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**American Federation of Government Employees**

Local 476

Affiliated with AFL-CIO

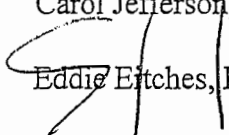
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February 13, 2002

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TO: Carol Jefferson, Acting Assistant Secretary, Administration

FROM:  Eddie Eitches, President AFGE Local 476

SUBJECT: Demand to Bargain: Student Loan Repayment Under 5 U.S.C. § 5379

Pursuant to Article 5 of the Agreement between HUD and the AFGE, AFGE Local 476 requests the initiation of bargaining to study and establish a student loan repayment benefit. In 1991, Congress authorized federal agencies to establish student loan repayment programs as an incentive for employee recruitment and retention. (P.L. 101-510).

We include a brief memorandum to support our petition. Reasons for establishing a student loan repayment program at HUD include, but are not limited to:

- Addressing the imminent loss of Departmental employees to retirement over the next few years;
- Increasing the Department's ability to recruit employees with valuable technical skills and formal training;
- Rewarding and retaining the Department's current employees for their dedication to public service by reducing their financial burden;
- Encouraging the Department's employees to obtain additional skills and credentials while remaining in public service; and
- Maintaining a competitive position with respect to other federal agencies that have implemented a loan repayment program.

A loan repayment program would help the Department retain experienced professional, technical, and administrative employees skilled in their current positions. Several federal agencies have established such programs and more are expected to provide loan repayment benefits.

This demand to bargain does not set out an initial bargaining position on the level of assistance to employees or criteria for selection. We do advocate, nevertheless, for a benefit program that serves all of HUD and one that employs simple and objective selection criteria. We want to work with the administration toward this goal – for example, in a labor-management study group.

Please respond within seven days.

Attachments

## Memorandum in Support of Demand for Bargaining

Federal agencies have the ability to utilize student loan repayment as a recruitment and retention tool. Several agencies have already taken the steps necessary to implement such a program. The following is a list of agencies that have implemented a student loan repayment program to date:

- Department of Justice;
- Department of the Interior;
- Department of Energy;
- Department of the Army;
- Department of the Navy;
- National Aeronautics and Space Administration; and
- General Services Administration.

It is anticipated that more federal agencies will implement loan repayment programs.<sup>1</sup> Moreover, the issue has received media coverage in a variety of well-read media outlets, including the Washington Post's Federal Diary.<sup>2</sup>

There are numerous reasons for implementing a Student Loan Repayment Program at HUD. As is shown below, the program will benefit both the Department and its employees. With other agencies already recognizing the necessity of a Student Loan Repayment Program, it is time for the Department to consider one as well.

### **I. Reasons for Implementing a Student Loan Repayment Program at HUD**

#### **A. High cost of college and graduate education**

In recent years, the costs of obtaining an education have risen, escalating the amount of debt incurred by the average student. The following chart shows the percentage of students who borrowed money to pay for school and the average amount of debt incurred for each type of degree.<sup>3</sup>

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<sup>1</sup> It has been reported that the Centers for Disease Control has implemented a pilot program to study the loan repayment program. CDC School Loan Repayment Pilot Announced, Gov't Employee Relations, Vol. 39, No. 1934, at 1175 (Nov. 6, 2001). Additionally, the Department of Commerce, the Department of Veterans Affairs, and the Social Security Administration are planning loan repayment programs. Stephen Barr, Agencies Recognize Benefits of Student Loan Repayments, But Few Have Set Up Programs, Wash. Post, Dec. 3, 2001, at B2.

<sup>2</sup> See Stephen Barr, Agencies Look to Tuition Reimbursement for a Hiring Edge, Wash. Post, Aug. 12, 2001, at D2; Stephen Barr, Agencies Recognize Benefits of Student Loan Repayments, But Few Have Set Up Programs, Wash. Post, Dec. 3, 2001, at B2; Stephen Barr, Enthusiasm, at Least from Employees, Greets School Loan Repayment Benefit, Wash. Post, Jan. 15, 2001, at B2. See also Student Loan Reimbursement Rules Widen Coverage, FEDweek, Aug. 22, 2001 ¶ 16 at <<http://www.fedweek.com/archives/showpage1.asp?title=8/22/01>>, How Student Loan Reimbursement Will Work, FEDWeek, May 2, 2001, ¶ 8, at <<http://www.fedweek.com/archives/showpage1.asp?title=5/2/01>>, Student Loan Repayments Eligibility, FEDweek, May 1, 2001, at <<http://www.fedweek.com/HotFreeNews/showpage1.asp?title=5/1/01>>.

