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Congressional Contacts for Summer of Service

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1. Red Lake Band, Minnesota:		
Sen. Dave Durenberger	224-3244	224-9931
Sen. Paul Wellstone	224-5641	224-8438
Rep. Collin Peterson-7th	225-2165	225-1593
2. Pinal Gila, Arizona:		
Sen. Dennis DeConcini	224-4521	224-2302
Sen. John McCain	224-2235	228-2862
Rep. Karan English-6th	225-2190	225-8819
3. Hands on Atlanta: Clark Atlanta University:		
Sen. Sam Nunn	224-3521	224-0072
Sen. Paul Cloverdell	224-3643	224-8227
Rep. John Linder-4th	225-4272	225-4696
Rep. John Lewis-5th	225-3801	225-0351
4. City Year, Boston: Tufts, Boston:		
Sen. Edward Kennedy	224-4543	224-2417
Sen. John Kerry	224-2742	224-8525
Rep. Barney Frank-4th	225-5931	225-0182
Rep. Edward Markey-7th	225-2836	225-8689
Rep. Joseph Kennedy-8th	225-5111	225-9322
Rep. Joe Moakley-9th	225-8273	225-3984
5. Greater Philadelphia Urban Affairs:		
Sen. Arlen Specter	224-4254	224-1893
Sen. Harris Wofford	224-6324	224-4161
Rep. Thomas Foglietta-1st	225-4731	225-4731
Rep. Lucien Blackwell-2nd	225-4001	225-7362

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6. MPOWER, Maryland:		
Sen. Paul Sarbanes	224-4524	224-1651
Sen. Barbara Mikulski	224-4654	224-8858
Rep. Helen Bentley-2nd	225-3061	225-4251
Rep. Benjamin L. Cardin-3rd	225-4061	225-9219
Rep. Kweisi Mfume-7th	225-4741	225-3178

7. Teach for America, Washington Heights, NY:
Harlem Freedom Schools, NY:
ACORN, Queens, Harlem, Brooklyn, NY:

<i>Eli will call</i>	✓ Sen. Daniel Patrick Moynihan	224-4451	<i>8-3815</i> ~~224-9293~~
	✓ Sen. Alfonse D'Amato	224-6542	224-5871
	✓ Rep. Gary L. Ackerman-5th	225-2601	225-1589
	✓ Floyd H. Flake-6th	225-3461	225-4169
	✓ Thomas J. Manton-7th	225-3965	225-1909
	✓ Terrold Nadler-8th	225-5635	<i>212 977 3546</i> 225-6923
<i>Schumer</i>	✓ Charles E. Schumer-9th	225-6616	225-4183
	✓ Edolphus Towns-10th	225-5936	225-1018
	✓ Major R. Owens-11th	225-6231	226-0112
	✓ Nydia Velazquez-12th	225-2361	226-0327
	✓ Susan V. Molinari-13th	225-3371	226-1272
	✓ Carolyn Maloney-14th	225-7944	225-4709
	Charles B. Rangel-15th	225-4365	225-0816
	✓ Jose Serrano-16th	225-4361	225-6001
	✓ Eliot Engel-17th	225-2464	225-5513

8. Essex Community College, Newark, NJ:

Sen. Bill Bradley	224-3224	224-3224
Sen. Frank Lautenberg	224-4744	224-9707
Rep. Donald M. Payne-10th	225-3436	225-4160

9. Ohio Wesleyan, Central Ohio:

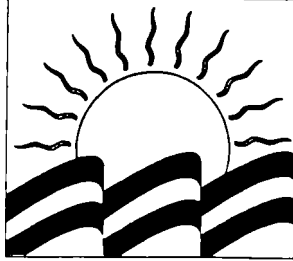
Sen. John Glenn	224-3353	224-7983
Sen. Howard Metzenbaum	224-2315	224-6519
Rep. John R. Kasich(R)-12th	225-5355	won't give

10. Summerbridge, New Orleans:

Sen. J. Bennett Johnston	224-5824	224-2952
Sen. John Breaux	224-4623	224-4268
Rep. Bob Livingston-1st	225-3015	225-0739
Rep. William J. Jefferson-2nd	225-6636	225-1988

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11. Build Up, Los Angeles:		
UCLA Nursing, Los Angeles:		
Sen. Dianne Feinstein	224-3841	224-0656
Sen. Barbara Boxer	224-3553	224-6252
Rep. Henry A. Waxman-29th	225-3976	225-4099
Rep. Xavier Becerra-30th	225-3976	225-2202
Rep. Mathew G. Martinez-31st	225-5464	225-5467
Rep. Julian C. Dixon-32nd	225-7084	225-4091
Rep. Lucille Roybal-Allard-33rd	225-1766	226-0350
Rep. Esteban Edward Torres-34th	225-5256	225-9711
Rep. Maxine Waters-35th	225-2201	225-7854
Rep. Jane Harman-36th	225-8220	226-0684
Rep. Walter Tucker-37th	225-7924	225-7926
12. East Bay, Oakland:		
Sen. Dianne Feinstein	224-3841	224-0656
Sen. Barbara Boxer	224-3553	224-6252
Rep. Ronald V. Dellums-9th	225-2661	225-9817

SUMMER OF SERVICE



**FROM THE WHITE HOUSE OFFICE OF NATIONAL SERVICE
AND THE COMMISSION ON NATIONAL AND COMMUNITY SERVICE**

May 4, 1993

The Honorable Susan V. Molinari
U.S House of Representatives
Washington, D.C. 20515

Dear Representative Molinari:

On behalf of the White House Office of National Service and the Commission on National and Community Service, we would like to inform you about an exciting announcement.

On Thursday, May 6, at a 9:00 a.m. press conference, we will jointly announce the outstanding programs (and the cities and towns in which they are located) selected to participate in the "Summer of Service" program initiated by President Clinton and administered by the Commission. Please see the attached information on your constituent Summer of Service programs.

The Summer of Service is an integral part of the President's vision of National Service. It is an immediate initiative designed to meet critical needs of children at-risk this summer, while at the same time building future National Service leaders. Approximately 1,500 young people (ages 17-25) across the country will engage in service projects this summer.

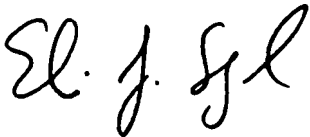
Interest and enthusiasm in the Summer of Service is extremely high. The Commission on National and Community Service received over 430 grant applications from every state in the union. Sixteen high-quality programs were selected by the Commission Board after review by an independent panel assembled by the Commission.

Page Two

We wanted to inform you of your constituent winners in anticipation of the Thursday press conference announcement which will take place at the Commission's headquarters in Washington, D.C. Please note that information on the winners is embargoed for 9:00 a.m. Thursday.

One of our staff members will be contacting your press secretary shortly to provide additional information and to help facilitate media outreach with your office. Also, we would be happy to distribute at the event your statement on the winners from your area.

Sincerely,



Eli J. Segal
Assistant to the President and
Director, Office of National Service



Catherine Milton
Executive Director
Commission on National
and Community Service

BACKGROUND ON SUMMER OF SERVICE

- o On March 1, 1993, in a speech at Rutgers University, the President outlined his vision for National Service. Last week in New Orleans, he unveiled the first part of that vision -- a legislative initiative creating a National Service program. By reforming the student loan system and offering increased educational opportunity, the program will make it easier for every American to afford college. In return, National Service will demand responsibility from Americans for rebuilding our country and our communities -- city by city, neighborhood by neighborhood, block by block.
- o A second aspect of the President's vision of National Service is the "Summer of Service" -- an immediate initiative designed to meet critical needs of at-risk children this summer, while at the same time building future National Service leaders.
- o This effort will involve approximately 1,500 young people (ages 17-25) across the country in serving the educational, health, public safety and environmental needs of children at-risk.
- o The Commission on National and Community Service, which is responsible for implementing the Summer of Service, received more than 430 grant applications from community service organizations in all 50 states and three territories. The White Office of National Service received more than 6,000 letters expressing interest in the program.
- o The Office of National Service and the Commission will announce on Thursday, May 6, 1993, sixteen Summer of Service grant recipients from across the country. The programs range from a primary healthcare project for children at-risk, to a low-income housing safety inspection and smoke detector installation project, to a middle school tutoring and mentoring program. Groups that receive grants will then recruit and select the young people to serve in these programs. All of the initiatives will demonstrate the tangible and measurable community benefits that can result from National Service.
- o Summer of Service will kick off with a national leadership training week during the third week of June. All of these young national service pioneers will gather in one location and learn by doing. By going out into the community and serving, these leaders will learn what it takes to serve and make a difference. They will be trained by leaders from such programs as the Peace Corps, Outward Bound, Youth Build and Boston's City Year and learn how to bring their national training experience home to the communities in which they live.
- o The summer will end with a Summit on Service hosted by the President where he and the service pioneers will meet to discuss the challenges of the summer and lay future plans for National Service.

5/5/93

September 9, 1993
Publication: LB-17A-Education

dpc legislative bulletin

democratic policy committee

**H.R. 2010 (S. 919),
National and Community
Service Trust Act of 1993**

CONFERENCE REPORT

(Passed Senate on September 8, 1993, by a vote of 57-40)

DPC Staff Contact: Paul Brown (202-224-3232)



Democratic Policy Committee
United States Senate
Washington, D.C. 20510

George J. Mitchell, Chairman
Thomas A. Daschle, Co-Chairman

Summary

The conference report to **H.R. 2010**, the *National and Community Service Trust Act of 1993*, now adopted by both House and Senate, incorporates the major provisions of President Clinton's national service proposal to provide service opportunities for Americans of all ages in a wide variety of programs, from service learning for those in grades K-12, to full-time youth camps, to programs for senior citizens.

Full-time and part-time programs with educational awards will offer Americans, 17 years of age and older, opportunities to serve their country before or after college. The program will provide a \$4,725 award for educational purposes, to individuals who complete a term of service with a maximum award of \$9,450 (two terms) per individual.

Participants will receive a minimum wage stipend, and health and child care, if necessary, during their service.

The bill establishes a Corporation for National and Community Service that combines two existing agencies, the Commission on National and Community Service and ACTION. The Corporation will make grants to States, public and private nonprofit organizations, and institutions of higher education, which either will carry out the service programs themselves or make grants to other organizations to carry out the programs. Individual service programs will be developed locally to help meet the unique needs of the community.

In addition, the *National and Community Service Trust Act* reauthorizes and improves current domestic volunteer programs including the Serve America program (to fund service learning for those in grades K-12 or college), VISTA (Volunteers In Service to America), the Older Americans Volunteer Program, and the Civilian Community Corps (CCC).

Major Provisions

National Service Trust Program

The bill authorizes \$300 million in FY 1994, \$500 million in FY 1995, and \$700 million in FY 1996 for the National Service Trust Program. This program will enable Americans to perform valuable national service while earning educational awards in return.

The bill establishes a national Corporation for National and Community Service that combines two existing domestic volunteer agencies, the Commission on National and Community Service and the ACTION agency. The Corporation will make grants to States, public and private nonprofit organizations, and institutions of higher education, which either will carry out the service programs themselves or make grants to other organizations to carry out the programs.

The Corporation also will provide educational awards to eligible participants.

Participants and Awards: In general, Americans over 17 years of age who have a high school diploma (or agree to get one while serving) will be eligible to serve in approved positions for one or two terms. A full-time term of service is equal to 1,700 hours of service over a one-year period while a part-time term of service is equal to 1,700 hours of service over a three-year period. Participants also must meet the eligibility requirements of the particular program and be selected by that program.

Educational awards may be used to pay for college education, repay student loans, pay expenses for approved school-to-work programs, or pay for approved job training, or vocational education expenses.

While serving, participants will be provided a living allowance at approximately the minimum wage, and health care and child care, if necessary. In return each participant will receive an educational award of \$4,725, payable for current expenses or against past loans at participating institutions including trade and graduate schools under the *Higher Education Act*.

Eligible Programs: Programs engaging participants may range from individual placement programs for college graduates, to conservation corps for at-risk youth, to community corps for Americans from a variety of backgrounds. Diversity of models and participants will be encouraged.

National service work must:

- meet unmet educational, environmental, public safety, or human needs;
- improve the citizenship ethic and skills of those who serve; and,
- not displace existing workers.

The program may be full-time or part-time, and may include community corps and professional corps programs.

Allocation of Funds: Institutions offering national service opportunities may range from small non-profit organizations to Federal agencies. Programs will be selected on a competitive basis by the State Commission on National and Community Service and the Corporation. Funds for these programs will be allocated three ways:

- one-third of program funds will be allocated to State commissions by a formula based on population;
- at least one-third of program funds will be allocated to State commissions on a competitive basis; and,
- the remaining program funds, up to one-third of the total, will be allocated by the Corporation, on a competitive basis, to entities which are permitted to apply directly to the corporation.

Program Approval: In order to receive program assistance and approved national service positions, an entity must apply to a State commission on national service, or in exceptional cases directly to the Corporation.

The Corporation may set deadlines and require information from applicants, including descriptions of:

- programs to be carried out directly by the applicant;
- programs selected to receive grants;
- other funding sources that the program plans to use;
- the extent to which the program benefits the community;
- measurable goals for meeting unmet needs and providing a meaningful service experience; and,
- the past experience of the applicant.

National Service Trust: The bill establishes a National Service Trust account in the United States Treasury. National Service education awards will be paid from this Trust. The Corporation will have to report annually to Congress on the financial status of the Trust.

Corporation for National and Community Service: The bill creates a Corporation for National and Community Service to administer the national service programs established in the bill, as well as existing programs, including the Commission on National and Community Service's Serve America program, the CCC, VISTA, and Senior Volunteer programs (the last two of which will be transferred to the Corporation from ACTION).

The Corporation will establish performance guidelines, select programs on the basis of quality, and guard against waste, fraud, and abuse. The Corporation also will be empowered to solicit and receive private funds.

The Corporation will be governed by a bipartisan board of not fewer than 15 but no more than 25 directors, appointed by the President and confirmed by the Senate. The Board will be composed of a diverse group of individuals with extensive background in the environment, education, public safety and human resources. In addition, the board will contain one individual between age 16 and 25.

Duties of the Board include:

- reviewing and approving the Corporation's strategic plan;
- reviewing and approving the Corporation's grants and allotments;
- reviewing and advising the President with respect to the Corporation's plan of standards, policies, procedures, and initiatives;
- advising the President and Congress on national and community service developments; and,
- making recommendations relating to a Corporation plan for research.

State Commissions on National Service: In order to receive funds from the Corporation, States will create a State Commission on National Service. State Commissions will consist of between 7 to 25 members. The Governor will appoint the members.

The State commission will be responsible for developing a three-year national service plan to be updated annually, developing State applications for funds, and assisting other entities in the state apply for grants.

Before State commissions are established, the Corporation may recognize existing State programs as an temporary alternative to the State commission.

Other Programs

School-based Programs ("Serve America"): School-based service learning enables students of all ages to perform service and enjoy educational experiences that are mutually related. Young people in service learning programs help meet unmet needs of a community and instill a lifelong ethic of service in participants.

This bill expands and reauthorizes several service-learning programs, doubling the number of participating volunteers to an estimated 850,000 participants.

VISTA and Older Americans Volunteer Programs: This bill reauthorizes the VISTA and Older Americans Volunteer Programs. VISTA provides full-time service opportunities for 3,000 Americans, targeted at reducing poverty. The Older Americans Volunteer Programs engage over 500,000 elderly Americans in service, mentoring youths, acting as foster grandparents, and acting as companions for other seniors.

Civilian Community Corps (CCC): The bill reauthorizes the CCC program which will engage military bases no longer in use and discharged military personnel in the operation of service programs for youths.

Stafford Cancellation: The Stafford cancellation allows minimum wage participants in certain types of service programs to receive loan cancellation. This bill accelerates implementation of this program.

Legislative History

Senate Action

On June 16, 1993, the Senate Committee on Labor and Human Resources reported out favorably, as amended, **S. 919** (S. Rept. 103-70), by a vote of 14 (10D-4R) to 3 (3R). Senators voting in the affirmative were Kennedy, Pell, Metzenbaum, Dodd, Simon, Harkin, Mikulski, Bingaman, Wellstone, Wofford, Jeffords, Coats, Gregg, and Durenberger. Senators voting in the negative were Kassebaum, Thurmond, and Hatch. The Senate passed **S. 919** on August 3 by a 58-41 vote. Subsequently, the Senate adopted the conference report to **H.R. 2010** on September 8 by a vote of 57-40.

House Action

The House Committee on Education and Labor reported out its version of the *National and Community Service Trust Act*, **H.R. 2010**, (H. Rept. 103-155), on June 16, 1993. The House passed the bill on July 28 by a vote of 275-152. Subsequently, the House adopted the conference report on August 6 by a vote of 275 to 152.

Administration Position

Enactment of the *National and Community Service Trust Act of 1993* into law was a high priority of the Clinton Administration. The President strongly supports the provisions in the conference report to **H.R. 2010**.

THE WHITE HOUSE
WASHINGTON

April 30, 1993

NATIONAL SERVICE INITIATIVE

The national service initiative is innovative public policy founded on traditional American values. The initiative will build the American community through a domestic Peace Corps that brings Americans together to tackle pressing problems. It will offer educational opportunity by providing educational awards to hundreds of thousands of Americans who serve our country; and by overhauling the student loan system, to offer EXCEL Accounts and lower interest rates. The initiative will demand personal responsibility by requiring Americans who borrow to repay their loans in one of two ways -- either through service or through repayment plans that make it tougher to default. In all this, the Act will reinvent government -- to unleash the initiative of the American people.

The President's initiative has three basic components:

- **The National Service Trust**, which will establish an innovative, entrepreneurial Corporation for National Service to offer Americans educational awards in return for vital service to our country. The Corporation is designed to cut waste and promote excellence in government, encourage locally driven initiatives, create flexibility for students, and foster competition among programs.
- **EXCEL Accounts**, which will offer all borrowers income contingent repayment plans. The new income contingent repayment plan will allow borrowers to spread their loan payments over a long period of time, reduce defaults, and encourage students to take lower-paying community service jobs.
- **One-Stop Direct Student Loans**, which will save taxpayers billions of dollars in bank subsidies and defaults by replacing private capital with Federal borrowing. Students will receive some of the savings in reduced interest rates and a streamlined "one stop" loan delivery system.

