiscal year 2004 were for recruitment. GSA plans to increase its use of the program only if the number of critical vacancies increases and the number of available candidates decreases.

DOE uses the SLR program on a case-by-case basis determined by factors such as labor market conditions that may affect recruiting efforts. Each case must be justified by the recommending official, concurred with by the respective financial and human capital staffs, and approved by a top manager authorized to grant the incentive. DOE reported spending approximately $87,000 on 36 repayments in fiscal year 2004 and using the program almost equally for recruitment and retention. Student loan repayments were offered to employees in a variety of different occupations, such as engineering and financial analysis. According to a DOE official, program use is expected to increase in incremental amounts annually for recruiting entry-level engineers and scientists, but not for retention purposes. Because DOE views the SLR program as more expensive than other incentives, managers are asked to be selective about their SLR offers. DOE has developed recruitment and retention worksheets to help managers determine the cost of a loan repayment compared to using other incentives, so they can evaluate the most strategic use of resources.

DOT began using the program in fiscal year 2004 by making six loan repayments totaling approximately $53,000. Three of these were made on behalf of Presidential Management Fellows. The agency made the repayments for both recruitment and retention purposes. DOT officials speculated that the program will play a role in future hiring, as it appears to be a more valuable tool for entry-level employees who are more likely to have student loans. Agency officials also said that since DOT views the program as an expensive benefit and because the agency is now operating with a lower budget, they will use the program sparingly. Since repayment will be a targeted benefit, a human capital official noted that it probably will not be featured in the standard DOT recruitment materials or brochures.

Commerce is planning to use the program to recruit and retain specific individuals in mission-critical occupations, such as statisticians. It recently reported offering its first student loan repayment to an applicant who turned it down because of the length of the service agreement. Commerce intends to use the SLR program for both retention and recruitment, depending on the needs of its units. For example, the National Institute of Standards and Technology, which needs technical staff, will most likely use it for recruitment, while the Office of General Counsel, with a high turnover rate for attorneys, will likely use it for retention.

SSA, EEOC, and SBA Reported They Have No Need to Implement the SLR Program at This Time

According to SSA officials, the agency has not needed the SLR program to recruit or retain staff. The agency meets its hiring needs through a national recruiting program and generally does not focus its recruitment efforts on individuals with highly technical or unique qualifications. Therefore, SSA is able to meet its hiring targets without extensive use of special incentives. When needed, officials said the agency has successfully used recruitment bonuses, retention allowances, relocation bonuses, and above-minimum salaries to recruit and retain highly qualified individuals for hard-to-fill positions. The officials believed that these other incentives provided recipients with greater flexibility to use their bonuses or allowances to meet their own needs, whether to repay student loans or for other reasons. The officials acknowledged, however, that if SSA cannot continue to successfully recruit or retain employees through its national recruiting program or the use of other flexibilities, they would reconsider their decision not to use the SLR program.

According to agency officials, EEOC does not use the SLR program because of fiscal constraints and because the organization has qualities that attract and retain employees without the program. In addition, the agency has not used other recruitment and retention incentives recently. An EEOC human capital official noted that the agency has lost 350 employees in the last 3 and a half years and will likely lose more employees in the near future. Rather than having to use monetary recruitment or retention incentives, agency officials remarked that individuals are drawn to work at EEOC primarily because of the mission it pursues. On the basis of anecdotal evidence, they also believe that employees stay with EEOC to a large degree because of the positive work-life balance the agency offers them.

According to SBA officials, the agency is doing very limited hiring and rarely needs to offer recruitment and retention incentives. SBA officials explained that the agency recruited 156 employees during fiscal year 2004 and was able to successfully recruit the desired talent without using the incentive. The officials further stated they were not aware of candidates not accepting a position at SBA because the agency lacked a SLR program. As SBA becomes more targeted in its recruitment activities, agency officials remarked that they will consider using the SLR program along with other recruitment flexibilities.

Agencies Tailored SLR Program Administration to Meet Their Unique Needs

To address needs unique to their organizations, agencies customized aspects of their SLR programs. Table 1 illustrates some implementation differences among our selected agencies.

Table 1: Summary of Selected Agencies' SLR Program Features

Agency	Program features
U.S. Department of State	• Centrally administered and centrally funded • Participation criteria post or position based • Self-nominating participation • Annual loan repayments generally $4,700 • Multiple application periods annually
U.S. Department of Justice	• Centrally administered departmentwide attorney SLR program and separate unit-run programs • Self-nominating attorney program participation; manager-recommended unit-run participation • Attorney program requires $10,000 minimum loan debt • Attorney program gives the most support to lowest salaried participants—up to $6,000 annually • Higher salaried attorneys receive only matching loan repayments • Attorney program selections by administrative panel
U.S. Securities and Exchange Commission	• Centrally administered and centrally funded • Self-nominating or manager-recommended participation • One-year qualifying length of service required for program participation • 75 percent of fiscal year 2004 repayments were $10,000 • Additional year of service required for each renewal
U.S. General Services Administration	• Decentralized administration and unit-based funding • Manager-nominated participation on a case-by-case basis • Fiscal year 2004 loan repayments were generally $6,000
U.S. Department of Energy	• Decentralized administration and unit-based funding • Manager-nominated participation on a case-by-case basis • Repayment amounts vary widely—maximum of approximately $6,000 annually • Service agreements between units do not necessarily transfer • Additional years of service not always required for renewals • Current students also eligible to participate
U.S. Department of Transportation	• Decentralized administration and unit-based funding • Manager-nominated participation on a case-by-case basis • Fiscal year 2004 repayments averaged $9,000 • Recipients can transfer between units without breaking the service agreement

Source: GAO presentation.

Agencies Operated Their Programs Differently

Agencies centralized SLR program operations at the department level to coordinate departmentwide needs or decentralized operations to their individual units to offer them needed flexibility. The agencies operating their programs centrally used the SLR program primarily as a broad-based retention tool, while the agencies running decentralized programs used student loan repayments on a case-by-case basis. DOS, for example, has a centrally operated and funded SLR program that serves the specific recruitment and retention needs of all units within the department, such as those of the Bureau of Consular Affairs. In contrast, DOJ runs both centralized and decentralized programs. For example, the DOJ attorney SLR program is centrally administered, although as of fiscal year 2004, the recipient's unit agency had to bear the costs of the repayments. Starting in fiscal year 2005, almost 30 percent of the program costs are being paid centrally with the balance coming from the individual DOJ units that participate. DOJ units offering repayments to employees in a wide variety of positions operate and fund these programs. GSA, DOE, and DOT have decentralized programs. Managers in individual units nominate specific candidates or employees for participation in the program, and the units provide the funding for the loan repayments. DOE, for example, allows its units to implement their own programs, primarily because they have diverse needs, including different geographic labor markets. The National Nuclear Security Administration, an agency within DOE, issues its own human capital program requirements and guidelines, consistent with overall departmental human capital policy, and administers its own SLR program at its various sites and locations across the country.