Type of Degree	Type of Institution	Percent of students who Borrowed	Average Amount owed at graduation
Certificate	Community College	30	N/A
	Proprietary School	62	\$4,770
Associate	Community College	25	\$5,450
Bachelor's	Public Four-Year	52	\$11,950
	Private Four-Year	54	\$14,290
Master's	Public Four-Year	50	\$15,110
	Private Four-Year	52	\$21,410
Doctorate	All Institutions	34	\$20,490
Professional	Public Four-Year	78	\$46,830
	Private Four-Year	72	\$49,540

The true cost of education is more concretely observed in the following chart detailing the yearly cost of undergraduate education (including tuition, room and board, books and fees) for a student attending a local college or university, and the average debt incurred by a graduate in the class of 2000.<sup>4</sup>

Undergraduate School	Yearly Cost: In-State	Yearly Cost: Out-of-State	Percent of 2000 Graduates with Debt	Average Debt of 2000 Graduate
Frostburg State	\$12,124	\$17,622	57	\$13,350
George Mason	\$11,226	\$20,130	31	\$13,600
George Washington	\$35,368	\$35,368	54	\$20,979
Georgetown	\$37,410	\$37,410	50	\$20,500
Howard	\$29,806	\$29,806	73	\$18,800
John's Hopkins	\$37,516	\$37,516	55	\$16,900
Towson	\$14,828	\$21,714	65	\$15,836
University of Maryland - College Park	\$15,408	\$23,480	34	\$14,076
University of the District of Columbia	\$6,570	\$9,210	60	\$18,500
University of Virginia	\$11,916	\$25,948	34	\$13,927
Virginia Commonwealth	\$14,290	\$24,470	69	\$21,563
Montgomery Community College	\$2,586 (Co. residents) \$5,358	\$6,978	N/A	N/A
Northern Virginia Community College	\$890	\$3,955	N/A	N/A

<sup>3</sup> American Council on Education, How Much Student Loan Debt does the Average Student Accumulate?, at <<http://www.acenet.edu/faq/viewInfo.cfm?faqID=21>> (last modified Jan. 14, 2002) (citing American Council on Education, 1995-96 National Postsecondary Student Aid Study).

<sup>4</sup> Robert J. Morse et. al., America's Authority on Colleges, at U.S. News and World Report website, <[http://www.usnews.com/usnews/edu/college/alpha\\_dir/index.htm](http://www.usnews.com/usnews/edu/college/alpha_dir/index.htm)> (directory and compilation of information about 1,400 accredited colleges and universities) (last visited Feb. 5, 2002).

When a professional degree is necessary for the performance of a job, the cost becomes even greater for the student. When added to the debt incurred to first obtain an undergraduate degree, the cost of obtaining a professional degree only compounds the aggregate amount of debt a student must incur for his or her education. The cost of obtaining a professional degree is evidenced by the following chart, which details the cost (including tuition, room and board, books, fees, etc.) of obtaining a law degree from a local university.<sup>5</sup>

Law School	Yearly Cost:	Average Debt at Graduation:
American University (Washington College of Law)	\$39,083	\$48,658
George Mason	\$22,903 (In-State) \$33,417 (Out-of-State)	\$40,316 (Full Time) \$31,317 (Part Time)
George Washington	\$34,560 (Full Time) \$26,610 (Part Time)	\$74,830 (Full Time) \$55,705 (Part Time)
Georgetown	\$42,000	\$79,020
Howard	\$21,141	\$45,000
University of Baltimore	Tuition Only \$10,116 (In-State Full Time) \$8,410 (In-State Part Time) \$17,552 (Out-of-State Full Time) \$13,810 (Out-of-State Part Time)	\$50,143 (Full Time) \$40,760 (Part Time)
University of Maryland	\$28,308 (In-State Full Time) \$25,620 (In-State Part Time) \$36,994 (Out-of-State Full Time) \$32,312 (Out-of-State Part Time)	\$54,990 (Full Time) \$49,486 (Part Time)
University of Virginia	\$26,611 (In-State) \$34,492 (Out-of-State)	N/A N/A

As these charts show, the cost of education is great. However, these charts do not fully demonstrate a graduating student's burden. Upon graduation, all of these student loans accrue interest. This interest continues to compound throughout the repayment period, which could range anywhere from ten to thirty years. Over the lifetime of the repayment, the out-of-pocket expense to the student could more than double.<sup>6</sup>

#### **B. Disparity of Pay and Benefits for Federal Employees**

In a recent study, the National Academy of Public Administration found that the federal government falls far behind the private sector and even non-profit and academic sectors in benefits and salaries offered to its high-tech employees.<sup>7</sup> In the legal market, the difference is

<sup>5</sup> Id.