THE NATIONAL SERVICE TRUST

The National Service initiative will offer an educational award to Americans who do vital work in one of four priority areas: education, human services, environment and public safety. In addition to the trust, the initiative will support a variety of other programs to develop citizenship among all Americans, ranging from elementary school "service-learning" projects to older American volunteer programs.

1. DIVERSE AND WIDE PARTICIPATION. The National Service initiative will offer Americans 17 or older opportunities to serve our country before or after college. While contributing millions of hours of service, National Service Trust participants will learn an ethic of civic responsibility. And while communities will recruit, select and place volunteers, a nationwide public awareness campaign will build a common identity for programs, disseminate information widely through college and high school placement offices, and help place a leader corps of participants across the country.

2. EDUCATIONAL AWARD WITH DIFFERENT USES. The program will provide those who complete a year of service with a \$5,000 award for college, graduate school or job training. In addition, participants in general will receive a roughly minimum wage stipend, and health and child care, if necessary.

3. PRESSING COMMUNITY NEEDS. National service means educating children, helping immunize infants, fighting crime, and stopping pollution. Within the broad priority areas, communities will be able to design programs that meet their own unmet needs. Programs will be designed in ways best suited to local needs, and range from specialized service programs with in-college training and individualized placements; to youth corps offering disadvantaged young people a second chance while they perform invaluable service; to community corps that bring together the young and the old of all economic and racial backgrounds.

4. REINVENTING GOVERNMENT. The Commission on National and Community Service and ACTION will be combined in a single government Corporation for National Service. To promote excellence, the Corporation will be governed by a bipartisan Board, offer pay-for-performance to its employees, and raise private funds for the Trust. In addition, the Corporation will establish quality guidelines for all programs. Programs themselves must also set measurable goals and demonstrate success in order to receive continued funding. Within these bounds, local programs will have flexibility to design the best ways to meet their goals. In all instances, no program will be guaranteed funding; all will have to compete for funding.

5. PARTNERSHIPS. Programs will match federal assistance with private or other support. State commissions composed of local representatives appointed by governors will work hand in hand with the national Corporation to support service.

EXCEL ACCOUNTS

The Clinton Administration will make repayment easier and encourage national and community service through EXCEL Accounts. All students will have the opportunity to repay as a percentage of their income over time. The EXCEL Account will make such "income-contingent" loans available for the first time. The EXCEL Account offers students offers Americans the chance to invest in their education and training and to pay back their loans as they start to reap the benefits.

1. FLEXIBLE AND UNIVERSAL LOANS: The EXCEL Account makes college and training accessible to all students, and to allow students the maximum flexibility in paying back their loans.

2. ENDING CRUSHING DEBT FOR YOUNG PEOPLE STARTING THEIR CAREERS: Currently our education system often makes young people pay large amounts of debt just at the moment when young people have their lowest earning potential and the hardest time finding jobs. The EXCEL Account allows a young person the ability to pay a set percentage of income, so that repayment is proportionate to income.

3. ENCOURAGE NATIONAL SERVICE: Too many of our young people are discouraged from taking lower paying jobs as teachers or police officers because they face large fixed monthly payments. The EXCEL Accounts will encourage national and community service by ensuring that young people will not have to pay an exceptionally high percentage of their income simply because they have chosen jobs where their service to their communities exceeds the size of their paychecks. The EXCEL Account will, for example, make it far easier for a recent medical school graduate -- who normally would have high fixed monthly loans -- to spend a few years serving lower-income communities without facing a crushing debt burden.

4. ENCOURAGE ENTREPRENEURSHIP: Our current loan system can discourage entrepreneurial behavior. Where a young person out of school faces fixed student loan costs, that creates a disincentive to take high risks -- like entrepreneurial activity -- where a person may make little money in the short-term in pursuit of larger rewards in the future. Allowing repayments based on income eliminates these disincentives to take risk.

5. LOWER DEFAULT RATES: Because EXCEL Accounts will determine loan payments on the basis of IRS verified incomes, they will dramatically reduce default rates by ensuring that anyone who works pays, and by not forcing borrowers into default simply because they experience a period of unemployment.

ONE-STOP DIRECT STUDENT LOANS

This initiative -- the Student Loan Reform Act of 1993 --proposes important reforms in the student loan system, which will provide one-stop shopping for student loans, reduce borrowing costs for students, and save taxpayers billions of dollars.

1. USING FEDERAL CAPITAL: Because the federal government can borrow money at a lower interest rate than can the private sector, using federal capital saves taxpayers billions of dollars in high subsidies to banks and other private lenders.

2: SAVINGS: The Congressional Budget Office, the General Accounting Office, and the Department of Education have all found that direct lending will save billions of dollars over the next four years, even after transition costs. Students will benefit from these savings in the form of reduced interest rates.

3. FLEXIBLE REPAYMENT OPTIONS: Students will have a variety of flexible repayment options designed to ease repayment, avoid defaults and encourage community service, including the new EXCEL Accounts, which will provide the opportunity for students to repay loans as a percentage of income over time.

4. STREAMLINED DELIVERY: Direct lending simplifies the current complicated maze of financial aid for students and parents by cutting down on the number of middlemen and procedures in the current system. Most students will receive all of their financial assistance through one stop at existing college financial aid offices.

5. INSTITUTIONS AS ORIGINATORS: Willing and able institutions will make (or "originate") loans directly to students on campus, and will receive a fee for providing this service. No school, however, will be forced to originate loans. Institutions that do not originate loans will be provided the services of alternative originators, selected and paid for by the Department of Education. No institutions will service or collect these student loans.

6. THE DEPARTMENT OF EDUCATION'S ROLE: The Department of Education will oversee an orderly transition to the new system, and monitor the new program. The Department is already working on several initiatives, including the development of a National Student Loan Data System, to improve its oversight capabilities and ensure a smooth transition to direct lending. The Department will contract with public or private entities, on a fee-for-service basis, to provide alternative origination and to service and collect loans.

April 30, 1993

OUTLINE OF LEGISLATION

NATIONAL SERVICE INITIATIVE

President Clinton's national service program will expand educational opportunity, reward individual responsibility, and build the American community by bringing citizens together to tackle common problems. The President's support for service extends from the youngest elementary students to our oldest citizens, and includes everything from part-time volunteer activities to full-time public service jobs.

The centerpiece of the President's initiative to support service is a new program to offer education awards to Americans who make a substantial commitment to service. In addition to this program, which builds on the youth corps and demonstration programs of the National and Community Service Act of 1990, the National Service Trust Act includes:

- o Extension and improvement of programs in the National and Community Service Act of 1990 that enhance elementary and secondary education through community service in schools, support after-school and summer programs for school-age youth, and fund service programs on college campuses.
- o Support for the Points of Light Foundation, to support volunteerism.
- o Extension and improvement of VISTA and the Older American Volunteer Programs authorized by the Domestic Volunteer Service Act.
- o Creation of a new Investment Fund for Quality and Innovation to support model service programs and activities designed to ensure the development of high quality national service programs.

Focus of Service

- o National service must address unmet educational, environmental, human, or public safety needs. National priorities may be established within these areas.
- o National service must improve the life of the participants, through citizenship education and training.
- o Participants may not displace or duplicate the functions of existing workers.

Corporation for National Service

Structure

- o The national service program will be administered by a new government Corporation for National Service, created by combining two existing independent federal agencies, the Commission on National and Community Service and ACTION.
- o The corporation will be responsible for administering all programs authorized under the National and Community Service Act and Domestic Volunteer Service Act, including VISTA and the Older American Volunteer Programs. The Corporation will also fund training and technical assistance, service clearinghouses and other activities.
- o The investment division of the corporation will administer the new trust program and programs currently administered by the Commission on National and Community Service.
- o The operating division will administer programs currently run by the ACTION agency, including VISTA and the Older American Volunteer Programs.
- o Flexible and quality-driven personnel policies will include pay-for-performance and a 5-year limit on most tenures.
- o The Corporation may solicit and accept private funds.

Governance

- o The corporation will have an eleven-member volunteer Board of Directors appointed by the President and confirmed by the Senate. It will be bipartisan and include persons experienced in national service and experts in providing educational, environmental, human need, or public safety service.
- o The first Board members will be appointed primarily from the Board of Directors of the Commission on National and Community Service. Seven Cabinet secretaries will serve as non-voting ex-officio members.

o The Board will develop the corporation's strategic plan, approve grant decisions, review other policy and personnel decisions, receive and act on reports from the Inspector General, supervise evaluations, and advise the Corporation on all issues.

o A Chairperson of the Board and a Managing Director for each division will full-time employees appointed by the President and confirmed by the Senate.

Oversight

o An Inspector General will oversee programs to guard against fraud and abuse.

o Programs must arrange for independent audits and evaluations, and may also be required to participate in national or state evaluations.

State Commissions

Structure

o In order to receive a grant, each state must establish a commission on national service. The corporation will provide funding for the state commission.

o Commissions will have members appointed by the governors on a bipartisan basis from among the following: youth, educators, representatives of youth corps, older American volunteer programs, and other nonprofit service providers, labor, business, and experts in meeting particular unmet needs. No more than 25 percent of voting members may be state officials, although additional state agency representatives may sit on the commissions as non-voting ex-officio members. Commissions will elect their own chair.

o A representative of the corporation will sit on each commission as a voting member and act as liaison between the commission and the corporation.

Duties

o State commissions will be responsible for selecting programs to be funded under the state formula allocation, and in any competitive grant states may request.

o State commissions must also design strategic plans for service in the states, recruit participants, and disseminate information about service opportunities.

o State commissions may also support clearinghouses, training and technical assistance, and other initiatives to support service. They may not operate national service programs, but may use a portion of funds to support programs run by state agencies.

Transition

- o For a period of one year, existing state agencies may assume the responsibility of state commissions.
- o The Corporation may approve an alternative agency in place of a commission at a state's request, if the agency ensures diverse participation in policy making.

Allocation of Funds

- o States submitting plans approved by the Corporation will receive on-third of funds according to a population-based formula and one-third on a competitive basis.
- o One-third of funds will be allocated directly by the corporation. Programs eligible for priority consideration include federal programs, national nonprofit organizations operating multiple programs or competitive grant programs, national service initiative in more than one state and meeting priority needs, proposals to replicate successful programs in more than one state, professorial corps, and innovative national service programs.

Programs

Goals

- o Programs must set measurable goals regarding the impact of the service on the community and on participants.

Eligibility

- o Programs eligible for national service designation include diverse community corps, youth corps, specialized service programs focusing on a specific community need, individual placement programs, campus-base service programs, programs that train and place service-learning coordinators in schools or team leaders in corps programs, intergenerational programs, national service entrepreneurship programs, and professional corps.
- o Programs may be run by non-profit organizations, institution of higher education, local governments, school districts, states, or federal agencies.
- o Programs may not provide direct benefits to for-profit businesses, labor unions, or partisan political organizations, or involve participants in religious activities.

Selection

- o Selection criteria include quality (based on criteria developed in consultation with experts in the field), innovation, sustainability, and replicability of programs.

- o Past experience and management skills of program leadership, involvement of participants in leadership roles, and the extent to which the program builds on existing programs will also be taken into account.

- o Programs serving and recruiting participants from communities of need, including those designated as enterprise zones, community redevelopment areas, areas with high poverty rates, environmentally distress areas, and communities adversely affected by decreased defense spending will also receive special consideration.

Funding

- o All participants will receive educational awards.

- o To develop programs, one-year planning grants will be available. To support national service participants, three-year renewable grants will be available for program demonstration, expansion, or replication.

- o Administrative costs will be limited to five percent of all grants other than planning grants.

- o Programs must pay 15 percent of the stipend and health care benefits in cash and 25 percent of other program costs receiving federal support. The 25 percent match may be in cash or in kind from any source other than programs funded under the National and Community Service or Domestic Volunteer Service Acts.

- o Federal funds must supplement, not supplant, state and local dollars.

Participants

Eligibility

- o Individuals may serve before, during, or after post-secondary education.

- o In general, participants may be age 17 or older. Youth corps participants may be age 16 or older.

- o Participants must be high school graduates or agree to achieve the GED prior to receiving educational awards.

Selection

- o Participants will be recruited and selected on a nondiscriminatory basis without regard to political affiliation by local programs designated by states or the federal government.

- o A national or state recruitment system will help interested individuals locate placements in local programs. Information

about available positions will be widely disseminate through high schools, colleges and other placement offices. A special leadership corps may be recruited, trained, and placed to assist in the development of new national service programs.

Term of Service

o To earn an educational award, a participant must take part in one year of full-time or two years of part-time service in a program designated by a state or the federal government. An individual may serve up to two terms and earn up to two educational awards.

Educational Awards

o Educational awards of \$5,000 will be provided for a term of service. Educational awards may be used to repay loans for higher education or to pay for higher education or training.

o Educational awards will be federally funded and deposited into a national service trust on behalf of all participant accepted into the program. Organizations and individual may donate funds to support national service participants in the donor's community.

o Payments will be made directly to qualified post-secondary educational institutions including two- and four-year colleges, training programs, and graduate or professional programs.

o In the case of participants with outstanding loan obligations for qualified educational activities, awards will be paid directly to lenders.

o Awards will not be taxable and must be used within five years of receipt.

Stipends

o Programs will set stipends within program guidelines. However, federal support will be limited to a match of 85 percent of an annual stipend equivalent to benefits received by VISTA volunteers. Programs may provide additional stipends up to twice this amount, with no federal match for the portion of the stipend in excess of the VISTA benefit.

o In the limited case of designated professional corps in areas of great need, such as teaching and public safety in underserved areas, participants may be paid a salary in excess of the guidelines and receive an educational award. However, no federal support will be available for a stipend.

Health and Child Care

- o All participants without access to health insurance will receive health coverage. Federal dollars will pay up to 85 percent of the cost of these benefits.
- o Participants may receive child care assistance, if needed.

SERVE AMERICA

The proposal extends and expands the existing Serve-America program for school-age youth and Higher Education Innovative Projects for Community Service. Modifications to these programs are described below.

Service-Learning Program

Program Goals

- o To build a foundation for service among the nation's youth, inspiring them to serve and instilling in them the values and attitude to serve effectively after graduation.
- o To create opportunities for all American children to serve our country.

Types of Programs

- o Programs may be partnerships of local education agencies and community-based organizations.
- o Local educational agencies may receive planning grants to hire service-learning coordinators.

Types of Funding

- o School-based programs will be eligible for funding through state educational agencies, partly based on formula and partly through competition.
- o State educational agencies must develop state plans that indicate programs to be funded and detail 3-year strategies for service-learning in their states. The Corporation must approve state plans.
- o Programs may receive one-year planning grants for school-based programs. Subgranting to experienced institutions for school-based programs will also be allowed.
- o All local programs will be required to provide at least 10 percent of total program costs in the first year of funding, increasing to 50 percent in the fourth. Local programs may utilize other federal education funds to meet the match requirement.

Training and Technical Assistance

- o Clearinghouses will be expanded to further enable them to disseminate information and curriculum materials; train teachers, service sponsors and participants; and provide needs assessments or technical assistance.
- o States will also receive additional resources to train and educate state educational personnel.

Community-based Program for School-Age Youth

- o Community-based organizations working with school-age youth may receive grants from the State Commission for programs to involve such youth in community service.
- o National non-profit organizations may apply to the Corporation to make subgrants or run multi-state community-service programs for this population.

Higher Education Innovative Projects

- o Higher Education institutions, consortia of such institutions, or partnerships of higher education institutions and non-profit institutions may receive grants from the Corporation for student community-service programs or programs to train teachers in service-learning methods.
- o Funds may supplement College Work-Study funds being used for community service placements.

EXTENSION OF THE DOMESTIC VOLUNTEER SERVICE ACT OF 1973

The proposal extends and expands VISTA and Older American Volunteer Programs authorized by the Domestic Volunteer Service Act. Following a transition period, these programs will be administered by the Corporation for National Service.

VISTA

- o Extends authority for the VISTA program and increases number of VISTA volunteers.
- o Authorizes new VISTA Summer Associate program.
- o Authorizes a University Year for VISTA program to encourage student volunteer efforts addressing the needs of low-income communities.
- o Removes restrictions limiting the flexibility to manage VISTA, while reaffirming commitment to recruiting a diverse group of VISTA volunteers including young and older adults.

- o Increases post-service stipends by \$30 for each month of service. Such stipends are not available if VISTA volunteer accepts an educational award under the national service trust.
- o Continues support for VISTA Literacy Corps.

Special Volunteer Programs

- o Provides broadened authority under the Special Volunteer Programs to supporting demonstrations and innovations, provide technical assistance, and promote other entrepreneurial activities. Eliminates specific authority for student community service and drug programs, which are covered under the broadened demonstration authority and under the National and Community Service Act.

Older American Volunteer Programs

- o Renames the Older American Volunteer Programs as National Senior Volunteer Corps and the Retire Senior Volunteer Program as the Retired and Senior Volunteer Program (RSVP)
- o Lowers eligibility age for participation in the RSVP program to 55.
- o Clarifies the Foster Grandparents may work with children with special and exceptional needs in Head Start programs, schools, and day care centers.
- o Provides for a new demonstration authority to enrich and strengthen older American volunteer programs across the country.
- o Eliminates restrictions that limit the flexibility to administer the program.
- o Increases the stipend for low-income Foster Grandparents and Senior Companion once over the next five years to account for inflation.

Administration

- o Encourages relationships between ACTION and other federal agencies where ACTION volunteers might help further the purposes of other Federal programs.
- o Authorizes a Center for Research and Training on Volunteerism to strengthen volunteer programs across the country.
- o Provides a technical amendment to restore the crediting of VISTA service for federal pensions.
- o Provides a copyright for the programs authorized under the Act.

STUDENT LOAN REFORM ACT OF 1993

Today, the Federal student loan programs provide billions of dollars to private lenders and other agencies -- billions of taxpayer dollars that do not go toward serving students. Furthermore, complex procedures and inflexible repayment plans create serious problems for some students. Burdened with debt and locked into insensitive repayment plans, many students cannot repay their loans, leaving taxpayers to foot the bill. The current system doesn't serve students or taxpayers well.