Agencies also varied the amount of the loan repayment, depending on the results they needed to achieve. For example, to make the benefit meaningful to its employees, SEC has repaid the maximum amount allowable of $10,000, unless the loan balance is less than that amount. DOJ, for its attorney SLR program, offers a maximum amount of $6,000 annually to attorneys with salaries below $74,000 to attract a broad base of individuals who otherwise may seek employment in the private sector. For attorneys with higher salaries, DOJ matches the recipient's own annual repayment amount up to a maximum of $6,000. A DOS official said the department's goal is to offer meaningful loan repayments to the largest number of individuals possible, so DOS has repaid the same amount for all eligible employees, which for the past 3 years has been $4,700. If a recipient's outstanding loan balance is less, DOS repays the lower amount.

Agencies Shape Their Participation and Selection Criteria to Address Their Unique Needs

Agencies varied the length of time employees were required to wait before becoming eligible for the SLR program depending on results they were trying to achieve. For example, the DOJ attorney SLR program has no longevity requirements. Attorneys may apply during the first application period following their employment. Officials are concerned that they could miss opportunities to hire highly qualified law students with large student loan debts, who may be unable to accept DOJ's entry-level positions because of economic concerns. Officials said the application process is self-nominating, and an attorney must have a qualifying student loan debt base of at least $10,000 to be eligible for the program. SEC officials said the agency has few problems attracting employees but historically has had challenges retaining them, often because SEC experience makes employees very marketable in the private sector. The agency has tailored its program participation criteria to address this need by requiring employees to complete at least 1 year of employment with SEC before they are eligible for the program. With the 3-year service agreement, SEC then has the potential to retain employees for at least 4 years, which also helps to ensure a greater return from recruitment and training costs.

Agency Officials Suggested Ways to Make the SLR Program More Efficient and Effective, but Agencies Do Not Yet Have Processes to Assess the Long-term Impact of Their Programs

Officials from agencies using the program agreed that certain changes, such as more automation of the application and loan repayment processes and consolidation of some other program activities, would help to improve the program's administration. Several officials also suggested ways they believed would increase the program's effectiveness by making it more attractive to candidates and employees, such as reducing the length of the service agreement. As for assessing the results of their programs, agencies did not yet have processes in place to gauge long-term effects on their recruitment and retention efforts. Officials from agencies with SLR programs did note several indicators they plan to use, and suggested that anecdotal evidence indicates employees value the SLR program. They stated that since the program is relatively new, they did not yet have enough data to track long-range statistical trends that would help them measure program results. Nevertheless, it will be important for these agencies to establish, up front, goals for their programs, a recruitment and retention baseline from which they can monitor changes that result from the program, and the data they will collect to measure these changes in order to assess long-term effects.

Most Agency Officials Agreed That the Program Is Cumbersome to Administer and Suggested Ways It Could Be More Efficient

While the agencies using the program believe it is a useful tool, officials characterized it as cumbersome to administer. Human capital offices generally administer the program and are performing some tasks and activities that are uncharacteristic of their function and unique to the program. Program administrators, for example, must interact with a large number of lending institutions, verify loans, and, at times, act as collection agencies. An official from DOS remarked that, aside from the Department of Education, which administers student loans, there are few federal workers who have knowledge of the student loan business. Therefore, agency staff must develop expertise and establish and modify procedures to operate the program. The official noted that for the 734 DOS employees who received the loan repayments in fiscal year 2004, the department made almost 800 individual transactions to 55 different lending institutions. The agencies were either not tracking administrative costs associated with operating the program or were just starting to track them. The agency officials said they were absorbing the time and costs associated with the program into their regular operations.

Agency officials reported that processing loan repayments involves many steps that can include time-consuming complications. SEC officials, for example, said their entire administrative process, prior to actual payment distribution to the various lenders, can take more than 3 months. This process involves steps such as verifying that the employee has a loan eligible for repayment, verifying the amount of the outstanding loan balance, and eventually, ensuring that the loan repayment is applied to the correct outstanding loan. SEC officials also noted that its payroll provider cannot make electronic transfers of loan repayments, requiring them to issue paper checks that are burdensome and sometimes applied to the wrong account. Furthermore, the Department of Education, one of the largest student loan lenders through its Direct Loan Program, is unable to accept electronic transfers of funds from agencies for loan repayments. According to an Education official, they are looking at ways to collect direct loan repayments electronically. Other complications included processing repayments for employees who have loans with multiple lenders, distinguishing private loans that are not eligible for the program from federally guaranteed student loans, and having recipients supply incorrect addresses for their lenders. In addition, officials said that administrative problems with the various payroll providers, who process the loan payments, were a concern. A DOT official, for example, said they were using a payroll system that was being phased out through OPM's e-payroll initiative.[11] The official remarked that it was costly for DOT to incorporate the loan repayments into this outdated payroll system, causing the agency to experience delays in implementing the program. An official at DOE said its payroll provider had been unable to provide biweekly loan repayment options until recently.

Officials from most of the agencies using the program suggested ways to help administer the program more efficiently, primarily through more automation and consolidation of activities.

- SEC human capital officials said that automation of SLR program activities, such as the ability to make electronic fund transfers for all repayments, would make the process far easier. They also suggested implementing an electronic signature to help expedite the SLR application process and recommended that some of the responsibility for making the program operate more smoothly be shifted to SLR recipients. For example, SEC requires recipients to provide verification to the human capital office that their loan repayments were applied correctly. In addition, SEC officials estimated that about 1 month of their processing time could possibly be eliminated if each of the various lenders had one designated representative to work with federal agencies on resolving loan repayment problems.

- A program manager at DOS suggested creating a central database of student loans and student loan lenders to assist with processing steps such as verifying the correct names and mailing addresses.