<sup>6</sup> Congress has already recognized the burdens of student loan interest by creating an income tax deduction for such payments. In addition, the Senate has referred a bill to committee, S. 1819, that would exempt loan repayments from income tax as well.

<sup>7</sup> National Academy of Public Administration, Comparative Study of Information Technology Pay Systems: Executive Summary, 10 (2001).

also notable. In April 2000, the median salary nationwide for first-year associates at firms with 250 or more attorneys was \$110,500. When added to bonuses and other frills, starting pay packages ran as high as \$170,000. Even though only a third of a graduating class will earn these top salaries, the majority earn \$60,000 to \$75,000.<sup>8</sup> In 2000, the beginning federal government attorney, paid at the GS-11 level, earned \$39,178 without the locality pay adjustment. The same comparison holds true for other positions within the government.<sup>9</sup> In fact, in certain circumstances, the federal government falls well behind state and local governments in the salary of employees.<sup>10</sup> In light of the substantial cost of obtaining an education, the disparity in pay creates a significant challenge for federal hiring.

### C. Importance of Recruitment and Retention in Light of Impending Retirements

The graying of the federal workforce has been increasingly cited as an impending problem due to the brain drain that will occur in government. The Senior Executive Association reports that “[n]early three-quarters of the federal workforce is now over the age of 40.”<sup>11</sup> According to a report by Senator Fred Thompson of the United States Senate Committee on Governmental Affairs, “one-third to one-half of the remaining federal workforce may retire over the next five years.”<sup>12</sup> The Senator’s report specifically points out the ill effects that the loss of staff, and the resulting increase in workload, has had on the Department of Housing and Urban Development, quoting then Inspector General Susan Gaffney as saying,

The adequacy of staff resources in the Department has long been a concern of the Inspector General’s office and a root cause of many of HUD’s material weaknesses. Our audits have consistently found a mismatch between the number and complexity of HUD’s programs and the capability of HUD staff to administer those programs . . . In my mind, adding more weight to an already weak foundation makes HUD a more vulnerable organization.<sup>13</sup>

HUD’s own Strategic Plan for Buyouts to achieve HUD management reform indicated that a significant portion of the workforce was already eligible for retirement. Further, in his speech on staffing realignments, Secretary Martinez stated that thirty-nine percent of the current HUD workforce is eligible to retire.<sup>14</sup> For example, the following chart lays out these statistics within the Office of Housing.<sup>15</sup>

<sup>8</sup> Ben Harder, Career outlook: Law: How about \$170,000 to start?, U.S. News and World Report, located at <<http://www.usnews.com/usnews/edu/careers/grad/cclawout.htm>> (last visited Feb. 5, 2002).

<sup>9</sup> Tim Kaughman, ‘Laughable’ Salaries Pose Recruiting Challenge, Fed. Times, Jan. 7, 2002, at 1.

<sup>10</sup> Id.

<sup>11</sup> Graying of Federal Workforce Continues, Report Says, Action, July 2001, at 13.

<sup>12</sup> 1 Senate Comm. on Governmental Affairs, Government on the Brink: Urgent Federal Government Management Problems Facing the Bush Administration, 5 (Comm. Print 2001) (Report of Senator Fred Thompson).

<sup>13</sup> Id. at 10-11 (quoting testimony of Susan Gaffney, Inspector General of the Department of Housing and Urban Development, Before the Subcomm. on Housing and Transp. of the Senate Banking Comm., (2001)).

<sup>14</sup> Secretary Mel Martinez, Secretary’s Address on the State of HUD, (Feb. 5, 2002), available on HUDweb at <<http://hudatwork.hud.gov/services/webcasts/archives.cfm>>.

<sup>15</sup> Strategic Plan For Buyouts, available on HUDweb at <<http://www.hudweb.hud.gov:80/reform/bplan.htm>>, (last modified Jan. 30, 1999).