This legislation reforms the student loan system with a less costly and less complicated alternative. The Administration's Student Aid Reform Act will provide all borrowers with flexible repayment options, including EXCEL Accounts, which allow borrowers to repay loans as a percentage of their incomes. It also reforms the student loan system by replacing the current guaranteed student loan system with a system of direct Federal lending. These changes will:

- o **Make repayment easier** by allowing borrowers to select the best way to repay their loans. Borrowers will be able to choose among several different repayment options, including fixed, graduated, extended, and income-contingent EXCEL Accounts. Providing a range of flexible repayment plans will allow students to enter lower-paying community service jobs without worrying about their debt burden and will reduce default rates.
- o **Reduce costs for taxpayers** by substituting Federal borrowing for more expensive private capital and eliminating excess profits in the current system. By using low-interest rate Treasury borrowing and by eliminating excess profits, direct lending will reduce Federal costs by \$4.3 billion through fiscal year 1998.
- o **Reduce costs for students** by lowering interest rates. Part of the substantial savings achieved from lowering the cost of capital and eliminating profits will be used to reduce the interest rate for student borrowers, when the plan is fully implemented.

EXCEL ACCOUNTS: EASING REPAYMENT AND ENCOURAGING SERVICE

The EXCEL Account will, for the first time, allow all borrowers to pay off their loans as a percentage of their incomes. This income contingent repayment plan, together with other flexible repayment options, will give borrowers the opportunity to choose lower-paying service jobs regardless of the

level of debt incurred while in school. This new plan will also help to reduce student loan defaults.

Borrowers will have the opportunity to choose from a range of flexible repayment options to best fit their financial situation. In addition, borrowers will be able to switch repayment plans as their financial situations change.

EXCEL Accounts will provide for repayments that depend upon income. Borrowers will be able to repay over a longer period of time than in the other repayment options. The length of repayment will depend on the borrower's level of debt and income.

- o The legislation requires the Secretary of Education to publish regulations on the specific provisions of this income-contingent plan, including the percentage of income to be repaid each year and the length of repayment.
- o To increase accountability, the Secretary will also have the authority to require defaulters to repay through income contingency.
- o The legislation will extend EXCEL Accounts to borrowers with existing loans. It authorizes the Department of Education to offer income contingent repayments to current borrowers if lenders do not offer them acceptable income sensitive repayment opportunities.

Fixed, graduated, and extended repayment plans will also be available to all borrowers.

- o **Standard repayment** describes a fixed-payment, fixed-term (usually 10 years) plan that is currently used by most student loan borrowers.
- o **Extended repayment** describes a plan with a lower fixed payment and a longer fixed term than available under a standard repayment plan.
- o **Graduated repayment** plans expect borrowers to repay smaller amounts in the beginning when their incomes tend to be lower and larger amounts later when their incomes tend to be higher.

IRS Role

To make repayment easier and more effective, the bill contains provisions to include the Internal Revenue Service (IRS) in the collection of student loans.

- o Starting in fiscal year 1994, the legislation gives the Secretary the authority to offer income contingent repayments to borrowers using information from the IRS on borrowers' incomes. The legislation will amend the current disclosure provisions to allow IRS to provide this information to the Department of Education.
- o As a second step, the bill requires the Secretaries of Education and Treasury to jointly develop a plan to provide repayment options through the IRS and wage withholding.

ONE-STOP DIRECT STUDENT LOANS

The legislation calls for the Federal government to make loans directly to students, substituting Federal borrowing for private capital. These changes will streamline the system, reduce interest rates for students, and save taxpayers billions of dollars.

The proposal will replace the Federal Family Education Loan (FFEL) programs with the Federal Direct Student Loan (FDSL) programs. Most students will receive all of their financial aid through their existing financial aid offices -- "one stop shopping".

Direct lending substitutes Federal capital for more expensive private capital and eliminates excess profits to lenders, saving \$4.3 billion through fiscal year 1998. Under the plan, direct lending will phase in over four years, beginning in academic year 1994-1995. Federal capital will be used for all new student loans. The goal is to begin with 4 percent of new loan volume in direct lending in the first year, 25 percent the second year, 60 percent the third year, and full implementation in academic year 1997-1998.

Private lenders will no longer make, or "originate", student loans. Many postsecondary institutions will make loans themselves; others will use the services of alternative originators. No institution will be required, however, to originate loans itself. In addition, no school will "service" or collect loans.

Some features of the legislation regarding origination and servicing are:

- o Criteria measuring the financial and administrative capability of institutions to originate loans will be used to determine which institutions may originate loans and which should use alternative originators.

- o Institutions that meet the financial and administrative criteria, but do not wish to originate loans, will also be able to use alternative originators.
- o The Department of Education will pay a small fee to schools that originate loans themselves and will contract out on a competitive, fee-for-service basis to alternative originators. Alternative originators may be State agencies, private lenders, Sallie Mae, and other organizations.
- o Responsibility for servicing loans while students are in school and while they are in repayment will not rest with the postsecondary institutions. The Department of Education will contract with a number of organizations to service student loans. These organizations, which could include State agencies, Sallie Mae, and private firms, will be chosen through a competitive process.

ENSURING A SMOOTH TRANSITION

The Department of Education will be responsible for monitoring and overseeing the student loan system as part of its overall oversight of the Federal student aid system. The Department is developing a detailed plan to ensure adequate loan capital in the event that private capital dries up. The legislation will provide the Department with additional authorities to move quickly if capital shortages occur.

- o Postsecondary institutions, alternative originators, servicers, and the Department of Education will share data on student loans throughout the nation. The Department will also complete work on the National Student Loan Data System. Such a system has been under development since 1989 and must be expanded to perform all the functions needed for direct loans.
- o During the phase-in period, the terms and conditions for the FDSL, including loan limits, eligibility rules for loan subsidies, and number of loan programs, would be similar to the existing FFEL programs, including the provisions for loan deferment and forbearance.
- o The legislation also provides for two changes to the nation's guarantee agency services, which provide in every state an intermediary for the Federal government and reinsure all loans in the current FFEL programs. The legislation ensures adequate financing for the current guarantee agencies during the transition and provides for alternative mechanisms to assure loan guarantees in the event that any of the guarantee agencies do not continue to operate.

TESTIMONY OF

Peter B. Edelman

Counsellor to the Secretary
Department of Health and Human Services

BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON VA, HUD AND INDEPENDENT AGENCIES

February 23, 1993

Mr. Chairman and members of the Subcommittee:

I appreciate this opportunity to testify on the national service component of the President's economic stimulus plan. The Administration is requesting additional appropriations of \$15 million in funding for the Commission on National and Community Service for our Summer of Service, creating opportunities for thousands of participants and demonstrating the potential of national service to address critical national concerns.

Each American generation has learned that making a difference through service changes lives forever. Whether tested on the battlefield while in the military, or in tiny villages while in the Peace Corps, service participants are prepared to make future contributions to our nation and our economic well being.

This is especially true for young people in their late teens and early twenties: prepared by their initial education and early experiences -- but without the full panoply of adult responsibilities -- they have the most to give and to gain from formative new experiences. Consequently, the summer of service will be targeted at reaching participants between the ages of seventeen and twenty three.

Summer of Service will begin and end with an intensive leadership training program, but at its core, will be highly targeted to leave behind clear benefits.

Summer of Service will be dedicated to addressing the unique needs of children at risk, and will make a tangible difference in communities which participate in the program. If a youth

corps tests an urban neighborhood to identify lead paint hazards in Baltimore; if a team of young people helps second graders in South Boston to learn to read; if a group of students helps inoculate all of the children in the Crenshaw district of Los Angeles, those areas will have an appreciably greater chance of helping themselves with new energy and purpose.

President Clinton envisions national service as an abiding ethic, not merely a program. As you know, the Administration will soon propose a major new initiative to implement this vision. My purpose today is to describe what can be done this very summer, with limited and highly-targeted resources, to employ young people, improve our country and inaugurate the national service initiative.

This proposal integrates several elements to leverage this stimulus investment:

- (1) an intensive summer of service with tangible community benefits and a program to help participants find opportunities to pursue a year of service;
- (2) an investment in leadership training, so this summer's participants can guide thousands of their peers to service opportunities; and
- (3) incentive funding for new service models developed by summer participants.

Summer of Service relies on the existing statutory authority granted to the Commission on National and Community Service under the National and Community Service Act of 1990. The Summer of Service program will be administered by the Commission, which since its creation has worked with states, institutions of higher education, Native American tribes, and local organizations. Last year the Commission awarded grants totalling \$63 million.

The \$15 million requested will be partially matched by the institutions participating in the Summer of Service Program.

In addition to the program described above, the funding requested will support expanded activities this summer in several successful service programs:

- incentive funding to encourage summer youth corps programs with a proven track record of success to increase the number of funded positions this summer;
- funding for a service training program for elementary and secondary school teachers to enhance service education in our primary and secondary schools;

-- a grant to ACTION to fund additional VISTA summer associate positions this year.

Overall, the Summer of Service initiative will create positions for 4,400 participants, at a total cost of \$15 million. The average cost of the program per participant is \$3,409.

I appreciate the opportunity to have appeared before you today, and would close by quoting a portion of the President's Inaugural address:

"In serving, we recognize a simple, but powerful truth. We need each other, and we must care for one another. Today, we do more than celebrate America. We rededicate ourselves to the very idea of America, an idea born in revolution and renewed through two centuries of challenge; an idea tempered by the knowledge that, but for fate, we, the fortunate, and the unfortunate, might have been each other; an idea ennobled by the faith that our nation can summon from its myriad diversity the deepest measure of unity; an idea infused with the conviction that America's long, heroic journey must go forever upward."

Thank you. I will be pleased to respond to any questions which you have at this time.

THE WHITE HOUSE

Office of the Press Secretary
(New Brunswick, New Jersey)

For Immediate Release

March 1, 1993

REMARKS BY THE PRESIDENT
IN NATIONAL SERVICE ADDRESS

Rutgers University
New Brunswick, New Jersey

1:15 P.M. EST

THE PRESIDENT: Thank you very much. (Applause.) Thank you. Thank you, Nakia Tomlinson for that fine introduction. I wish I could take you with me everywhere. We'd make a great duo there. Let's give her another hand. I thought she was great. (Applause.)

I'd like to thank President Frank Lawrence for his - Francis Lawrence -- for his fine speech. Does anybody call him Frank? I should have asked. (Laughter.) I want to compliment Professor Benjamin Barber for his leadership and service here. (Applause.) And I want to thank all of you here in the Rutgers community for coming out for what I hope will be a truly historic moment in our nation's history. (Applause.)

In addition to the people who have been introduced here, there are a host of mayors and members of the Assembly and county officials here from your state. We have two former governors, both of whom I served with -- Brendan Byrne and Tom Kean who are out there. I'm glad to see them. (Applause.) My friends. We have a distinguished array of members of the House from New Jersey -- Herb Klein, Bob Manendez, Frank Pallone, Donald Payne -- (applause).

But you have some members of the Congress from all over America here and I want to introduce them, too, because they have taken a lot of trouble to come to Rutgers and because without them and without the people who represent you, the proposal I make today has no hope of passage.

Many members of the Congress for years have believed we ought to do more in national service and some of them are here today. I'd like to begin by introducing your Senator Bill Bradley, who's behind me. (Applause.) I must say, when I walked into this arena, I turned around and asked Bill Bradley if he'd ever shot any baskets in here. I'd be intimidated to be the opposing team in here. (Applause.) Senator Bradley sponsored legislation to establish neighborhood corps and self-reliance scholarships, things that are forbearers of the proposal I came to make.

I'd like to recognize the presence on the platform of Senator Ted Kennedy from Massachusetts -- (applause) -- who chairs the Senate Committee on Human Resources and Education, which shepherded the pilot national and community service bill through the Congress in the last session, along with his counterpart who is out here in the audience somewhere. I'd like to ask him to stand up. The Chairman of the House Committee, Congressman Bill Ford, who came all the way from Michigan to be with us. Congressman, would you stand up. (Applause.)

I'd like to recognize in the audience the presence of Senator Chris Dodd from Connecticut, who was one of the first Peace Corps volunteers in the United States. (Applause.)

MORE

The member of Congress who introduced many, many years ago, the first piece of national service legislation ever introduced, the Chairman of the Foreign Relations Committee, Senator Clairborne Pell from Rhode Island is here. (Applause.)

I'd also like to introduce the only person in this audience, at least of our crowd, who doesn't have to look up to Senator Bradley, Senator Jay Rockefeller from West Virginia, an early VISTA volunteer in the United States. (Applause.)

And finally I would like to recognize two other people, one, a member of the United States Senate and one a distinguished American citizen, the first boss of the Peace Corps, Sargent Shriver, who's up here with me. (Applause.) And his deputy, Senator Harris Wofford, from Pennsylvania. (Applause.) And Mrs. Wofford, I'm glad to see you. (Applause.)

Now, I was involved before I became President in a group called the Democratic Leadership Council, and we made one of the central parts of our platform to reclaim a new majority of Americans for our party the establishment of a system of national service to help people to finance education. And one of our founding members and guiding lights is here, Representative Dave McCurdy from Oklahoma. I'd like for him to stand up. (Applause.)

Let me make this last point, if I might, by way of beginning. None of these things happen at the national level. We empower them to happen and then people have to do things here at the grassroots. And I want to say a special word of thanks to your Governor for supporting the New Jersey Youth Corps and several other projects like it around the state, because if nobody's here to believe in this, it can't happen. And I thank Governor Florio for his support for these things. (Applause.)

I came here to ask all of you to join me in a great national adventure, for in the next few weeks I will ask the United States Congress to join me in creating a new system of voluntary national service -- something that I believe in the next few years will change America forever and for the better.

My parents' generation won new dignity working their way out of the great Depression through programs that provided them the opportunity to serve and to survive. Brave men and women in my own generation waged and won peaceful revolutions here at home for civil rights and human rights, and began service around the world in the Peace Corps and here at home in Vista. Now, Americans of every generation face profound challenges in meeting the needs that have been neglected for too long in this country -- from city streets plagued by crime and drugs to classrooms where girls and boys must learn the skills they need for tomorrow, to hospital wards where patients need more care. All across America we have problems that demand our common attention.

For those who answer the call and meet these challenges, I propose that our country honor your service with new opportunities for education. National service will be America at its best -- building community, offering opportunity, and rewarding responsibility. National service is a challenge for Americans from every background and walk of life, and it values something far more than money. National service is nothing less than the American way to change America. (Applause.)

It is rooted in the concept of community: the simple idea that none of us on our own will ever have as much to cherish about our own lives if we are out here all alone as we will if we work together. That somehow a society really is an organism in which the whole can be greater than the sum of its parts. And every one of us, no matter how many privileges with which we are born, can still be enriched by the contributions of

the least of us. And that we will never fulfill our individual capacities until, as Americans, we can all be what God meant for us to be. (Applause.)

If that is so -- if that is true, my fellow Americans, and if you believe it, it must therefore follow that each of us has an obligation to serve. (For it is perfectly clear that all of us cannot be what we ought to be until those of us who can help others -- and that is nearly all of us -- are doing something to help others live up to their potential.) The concept of community and the idea of service are as old as our history. They began the moment America was literally invented.

Thomas Jefferson wrote in the Declaration of Independence, "With a firm reliance on the protection of Divine Providence, we mutually pledge to each other our lives, our fortune, and our sacred honor." In the midst of the Civil War, President Lincoln signed into law two visionary programs that helped our people come together again and build America up. The Morrill Act helped states create new land grant colleges. This is a land grant university. The university in my home state was the first land grant college west of the Mississippi River.

In these places, young people learn to make American agriculture and industry the best in the world. The legacy of the Morrill Act is not only our great colleges and universities like Rutgers, but the American tradition that merit and not money should give people a chance for a higher education. (Applause.)

Mr. Lincoln also signed the Homestead Act that offered 100 acres of land for families who had the courage to settle the frontier and farm the wilderness. Its legacy is a nation that stretches from coast to coast. Now we must create a new legacy that gives a new generation of Americans the right and the power to explore the frontiers of science and technology and space. The frontiers of the limitations of our knowledge must be pushed back so that we can do what we need to do. And education is the way to do it, just as surely as it was more than 100 years ago.

Seven decades after the Civil War in the midst of the Great Depression, President Roosevelt created the Civilian Conservation Corps, which gave 2.5 million young people the opportunity to support themselves while working in disaster relief and maintaining forests, beaches, rivers, and parks. Its legacy is not only the restoration of our natural environment, but the restoration of our national spirit. Along with the Works Projects Administration -- the WPA -- the Civilian Conservation Corps symbolized government's effort to provide a nation in depression with the opportunity to work, to build the American community through service. And all over America today, you can see projects -- even today in the 1990s -- built by your parents or your grandparents with the WPA plaque on it -- the CCC plaque on it -- the idea that people should be asked to serve and rewarded for doing it.

In the midst of World War II, President Roosevelt proposed the GI Bill of Rights, which offered returning veterans the opportunity for education in respect to their service to our country in the war. Thanks to the GI Bill, which became a living reality in President Truman's time, more than eight million veterans got advanced education. And half a century later, the enduring legacy of the GI Bill is the strongest economy in the world and the broadest, biggest middle class that any nation has ever enjoyed.

For many in my own generation, the summons to citizenship and service came on this day 32 years ago, when President Kennedy created the Peace Corps with Sargent Shriver and Harris Wofford and other dedicated Americans when President Kennedy created the Peace Corps. With Sargent Shriver and Harris Wofford and other dedicated Americans, he enabled thousands of

young men and women to serve on the leading edge of the new frontier, helping people all over the world to become what they ought to be, and bringing them the message by their very lives that America was a great country that stood for good values and human progress.

At its height, the Peace Corps enrolled 16,000 young men and women. Its legacy is not simply goodwill and good works in countries all across the globe, but a profound and lasting change in the way Americans think about their own country and the world.

Shortly after the Peace Corps, Congress, under President Johnson, created the volunteers and service to America. Senator Jay Rockefeller, whom I introduced a moment ago, and many thousands of other Americans went to the hills and hollows of poor places, like West Virginia and Arkansas and Mississippi, to lift up Americans through their service.

The lesson of our whole history is that honoring service and rewarding responsibility is the best investment America can make. And I have seen it today. Across this great land, through the Los Angeles Conservation Corps, which took the children who lived in the neighborhoods where the riots occurred and gave them a chance to get out into nature and to clean up their own neighborhoods and to lift themselves and their friends in the effort; in Boston with the City Year program -- with all these programs represented here in this room today, the spirit of service is sweeping this country and giving us a chance to put the quilt of America together in a way that makes a strength out of diversity; that lifts us up out of our problems; and that keeps our people looking toward a better and brighter future. (Applause.)