- A human capital official at DOE said OPM should require payroll service providers to use processes for student loan repayments similar to those used for other incentives, such as recruitment bonuses.

- An official at DOT indicated that alternative approaches could be explored to increase the cost effectiveness of administrative functions for agencies that use the program extensively. For example, one approach may be to create shared services, similar to the approach used

[11]The e-payroll initiative is one of OPM's five e-government initiatives aimed at changing the way human capital functions and services are carried out in the federal government. OPM is leading the effort to collapse the operations of 22 executive branch agencies that currently run payroll systems into what will eventually only be two systems.

to provide payroll services, wherein a small number of agencies service multiple agencies.

- Finally, agency officials suggested that more sharing of best practices with other federal agencies experiencing similar challenges would help with implementing the SLR program. DOS and DOJ officials said they consulted with each other about whether to centralize or decentralize their programs and shared program document templates. This type of collaboration could help agencies beginning to implement the program avoid some of the growing pains experienced by the current user agencies.

DOJ's attorney SLR program, in particular, found a number of ways to increase its program's efficiency. For example, DOJ maintains a Web page that is updated regularly to make the SLR process transparent to applicants and inform all eligible attorneys about the program. The department credited the Web page with reducing the need to respond to questions about the program. In addition, DOJ standardized the application process for the attorney SLR benefit by posting request, validation, and review forms on its Web site in form-fillable versions. The department also credited a process that requires applicants to submit a valid, signed service agreement at the time of application for expediting the repayment process. The presigned service agreement includes a release authorizing loan holders to discharge financial information to the department for loan validation at the same time it eliminates the need for the department to secure service agreements after selections are made.[12] DOJ's attorney SLR program also reported learning it could reduce administrative burdens by only validating loan information for the attorneys actually selected to receive SLR benefits.

While agency officials could suggest ways to improve the program's administration, individual agencies may find it difficult to design some of the program improvements for themselves, and some of these changes could be more beneficial when implemented governmentwide. For example, it may be more effective to automate portions of the repayment process for all user agencies, rather than have each agency individually pursue this. Likewise, the President's Management Agenda calls for the federal government to "support projects that offer performance gains that

[12]The service agreement contains a clause stipulating that it is void if the attorney does not receive the benefit.

transcend traditional agency boundaries." Sharing services across agencies for specific SLR administrative activities may present an opportunity for program managers to purchase human capital services from specialized providers, such as they currently do for payroll services, thereby reducing costs through economies of scale and freeing their staff to focus on more strategic rather than administrative activities. In prior work, we identified similar opportunities for agencies to use alternative service delivery (ASD) for a range of human capital activities, and recommended that OPM work with the CHCO Council to promote the innovative use of ASD.[13] OPM, in written comments, agreed with this role.

Agency Officials Also Suggested Ways to Make the Program More Effective

Agency officials identified several program characteristics they believe impede the program. Likewise, OPM's fiscal year 2004 report to Congress on the SLR program noted common impediments. Of the barriers agencies reported to both GAO and OPM, the most frequently cited included difficulty in funding the program, the tax liability associated with the repayments, and the length of the required service agreement. A DOE human capital official, for example, remarked that factors, such as detailing its employees to Iraq, have created more competing budget needs within units; in one case, a unit wanted to use the incentive but determined it could not commit to SLR payments because of the cost of overtime premiums for detailed employees. In addition, on the basis of comments they have received from program recipients and candidates who decided not to participate in the program, officials from several of the agencies we reviewed remarked that eliminating the tax liability and reducing or prorating the service agreement could make the program more attractive.

For example, officials from four agencies felt that eliminating the tax liability on loan repayments would make the program more attractive to candidates and recipients, and therefore, more effective. Currently, after withholding income and payroll taxes, the actual repayment amount applied to the employee's loan is only about 62 percent of the total payment. According to officials, this diminishes the program's value and makes it a less attractive incentive. Additionally, because the repayment is taxable, an official noted they can never completely pay off a recipient's loan. A DOS official also remarked that many of the questions they answer about the program concern the tax liability issue. As mentioned previously,

[13]GAO, *Human Capital: Selected Agencies' Use of Alternative Service Delivery Options for Human Capital Activities*, GAO-04-679 (Washington, D.C.: June 25, 2004).

legislation is pending in Congress that would exclude loan repayments from gross income for federal tax purposes. In testimony on a previous draft of this legislation, we stated that the legislation had merit, would help to further leverage existing SLR program dollars, and would help agencies in their efforts to attract and retain top talent.[14] The loss of revenue from this change, however, would need to be balanced against other pressing federal budget needs.

Agency officials had varying views about the service agreements. For example, DOE officials suggested that the service period should be comparable to other recruitment and retention incentives. OPM regulations state that recruitment bonuses, for instance, require a minimum service period of 6 months. The DOE officials suggested that when the SLR benefit is used for recruitment, a minimum of a 6-month commitment would also be appropriate. Along the same lines, an SEC official remarked that employees felt the repayment should be prorated if they left the agency before their 3-year commitment is fulfilled. On the other hand, a DOJ official not in favor of reducing the length of the service agreement thought the 3-year agreement retained employees for an appropriate time and that enough flexibility in waiving the agreement was present to avoid situations that might be unfair to some recipients.

Agency Officials Say They Plan to Assess the Program's Impact but Need More Data to Determine Long-term Effects

Agencies using the program had not yet established processes to measure the extent to which the SLR program was helping them to meet their recruitment and retention needs. Agencies need such measurements to help them determine if the program is worth the investment compared to other available human capital incentives, such as recruitment and retention bonuses. Agencies are tracking the extent to which employees comply with, or do not complete, the terms of their service agreements. Several officials remarked that almost all employees are completing their terms of service, indicating the program is helping retention, at least in the short term.

Agency officials did report that based on anecdotal evidence, they believe the program helps to make their agency more attractive to potential job candidates and helps them retain high quality employees. A GSA official said that, although it has not surveyed employees formally, informal

[14]GAO, *Human Capital: Building on the Current Momentum to Address High-Risk Issues*, GAO-03-637T (Washington, D.C.: Apr. 8, 2003).

feedback from them about the program is positive, and GSA managers using the program report being able to fill their positions with candidates who have the qualifications desired. An SEC official noted that the program appears to be attractive to prospective hires because the agency receives numerous inquiries about how the program works. DOS recruiters also report that one of the questions frequently asked by those considering federal service is the level of the department's assistance in paying off student loans.