Percent Eligible to Retire

Office of Housing	33 (49 Headquarters, 30 Field)
Office of Housing – Single Family	29
Office of Housing – Multifamily	36
Office of Housing – Comptroller	40

The Department currently benefits from a vastly experienced workforce with some workers having been employed by the Department since its inception. These employees have a broad base of institutional knowledge that will be lost upon their retirement. Given this potential loss, it is increasingly important that the Department put forth its best efforts to recruit and retain a knowledgeable and skilled workforce. In order to ensure a smooth transition, this new workforce needs to be in place well before a significant number of the anticipated retirements take place so that the knowledge of the past can be shared with the workforce of the future.

**II. Authority for the Program**

**A. Statutory Authority**

In 1990, Congress authorized federal agencies to repay all or part of an outstanding federally insured student loan to facilitate the recruitment or retention of highly qualified professional, technical, or administrative employees.<sup>16</sup> In 2000, Congress amended this authority by broadening the scope of the program.<sup>17</sup> The statute permits agencies to pay up to \$6,000 a year or a total of \$40,000 per employee, provided that the agency and employee enter into a repayment agreement whereby the employee agrees to remain in the service of the agency for at least three years or repay the benefit if he or she separates from the agency before the end of the required term.

**B. OMB Regulations**

The Office of Personnel Management (OPM) promulgated regulations regarding the statutory authority for the loan repayment program.<sup>18</sup> Under these regulations, each agency implementing a student loan repayment program must establish a “student loan repayment plan.”<sup>19</sup> The rule establishes guidelines for both recruitment and retention benefits. Recruitment

<sup>16</sup> National Defense Authorization Act for Fiscal Year 1991, Pub. L. No. 101-510, § 1206, 104 Stat. 1485, 1659-61 (codified at 5 U.S.C. § 5379) (1990).

<sup>17</sup> National Defense Authorization Act for Fiscal Year 2001, Pub. L. No. 106-398, § 1122, 114 Stat. 1654A-781-783 (codified as amended at 5 U.S.C. § 5379) (2000).

<sup>18</sup> Repayment of Student Loans, 66 Fed. Reg. 2790 (Jan. 11, 2001) (to be codified at 5 C.F.R. part 537), Repayment of Student Loans, 66 Fed. Reg. 39,405 (July 31, 2001) (revising and finalizing OPM regulations).

<sup>19</sup> The plan must include: (1) designation of officials with authority to review and approve offers of student loan repayment benefits – along similar lines of authority as other available recruitment and retention incentives; (2) situations in which loan repayment authority may be used; (3) criteria that must be met or considered in authorizing loan repayments, including criteria for determining the size and timing of such benefits; (4) procedures for making loan repayments (It should be noted that the statute at section 5379(b)(1) envisions direct payments on behalf of employees.); (5) system for selecting employees that ensures fair and equitable treatment; (6) requirements for service agreements and provisions for recovering payments if the employee does not meet all obligations under the agreement; and (7) documentation and record-keeping requirements. Repayment of Student Loans, 66 Fed. Reg. at 2791 (to be codified at 5 C.F.R. § 537.103).

benefits are to be limited to positions prior to employees entering duty in such positions. To provide retention benefits, the agency must make a written determination that "the high or unique qualifications of the employee or special need of the agency for the employee's services makes it essential to retain the employee."<sup>20</sup> Other administrative requirements include entering into an agreement that includes repayment and withholding terms,<sup>21</sup> verification of outstanding loan balances,<sup>22</sup> and maintenance of records – generally, for three years.<sup>23</sup>

Agencies have discretion as to the specific recruitment and retention criteria to apply; however, the rule does require that selection "adhere to merit system principles and take into consideration the need to maintain a balanced workforce in which women and members of racial and ethnic minority groups are appropriately represented in Government services." Additional guidance has been provided by OPM regarding the review and approval process, tax withholdings, and educational requirements.<sup>24</sup>

### **III. Conclusion**

Implementation of a student loan repayment program at HUD would serve to attract new employees and retain much-needed current employees at a time of anticipated workforce turnover. By assisting employees in repaying student loan debt, the Department will benefit from the long-term commitment to government service of these employees.

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<sup>20</sup> Repayment of Student Loans, 66 Fed. Reg. at 2791 (to be codified at 5 C.F.R. § 537.105).

<sup>21</sup> Id. (to be codified at 5 C.F.R. §§ 537.106(a) & 537.107).

<sup>22</sup> Id. (to be codified at 5 C.F.R. § 537.106(b)).

<sup>23</sup> Id. (to be codified at 5 C.F.R. § 537.110).

<sup>24</sup> See Questions and Answers: Student Loan Repayment Program, U.S. Office of Personnel Management, available at <<http://www.opm.gov/studentloan/q&a.htm>>, (created April 2, 2001).