National service recognizes a simple but powerful truth -- that we make progress not by governmental action alone, but we do best when the people and their government work at the grassroots in genuine partnership. The idea of national service permeates many other aspects of the programs I have sought to bring to America. The economic plan that I announced to Congress, for example, will offer every child the chance for a healthy start through immunization and basic health care and Head Start. (Applause.) But still it depends on parents doing the best they can as parents and children making the most of their opportunities.

The plan can help to rebuild our cities and our small communities through physical investments that will put people to work. But Americans still must work to restore the social fabric that has been torn in too many communities. Unless people know we can work together in our schools and our offices, in our factories, unless they believe we can walk the streets safely together, and unless we do that together, governmental action alone is doomed to fail. (Applause.)

The national service plan I propose will be built on the same principles as the old GI Bill -- when people give something of invaluable merit to their country, they ought to be rewarded with the opportunity to further their education. National service will challenge our people to do the work that should and indeed must be done and cannot be done unless the American people voluntarily give themselves up to that work. It will invest in the future of every person who serves.

And as we rekindle the spirit of national service, I know it won't disappoint many of the students here to know that we also have to reform the whole system of student loans. (Applause.) We should begin by making it easier for young people to pay back their student loans and enabling them to hold jobs -- (applause) -- enabling them to hold jobs that may accomplish much, but pay little.

Today, when students borrow money for an education, the repayment plan they make is based largely on how much they have to repay, without regard to what the jobs they take themselves pay. It is a powerful incentive, therefore, for young college graduates to do just the reverse of what we might want them to do; to take a job that pays more even it is less rewarding because that is the job that will make the repayment of the loans possible. It is also, unfortunately, a powerful incentive for some not to make the payments at all, which is unforgivable.

So what we seek to do is to enable the American students to borrow the money they need for college and pay it back as a small percentage of their own income over time. This is especially important after a decade in which the cost of a college education has gone up even more rapidly than the cost of health care. (Applause.) Making a major contribution to one of the more disturbing statistics in America today, which is that the college dropout rate in this country is now 2.5 times the high school dropout rate. We can do better than that through national service and adequate financing. (Applause.)

The present system is unacceptable, not only for students, but for the taxpayers as well. It's complicated and it's expensive. It costs the taxpayers of our country about \$4 billion every year to finance the student loan program because of loan defaults and the cost of administering the program. And I believe we can do better.

Beyond reforming this system for financing higher education, the national service program more importantly will create new opportunities for Americans to work off outstanding loans or to build up credits for future education and training opportunities.

We'll ask young people all across this country and some who aren't so young who want to further their college education to serve in our schools as teachers or tutors in reading and mathematics. We'll ask you to help our police forces across the nation, training members for a new police corps that will walk beats and work with neighborhoods and build the kind of communities ties that will prevent crime from happening in the first place so that our police officers won't have to spend all their time chasing criminals. (Applause.)

We'll ask young people to work, to help control pollution and recycle waste, to paint darkened buildings and clean up neighborhoods. (Applause.) To work with senior citizens and combat homelessness and help children in trouble get out of it and build a better life. (Applause.)

And these are just a few of the things that you will be able to, for most of the decisions about what you can do will be made by people like those in this room, people who run the programs represented by all of those wearing these different kinds of tee-shirts. We don't seek a national bureaucracy. I have spoken often about how we need to reinvent the government to make it more efficient and less bureaucratic, to make it more responsive to people at the grassroots level.

And I want national service to do just that. I want it to empower young people and their communities, not to empower yet another government bureaucracy in Washington. This is going to be your program at your level with your people. (Applause.)

And as you well know, that's what's happening all across America today. People are already serving their neighbors in their neighborhoods. Just this morning, I was inspired to see and to speak with students from Rutgers serving their community, from mentoring young people as Big Sisters, to helping older people learn new skills.

I met a lady today who has 13 grandchildren and five great-grandchildren who dropped out of school the year before I was born -- is about to become a high school graduate shortly because of the efforts of this program. (Applause.) Is she back there? Stand up. (Applause.)

I'm impressed by the spirit behind the Rutgers civic education and community service program: the understanding that community service enriches education, that students should not only take the lessons they learn in class out into the community, but bring the lessons they learn in the community back into the classroom. (Applause.)

And that spirit, during this academic year alone, more than 800 students from Rutgers are contributing more than 60,000 hours of community service -- in New Brunswick, in Camden, in Newark, throughout this state. (Applause.)

This morning I also met with members of the New Jersey Youth Corps. Here they are. (Applause.) Stand up. (Applause.) Young people who are looking for a second chance at school, and who when coming back to finish their high school degrees, also serve in their communities. Through this program, more than 6,500 young adults have contributed over 900,000 hours of service to the state of New Jersey. (Applause.)

They've done everything from paint senior citizens' homes, to tutor and mentor children in after-school programs. For the future of our state and nation, we need more young people like those in the New Jersey Youth Corps who exemplify the spirit of service.

That spirit also moves people all across the nation. In my state, there's a young woman named Antoinette Jackson, who's a senior in a small community called Gault, Arkansas. She's a member of the Delta Service Corps. The rural Mississippi Delta is still the poorest place in America. And in that area, she works with a "Lend a Hand" program which runs a thrift shop to provide hungry and homeless people with food and clothing. And in return, the Delta Four is going to help her attend college so that she can make an even greater contribution. (Applause.)

The spirit of service also moves a young man I met about a year ago named Stephen Spalos, who works with a City Year program in Boston. At age 23, he's had some hard times in his life. But as he puts it, City Year gave him a place and the tools to be able to start over. He works as a team leader, a mentor, a tutor, a project manager for a bunch of young people who restore senior citizens' homes.

Last year when I visited his project, he literally took his sweatshirt off his back and gave it to me so that I would never forget the kids at City Year. And I still wear it when I go jogging, always remembering what they're doing in Boston to help those kids. (Applause.)

The spirit of service moves Orah Fireman, a graduate of Wesleyan College. As a sophomore in high school, she worked with disadvantaged children in upstate New York. That experience changed her life. And during her high school and college years, she continued to work with children. And now that she is out of college, she has begun what will probably be a lifetime of service by working at a school for emotionally disturbed children in Boston. She wants other people to have the opportunity to serve, and she wrote this: Service work teaches responsibility and compassion. It fights alienation by proving to young people that they can make a difference. There is no lesson more important than that.

Well, there are stories like this in this room and all across America. And we're going to create thousands of more of them through national service. We'll work with groups with

proven track records to serve their community, giving them the support they need. And if you have more good ideas, if you're entrepreneurs of national service, we'll let you compete for our form of venture capital -- develop new programs to serve your neighbors. That's how we want the national service program to grow every year -- rewarding results, building on success, and bubbling up from the grassroots energy and compassion and intellect of America.

I don't want service to wait while this potential is wasted. That's why I want to make this summer a summer of service, when young people can not only serve their communities, but build a foundation for a new national effort. I've asked Congress to invest in and I'm asking young people to participate in a special effort in national service and leadership training just this summer. We are going to recruit about 1,000 young people from every background -- from high school dropouts to college graduates, to send to an intensive leadership training program for national service at the beginning of the summer.

Then we'll ask them to work on one of our country's most urgent problems, helping our children who are in danger of losing their God-given potential. Some of them will tutor. Some will work on programs to immunize young children from preventable childhood diseases. Some will help to develop and run recreational centers or reclaim urban parks from dealers and debris. Some will counsel people a few years younger than themselves to keep them out of gangs and into good activities. And everyone will learn about serving our country and helping our communities.

At the end of this summer, we'll bring all these people together for several days of debriefing and training, and then they'll all join in a youth service summit. I will attend the meeting and I expect to listen a lot more than I talk. I'll ask leaders from Congress, from business, labor, religious, and community groups to attend the youth service summit, too. We'll give those who serve the honor they deserve, and we'll learn a lot more about how to build this national service program. And from the thousand pioneers of this summer, I want the national service to grow 100-fold in the next four years. (Applause.)

But even when hundreds of thousands are serving, I want to maintain the pioneer spirit of this first few months, because national service can make America new again. It can help solve our problems, educate our people, and build our communities back together. So if anybody here would like to be one of those 1,000 -- or if anybody who is listening to this speech by radio or television or reads about it and would like to be one of those 1,000, drop me a card at the White House and just mark it national service. We're going to pick them. And I can't promise you'll be selected, but I promise you'll be considered. I want to engage the energies of America in this effort. (Applause.)

I also want to say that you shouldn't wait for the summer or for a new program. We need to begin now. We are going to be looking for the kinds of ideas that we ought to be funding. This is Monday. I ask you by Friday -- every one of you -- to think about what you think you can do and what we should do to be agents of renewal; to talk with your parents, your clergy, your friends, your teachers, to join the effort to renew our community and to rebuild our country; and to write to me about what you are doing. It's time for millions of us to change our country block by block, neighborhood by neighborhood -- time to return to our roots an excitement, an idealism, and an energy. (Applause.)

I have to tell you that there are some among us who do not believe that young Americans will answer a call to action, who believe that our people now measure their success merely in the accumulation of material things. They believe this call to service will go unanswered. But I believe they are dead wrong. (Applause.)

And so, especially to the young Americans here, I ask you to prove that those who doubt you are wrong about your generation. And today I ask all of you who are young in spirit -- whether you are a 10-year-old in a service program in our schools who reads to still younger children, or a 72-year-old who has become a foster grandparent -- I ask you all to believe that you can contribute to your community and your country. And in so doing, you will find the best in yourself.

You will learn the lessons about your life that you might not ever learn any other way. You will learn again that each of us has the spark of potential to accomplish something truly and enduringly unique. You will experience the satisfaction of making a connection in a way with another person that you could do in no other way. You will learn that the joy of mastering a new skill or discovering a new insight is exceeded only by the joy of helping someone else do the same thing. You will know the satisfaction of being valued not for what you own or what you earn or what position you hold, but just because of what you have given to someone else. (Applause.) You will understand in personal ways the wisdom of the words spoken years ago by Martin Luther King who said "Everybody can be great because everybody can serve." (Applause.)

I ask you all, my fellow Americans, to support our proposal for national service and to live a proposal for national service; to learn the meaning of America at its best, and to recreate for others America at its best. We are not just another country. We have always been a special kind of community, linked by a web of rights and responsibilities, and bound together, not by bloodlines, but by beliefs. At an age in time when people all across the world are being literally torn apart by racial hatreds, by ethnic hatreds, by religious divisions, we are a nation, with all of our problems, where people can come together across racial and religious lines and hold hands and work together, not just to endure our differences, but to celebrate them. I ask you to make America celebrate that again. (Applause.)

I ask you, in closing, to commit yourselves to this season of service because America needs it. We need every one of you to live up to the fullest of your potential, and we need you to reach those who are not here and who will never hear this talk, and who will never have the future they could otherwise have if not for something that you could do. The great challenge of your generation is to prove that every person here in this great land can live up to the fullest of their God-given capacity. If we do it, the 21st century will be the American century. The American Dream will be kept alive if you will today answer the call to service.

Thank you, and God bless you all. (Applause.)

END

1:50 P.M. EST

National Service — Now

By Bill Clinton

WASHINGTON

A pathy is dead. Of everything I've learned in my first few weeks in the White House, that's the thing that's made me the happiest. Whether or not the people I've met outside the capital support the changes I have proposed, they're all saying they're ready to rebuild our country.

But they know, as I do, that no economic plan can do it alone. A plan can make vaccines available to children, but alone it will not administer the shots to all of them. It can put security guards in the schools, but alone it will not take gangs off the streets. And it can provide more aid for college, but alone it will not make the costs of college less daunting for the middle class.

That's why I believe we need national service — now.

If Congress acts quickly enough, just months from now more than 1,000 young people will start serving our country in a special summer effort. In four years, the successors to these pioneers will multiply a hundredfold. Imagine an army of 100,000 young people restoring urban and rural communities and giving their labor in return for education and training.

National service is an idea as old as America. Time and again, our people have found new ways to honor citizenship and match the needs of changing times.

Lincoln's Homestead Act rewarded those who had the courage to settle the frontier with the land to raise a family. Franklin D. Roosevelt's Social Security Act insured that Americans who work a lifetime can grow old with dignity. Harry S. Truman's G.I. Bill rewarded the service of my father's generation, transforming youthful veterans into an army of educated civilians that led our nation into a new era.

For my generation, the reality of national service was born 32 years ago tomorrow, when President John F. Kennedy created the Peace Corps. At its peak, the Peace Corps enrolled only 16,000 volunteers yet it changed the way a generation of Americans look at themselves and the world.

Today, the spirit of our people once again can meet head on the troubles of our times.

The task is as complex as our chal-

lenge is great. We must combine the intensity of the post-World War II years with the idealism of the early 1960's — and help young people afford a college education or job training.

In 1993, we'll restore the spirit of service by asking our people to serve here at home. We won't relight the wars we won, but we'll tackle the growing domestic dangers that threaten our future.

Our new initiative will embody the same principles as the old G.I. Bill. It will challenge our people to serve our country and do the work that should — and must — be done. It will give those who serve the honor and rewards they deserve. It will invest in the future of the quiet heroes who invest in the future of others.

The national service legislation that I will send to Congress shortly will give our people the chance to serve in two basic ways:

First, it will make it easier for young people to hold low-paying public service jobs and still pay off their student loans.

Under our program, Americans will be able to borrow the money they need for college and pay it back as a small percentage of their income over time. By giving graduates the chance to repay loans on an affordable, reasonable schedule, this "income-contingent" program will allow our people to do the work that our communities really need.

Second, our legislation will create new opportunities for Americans to serve our country for a year or two —

and receive financial support for education or training in return.

We'll offer people of different ages and educational levels different ways to serve. And to focus our energies and get the most for our money, we'll direct special attention to a few areas:

- We'll ask thousands of young people to serve in our schools — some as teachers, others as youth mentors, reading specialists and math tutors. They'll join the effort to insure that our schools offer the best education in the world.

Federal seed money, but local management.

- We'll send people into medical clinics to help immunize the nation's 2-year-olds. Some participants will be qualified to give the shots, but thousands of others can provide essential support, contacting parents and following up to make sure children get the shots they need.

- We'll help police forces across the

country through a new Police Corps trained to walk beats. We'll also organize others in our communities to keep kids out of gangs and off drugs.

- We'll put still others to work controlling pollution and recycling waste, to help insure that we pass on to our children a nation that is clean and safe for years to come.

Our national service program will offer more than benefits to individuals. We'll help pay operating costs for community groups with proved track records, providing the support they'll need to grow. And we'll let entrepreneurs compete for venture capital to develop new service programs.

While the Federal Government will provide the seed money for national service, we are determined that the participants — the individuals who serve and the groups that sponsor their service — will guide the process. Spending tens of millions of tax dollars to build a massive bureaucracy

would be self-defeating; it would squash the spirit of innovation that national service demands.

By design, our national service program will not happen overnight. Instead, it will grow year by year, with funding reaching \$3 billion in 1997. And as I've said many times, I believe it will be the best money we ever spend.

If Congress gives us the chance, this summer we'll create an eight-week leadership training program. We'll recruit more than 1,000 young people for special projects to meet the needs of children at risk — and to train the first class of full-year participants.

In the first full year of our initiative, we'll launch our flexible loan program and aim to put tens of thousands of people to work. By 1997, more than 100,000 citizens could be serving our country, getting education and training benefits in return. And hundreds of thousands more people could be



doing invaluable work because college loans no longer block the way.

But the best planning and the most ambitious design won't make this vision of national service a reality. That responsibility ultimately rests with the American people.

I am convinced that after 12 years of drifting apart instead of working together we are ready to meet the challenge. From a 14-year-old boy in North Dakota who sent us \$1,000 to help pay off the deficit, to a 92-year-old widower in Kansas who followed his example, people are demonstrating that they want to give something back to their nation.

National service will exercise our talents and rebuild our communities. It will harness the energy of our youth and attack the problems of our time. It will bring together men and women of every age and race and lift up our nation's spirit. And for all of us, it will rekindle the excitement of

National Service

Campaign Remarks by Candidate Bill Clinton

Excerpts from September 11, 1992 Notre Dame Speech

Throughout this campaign I've talked about my plan to open the doors of college to every American. To offer every American in this country the opportunity to borrow the money to go to college and then require them to pay it back, either as a small percentage of their paychecks after they go to work or even better, by going back home and serving their community.

Frankly, I would much rather see everyone, whether they are rich, or poor, or middle class, pay back that debt by going home and working for two years in a peace corps here in America, to rebuild America. Just think of it. Millions of energetic young men and women serving their country by teaching the children, policing the streets, caring for the sick, working with the elderly, or people with disabilities, building homes for the homeless, helping children to stay off of drugs and out of gangs -- giving us all a new sense of home and real limitless possibilities.

I have offered this plan to help more young people go to college, but I have also offered it because I want America to send the message that our society values and honors service to community, just as Harry Truman's GI Bill honored the service of my father's generation, who fought and won World War II, just as the Peace Corps, which President Kennedy created with the help of your former president, Father Hesburgh and Senator Wofford, sent that message to my generation. Just as millions of Americans from all backgrounds and every walk of life are waiting for a summons to service and citizenship, not just for young people that are going on to college but for young people in our high schools and people of all ages who want to do something for their communities and for their country.

TESTIMONY OF

Peter B. Edelman

Counsellor to the Secretary
Department of Health and Human Services

BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON VA, HUD AND INDEPENDENT AGENCIES

February 23, 1993

Mr. Chairman and members of the Subcommittee:

I appreciate this opportunity to testify on the national service component of the President's economic stimulus plan. The Administration is requesting additional appropriations of \$15 million in funding for the Commission on National and Community Service for our Summer of Service, creating opportunities for thousands of participants and demonstrating the potential of national service to address critical national concerns.

Each American generation has learned that making a difference through service changes lives forever. Whether tested on the battlefield while in the military, or in tiny villages while in the Peace Corps, service participants are prepared to make future contributions to our nation and our economic well being.

This is especially true for young people in their late teens and early twenties: prepared by their initial education and early experiences -- but without the full panoply of adult responsibilities -- they have the most to give and to gain from formative new experiences. Consequently, the summer of service will be targeted at reaching participants between the ages of seventeen and twenty three.