When asked about ways to measure the program's long-term effects, officials from several agencies suggested tracking the attrition rates of program recipients as one measure. However, the officials noted that to do so, they would need to monitor attrition rates for at least 3 years, since recipients sign a 3-year service agreement and relatively few leave during this time. Monitoring the number of employees who resign after the agency repaid their loans could indicate whether recipients were working for the agency just long enough to have their student loans repaid. Fiscal year 2006 will be the first year a substantial cohort of federal employees would have completed the minimum 3-year service requirement.[15] In addition, a DOJ official believed that reviewing the attrition rates and career paths of its Honors Attorneys participating in the program would be helpful, since these are generally highly sought-after individuals. Thus, if DOJ's attrition rates decline, this could indicate that the SLR program is having a positive impact. DOJ is also adding questions to its honors program application about awareness of the attorney SLR program and whether it influenced the applicant's decision to apply.

Recognizing that agencies in some cases will need multiyear data to measure the SLR program's long-term effects, it is nevertheless important that agencies using the program decide on and put in place program goals and methods to track indicators of success when they implement the program. This will help them to establish an initial data baseline they can use to track changes as a result of the program, determine what data they should collect over time, and begin to collect that data. In addition, agencies would not have to wait to implement other options for monitoring program effects. For example, several agency officials noted that they will use employee survey data or responses from exit interviews to gauge how

[15] An individual employee's cycle will vary depending on the number of years the employee receives student loan repayments and the service agreement attached to additional repayments.

much impact the SLR incentive had on employees' decisions to join or stay with the agency. Agencies could conduct such surveys and collect these data now or when initiating their programs, and periodically over time, as an indicator of program results.

We recognize that gauging the program's direct effect on recruitment and retention trends may be difficult because student loan repayments are not likely to be the only major factor in an employee's decision to join or stay with an agency, although the incentive may help to tip the scale in the agency's favor. Other factors, such as labor market conditions, could also affect these decisions. In prior work, we have described similar difficulties federal managers face in developing useful, outcome-oriented measures of performance and proposed that agencies collaborate more to develop strategies to identify performance indicators and measure contributions to specific outcomes.[16] We also recognize that OPM and the CHCO Council could help to facilitate this coordination.

OPM and the CHCO Council Have an Important Role in Assisting Agencies with the SLR Program

As the President's agent and adviser for human capital activities, OPM's overall goal is to aid federal agencies in adopting human resources management systems that improve their ability to build successful, high-performing organizations. Likewise, legislation creating the CHCO Council highlighted the importance of agencies sharing information and coordinating their human capital activities, and we have reported that the CHCO Council could help facilitate such coordination. OPM has taken a number of steps to provide agencies with information and guidance on the SLR program. For example, OPM posts informational materials on its Web site including a fact sheet, applicable laws and regulations, questions and answers, sample agency plans, and OPM's annual reports to Congress about the SLR program. In its fiscal year 2004 report to Congress, OPM reported more extensively on agencies' experiences with implementing the program than it had in previous years. For instance, the report included information on the barriers agencies faced in implementing the program and whether agencies were using specific metrics for measuring program effectiveness. In September 2004, OPM held a focus group to explore whether the agency is a good source of program information and what types of problems agencies are typically encountering with the program. According to OPM, the focus group included representatives from several

[16]See for example, GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38 (Washington, D.C.: Mar. 10, 2004).

agencies using the SLR program. These representatives shared successes with the SLR program, obstacles they faced in using it, and suggestions for program improvements.

Agency officials' comments about OPM's assistance were mixed. DOS officials said they consulted with OPM in the early stages of their implementation process, but DOJ officials reported they had not requested assistance from OPM. SEC officials noted that while their contact with OPM had been limited, they would have liked more concrete answers to their detailed questions involving program implementation. DOT officials see themselves as having primarily a reporting relationship with OPM. A DOE official commented that OPM has been a strong advocate of the SLR program, providing the guidance the agency needed to implement it. Nevertheless, a number of these officials suggested that more coordination across the agencies using the program would be helpful, and OPM may be in the best position to do this.

As we previously highlighted, agency officials pointed to the need to partner with other agencies to find more efficient ways to implement their SLR programs. They said some improvements would involve sharing information more readily, such as ways to tailor the program to fit their particular needs, as well as easing administrative burdens associated with the program. Given the range and cumbersome nature of the activities involved in operating the program, officials said they could use help in identifying improvements to the program. For example, OPM, working with the CHCO Council, could sponsor additional forums, an interagency working group, or even training sessions, to encourage information sharing. One topic for these forums and this collaboration could also be developing measures of program effectiveness. OPM itself, in its most recent report to Congress on the SLR program, stated that an agency challenge has been to determine appropriate measures. By helping agencies address this challenge, OPM could help to determine if there is a common subset of measures or indicators that agencies could track and report to OPM to assess the SLR program's impact governmentwide.

Conclusions

Federal agencies have a large degree of discretion in structuring SLR programs to meet their unique needs, and the SLR program shows promise as an effective tool for attracting and retaining the talent needed to sustain the federal workforce. The federal government faces potential workforce problems now and in the years ahead, including the fact that its employees are retiring in greater numbers. Therefore, recruiting and retaining a new wave of talented individuals, who view the federal government as an employer of choice, is imperative. To address how best to meet this human capital challenge, agencies will need to be able to identify and select the recruitment and retention incentives that are most appropriate and effective for achieving this goal. In addition, to make the most effective use of monetary incentives such as the SLR program, streamlined and efficient administrative processes for implementing such programs need to be in place, and decision makers need concrete evidence that such programs are achieving agency and overall federal workforce goals.

OPM, working with the CHCO Council, may be in the best position to help agencies work together to identify potential SLR program changes and then determine the most cost-effective ways to implement them. If the program continues to grow, making it easier to administer will help ensure agencies make maximum use of available funds to recruit and retain key talent, so critical in a time of fiscal constraints. Likewise, OPM and the CHCO Council could build on efforts to date and continue to facilitate coordination across agencies, in particular helping them to determine what data to collect and assess as indicators of the program's results. In addition, OPM may be able to better report to Congress on the impact of the SLR program governmentwide if it works with the agencies to determine if there is a subset of common indicators all agencies could annually track and report to OPM.