Summer of Service will begin and end with an intensive leadership training program, but at its core, will be highly targeted to leave behind clear benefits.

Summer of Service will be dedicated to addressing the unique needs of children at risk, and will make a tangible difference in communities which participate in the program. If a youth

corps tests an urban neighborhood to identify lead paint hazards in Baltimore; if a team of young people helps second graders in South Boston to learn to read; if a group of students helps inoculate all of the children in the Crenshaw district of Los Angeles, those areas will have an appreciably greater chance of helping themselves with new energy and purpose.

President Clinton envisions national service as an abiding ethic, not merely a program. As you know, the Administration will soon propose a major new initiative to implement this vision. My purpose today is to describe what can be done this very summer, with limited and highly-targeted resources, to employ young people, improve our country and inaugurate the national service initiative.

This proposal integrates several elements to leverage this stimulus investment:

- (1) an intensive summer of service with tangible community benefits and a program to help participants find opportunities to pursue a year of service;
- (2) an investment in leadership training, so this summer's participants can guide thousands of their peers to service opportunities; and
- (3) incentive funding for new service models developed by summer participants.

Summer of Service relies on the existing statutory authority granted to the Commission on National and Community Service under the National and Community Service Act of 1990. The Summer of Service program will be administered by the Commission, which since its creation has worked with states, institutions of higher education, Native American tribes, and local organizations. Last year the Commission awarded grants totalling \$63 million.

The \$15 million requested will be partially matched by the institutions participating in the Summer of Service Program.

In addition to the program described above, the funding requested will support expanded activities this summer in several successful service programs:

- incentive funding to encourage summer youth corps programs with a proven track record of success to increase the number of funded positions this summer;
- funding for a service training program for elementary and secondary school teachers to enhance service education in our primary and secondary schools;

-- a grant to ACTION to fund additional VISTA summer associate positions this year.

Overall, the Summer of Service initiative will create positions for 4,400 participants, at a total cost of \$15 million. The average cost of the program per participant is \$3,409.

I appreciate the opportunity to have appeared before you today, and would close by quoting a portion of the President's Inaugural address:

"In serving, we recognize a simple, but powerful truth. We need each other, and we must care for one another. Today, we do more than celebrate America. We rededicate ourselves to the very idea of America, an idea born in revolution and renewed through two centuries of challenge; an idea tempered by the knowledge that, but for fate, we, the fortunate, and the unfortunate, might have been each other; an idea ennobled by the faith that our nation can summon from its myriad diversity the deepest measure of unity; an idea infused with the conviction that America's long, heroic journey must go forever upward."

Thank you. I will be pleased to respond to any questions which you have at this time.

**BACKGROUNDER ON
PRESIDENT'S NATIONAL SERVICE INITIATIVE**

Timing. The President will submit his legislation to Congress soon.

Two parts. The legislation has two parts. One part will enable young people to pay back their student loans as a small percentage of their income over time, enabling them to take essential public service jobs that accomplish much but sometimes pay relatively little. The other part will create opportunities for young people to serve our country and help pay for college in return.

Funding. The President has requested \$7.4 billion over the next four years for the second part of the national service initiative. The funding level rises each year, to \$3.4 billion in 1997, because this initiative aims to support the growing work of America's communities -- not overwhelm it. Funding starts at \$400 million next year.

Number of Participants. The numbers will reflect the enthusiasm of the American people and the ingenuity of our communities in developing solid ways to put our people's energy to work. By 1997, we believe there could be more than 100,000 young people paying for post-secondary education by serving their country.

Eligibility and benefits. Students before, during and after college will be eligible to serve for a year or two, and in return get a small stipend, health and child care benefits where necessary, and an educational benefit to pay for college or job training. [Note: This is the service-for-benefits option; anyone who needs an income-contingent loan will be eligible to get it.]

Activities. The program aims to meet unmet needs in critical areas. It is not job training. Young people will be able to serve as teachers in schools where kids need extra help; in clinics in areas where people need medical care; in the police force, keeping criminals off the streets and kids out of gangs; and in an environmental corps, recycling waste and stopping pollution.

Administration. The program will be non-bureaucratic, using venture capital to support entrepreneurs and public-private partnerships to support growing programs. States and local organizations will be given the opportunity to design innovative ways to meet identified national priorities.

Nondisplacement. The legislation will include strict nondisplacement and nonduplication provisions. National service will only meet needs that are not otherwise being met.

Summer of Service Program Design

To demonstrate the power of national service to change both communities served and individuals serving, the President has asked Congress to appropriate \$15 million in the economic stimulus package for a Summer of Service.

The Summer of Service initiative will involve more than 1,000 young people in programs in a limited number of urban and rural areas that will (1) meet the unmet needs of children at risk in the areas of education, health, public safety and environment; and (2) train the young people to become leaders of the full-year national service program.

The Commission on National and Community Service will select programs for funding based on the statutory authority contained in the National and Community Service Act of 1990. Current matching requirements will leverage additional funding to support the funding contained in the economic stimulus package. The following activities indicate examples of services that programs in the Summer of Service might provide:

- assisting health care providers in implementing immunization programs for very young children;
- individualized literacy programs;
- educational enrichment and recreational activities for children at risk of dropping out of school;
- projects to test an entire neighborhood for lead paint.

Building on Existing Models

Existing not-for-profit organizations (service providers, schools, higher education institutions, youth corps, and/or, public agencies) will be invited to submit program proposals to the Commission. Programs that are funded will be required to reflect the following components, among others:

- a detailed plan showing measurable outcomes from the services to be rendered (e.g., how many children immunized or tutored; how many parks cleaned up or established);
- a minimum of eight weeks of service during the summer of 1993, not including the national training and related activities described below;
- a proven track record of running community service programs of the type proposed;

- a sufficient local infrastructure to ensure that the program will be fully implemented;
- a plan to attract and select highly-qualified potential participants from ethnically and economically diverse segments of the community;

The Commission will give particular consideration to the following criteria:

- coordination between institutions of higher education, community-based non-profits and/or public agencies;
- leveraged impact, achieved by getting participants to involve in service others outside the program (such as middle school youth and senior citizens.)

From the proposals submitted, the Commission will award grants to the best programs. With significant Commission assistance and oversight, the programs will then select qualified program staff and participants, and run the summer effort.

Leadership Training

To provide effective leadership training, and to develop a group of service leaders, the Summer of Service will include at the beginning an intensive "leadership boot-camp" and at the end a Youth Service Summit, to be attended by the President and members of Congress among others. The Conference will examine the lessons of the Summer of Service that are applicable to a broader program for national service.

Summer of Service Participant Funding

Summer of Service participants will receive a minimum wage stipend and a post service benefit of \$1,000 to be applied to education or training. Program costs will also include program training, supervision and leadership training.

Leadership Placement and SEA Change Awards

To assist all participants interested in extending their period of service, Summer of Service programs will provide placement assistance to participants.

The Commission may also grant a limited number of Service Entrepreneurship Awards for Change to encourage participants to develop innovative approaches to service. Participants may submit a business plan during the course of the summer, detailing their intention to develop a service program over the following nine months. SEA Change awards will then provide venture capital to encourage innovative programs for national service and involve the nation's youth in addressing urgent national needs.

NATIONAL SERVICE GENERAL TALKING POINTS

National Service as an American Ethic:

* Americans have a new sense of determination. They're saying: We want our country back. And they're ready to do something about it. That's why they're supporting the President's economic plan. And that's why they believe in national service.

* The President deeply believes in service, and he's going to use the tremendous resources at his disposal to support it. But those resources are worth nothing compared to the resourcefulness of the American people.

* We have a responsibility to fight our country's problems -- "we" the government, but more importantly, we the people.

* So today, we are challenging you, as the President has challenged his administration, to lift up your selves and lift up your country through service. I challenge you to [specific examples] ... I challenge you to ... As Martin Luther King said: "Everyone can be great because everyone can serve."

The President's National Service Initiative:

* The President's initiative will encourage our people to serve. It's an investment in our future -- and here's the return:

- We'll rebuild our communities
- We'll send thousands of Americans to college
- We'll lift our country up and bring our people together.

* The President's program consists of two main components:

- The first part will help young people take service jobs and still pay back their loans. Graduates will be able to pay off their debt as a small percentage of their income over time; we call it "pay as you grow."

- The second part will create thousands of opportunities for young people to pay for college by serving our country -- fighting crime, teaching young people, giving immunizations, or cleaning up pollution and waste.

The President's Summer of Service

* Because the President doesn't want service to wait, he's going to make this summer a Summer of Service -- eight intense weeks for at least 1,000 young leaders from all backgrounds. They'll serve by getting children at risk ready for school -- with tutoring, so they've got better skills; with mentoring, so they want to stay out of gangs and in class; and with immunizations and lead poisoning detection, so kids aren't sick.

Draft position on student loans

Reform of the student loan program is a vital part of the President's program of national service. By giving all students the opportunity to pay back their loans as a percentage of their income over time, the President hopes to encourage as many graduating students as possible to take jobs that help build our country but that may not pay top dollar.

But reform of the student loan program must go even farther. The President believes that the current student loan system is too complicated and too expensive. Too much of the taxpayers' money never reaches the million of students the program was intended to serve.

The President will be reviewing a number of options to simplify students loans and make them serve the interests of students more effectively and efficiently. A system of direct lending by the federal government is one such option; there are others as well. The President will announce his recommendation this spring as part of his overall national service proposal.

Q. Hasn't the President already endorsed direct lending?

A. The President's budget blueprint proposes to "modify and expand the current direct lending pilot program" already authorized by the Higher Education Amendments of 1992. The OMB document cites full system of direct lending is a "goal," but the speed and extent to which it is attained will be affected by the performance of the pilot program.

Q. Does this mean that the President disagrees with Sen. Simon's position?

A. As I said, the President continues to explore the merits of full direct lending and other options for improving the student loan system. No one has done more than Sen. Simon to illuminate the defects of the current loan system and to point us toward improvements. The President has consulted with the Senator and others on Capitol Hill and in the education and financial community in developing his recommendations, and he will continue to do so as he moves toward specific legislation.

Q. But doesn't the President's budget already count a savings of more than \$1.3 billion in FY 1997 from a transition to direct lending?

A. The President's budget talks about savings through a "reform" of the student loan system. As I've already indicated, there are several different options for achieving savings in the program while serving students better, and the President is exploring all of them.

Q. Is the President concerned that the public discussion of this issue has already led to a decline of one-third in the value of Sallie Mae's stock (that's more than \$2 billion)?

A. The President is determined to safeguard the integrity and stability of our financial system. His overall budget proposal has already contributed to a major surge of confidence throughout the financial community, and his specific recommendations on student loans will reflect those concerns as well.

MEMORANDUM

**TO: Joan Baggett, Doris Matsui, Tracy Thorton, Michael Waldman,
Jeff Watson**
FR: Eli Segal
DA: January 27, 1993
RE: National Service

Please find attached a packet of materials for your information. It includes an options paper on national service drafted by Bill Galston during the transition; a first cut at draft legislation from Shirley Sagawa and the transition group; and a list of federal funding sources for national service.

We're particularly interested in ways we can give national service greater visibility around the country, even before we move with legislation.

Please contact Robert Gordon in my office at x2149 if you would like any more information. See you Thursday at 6:00.

**PARTIAL LIST OF SERVICE FUNDING
FROM THE FEDERAL GOVERNMENT**

Service-only organizations

- | | | |
|----|--|------------------|
| 1. | ACTION | -- \$199 million |
| 2. | Commission on National and Community Service | -- \$75 million |
| 3. | Points of Light Foundation | -- \$5 million |
| 4. | Peace Corps | -- \$218 million |

Federal agencies

- | | | |
|-----|---|------------------|
| 5. | HHS:
National Health Service Corps | -- \$100 million |
| 6. | Defense:
Civilian Community Corps | -- \$20 million |
| | Conversion assistance | -- \$20 million |
| | Youth Opportunity Corps | -- \$30 million |
| 7. | Education:
College Work-Study | -- \$40 million |
| | Urban Community Service | -- \$9 million |
| | Innovative Projects | -- \$1 million |
| | Student Literacy Corps | -- \$5 million |
| 8. | HUD:
HOPE IV: YouthBuild | -- \$17 million |
| | HOPE VI | -- \$27 million |
| 9. | Veterans Administration:
Health Professional Scholarship Program | -- \$10 million |
| 10. | Small Business Administration:
Service Corps of Retired Executives | -- \$3 million |
| 11. | Interior:
Student Conservation Association | -- ? |

Brief Descriptions

ACTION administers the VISTA volunteer placement program and the Older Americans Volunteers Program. It is a twenty year-old agency with a large administrative and field structure.

The Commission on National and Community Service provides assistance and makes grants to service programs for young people aged K-12, college-aged youths, participants in youth corps, and national service programs. It was created in 1990.

The Points of Lights Foundation supports "volunteer centers" nationwide and encourages businesses to invest in service. It is a Bush creation.

The Peace Corps places Americans overseas to transfer education and skills to areas that need them.

The National Health Service Corps provides scholarships and loan forgiveness to doctors who agree to practice in medically underserved urban and rural areas. About 1,000 doctors currently participate.

The Civilian Community Corps is David Boren's initiative to use closed-down military bases and discharged military personnel in a service program. It has a summer and full-year component, each with a post-service benefit.

The Youth Opportunity Corps is a National Guard Program, similar to the CCC, that targets dropouts. It has a larger learning and smaller service component than the CCC, and it already exists in West Virginia and Oklahoma.

College Work-Study subsidizes the wages of college youth who are paying for school. The \$40 million figure represents a 5% set-aside for service within the \$800 million program.

Urban Community Service is a program administered by Education to support community service projects in disadvantaged areas. It has already disbursed these funds.

Innovative Projects and Student Literacy Corps primarily fund higher education institutions' literacy projects in disadvantaged areas.

YouthBuild funds 15 YouthBuild projects, which provide disadvantaged youths with remedial education (50%) and train and put to work these youths rehabilitating housing for the homeless (50%).

HOPE VI will provide about \$30 million to public housing authorities to finance community service programs in conjunction with rehab efforts. (Please see attachment 1 for more information.)

The Health Professional Scholarship Program is modelled on the Health Services Corps, and provides scholarships to nurses who go to VA hospitals that need help.

The Service Corps of Retired Executives helps entrepreneurs, particularly women and minorities, to start their own businesses.

The Student Conservation Corps enables Americans of all ages to help out park rangers in national parks. It also provides significant education and benefits.

NATIONAL SERVICE

"We never create energy; we only release it."
—Peter Drucker

National service was perhaps the signature idea of your campaign. No proposal evoked wider or more enthusiastic reaction than linking national service to broadened access to education, training, and opportunity. In *Putting People First*, you proposed to:

Maintain the Pell grant program, scrap the existing student loan program, and establish a National Service Trust Fund to guarantee every American who wants a college education the means to obtain one. Those who borrow from the Fund will pay it back either as a small percentage of their income over time, or through community service as teachers, law enforcement officers, health care workers, or peer counselors helping kids stay off drugs and in school.

As you envision it, national service would simultaneously broaden opportunity for education, training, and economic empowerment, emphasize individual responsibility to give something back for this increased opportunity, and build community by bringing people together to address urgent national needs. In the process, national service can revitalize the civic spirit without which our democracy cannot flourish.

This last point deserves special emphasis. Through national service, we seek nothing less than to transform our society—renewing the link between responsibilities and rights and leavening individual freedoms with the understanding that in the long run we rise or fall together. We hear much today about social diversity, and, appropriately, we celebrate it. But we also need civic unity, and national service can help provide it. As we learned during the public programs of the New Deal, in World War II, and in every great national endeavor, the surest basis of community is shared experience. By bringing us together across racial, ethnic and class lines, national service can provide such an experience, making our differences a source of strength rather than division.

Creating a new national service program is also a prime opportunity to reinvent government. Whenever possible, our system should employ incentives rather than commands and regulations, invest in good management, build on success, and draw on grassroots energy and initiative.

This chapter explores how to turn this popular concept into a concrete program and lays out options for you in a handful of key areas. The early sections of this chapter focus on options and recommendations for a national service system; the later sections discuss technical and policy issues regarding student loans.

One final point: Across the political spectrum, those with whom we consulted warned fervently against repeating the fiascoes of programs of the 1960s, and of public sector jobs programs of the late 1970s. National service must be (and be seen to be) meaningful work (rather than make-work) meeting true public needs (rather than controversial advocacy causes). While these considerations argue for significant central oversight in the selection and monitoring of service that qualifies under the program, the need for serious quality control must be balanced by the need to maximize local energy, innovation, and public entrepreneurship.

EXISTING PROGRAMS

The Clinton national service proposals will not be painting on a blank canvas. Existing programs, federal and non-federal, can help provide the foundation for a national service system. Federal programs include:

The National and Community Service Act (NCSA). This landmark legislation, initiated by Senate Democrats and enacted in 1990, funds full- and part-time service programs run by schools, colleges, local and state government, and non-profit organizations. The Act also includes funding for programs that may serve as models for large-scale national service.

VISTA. Established as a Great Society program in the 1960s, VISTA currently engages more than 3,000 adults in full-time service through community-based organizations each year.

Peace Corps. The hallmark of the Kennedy Administration, the Peace Corps currently supports 6,000 adults in service to developing countries and fledgling democracies around the world.

Older American Volunteer Programs. Created in the 1960s and early 1970s, the OAVP programs include Foster Grandparents, Senior Companions, and the Retired Senior Volunteer Program.

Non-federal programs, many of which are supported by the NCSA, include:

State and Local Youth Corps. Based on the Civilian Conservation Corps of the 1930s, youth corps have made a comeback in the last decade, providing full-time and summer service opportunities for more than 25,000 youth aged 15 to 24 each year.

School- and Campus-based Programs. During the 1980s and 1990s, schools and colleges across the country greatly expanded programs for millions of students to become engaged in service as part of the educational process or through

POLITICAL BACKGROUND

Any proposal for national service/universal education access will spark intense debate in Congress and among the American people. The discussion will take place against the backdrop of the recent debate over the Nunn-McCurdy national service bill that began early in 1989 and lasted for more than a year.

History makes clear that the more radically a national service/universal access bill departs from the status quo, the more those with an interest in the status quo will seek to thwart change. This is especially true for the structure and conditions of higher education finance, but also for the scope and shape of service opportunities. Building broad support for the fundamental changes you have proposed will require difficult assessments of what is truly feasible given current circumstances.

Significant changes have taken place since 1989. The provisions of the Nunn-McCurdy bill that stirred the greatest controversy – eliminating Pell grants and moving swiftly to make service a condition for all types of student assistance – are not under consideration. Also, some of your proposals, including direct lending demonstrations, income-contingent repayment, authorization for IRS involvement in collection, and universal (albeit unsubsidized) loan availability were included in the 1992 Higher Education Reauthorization amendments.

At the same time, several key participants in the debate have shifted toward common ground. The higher education community is prepared to acknowledge that service can be a basis for differential benefits – that those who serve should get more than those who don't. And the service community is prepared to acknowledge that the prime (though not exclusive) focus of new initiatives for 1993 can be full-time, compensated service extending over a considerable length of time. In short, circumstances may have created a promising foundation for meaningful consensus, a foundation on which energetic, skillful presidential leadership can build to resolve remaining differences.

Still, significant problems remain. Public employee unions are skittish at best about a significant national service program, as are the principal teachers unions. Banks, state-based guarantee organizations, and the Student Loan Marketing Association (Sallie Mae) are hostile to a significant expansion of direct loans. As Senator Nunn points out, the views of the Armed Services are still important, though the winding down of the Cold War may have made them somewhat less worried about the impact of civilian service on military recruitment.

The bottom line is that while we have made every effort to consult widely and take divergent views into account, we will need to organize extensive further consultations on whatever draft service/loan program you endorse as the basis for public discussion.

extracurricular activities.

Programs Run by Youth Organizations. Community-based youth organizations, such as YMCAs, Girl Scouts, and 4-H, provide significant service opportunities for school-age youth after school and during the summer.

National, regional, and state non-profit organizations have provided technical support and leadership to the national and community service field over the last decade and should be an important resource for the Clinton National Service system.

A NEW NATIONAL SERVICE SYSTEM: OPTIONS AND PROPOSALS

In the following pages, we lay out the basic questions that will shape your national service proposal. We recommend a system that encourages flexibility and innovation, and gives young people who want to serve their country as many choices as possible: a program which is open to pre-college, post-college, and non-college-bound youth; which lets people serve in local, state or national corps, non-profits, or other positions that do not displace workers but do meet unmet public needs; and which is as decentralized as it can be without running amok. We believe the program should give those who serve an opportunity voucher worth \$10,000 per year of service and a small stipend on which to live. We suggest expanding the program gradually to 100,000 slots by 1996, which will cost approximately \$2 billion at that level.

This section focuses on decisions needed to implement the national service system.

Who is eligible?

We recommend three categories of eligible participants:

1) **Post-college:** Any individual who has taken out either a subsidized or unsubsidized student loan may seek a service placement qualifying for loan forgiveness (and in some cases other opportunities, discussed below). Based on the existing loan programs, this would include students at community colleges, four-year colleges, and trade schools (proprietary schools).

2) **Pre-college:** Any young person who meets the entrance requirements for and obtains a placement in an eligible program may earn an Opportunity Voucher (a term we use to signify "service-related benefits") equal to the amount of loan forgiveness and other benefits provided to post-college participants.

3) **Non-college:** Because non-college-bound youth can make an important contribution to meeting national needs, they should be allowed to participate on equal terms with pre-college youth and have an equal chance to earn Opportunity Vouchers. The program will ultimately help some members of this group go on to higher education and training; others will gain skills that will help them obtain future employment; still others will be able to make entrepreneurial investments in their own future. We recommend that a high school diploma or the equivalent be required in order to "graduate" from the program, but not to enroll.

Sen. Nunn and others have suggested that the post-college participants would have to be matched with clearly defined professional needs in areas such as education, health, and public safety. Others have noted that high school non-graduates present special challenges of administration, supervision, and program design that increase both costs and risks. Taken together, these points suggest that most of the participants (say, 80 percent) should be at least high school graduates and that a relatively small fraction (say, no more than 25 percent) would fall into the post-college category.

What types of service will qualify participants for Opportunity Vouchers?

We recommend that all of the types of service discussed below be supported through the Trust Fund, at least on a test basis, and qualify participants for Opportunity Vouchers. This system will allow for experimentation, optimum matching of participants with service opportunities, and maximize the program's chances for success in future years.

Youth Corps

Although funded primarily by state or local sources, Youth Corps programs also receive federal support from the American Conservation and Youth Service Corps and national service demonstration programs of the National and Community Service Act. Most corps programs are structured to promote *esprit de corps* by organizing participants into supervised crews. However, some place participants in individual assignments, bringing them together for joint education or other activities. While most existing corps programs involve economically and educationally disadvantaged youth, some strive for greater diversity, which we see as critical to achieving important national objectives.

Youth corps have attracted widespread support for several reasons:

- their proven success with disadvantaged populations;
- ancillary benefits such as increased educational attainment, jobs skills development, self-esteem, cooperation, teamwork, and community-building;
- the opportunity for leadership development for participants within the corps structure;

- their ability to meet local needs while generating local support.

The added benefits, attention to supervision, and support services, however, mean that corps programs tend to be relatively expensive (as much as \$10,000 per participant, exclusive of stipend and loan forgiveness).

This year, Congress enacted legislation for a federally run corps, which, unlike a federally supported state or local program, requires hiring significant numbers of new federal employees. A federal corps, however, highlights national service as a Clinton "signature" program, and could target urgent national needs highlighted by the president. The CCC's success in the 1930s is invoked regularly (and plausibly) as a baseline for service in the 1990s. It is surely a model worth testing—provided the federally run program does not dwarf state and local efforts.

In addition to federally-run and federally-supported corps, state and local corps receiving no federal funds could qualify to provide Opportunity Vouchers so long as they meet the corps standards authorized under the National and Community Service Act.

Individual Placements with Non-Profit or Other Direct Service Organizations

A second service option is the placement of individual participants in programs run by federal, state, local government or non-profit organizations. The primary difference from the corps model is that participants do not work together as teams on projects. The program would provide participants with stipends, place them in service positions, and could offer special activities such as training, regular meetings, or other group functions. This model works best where host organizations need additional staff but lack the resources to pay additional full-time workers.

An example of this type of program is VISTA. Non-profit direct service organizations seeking a VISTA volunteer apply through their federal regional ACTION office. Volunteers may be recruited in two ways: nationally, with an 800 number and national placement bank, and locally, by the organization approved for a VISTA slot. The administrative cost of this system is about \$6,000 per placement. VISTA volunteers receive a living allowance of about \$7,000 a year plus health insurance and training from the federal government.

A private, non-profit organization could also recruit, train, and place participants with other non-profit agencies — sort of a private-sector VISTA. The federal government might make a grant to the placement organization to cover a share of administrative expenses and provide stipends (or a portion of the stipend) and health insurance for the participants.

Alternatively, individual public and private non-profit organizations could create placements that meet federal criteria. Such organizations might pay the full cost of the

stipend and health insurance and absorb their own administrative costs. The cost to the federal government other than loan forgiveness would be marginal. However, it is unclear how many such jobs would be created, even at below market wages, if the full costs had to be borne by the host organization.

A final model would involve placing post-college participants in schools to serve as youth service coordinators. These individuals would assist teachers in organizing service-learning programs, through which elementary and secondary school students would perform service as part of their education. Such a program could significantly expand the number of schools providing service opportunities to younger students. It could also be extended to college campuses and community based youth organizations.

Individual Placements in Regular Jobs Supported by Employers

In this model, which is most appropriate for post-college participants, the government sets criteria for jobs qualifying for Opportunity Vouchers. Salaries, benefits and costs of training and supervision are borne by the employer. Positions may be existing jobs that are hard to fill or new positions created by the sponsor. The participant and sponsor must certify that they have met the requirements for the loan discharge. These could include:

- income ceilings
- work in a specific field or for a specific type of employer (such as a non-profit organization or a state or local governmental agency)
- jobs in certain locations (such as enterprise zones)
- hard to fill positions where there is a shortage of qualified and willing candidates.

Several variations on this theme are worth considering. Although generally participants would locate their own job placements, state or local government or non-profit organizations could establish programs to place qualified individuals with employers and provide recruitment, training and a support system, as in a corps program. Salaries or stipends would, however, still be paid by the employer. This model works best where there is a shortage of qualified individuals available to fill a position that is already funded. Teach for America, which recruits, trains, and places recent college graduates in teaching positions, and Public Allies, which recruits, trains, and places young adults in community jobs with non-profit organizations, both at a cost of approximately \$6,000 per placement, are examples of non-stipend programs.

Another model is based on the ROTC system. Certain types of jobs, such as public safety work, nursing, child care, or teaching may require specialized training that

could be obtained during college. Individuals could be enticed into these fields during their first or second year of college with the promise of scholarships or enhanced loan forgiveness. They would agree to take a specified curriculum to prepare them for their specific career, to perform internships or other forms of service to supplement their classroom learning during the school year and over the summer, and work in their specified field for a minimum number of years after graduation. The proposed Police Corps is an example of this model, although for technical reasons it would probably fall outside the scope of the National Service Trust Fund (see the Crime chapter).

This model has many advantages. Salaries do not have to be paid by the federal government, thereby lowering the per placement cost. Administrative costs are also lower than under other program options. Large numbers of individuals may participate if they are able to find suitable qualifying employers. Such a program can help fill jobs in geographic areas (remote rural communities, urban enterprise zones) or career fields where it is difficult to find willing and qualified workers. By using programs to place individuals (as in the Teach for America and ROTC models described above), many of the benefits of corps-type service can be realized.

This model has some drawbacks as well. It is effective if there is a shortage of workers in a particular profession or jurisdiction, but not if there is a shortage of funds to pay those workers. It is difficult to design a list of qualifying jobs that does not create inequities by excluding similar jobs or that would not, if implemented on a large scale, create incentives for individuals to leave one type of socially useful employer for another that qualifies. If qualifying jobs are limited by salary, the program may depress wages for other workers. If a programmatic approach is taken, it may be unfair to reward with loan cancellation a participant in, for example, Teach for America, but not the comparable teacher down the hall. There is also significant potential for fraud and abuse without significant federal oversight of placements. There would need to be strict job nondisplacement requirements and a regulatory system to approve placements.

Public Service Entrepreneurs

A limited number of particularly talented young people may seek to design their own placements — perhaps starting new organizations, conducting independent projects, or filling needs in their community that they themselves identify. This model fosters innovation and allows talented youth to put their best ideas into practice. These individuals should be supported because they hold particular promise as future leaders.

On the other hand, a significant risk of fraud and abuse is inherent in this model. Young entrepreneurs may need to be supported through a programmatic structure that provides advice and technical assistance. For reasons of risk and administrative cost, only a limited number of placements should be made in this category.

Must service be full-time? Would part-time service qualify?

While most qualifying slots would be full-time, part-time programs should also be eligible, particularly to accommodate non-traditional older students whose family responsibilities may otherwise preclude them from opting for service. (While an analogy is often drawn between full-time service and the GI bill, part-time service might be seen as a civilian version of the military National Guard/Reserve structure.) Benefits earned would be scaled to the fraction of full-time service performed, with some minimum threshold (say, one-sixth time, the equivalent of two full months) each year. The National and Community Service Act already supports several model part-time programs in which participants receive education scholarships or loan forgiveness in exchange for a minimum number of hours of service.

Will the system be decentralized or will it be run by the federal government?

We recommend that the National Service system be decentralized, with important roles played by national non-profit organizations and state and local programs. While a federally-run system might provide a common experience for all participants, its disadvantages include: a large federal bureaucracy; interference with state and local efforts to build community-based programs; high costs; impediments to flexibility and innovation; and lack of community control. By contrast, a well-designed decentralized system would encourage public/private partnerships, leverage federal dollars with those from state and local sources, build on expertise within the field, enable young people with diverse needs and interests to be matched with optimum placements, minimize federal bureaucracy, allow the local community to take the lead in setting most priorities, and provide for maximum innovation. As we suggested earlier, a decentralized system would require vigorous federal and state monitoring to guard against fraud and abuse and enhance quality control.

Under this decentralized cooperative model, the federal government would do a fair amount of steering but very little rowing. Federal level activities would include: establishing broad policy directions and general standards for eligible programs; administering the National Service Trust Fund; allocating (through agreed formulae) NSTF program slots to the states; selecting key national and local programs and intermediaries for the remaining slots; serving as a clearinghouse for service information and program evaluation; disseminating the federal share of program-related costs; backstopping state fraud and abuse prevention through a strong Inspector General; running a federal corps (of some as yet undetermined size); and exploring innovative ways of establishing a common consciousness and *esprit de corps* among thousands of local service programs. One possibility for accomplishing this would be a standardized initial training (boot camp) for all service participants, run by the National Guard, combined with a national logo and meetings bringing together representatives of different groups to share experiences and prescriptions for success.

At the state level, each governor would designate a lead agency to receive federal funds, certify programs as eligible for NSTF slots, serve as the first line of defense against fraud and abuse, and preside over the formation of representative local national service councils. The local councils would serve as principal agents for the recruitment and placement of volunteers. (Not all volunteers would be local, however. For discussion of the ensuing complications in matching volunteers and slots, see below.) These same councils could serve to help place AFDC recipients in community service jobs, as described in the Welfare Reform chapter.

With regard to certification of positions, it might be argued that a central role for state governments could increase the risk of political competition for designation and restrict opportunities in some states. Given these potential problems, two other possibilities should be noted. The **centralizing option**, federal designation of all positions, would standardize opportunities for participants from different areas and facilitate the use of volunteers by national non-governmental organizations, but at the cost of spawning federal bureaucracy, minimizing local control, and diminishing experimentation.

By contrast, the **radical decentralizing option** would grant presumptive approval to all 501(c)(3) organizations and government agencies as potential employers. This would create the broadest market of potential employers, maximize participant choice, and minimize bureaucracy. At the same time, this procedure would incur the greatest risk of poor supervision and use of participants, and produce the most problems monitoring quality and type of work.

What services would be performed?

A Ford Foundation study in 1986 identified 3.5 million labor-intensive community service jobs that could be filled by people in national service. We suggest that service in any of the following areas qualify: human service (including child care, health care, services for the elderly); education; public safety; and the environment. In most cases, except in service-specific models discussed below, priorities would be determined by the local community.

Examples of service-specific models may include:

- **Public Safety Corps**, in which service volunteers work in the areas of drug education, mediation, and crime prevention.
- **Public Health Corps**, in which service volunteers work in community health centers and in outreach programs for pregnant women and shut-in elderly citizens.
- **Earth Corps**, in which service volunteers help preserve and protect the urban and rural environment, e.g., by assisting in understaffed recycling

programs.

- **School-age Child Care**, in which older students staff after-school and summer programs for younger students requiring supervision while their parents work.
- **Youthbuild**, in which out-of-school youth learn building trades while they build or renovate housing for the homeless.

Examples of broad-based service programs include:

- **Youth Service Corps**, in which a variety of community projects are undertaken.
- **School-age Service Programs**, in which college graduates organize school-age children to participate in a variety of service activities.

Prohibited types of service should include: religious activities (although nonsecular service in religious organizations would be permitted); activities to promote or deter union organizing; and activities directly connected with partisan politics or with the objectives of advocacy groups.

How much will service be worth?

Two basic options are represented by legislation already on the books.

A. Fixed amount. This is the approach taken by the National and Community Service Act, which provides full-time volunteers roughly \$5,000 in scholarship funds per year of service.

- *Advantages:* simplicity; ability to control costs (because the cost per individual would not vary); and provision of equal benefits to those performing equal work.
- *Disadvantage:* individuals with a great deal of debt must work longer than those with smaller loans to pay them back.

B. Percentage of total loan debt. This is the approach taken under existing federal loan forgiveness programs, which provide that 15% of the loan is forgiven in each of the first and second years of service, 20% in each of the third and fourth years, and 30% in the fifth year.

- *Advantage:* individuals with different amounts of debt work the same number of years to wipe out their debt.

- *Disadvantage:* it would be difficult to estimate costs from year to year, since each year of service would be worth a different amount for each individual.

On balance, the advantages of the fixed-amount approach appear decisive, and the disadvantage can be counteracted by setting the benefit high enough so that all but the most indebted students can discharge their loan obligation through two years of service.

While some advisors believe that the existing NCSA level of \$5000/year is about right, most believe that it is much too low and ought to be doubled, to \$10,000/year. (For example, the co-directors of City Year are strongly of this view.) A \$10,000/year figure would enable national service sponsors to tell pre-college youth: "Serve your country for two years and you'll be able to go to the public college or university of your choice and graduate debt-free." This is the figure your campaign used. It would also give incentives to graduates of elite institutions to reduce their debt significantly through service rather than automatically selecting income-contingent repayment.

There are four arguments against the higher figure that are worth considering. First, when combined with subsistence stipends and other benefits, the larger voucher would produce a total package larger than most comparable work performed outside the service system.

Second, the larger voucher exceeds the education and training benefits earned through military service. Under the Montgomery GI bill, for example, members of the military with two-year contracts earn benefits of \$7800 (\$3900 per year). The Army College Fund (ACF), which limits participation in various ways, provides an additional \$8000 for two years of service. The maximum available to two-year members of the military is thus \$15,800. The higher Opportunity Voucher figure might collide with the recruiting requirements of the ACF. This issue must be carefully explored with senior representatives of the armed forces.

Third, many voluntary service advocates believe that at some level the provision of material rewards in return for service may undermine rather than build the ethic of service. While it is difficult to quantify or test this concern, it should be taken into account.

Finally, the higher figure would add significantly to the overall cost of the national service program—roughly \$500 million per 100,000 participants.

Whatever figure is eventually selected for the Opportunity Voucher, its benefits should be non-taxable, and the legislative language should make this clear to avoid endless battles with the IRS.

Should service qualify individuals for post-service benefits other than education/training loan forgiveness?

There is less than full consensus on this question. Some advisors believe that the use of post-service benefits ought to be restricted to education and job training (including apprenticeships). Others take the view that the benefits should also be usable as training and internship vouchers payable to employers, as down payments for first-time homebuyers, and as seed capital to set up small businesses. Senator Mikulski is strongly in the second camp: she believes that pre-college Opportunity Vouchers ought to be usable for a wide range of opportunity-enhancing investments.