Recommendations for Executive Action

Consistent with OPM's ongoing efforts in this regard, we recommend that the Director of OPM, in conjunction with the CHCO Council, take the following actions to help improve the SLR program's efficiency and ease of administration, and to assess results:

- Working with the agencies, 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 that could provide valuable help to agencies and ease the administrative burden include creating a central database of student loan lender information and establishing a shared service center arrangement for student loan repayments.

- Continue and expand on its efforts to provide agencies assistance and to help facilitate coordination and sharing of leading practices by, for example, conducting additional forums, sponsoring training sessions, or using other methods.

- Help 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, in turn, 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.

In addition, with respect to the selected agencies using the SLR program most extensively, we recommend the following actions:

- The Secretary of State: Build on current efforts to measure the impact of DOS's SLR program by determining now what indicators DOS will use to track program success, what baseline DOS will use to measure resulting program changes over time, what data DOS needs to begin to collect, and whether DOS could use periodic surveys to track employee attitudes about the program as additional indicators of success.
- The United States Attorney General: Build on current efforts to measure the impact of DOJ's Attorney Student Loan Repayment Program by determining now what indicators the department will use to track program success, what baseline DOJ will use to measure resulting program changes over time, what data DOJ needs to begin to collect, and whether DOJ could use periodic surveys to track employee attitudes about the program as additional indicators of success.
- The Chairman of the Securities and Exchange Commission: Build on current efforts to measure the impact of SEC's SLR program by determining now what indicators SEC will use to track program success, what baseline SEC will use to measure resulting program changes over time, what data SEC needs to begin to collect, and whether SEC could use periodic surveys to track employee attitudes about the program as additional indicators of success.

Agency Comments and Our Evaluation

We provided a draft of this report to the Director of OPM, the Secretary of State, the Attorney General, the Chairman of SEC, the Administrator of GSA, the Secretary of Energy, the Secretary of Transportation, the Secretary of Commerce, the Commissioner of SSA, the Chair of EEOC, and the Administrator of SBA. OPM, DOS, DOJ, and DOE provided written comments on the draft report, which are included in appendixes III, IV, V, and VI respectively. SBA provided a comment on the report via e-mail and the Director of the Office of Human Resources Management stated, on behalf of the Secretary of Commerce, that it concurred with the report. SEC, DOT, SSA, and EEOC provided technical comments, and where appropriate, we have made changes to the report to reflect all of the agencies' technical comments. GSA reported that it had no comments on this report.

The following summarizes significant comments provided by the agencies.

- OPM generally agreed with the recommendations and stated that it will continue its efforts to promote effective human capital strategies and, as part of these efforts, will work with the CHCO Council to improve the administration of the SLR program and facilitate the sharing of best practices to improve program efficiency. OPM also stated that it would assist the agencies in establishing data requirements for tracking the use of student loan repayments and noted the agency anticipates a greatly improved ability to track and measure the success of the SLR program.

- DOS fully supported the recommendations and stated that it looks forward to working constructively with OPM to identify possible areas of program consolidation and to share best practices. The department reported that it is committed to establishing additional program indicators this year and is aware of the need to measure and track the impact the SLR program has had on both civil and foreign service recruitment and retention efforts.

- DOJ did not express an opinion about the report or the recommendations but stated that the department has already started to develop ways to measure the impact of the attorney SLR program on attorney retention. DOJ also emphasized that it will most likely take a number of years of data collection before it accumulates sufficient data to provide meaningful statistics.

- DOE stated that the report did not fully describe the efforts of OPM in assessing program implementation as part of its annual reporting process to Congress. We added language in the report to more comprehensively characterize what OPM included in its most recent report. DOE also suggested that GAO recommend that OPM assist agencies in measuring the effectiveness of specific student loan repayment, recruitment, and retention incentives by including questions in the Federal Human Capital Survey. While this may be a feasible and effective approach to collecting data on program results, we did not prescribe the methods OPM should develop or use to measure the effectiveness of the program, but instead recommended that OPM work jointly with the agencies and the CHCO Council to devise these means.

- SBA said that the agency will periodically monitor the use of the program in other agencies through the CHCO Council so that should the need arise, SBA will be in a position to implement the best aspects of other agencies' programs.

We are sending copies of this report to other interested congressional parties, the Director of OPM, the Secretary of State, the Attorney General, the Chairman of the SEC, and the heads of the other federal agencies discussed in this report. In addition, we will make copies available to other interested parties upon request. This report also will be made available at no charge on GAO's Web site at http://www.gao.gov. If you or your staff have any questions about this report, please contact me at (202) 512-6806 or larencee@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of the report. Other contributors are acknowledged in appendix VII.

Eileen Regen Larence

Eileen Regen Larence
Director, Strategic Issues

Objectives, Scope, and Methodology

The objectives of our review were to identify

- why selected executive branch agencies are using or not using the student loan repayment (SLR) program,
- how agencies are implementing the SLR program, and
- what results and suggestions agency officials could provide about the program and how they view the Office of Personnel Management's (OPM) role in facilitating the program's use.

To address these objectives, we first reviewed and analyzed OPM's annual reports to Congress on the SLR program[1] to obtain governmentwide data on agencies' use of the program and to help identify our case study agencies. We also consulted with an official at the Congressional Research Service (CRS) to discuss its research on the SLR program, and we reviewed CRS's reports to Congress on student loan repayment for federal employees. We interviewed officials from the Partnership for Public Service, an organization with an objective of helping to recruit and retain excellence in the federal workforce, to hear its views on the program's effectiveness governmentwide, and officials from GAO's human capital office to get background information on program implementation.

We then identified a set of federal agencies varying in size and mission that had established SLR programs, were in the process of establishing programs, or had chosen not to use them. We selected the Department of State (DOS), the Department of Justice (DOJ), and the Securities and Exchange Commission (SEC) as case study agencies because they were among the largest users of the SLR program in fiscal years 2003 and 2004, while the General Services Administration (GSA) and the Department of Energy (DOE) are users of the program but give fewer loan repayments on a case-by-case basis.

We selected the Department of Transportation (DOT) and the Department of Commerce (Commerce) because they are large departments that were in

[1]U.S. Office of Personnel Management, *Federal Student Loan Repayment Program* (Washington, D.C.: 2001), *Federal Student Loan Repayment Program* (Washington, D.C.: 2002), *Federal Student Loan Repayment Program* (Washington, D.C.: 2003), and *Federal Student Loan Repayment Program* (Washington, D.C.: 2004).

the process of implementing SLR programs. Since we started our review, DOT has begun to make loan repayments. The Social Security Administration (SSA), the Equal Employment Opportunity Commission (EEOC), and the Small Business Administration (SBA) are among the larger agencies that have chosen not to use the program. The agency selection process was not designed to be representative of the use of the SLR program in the federal government as a whole, but rather to provide illustrative examples of why and how agencies decided to use the program or chose not to use it.

We interviewed agency officials, such as human capital officers, SLR program managers, and recruitment directors, from the selected agencies, and obtained available documentation, such as strategic workforce plans, recruitment and retention worksheets, SLR implementation plans, and other documents associated with administering the program. In addition, we met with officials from OPM to gain a governmentwide perspective of agencies' SLR programs and with officials from the Department of Education to discuss the department's Direct Loan Program and its interaction with agencies making student loan repayments. After reviewing and analyzing agency responses, we used the supporting documents that some of the agencies provided to further develop our analysis of their use of the program. We did not observe or evaluate the operation of the agencies' SLR programs. To assess the reliability of the number of employees receiving student loan repayments and SLR repayment cost data, we compared the OPM-reported data with data we received from the selected agencies. We determined the data were sufficiently reliable for the purposes of the report. Our review was conducted in accordance with generally accepted government auditing standards from July 2004 through June 2005.

Background Information on the Case Study Agencies

This appendix provides background information on our 10 case study agencies. These agencies varied in their mission and size. The agencies also face unique recruitment and retention challenges and have different strategies for addressing them.[1]

U.S. Department of State (DOS)

DOS is a cabinet-level federal agency responsible for U.S. foreign affairs and diplomatic initiatives with a mission of creating a more secure, democratic, and prosperous world for the benefit of the American people and the international community. Headquartered in Washington, D.C., DOS has 250 embassies and consulates worldwide with approximately 40,000 employees comprised of foreign service employees, civil service employees, and foreign service national employees. DOS's recruitment goals include outreach to a broader segment of the U.S. population by increasing its presence at business and other professional schools. DOS also recruits top quality candidates with management skills and language skills in Arabic, Chinese, and other difficult languages.

U.S. Department of Justice (DOJ)

DOJ is a cabinet-level agency whose mission is to lead foreign and domestic counterterrorism efforts, enforce federal laws, provide legal advice to the President and to all other federal agencies, investigate federal crimes and prosecute violators, operate the federal prison system, and ensure the civil rights of all Americans. DOJ is headquartered in Washington, D.C., and has 61 unit agencies nationwide. The department has approximately 100,000 employees working in occupations such as security and protection, legal, compliance and enforcement, and information technology. Currently, DOJ's hiring challenges relate to combating terrorism. The department places priority on hiring candidates with foreign language and intelligence analysis expertise and Federal Bureau of Investigation counterterrorism agents. DOJ is moving to develop and implement a departmentwide recruitment strategy that focuses on leveraging resources for common occupations, sharing "best practices" cases on the Internet, establishing relationships with targeted universities, and participating in job and career fairs.

[1]We gathered information on the agencies from our interviews with agency officials, agency Web sites, and from a 2005 report, *Where the Jobs Are: The Continuing Growth of Federal Job Opportunities*, by the Partnership for Public Service and the National Academy of Public Administration.

U.S. Securities and Exchange Commission (SEC)

SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The agency is headquartered in Washington, D.C., and has 11 regional and district offices. SEC has approximately 3,800 employees in occupations such as securities attorneys, accountants, and examiners. The agency has developed a formal, centralized recruiting program to coordinate its recruiting efforts for these occupations. The agency also recently created the SEC Business Associates Program to introduce business professionals to regulation of the securities markets and the work of the commission. Individuals with master's degrees in business or other related fields can apply directly to the program. The program offers 2-year internships designed to provide on-the-job training for talented individuals, with eligibility for conversion to a permanent position.

U.S. General Services Administration (GSA)

GSA's mission is to help federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services, and management policies. Headquartered in Washington, D.C., GSA has regional offices in 11 cities nationwide. The agency has over 12,000 employees working in information technology, accounting and budgeting, administrative and program management, and business and industry. Currently, GSA's workforce is relatively stable, with an average separation rate of 5 to 6 percent. The agency hires an average of 900 employees annually. GSA seeks candidates who have strong customer service, acquisition, information technology, realty, financial management, and project management skills.

U.S. Department of Energy (DOE)

DOE is a cabinet-level agency whose mission is to advance the national, economic, and energy security of the United States; promote scientific and technological innovation in support of that mission; and ensure the environmental cleanup of the national nuclear weapons complex. Headquartered in Washington, D.C., DOE has regional power administrations, laboratories, and technology centers nationwide. The department has approximately 15,000 employees who work in engineering, physical sciences, compliance and enforcement, and quality assurance. DOE's recruiting efforts focus on information technology, foreign affairs, and intelligence, as well as areas such as physical sciences and project management. The department's outreach efforts include participation in job and career fairs, partnerships with minority organizations, and distribution of position vacancy announcements to a variety of minority and advocacy organizations.

U.S. Department of Transportation (DOT)

DOT is a cabinet-level agency whose mission is to serve the United States by ensuring a fast, safe, efficient, accessible, and convenient transportation system that meets national interests and enhances the quality of life of the American people, today and into the future. The department is headquartered in Washington, D.C., and has offices nationwide. DOT has approximately 56,000 employees who work in various professional fields such as community planning and engineering. The department is focused on sustaining its current workforce numbers. DOT's top priority will be to recruit air traffic controllers because roughly half of the number of current air traffic controllers could retire by 2012. In 2003, DOT created a Corporate Recruitment Workgroup that coordinates participation at various recruitment conferences and career fairs. The department has also addressed some of its entry-level hiring needs by developing a Career Residency Program, a 2-year program with a goal of broadening the search for talented transportation specialists, engineers, and information technology professionals.