We favor the second option. For some young people, home ownership and small business entrepreneurship may represent the best next step up the ladder of opportunity; we should not be making their decisions for them.

We believe that a similar (though not identical) principle should govern benefits earned through post-college service. While the benefits should first be applied against outstanding loans, individuals should be allowed to retain any surplus and use it for a range of purposes roughly equivalent to those of the pre-college Opportunity Vouchers.

In addition to Opportunity Vouchers, what payments/benefits should be provided to participants in the service system?

It would of course be possible to provide no additional support beyond Opportunity Vouchers. This would economize on outlays, but at the cost of greatly restricting participation.

Stipends, at least reaching subsistence levels, will be necessary to encourage participation. Stipends in existing programs include \$100 a week (City Year), the poverty line (VISTA), and the minimum wage (Wisconsin Conservation Corps). The actual value of the stipend will vary depending on whether the stipend is taxable and whether it will affect a family's means tested benefits.

Other possible program-related costs include:

- providing health care benefits (\$1000/year)
- forgiving interest on outstanding education loans while serving (\$625/year)
- providing child care assistance to make participation more feasible for custodial parents (an average of \$1250 per position/year).

These program-related costs are prime candidates for state/local/private cost-sharing, discussed below.

How many slots will be available?

At first glance, it might seem most appropriate to establish national service as an entitlement: anyone who wants to serve should have the chance to do so on fair terms. But the moral appeal of this approach is overwhelmed by its practical disadvantages: it would make needed planning impossible; costs could go through the roof; and if high-end projections of demand materialize, the administrative infrastructure at every level could be swamped. For these and related reasons, there seems to be no alternative to a federal-level determination of the number of full-time-equivalent slots available each year.

In determining this number, three variables are critical: total funds available; capacity to locate, and match individuals with, meaningful work; and rate of program expansion. **At an earned benefit (Opportunity Voucher) level of \$10,000/year, our estimates suggest program costs of about \$2.3 billion per 100,000 full-time participants.** A program involving 250,000 would thus cost about \$5.8 billion. If states and localities (including the private sector) were challenged to put up 25 percent of program costs, a program of this size would require federal outlays of about \$4.9 billion annually; a program of 100,000 would require annual outlays of slightly less than \$2 billion.

As for the absorption capacity of the overall system, it's hard to be sure; but recall that altogether, VISTA, the Peace Corps, and state/local youth corps provide fewer than 35,000 full-time slots. An increment of even 100,000 would represent a huge jolt; building up to 100,000 over (say) four years would mean adding nearly the equivalent of today's full-time service opportunities in each of those years. A buildup to 250,000 over four years would mean an increment of more than twice the current level of activity in each of four years.

Putting everything together, we draw the following tentative conclusion: an increment of 100,000 by the end of FY 1997 would be enough to make a significant and visible difference, while an increment of 250,000 by FY 1997 probably represents the limit of what is fiscally and administratively possible.

Of course, this is all on the supply side. Given the program parameters, we have no way of knowing in advance whether enough people will avail themselves of these new opportunities to serve. We should not allow ourselves to be bewitched by our own rhetoric about the revival of civic spirit; if your economic growth program works as we all hope, we may find ourselves competing against increasingly attractive private sector opportunities.

How will slots be allocated and participants matched with slots?

While much of the task of allocating slots and matching participants would be handled by local councils, two problems would remain. First, the number of individuals seeking service opportunities might exceed the number of available slots. Second,

with a decentralized service option and individuals from across the country seeking a limited number of positions, some system would be needed to match students and positions across jurisdictional lines.

- There are a number of options for dealing with an imbalance between slots and service-seekers. Slots could be allocated on a competitive basis. Alternatively, service-seekers meeting basic qualifications could be selected on a first-come first-served basis or through a random lottery. (There's no necessity to make a one-size-fits-all choice among these options; it ought to be possible, within limits, to take local and programmatic differences into account.) If there were an effort to preserve a certain ratio between post-college and pre- or non-college servers, a separate pool would have to be established for post-college service-seekers.
- To deal with placements across jurisdictional lines, programs and employers with certified positions might be listed on a national database that could be accessed by students seeking placements. Individuals seeking placements could put their resumes into the database along with any preferences (type of service, location, etc.) so that organizations across the country could locate qualified applicants. Vigorous local recruiting would likely provide a steady stream of individuals from the communities in which service would be performed. If slots are in short supply, this system would reward individuals who are particularly eager to serve and therefore make the effort to contact a broad range of organizations.

How can we guard against displacement of paid workers?

An important premise of the program is that participants will provide needed services that would not otherwise be provided. This will not be the case if paid workers lose their jobs to the volunteers. In order to protect paid workers, the anti-displacement provisions of the National and Community Service Act should be incorporated in any new legislation. Further, potential for displacement of paid workers should be a primary consideration in the determination of which positions qualify for loan forgiveness.

OTHER KEY SERVICE PROGRAMS

While the proposed National Service Trust Fund emphasizes full-time service by young people 18 to 25 years of age, we recognize that service to our country stretches over an entire lifetime. We celebrate initiatives in every part of our society that promote the ideal of lifetime service. And we believe that with only modest additional resources but extensive use of the Bully Pulpit, you could help turn this ideal into reality.

School-age and College Youth

The National Education Goals recognize the importance of community service participation as a means of achieving the citizenship goal. Participation of elementary and secondary school-age children in these programs will not only lay the groundwork for future participation in community service, but will pay additional dividends by:

- Teaching young people from the earliest grades that they have the power to make a difference in their communities and a responsibility as citizens to do so;
- Improving student achievement by making learning meaningful and reengaging students turned off by traditional teaching methods;
- Increasing young people's connection to their communities, thereby reducing antisocial behavior such as drug use and crime;
- Providing many hours of needed services at minimal cost; and
- Helping young people develop self-esteem and skills of teamwork, leadership, and problem-solving.

The existing federal program that supports service by school-age youth is "Serve-America," part of the National and Community Service Act. Federal funding for service by college students is provided through "Higher Education Innovative Projects," also authorized under the Act, and the "College Work Study Program." Because these programs are part-time and generally do not provide stipends for the young volunteers, they are relatively low-cost.

Participation in these programs would generally not qualify students for loan forgiveness. However, these programs could provide placements for up to 25,000 full-time national service participants who would help organize the younger students in service activities.

The National Commission estimates that with relatively modest annual appropriations (\$60 million in FY 1994, \$105 million in FY 1995, and \$150 million in FY 1996), meaningful and well-run service programs could be established in more than 50 percent of America's public schools by the end of 1996.

It could be argued, however, that these activities are primarily a state and local function. For example, Maryland recently imposed a service requirement for high school graduation. At the very least, you could challenge every other state to follow Maryland's lead and (as Sen. Mikulski has suggested) find a way of rewarding states that do so with what she calls a "Good Guy bonus."

In a similar vein, the Commission estimates that a total appropriation of \$100 million (\$20 million in FY 1984, \$30 million in FY 1995, and \$50 million in FY 1996) would suffice to create service programs on over two-thirds of all college campuses. Here again, others might argue that this is principally a non-federal responsibility; after all, of 3,500 universities, 650 have such programs already. You could vigorously encourage the rest to follow suit. A visit to an outstanding campus-based service program, such as Rutgers University's Civic Education and Community Service Program, would be an excellent way of dramatizing his concern.

We recommend the Bully Pulpit rather than any major funding commitments to school-based service at this time, until your overall national service program is up and running and its funding base is secure.

Older American Volunteer Programs

Given the growing number of older citizens and their increasing expected lifespan, retirees are an important resource for communities. The three Older American Volunteer Programs, now administered by the ACTION agency, should be expanded and additional opportunities created for this older population. In addition, intergenerational components should be incorporated into many of the youth-targeted programs discussed above. For example, seniors could help staff the local service councils (described above) that help locate service opportunities and match slots with volunteers.

OPTIONS FOR FEDERAL ADMINISTRATIVE STRUCTURES

The issue of a federal structure for administration of the National Service system remains unsettled and contentious. There is consensus on two points, however:

1. The White House Office of National Service, now led by a Director with the rank of Assistant to the President, can help promote vital interagency coordination, draft legislation, and keep national service high on the President's agenda. Notwithstanding the proposed White House staff reduction, this position should be retained for an individual who enjoys the confidence of the President and of the key elements of the national service community.
2. Rather than an existing department already charged with a mission other than service (such as the Education, Labor, or Defense departments), the lead national service agency should be one whose purpose is service itself.

Three federal agencies now administer the major federal service programs: the Commission on National and Community Service, ACTION, and the Peace Corps.

The Commission, which is governed by a 21-member board of directors appointed by the President, administers the National and Community Service Act programs. Designed to be a small, non-bureaucratic agency (currently it has only 17 employees to administer \$75 million in programs), the Commission has no field structure, working instead through state lead agencies identified by governors. Created by Democratic legislation in 1990, the Commission has been characterized by innovation and a close working relationship with the field. Although the Board is currently composed of individuals appointed by President Bush, members are eager to work with you. There are currently five openings on the Board, with an additional seven positions opening up in September. Therefore, within the year, you can appoint an effective majority of Board members.

ACTION was created in 1971 to administer federal volunteer service programs. In recent years, it has suffered under poor political leadership and a demoralized civil service staff. Currently ACTION employs over 400 people to run VISTA and the Older American Volunteer Programs. It has a regional and state field structure.

The Peace Corps has a relatively small regional field structure within the United States. Because the Peace Corps deals with overseas rather than domestic service, we have ruled out including it in any reorganization.

The following are the principal structural options for the lead national service agency:

Option 1: The service aspects of the National Service Trust Fund could be administered by a single entity created by folding ACTION into the Commission on National and Community Service and making modifications to the Commission's governance structure to allow for greater operational strength and Presidential control. This agency would not necessarily be a "commission"; it could be a corporation along the lines of the original Nunn-McCurdy proposal, or an agency along the lines of EPA.

- *Advantages:* Building on a small, non-bureaucratic group known for innovation would create a good precedent for reinventing government. The Commission's primary experience is in the field of youth service, also the target of the Clinton national service system. Because the agency is still relatively new, it could be easily reshaped to fit the new system. The Commission works well with the field, including the state and local programs likely to play a major role in the new system, and has developed a good system for drawing on the technical expertise of individuals in the private sector. It enjoys strong support in Congress.

- *Disadvantages:* The Commission is new and has relatively limited experience. Absorbing the ACTION programs would require a major expansion of the agency. The Commission has little experience with senior volunteer programs

and those involving individual placements.

Option 2: In order to give the service programs better coordination and visibility, the two federal agencies that administer the major domestic service programs could be loosely federated as "sister agencies" with ACTION charged with administering VISTA and the Older American Volunteer Programs and certifying individual placements, and the Commission charged with supporting the National and Community Service Act programs, new programs specially targeted on post-college youth, and certifying programs. An individual who is both a good administrator and a national leader with service program experience would be appointed to head ACTION. Vacancies on the Commission board would be filled by individuals with knowledge of the service field, including young people who have participated in service programs. The ACTION field structure would be retained, and would be charged with national recruitment for the loan forgiveness program, as well as VISTA. Both agencies should coordinate closely with the Peace Corps, particularly on recruitment.

- *Advantages:* This would allow time for planning and quick start up of programs; reorganization could take place at any time in the future. It could preserve the positive aspects of both agencies.
- *Disadvantages:* Coordination of functions between two agencies could be difficult. In the worst case, it could preserve the negative aspects of both agencies.

Option 3: Fold the Commission into ACTION. Under this option, the Commission board would be eliminated or placed under the Director of ACTION, and ACTION would run the National Service system.

- *Advantages:* ACTION has long experience with domestic service programs and its regional and state offices could be an asset. It is Presidentially controlled and has experience with individual placements through VISTA and with senior volunteer programs.
- *Disadvantages:* ACTION is an old-style bureaucracy, heavy on federal personnel with a history of resistance to change. It has been subject to the political winds and has been a dumping ground for unqualified political appointees who have driven out many good civil servants. It also has very little experience with youth service programs; when the Commission was created, Congress explicitly decided not to put the new programs in the ACTION agency for these reasons.

Option 4: Merge the two agencies into a single new agency.

- *Advantages:* This could be a visible way to show the President is serious about elevating national service on the national agenda. It would build on the expertise of both agencies while allowing the President to eliminate a federal agency,

thereby modestly reducing bureaucracy.

- *Disadvantages:* Slow start-up. The Commission was intended to be this new agency, one which could expand when Congress and the President were willing to put new resources into service.

Option 5: Scrap both existing agencies and create a new one.

- *Advantages:* As with Option 4, this would be a visible way to elevate service.
- *Disadvantages:* This would mean an even slower start-up, and it would risk losing the accumulated experience of both ACTION and the Commission.

On balance, we believe that the Commission has been an entrepreneurial success story and that we ought to build on its strengths. The point is not to reinvent success, but to replicate it. We favor Option 1, with serious attention to the legal and structural changes the Commission would require to handle greatly enhanced responsibilities and to respond to presidential directives.

Whichever option is ultimately selected, the timing of your national service initiative is propitious: both the National Commission and ACTION are up for reauthorization in 1993. The legislative calendar thus provides the opportunity for fundamental rethinking and redesign of the administrative structure through which the federal government seeks to steer national service.

One of the most difficult structural issues concerns the location of the National Service Trust Fund. This Trust Fund is actually an amalgam of two distinct activities and revenue streams. On the one hand, it would administer appropriations and disbursements for Opportunity Vouchers; on the other hand (at least as conceptualized during the campaign), it would administer appropriations and disbursements for, and repayments from, income-contingent direct loans.

The first set of activities is relatively straightforward and intrinsically related to service; the Opportunity Vouchers could (and probably should) be handled by the lead service agency (whatever it turns out to be).

By contrast, the second set of activities raises complex questions of student loan design and administration—areas in which national service experts have very little experience. Some have suggested that the Department of Education should be given the lead in this area; others note (correctly) that administrative competence within the department is notoriously low, particularly in student loans.

One proposal for breaking this impasse would be to give some competent intermediary such as Sallie Mae lead responsibility for developing efficient and effective ways of implementing this part of the president-elect's proposal. The President and

CEO of Sallie Mae has indicated his willingness to cooperate in this endeavor.

RESTRUCTURING THE NATIONAL EDUCATION FINANCING SYSTEM

Restructuring the national education financing system is the other major component of your National Service Program. Your campaign proposals included:

- Replacing existing loan programs with direct federal lending to students;
- Making loan repayment contingent on income and collectible through the tax system; and
- Total or partial loan forgiveness in return for national or community service.

Current Law

In the Higher Education Amendments of 1992, Congress enacted a number of programs similar to, though not as far-reaching as, your proposals.

Universal loan availability Perhaps the most important change makes loans universally available. Beginning October 1, 1992, students who are not judged to be financially needy through the traditional financial aid process are nonetheless eligible for an "unsubsidized" Stafford loan. While this loan has the same terms and conditions as the regular Stafford loan, the government does not make interest payments. The student must either make the payment or add the interest to the principal.

Direct lending pilot The most controversial provision (which drew a veto threat from Bush) was a Direct Loan Demonstration Program to test the idea of taking the banks and Sallie Mae out of the student loan business. This pilot program will use a representative sample of schools at which the loan volume this year totals \$500 million, or about four percent of the current loan program.

Income-contingent repayment The law authorized, but did not mandate, three provisions relating to income-contingent repayment. The Secretary of Education has discretion in designing the program, except that the law requires that loans be forgiven after no more than 25 years, and that the new system cost less than the current system. Implementation will require cooperation from the IRS, which resists the idea, and needs your leadership to ensure movement toward implementation.

Loan forgiveness for community service. The 1992 amendments also include a \$10 million demonstration program in loan forgiveness for teaching, nursing and other

community service work.

Restructuring Loan Programs: Options and Recommendations

There are three basic options for reforming the current student loan program to establish a comprehensive system of financing college education with national service and income-contingent loan repayment options:

- 1. Scrap the existing program completely and make income-contingent repayment and national/community service cancellation available as part of a direct loan program;
- 2. Consolidate the current GSL programs and make the new repayment options available to all borrowers; or
- 3. Make the new repayment options available to all borrowers, consolidate the current GSL programs, and expand the direct loan pilot program authorized in the Higher Education Amendments of 1992.

The third option is most realistic, both administratively and politically. A discussion and analysis of the options follows.

Option 1: Eliminate The Current Guaranteed Loan Program.

Under the existing GSL Program, banks make loans to students, and the federal government subsidizes interest and other costs, covering defaults through state guarantee agencies. This option proposes that the government make loans directly to students through schools, eliminating the confusion and cost of the banker-guarantor system.

The primary arguments in favor of this option are:

- 1. *It's Bold.* Developing a new loan program would be a bold, imaginative step consistent with your emphasis on change and investing in people. Revising the existing program is unlikely to capture the public's imagination as much as launching a new one.
- 2. *It Saves Money.* A direct loan program will save billions of dollars over five years because of reduced subsidy costs. There may, of course, be ways to save money by reducing the number of players in the current system, but not moving all the way to direct lending.
- 3. *It's Right.* Banks should not be making profits at the expense of students. If the federal government can run a student loan program more cheaply, it should.
- 4. *It's Efficient.* Guarantee agencies, loan servicers and collection agencies are all

involved in the student loan program. Terminating the existing student loan program would eliminate these middlemen and simplify the program.

. *It's Good for Borrowers.* A direct lending system will be simpler, ending numerous problems students currently encounter: the complexities associated with getting loans and repaying them; servicing problems that plague even the most careful borrowers; lenders and servicers with little administrative ability; student "defaults" because of loan servicer mistakes causing problems in their credit records.

. *It's Popular.* Influential members (primarily Democrats) in both the House and the Senate strongly favored a direct loan program in the last Congress.

Option 2: Consolidate the Loan Programs and Programs and Provide Newer Forms of Repayment.

Achieving the goals of a National Service program may not require scrapping the current system entirely. They may be attainable through several modifications to the existing guarantee system:

- Consolidate the four existing loan programs into two, or possibly one, program.
- Continue to provide lower-income students assistance in making interest payments.
- For other students and parents, create a less subsidized loan program incorporating the current SLS, PLUS, and unsubsidized Stafford programs.
- For students in community service, the government can simply make loan payments to banks, as it does currently for loan deferment.
- For students choosing income-contingent repayment, the federal government could either purchase the loans for collection by the IRS, or arrange with Sallie Mae or another entity to collect payments based on IRS information.