U.S. Department of Commerce (Commerce)

Commerce is a cabinet-level agency whose mission is to promote economic growth and security through export growth, sustainable economic development, and economic information and analysis. Headquartered in Washington, D.C., Commerce's unit agencies, such as the National Oceanic and Atmospheric Administration, the Bureau of the Census, and the International Trade Administration, have offices nationwide. The department has more than 36,900 employees in a variety of professional fields. Commerce estimates it could lose one-fifth of its current workforce to retirement by 2007, and the department plans to focus its recruitment efforts on a variety of positions such as mathematical statisticians, chemists, patent examiners, and trade specialists. Commerce is developing comprehensive college outreach relations and partnerships to recruit entry-level workers and coordinate and partner with trade associations, professional societies, and alumni organizations to attract experienced applicants.

U.S. Social Security Administration (SSA)

SSA's mission is to advance the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's social security programs. Headquartered in Baltimore, Maryland, SSA has regional and field offices nationwide. The agency has approximately 65,000 employees in a variety of professional fields including the social sciences and information technology. Over the past several years, SSA has aggressively recruited between 3,000 to 4,000 employees, most at the entry level. SSA focuses recruiting efforts on positions providing direct service to the public, such as claims representatives as well as information technology professionals. SSA has created a National Recruitment Coordinator position to develop an agencywide recruitment strategy and marketing campaign that highlights the work and impact of the agency. The agency's recruitment and marketing plan coordinates nationwide and on-campus recruitment. SSA has also recently launched a new campaign to attract veterans to the agency.

U.S. Equal Employment Opportunity Commission (EEOC)

EEOC's mission is to ensure equality of opportunity by vigorously enforcing federal laws prohibiting employment discrimination through investigation, conciliation, litigation, coordination, adjudication, education, and technical assistance. The agency is headquartered in Washington, D.C., and has 51 field offices nationwide. EEOC has approximately 2,500 employees working in various positions such as attorneys, mediators, and investigators. On the basis of historical trends, EEOC will separate, due to expected retirements, at least 100 employees annually for the next few years. Depending on the amount of separation savings, EEOC may have the opportunity to backfill selected positions based on workload and other factors. In addition, EEOC recently announced plans to reorganize the agency by reducing levels of management, opening two new field offices, and strengthening the existing field offices.

U.S. Small Business Administration (SBA)

SBA's mission is to maintain and strengthen the nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses, and by helping families and businesses recover from national disasters. Headquartered in Washington, D.C., SBA has regional offices nationwide. The agency has approximately 3,000 employees working in business analysis, contracting, and financial analysis. Currently, SBA recruitment is limited to replacing those who leave the agency. The Office of Human Resources centrally manages recruitment from headquarters and uses its recruitment Web site to communicate with prospective candidates. SBA recruitment and outreach efforts also involve using on-line newspapers to advertise work opportunities.

Comments from the Office of Personnel Management

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415-1000

OFFICE OF THE DIRECTOR

JUL 0 6 2005

Ms. Eileen Regen Larence
Director, Strategic Issues
Government Accountability Office
441 G Street, NW.
Washington, DC 20548

Dear Ms. Larence:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO's) draft report, entitled "Federal Student Loan Repayment Program: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results" (GAO-05-762).

We were pleased to see that the Office of Personnel Management's (OPM's) reports on the *Federal Student Loan Repayment Program* for FY 2001 through FY 2004, which provide Governmentwide data on agencies' use of the program, were helpful in preparing GAO's draft report. Many of the successes and concerns identified in GAO's report also were reported by agencies in OPM's reports.

OPM is proud to embrace its leadership role in assisting Federal agencies to improve the strategic management of their workforces to better accomplish their missions. We will continue our efforts to promote effective human capital strategies, such as using the student loan repayment program, to build successful, high-performing organizations. As part of those efforts, we will work with the Chief Human Capital Officers Council to improve the administration of the student loan repayment program and to facilitate the sharing of best practices to improve the efficiency of the program.

OPM has had limited ability to assist agencies in establishing data requirements and indicators to track the effect of the student loan repayment program on their recruitment and retention efforts. Much of the data concerning student loan repayments is available in agency payroll systems which, up until now, have not provided information to a Governmentwide OPM database. As we transition from the Central Personnel Data File (approximately 97 human resources data elements) to the Enterprise Human Resources Integration (EHRI) data warehouse (more than 400 human resources, training, and payroll data elements), OPM will have a greatly improved ability to track and measure the success of this program. Building from EHRI, we can assist agencies in establishing data requirements for tracking the use of student loan repayments. Once data become available in EHRI, we can create a baseline against which agency progress may be measured. Further, the establishment and operation of HR shared service centers under the Administration's HR Line of Business initiative,

CON 131-64-4
September 2001

Note: Page numbers in the draft report may differ from those in this report.

Ms. Eileen Regen Larence 2

which will result in a small number of providers serving multiple agencies, may be a cost-effective way to consolidate and automate the administration of student loan repayments.

We suggest a technical edit in your report. On page 2, the percentage of student loan repayments made by five agencies in FY 2004 should be 81 percent, not 79 percent. (A total of 2,945 employees received student loan repayment benefits in FY 2004. Of that number, 2,388 repayment benefits were provided by five agencies.)

We appreciate the opportunity to provide comments on your draft report on the Federal student loan repayment program. If you have any further questions, please contact Nancy Kichak, OPM's Acting Associate Director for Strategic Human Resources Policy, at (202) 606-0722.

Sincerely,

Linda M. Springer
Director

Comments from the Department of State

United States Department of State

Assistant Secretary and Chief Financial Officer

Washington, D.C. 20520

JUL - 1 2005

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "FEDERAL STUDENT LOAN REPAYMENT PROGRAM: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results," GAO Job Code 450338.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Cynthia Nelson, Program Analyst, Bureau of Human Resources, at (202) 647-2655.

Sincerely,

Sid Kaplan (Acting)

cc: GAO – Trina Lewis
DGHR – W. Robert Pearson
State/OIG – Mark Duda

Department of State Comments on GAO Draft Report
FEDERAL STUDENT LOAN REPAYMENT PROGRAM: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results
(GAO-05-762, GAO Job Code 450338)

We appreciate the opportunity to comment on your draft report, "Federal Student Loan Repayment Program: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results." The report is a useful review of the Student Loan Repayment (SLR) Program at 10 Executive Agencies, including the Department of State.

The Department of State fully supports GAO's Recommendations for Executive Action and looks forward to working constructively with OPM to identify possible areas of program consolidation and to share best practices.

The report recommends that the Department build on current efforts to measure the impact of our SLR program by determining now what indicators we will use to track program success, what baseline we will use to measure resulting program changes over time, what data we need to begin to collect, and whether we could use periodic surveys to track employee attitudes about the program as indicators of success. The Department is committed to establishing additional program indicators this year and is aware of the need to measure and to track the impact that the SLR program has had on both our Civil and Foreign Service recruitment and retention efforts. We are currently developing an on-line application system for our SLR program in 2006 that not only will collect more detailed statistics but also will allow us to measure more easily employee satisfaction with the program.

Comments from the Department of Justice

U.S. Department of Justice

Justice Management Division

Management and Planning Staff

Washington, D.C. 20530

July 6, 2005

VIA EMAIL

Corrected Original

Eileen Regen Larence
Director, Strategic Issues
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Larence:

The Department of Justice (DOJ) received the Government Accountability Office's (GAO) draft audit report entitled Federal Student Loan Repayment Program: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results, (GAO-05-762). The following comments respond to portions of the text, the findings, and the recommendation for DOJ.

Recommendation: The United States Attorney General: Build on current efforts to measure the impact of the Department's Student Loan Repayment Program by determining now what indicators the Department will use to track program success, what baseline DOJ will use to measure resulting program changes over time, what data DOJ needs to begin to collect, and whether DOJ could use periodic surveys to track employee attitudes about the program as additional indicators of success.

Comment: The Department already started to develop ways to measure the impact of the ASLRP on attorney retention. Several proposals are under review. For example, the DOJ employee Exit Survey is currently being revised to, among other things, explore the extent to which the ASLRP program and receipt or non-receipt of student loan assistance may have impacted an attorney's decision to cease employment at the Department.

Also, the Office of Attorney Recruitment and Management together with the Personnel Staff and the Finance Staff, all of the Justice Management Division, are exploring the feasibility of tagging employees' general records files to allow the compiling of statistical reports on the employment durations of attorney employees who receive and who do not receive loan assistance. If such data compilation is feasible, we will consult with statistical experts on the usefulness and validity of a variety of possible measurements, including:

Page 2

1. A comparison of the employment duration of those who apply to the ASLRP program and receive loan assistance versus those who apply and do not receive assistance.

2. A comparison of the employment duration of HP attorneys who receive ASLRP assistance versus HP attorneys hired in the same period who do not receive loan assistance either because they do not apply, or do not qualify, or are not selected.

3. A comparison of the employment duration of all attorney employees who receive ASLRP assistance versus all other attorney employees.

4. The yearly separation rate of all attorney employees versus those who are receiving or have received loan assistance from ASLRP.

Whether such measurements prove calculable remains unknown. Further, we would not expect to have descriptive statistical analyses for a number of years even if the data can be obtained. We understand that it most likely will take a number of years of data collection before DOJ accumulates sufficient data to provide meaningful statistics.

Finally, with regard to how the ASLRP is funded, the GAO should consider that, beginning in FY 2005, almost 30 percent of the program costs will be paid centrally with the balance coming from the individual DOJ components that participate. The GAO may not have realized this change in practice. The draft says, on page 18, simply that the FY2004 ASLRP costs were born by the individual components.

We appreciate the opportunity to comment on this report. Technical corrections are addressed on a separate page, which is attached.

If you have any questions regarding our comments, please contact me at (202) 514-3101.

Sincerely,

Richard P. Theis
Acting Assistant Director
Audit Liaison Group
Management and Planning Staff

Hardcopy by first class mail

Attachment

Comments from the Department of Energy

Note: Page numbers in the draft report may differ from those in this report.

Department of Energy
Washington, DC 20585

July 1, 2005

Ms. Eileen Regen Larence
Director, Strategic Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Larence:

This is in response to your email to Secretary Bodman dated June 18, 2005, transmitting the draft report entitled "Federal Student Loan Repayment Program: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results" (GAO-05-762). The Department provides the following comments:

1. General – The report does not adequately describe the efforts of the Office of Personnel Management (OPM) in assessing program implementation as part of its annual reporting process to Congress. The annual report covers an assessment from agencies on the effectiveness of the use of this program; specific ways OPM can improve its services to agencies and make the program more effective; any implementation barriers; and ways agencies promote the incentive. The Department concurs that resources are needed to measure program assessments and that OPM can assist with this effort, such as by modifying the Federal Human Capital Survey to incorporate quantitative data on recruitment and retention incentives.

   Although the GAO report focuses on student loan repayment as one incentive, the Department acknowledges that this is only one of several recruitment and retention options available to agencies.

2. Transmittal Letter and Background – These parts describe the consequence of failing to complete a service agreement in which the employee must reimburse the agency for the total repayment benefit. However, it is important to note that exceptions exist that may provide relief to the employee. We suggest adding, "unless an exception applies" at the end of the top paragraph on page 2.

3. Results in Brief – Change the word "potentially" to "potential" on page 6, second paragraph, in the second to last sentence.

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4. Background – On page 8, in the second paragraph, the second sentence is not accurate. The Department reported hiring five employees through the Student Loan Repayment (SLR) Program in September 2001. The employees received their payments the following month (in FY 2002).

   On page 10, the Department recommends the first sentence of the bottom paragraph be revised to read "Legislation was also introduced, but not passed by the last Congress....", since the bill was not passed in the last Congressional session.

5. On page 15, in the first sentence of the second paragraph under the subsection entitled "SSA, EEOC, and SBA reported they have no need to implement the SLR program at this time," the Department recommends changing the word "features" to "other incentives" in order to avoid confusion with the use of the term "features" elsewhere in the report.

6. Recommendations for Executive Action – On page 30, the Department recommends an additional citation under the first section to read, " recommending OPM assist agencies in measuring the effectiveness of specific student loan repayment, recruitment and retention incentives by including questions in the Federal Human Capital Survey."

Thank you for the opportunity to review and comment on the draft report.

Sincerely,

James T. Campbell

Susan J. Grant
Director, Office of Management, Budget and Evaluation/Chief Financial Officer

GAO Contact and Staff Acknowledgments

GAO Contact

Eileen Larence, (202) 512-6806 or larencee@gao.gov

Acknowledgments

Trina Lewis, Judith Kordahl, Kyle Adams, Jerome Brown, Sarah Jaggar, Ashutosh Joshi, Jessica Kemp, Matthew Myatt, and Tara Stephens also made key contributions to this report.

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