The primary arguments for this option are:

. *Administrative Ability.* Given that the Department of Education has not effectively administered the GSL program, better results are unlikely if it runs a direct loan program giving it even greater responsibilities.

.. *School Concerns.* When Congress considered replacing GSL with a direct loan

program, smaller schools and those without significant administrative expertise opposed the idea, particularly historically black colleges and community colleges. While they may be more favorable to such an idea in a Clinton Administration, they remain concerned about taking legal responsibility from the banks for originating the loans.

3. *Questionable Schools.* You would not want every school to be able to originate loans in the name of the federal government, without far better monitoring than has historically happened. Witness the number of schools in the GSL program with dubious records.

4. *Political Opposition.* Banks will vehemently oppose establishing a comprehensive new program, citing possible harm to their financial stability. Organizations with a stake in the existing program – particularly guarantee agencies linked to state governments – will oppose it vociferously since direct loans would put them out of business. Higher education associations will be lukewarm since their memberships are split. Student groups who favor streamlining the loan program don't have strong opinions about direct lending.

5. *Action.* Everyone is excited about the program. We want to satisfy public expectations by making changes quickly. Implementing income contingent repayment and service cancellation will be difficult enough. Trying to start a direct loan program simultaneously will unduly complicate the task at hand.

Option 3: Combine the Consolidated GSL and Direct Loan Approaches.

This option aims to blend the previous two, establishing a National Service Trust Fund that moves toward direct lending (Option 1), while continuing a consolidated guaranteed loan program (Option 2). Under this option:

- For students choosing income contingent repayment, the NSTF would purchase the loans from the holders (or transfer them from the direct loan program) and arrange for collection through the IRS. The precise level of loans to be purchased will depend on the speed with which the IRS can implement income-contingent repayment.
- For students engaging in national/community service, the NSTF could either purchase the loans or make payments to the holders to cancel portions of the loan as the borrower completes his or her service. Participants would receive \$10,000 in loan forgiveness for each of up to two years of certified community service. These options would be available to any borrowers, regardless of the type of federal student loan that they have.

- Expand the direct loan demonstration gradually to include more schools, without threatening loan availability. While the direct loan idea is too promising to ignore, and the potential savings too great to ignore, there are compelling reasons to proceed cautiously. We propose expanding from 200 to 500 schools in the first year of the test. Further expansion would be authorized, depending on results and interest.

The advantages of this option are:

1. *Increase Momentum to Change.* This option moves the system toward a direct loan program without fighting the battle for immediate implementation. A larger demonstration will quickly indicate whether the program is really feasible, and success on a large scale will bring pressure for expansion from schools who will want to participate. Such pressure will make it easier to overwhelm opposition from those with a stake in the current program whose primary line of defense against the program is that it is untried.
2. *Encourage Competition.* Keeping both systems will provide students with more attractive repayment options both from the government and private lenders. Sallie Mae recently dropped rates for those who pay on-time, the first time a major lender admitted they could afford to charge less for student loans. They deny it was a response to the direct lending threat. It could also save money by giving Congress a better sense of the subsidy level necessary to keep banks and secondary markets in the program.
3. *Simpler to Implement.* The administrative challenges are more manageable, and the risks of a serious administrative problem greatly reduced, by phasing the program in more slowly.
4. *Selectivity Among Schools.* By selecting which schools will participate in the direct loan initiative, the federal government will be in a better position to ensure that only schools with the administrative capacity to run the program are permitted in the program.
5. *Easier Politically.* While lenders, guarantee agencies, secondary markets and servicers should find it more difficult to oppose this initiative, the threat of change may lead them to offer alternative ideas worth could be worth pursuing.

Analysis and Recommendations

The major challenge in developing the National Service Trust Fund is how to balance the desire to move boldly forward with a major new initiative that captures the public imagination with the dangers inherent in proceeding in uncharted territory. Nothing could be more damaging than to have the program's objectives and public support undermined by encountering unexpected consequences from a poorly thought-

out or tested reform effort. Incremental reform as in Option 2, would be easier to pass and easier to implement. Dramatic changes, such as a quick move to a full direct loan program (Option 1), would clearly capture the public's attention but face serious administrative and political problems discussed above.

To combine a significant new reform of student aid with minimal political problems and make implementation more manageable, we recommend the third option. By pursuing this course, we can take credit for dramatically expanding options for education, training, and economic opportunity while maximizing political support. This strategy also minimizes the chances of significant administrative problems and allows time to correct them. Finally, it sets in motion an orderly process that, over time, will lead to a total transformation of the current system, which would not be feasible if pursued immediately and explicitly.

There are several major issues to consider in designing the proposal for income-contingent repayment of loans, including:

IRS participation. Some argue that the IRS exists to collect taxes, not loan payments. While student loan payments can be based on income, they should still be collected by servicers. Experience in one test program points to significant possible problems, particularly getting former students to send copies of tax returns to loan servicers to confirm their income. Without returns, payment schedules have to be based on assumed income increases from the previous year, instead of real income.

We recommend collecting payments through the existing tax system. To reduce the burden on employers, extra amounts due could appear as increased income tax withholding rather than a separate line item. The amounts can later be reconciled with the borrower's income tax filing.

Option or requirement? If income-contingent repayment is required on all loans, we can assume that borrowers will have a wide variety of income patterns, and that losses on some loans will be balanced by gains on others. The program will be actuarially sound. But if, under an optional plan, only borrowers who expect to be low income participate in the program, or if borrowers are allowed to move in and out of the income-contingent repayment system, gaming of the program may make its costs more unpredictable. This problem is known as "adverse selection."

We recommend making income contingent repayment optional, exercised either at the time the loan is taken or upon graduation. Borrowers who default on their traditional loans should automatically be placed on the income-contingent collection system.

Avoiding adverse selection. Past designs for income-contingent loan collection often included "cross-subsidies"—borrowers who make high incomes after college in effect subsidize those with lower income. For example, a program at Yale in 1972-73

allowed students to "postpone" tuition payments by agreeing to pay a percentage of income over 35 years, up to a maximum of 150% of the tuition charge, plus interest. The program was discontinued, in part because the high-income penalty led to low participation.

We do not recommend including a significant cross-subsidy in the program. Subsidies for lower-income borrowers should come through default reduction (due to IRS collection), and perhaps with some of the savings from direct lending. If income-contingent repayment is an option, it should offer slightly better terms than conventional repayment, such as a lower interest rate or lower fees reflecting the lower cost of automatic collection and countering the impression that there is a high income penalty.

Eligibility and consolidation. While it would be simplest to implement income-contingent repayment for borrowers who do not already have any guaranteed student loans, many current and former students will want to participate in the program.

We recommend making the national service and income-contingent repayment options available for new loans, including new loans to old borrowers. Borrowers who opt for income-contingent repayment on their new loans should be allowed to consolidate their old loans into the program. Consolidation for purposes of national service forgiveness would be too costly, however.

Payment formula. This is perhaps the most complex issue. Having borrowers pay a fixed percentage of income for a fixed number of years won't work because it results in a major cross-subsidy, leading to adverse selection (discussed above). Some propose addressing this problem by requiring a fixed percentage of income until the loan is paid off, subject to an outside time limit. That is not without its own problems, however. For example, an 8 percent payment may be a burden for someone in poverty, but not a problem for a middle-income borrower. It also seems unreasonable to require an \$8,000 payment from someone making \$100,000 a year if they only owe \$10,000.

One approach to be seriously considered is an "adjusted amortization schedule," under which repayment for a borrower with average income is set so that the loan is paid off over a reasonable period, such as 12 years. The schedule could be adjusted for borrowers whose income is significantly above or below the average. At the low end, a basic living allowance should be protected, and a ceiling imposed on the maximum percentage of remaining income that can be taken for loan payment. Any remaining debt should be forgiven after 25 years.

We must also pay particular attention to what we demand of borrowers who are relatively low income after college. We do not want to subsidize students who simply take time off after college, but we may want to assist those who do low-income work, or are low income for a longer period. This will add to the cost of the program, but will also encourage students to perform community service or go into a lower-paying pro-

fession.

Designing the payment formula and testing it for unintended incentives and actuarial soundness requires further time and consideration. The issues discussed here are just some of the complexities associated with designing the payment formula. Others include the treatment of married couples and the definition of income.

Costs, Savings & Related Issues

A direct loan system could save a substantial amount of money, as could income-contingent repayment, depending on the design of the program. These savings could be used to offset the costs of the National Service program.

Direct Lending. The U.S. General Accounting Office estimates that the federal government could save \$4.8 billion over five years by switching completely to a direct lending system for all new loans. The Congressional Budget Office and the Education Department have previously estimated similar or higher savings. These savings arise primarily because it is cheaper for the federal government to acquire capital directly, rather than paying banks to do it. The savings under our recommended plan will obviously be less since savings depend on the size and pace of the expansion of the Direct Loan Demonstration.

Income-contingent repayment. Using the tax system to collect loan payments will reduce loan defaults substantially. One third of the nearly \$3 billion set aside for the cost of loans made this year covers the cost of future loan defaults. Savings will be highest if either (1) all loans are collected on an income-contingent basis, or (2) all new borrowers, even those who choose conventional repayment, switch automatically to IRS collection in the case of default. The marginal cost of IRS collection will likely be lower than contracting with outside servicers for conventional collection, although start-up costs at IRS may be substantial.

Income-contingent repayment will also involve some costs. Borrowers who remain very low-income after college (or after dropping out) will have their remaining debt forgiven by the government after a period of time (25 years in most proposals). This is essentially a "default" that cannot be avoided, because the person has no or inadequate income. In addition, it may make sense to design a system that helps lower-income borrowers in other ways, such as reducing the interest that is capitalized when payments are too low. As noted above, helping these borrowers would have the added benefit of subsidizing people who engage in low-paying public service jobs.

Questions have also been raised about the appropriateness of the current in-school interest subsidy received by Stafford borrowers, and about the possible impact of the National Service Trust Fund on college tuition.

In-school interest subsidy. The largest government cost in the student loan pro-

gram is making interest payments on Stafford loans while students are in school. This benefit goes to poor and middle-income students, and graduate students who qualify based on need. According to the Congressional Budget Office, charging these borrowers interest while they are in school would save \$575 million in 1992, and \$4.1 billion over the 1992-96 period.

There are serious political problems in using these savings to fund National Service. Like earlier proposals to fund service by eliminating Pell Grants, this would be portrayed as taking aid away from needy students to fund a non needs-tested program. It might be more equitable — but still very controversial — to use the savings to subsidize borrowers who are low-income after college, instead of during college. The argument for this approach is that students with high incomes after college should not be getting a large subsidy while in school; instead, the program should provide those who fail to reap the income benefits of postsecondary education with lower indebtedness. But to the higher education community, the in-school interest subsidy is sacred, and any proposed changes will be vehemently opposed.

Rising college tuitions. Some fear that a major new student aid program will result higher college tuitions. This should not be an issue with the National Service Trust Fund because the program does not increase the amount of aid that most students can receive, it simply offers new options for repaying loans. Research suggests that while federal aid and tuition may be related at proprietary schools, there is no such link in the traditional college sector. Tuition at community colleges and other state institutions is affected almost exclusively by the level of state appropriations, while private colleges respond principally to forces other than student aid. We would view any proposal for a federal role in college tuition-setting practices as politically unpalatable and administratively unworkable.

CONCLUSION: AN HISTORIC OPPORTUNITY

Like John F. Kennedy three decades ago, a young President-elect has captured the nation's imagination with his call for a renewed ethic of service to country. There is now an historic opportunity to mobilize citizens and resources, public and private, to address long-ignored national needs.

There are signs that this mobilization is already gaining momentum. The recently authorized Civilian Community Corps offers a promising new way for recently deactivated military personnel to guide young people in performing national service. The Returned Peace Corps Volunteers, numbering more than 135,000, have indicated their eagerness to respond to your call. Across the country, service organizations are growing, in communities and schools, on college campuses, and among senior citizens.

The untapped potential to address unmet needs is enormous. The federal gov-

ment itself can be made service-friendly. Business can be challenged to do more. Each of us can be challenged to do better. With efficient use of resources and effective employment of the moral authority of your office, you can catalyze the profound social transformation—the renewal of citizenship—for which so many Americans have earned and worked for so long.

Individuals and Groups Consulted (partial listing)

Full Board of the National and Community Service Commission

Ad hoc Washington working group

Craig Bury, Chambers Associates

Richard Danzig, Latham and Watkins

Peter Edelman, Georgetown Law Center

Terry Hartle, Senate Committee on Labor and Human Resources

Nick Littlefield, Senate Committee on Labor and Human Resources

David Long, Manpower Demonstration Research Corporation

Shirley Sagawa, National Women's Law Center

John Shattuck, General Counsel, Harvard University

Bob Shireman, Senate Subcommittee on Employment and Productivity

Melanne Verveer, Presidential Transition Office, Office of Hillary Rodham Clinton

National Service Meeting, John F. Kennedy School of Government

Senator Sam Nunn

Senator Barbara Mikulski

Senator Harris Wofford

Congressman Dave McCurdy

Alan Khazei, Co-Director, City Year

Mike Brown, Co-Director, City Year

Catherine Milton, Executive Director, NCSC

Charles Moskos, Northwestern University

Gary Orren, JFK School

Graham Allison, JFK School

Will Marshall, Progressive Policy Institute

Kevin Kelly, office of Senator Mikulski

Alden Schacher, office of Congressman McCurdy

Joe Duffey, President, American University

Richard Rosser, President, National Association of Independent Colleges and Universities

Robert Atwell, President, American Council on Education
Neil Rudenstine, President, Harvard University
Clare Cotton, President, Association of Independent Colleges and Universities of Massachusetts
Gregory Fusco, Vice President, Columbia University
David Morse, Vice President, University of Pennsylvania
Hank Dullea, Cornell University
Jack Crowley, Director of Federal Relations, MIT
Madeleine Kunin, Former Governor of Vermont
Sam Brown, Former Director, ACTION
Bob Durkee, Vice President, Princeton University
Dorothy Robinson, Vice President, Yale University
Norm Richter, staff, Senate Finance Committee
Amy Peck Abraham, staff, Senate Budget Committee
Carol Mitchell, staff, Senate Appropriations Committee
Ken Holdsman, Legislative Director, Congressman Rob Andrew
Representative Bill Ford, House Education and Labor Committee
Susan Stroud, Executive Director, Campus Compact
Lisa Woll, National Association of Service and Conservation Corps
Vanessa Kirsch, Public Allies
Sam Halperin, WT Grant Commission
Jerry Klepner, AFSCME
 Youth Serve America Working Group
 Young Peoples's National Service Coalition
 National and Community Service Act Coalition
John Briscoe, Executive Director, PennSERVE
Don Mathis, Director, Pennsylvania Conservation Corps
Mimi Mager, Former Executive Director, Friends of VISTA
Richard Celeste, Former Governor, Ohio
Dave Evans, office of Senator Pell
Kim Wallace, office of Senator Mitchell
Ken Apfel, office of Senator Bradley
Kathleen Kennedy Townsend
Toby Moffitt
Michael Bailin, Public/Private Ventures
Roger Landrum, Director, Youth Service America
Frank Slobig, Youth Service America

BUDGETARY EFFECTS
(In Billions)

<u>NATIONAL SERVICE</u>							
<u>PROGRAM</u>	<u>FY93*</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>94-98</u>
National Service (Cost Per 100,000 Students, Assumes 100,000 Students By January 1996)	0	.350	1.1	1.8	2.1	2.4	7.75
NATIONAL SERVICE SUBTOTAL	0	.350	1.1	1.8	2.1	2.4	7.75

National Service Trust Fund Act of 1993

"Give every American the right to borrow money for college by maintaining the Pell grant program, scrapping the existing student loan program, and establishing a National Service Trust Fund. Those who borrow from the fund will be able to choose how to repay the balance: either as a small percentage of their earnings over time, or by serving their communities doing work their country needs."

--Putting People First

Purposes

The purposes of the National Service Trust Fund Act are:

- to inspire in all Americans a new commitment to serving their country, their communities, and their fellow citizens;
- to provide access to higher education and job training for all young Americans, regardless of their economic background;
- to enable students to finance their education and job training by working in national and community service activities; and,
- to allow students to repay their loans as a percentage of their income and to consolidate and simplify the Federal student loan programs.

National and Community Service

The Act establishes a National Service Trust Fund, administered by the Commission on National and Community Service, to provide education benefits -- in the form of scholarships, student loan forgiveness, or job training -- to those who perform qualified national service. For each one-year term of full-time service or three-year term of part-time service, participants will receive benefits worth \$5,000. Participants may serve up to two terms, for a total of \$10,000 in benefits.

Qualified national service includes service in the areas of education, environmental protection, human services, and public safety, such as **VISTA** and the **Peace Corps**, and:

- **Conservation Corps**, such as rehabilitation and improvement of wildlife habitat, road maintenance, and energy conservation projects.
- **Youth Corps**, serving in nursing homes, child and adult day care centers, law enforcement agencies, and other government agencies.

- **Pre-Professional Corps**, offering training and placement of teachers, police officers, nurses, child care workers, service-learning coordinators, or other professionals.
- **Model National Service Programs** funded by the Commission to promote innovation and experimentation in national service.
- **Public Interest Entrepreneurs**, to support individual proposals for community and national service.
- **Employment in hard-to-fill public service jobs**, such as teachers in high-poverty schools, Head Start staff, or nurses in community health centers.

The Commission will establish criteria for states to use in designating qualifying service positions. Positions will be listed in a national database, and the sponsoring organization will select the participants. Participation will be open to individuals before or after college, or by non-college bound youth, based on the needs of the qualifying program. To expand the number of national service placements available, additional funding for service programs sponsored by states, institutions of higher education, and public or private non-profit organizations will be made available through the National and Community Service Act.

Income-Contingent Repayment to Encourage Service

The Act establishes a program that will allow students to repay their loans as a percentage of their income over time. This will enable graduates to choose **public service professions** or to devote a few years to **national service**, instead of being forced into higher-paying jobs because of their student debt burden. The Secretary of Education will establish the repayment formula and mechanism through the Internal Revenue Service or another entity.

College Opportunity

• **Student Loans.** The National Service Trust Fund Act ensures that any American can afford to go to college through a simplified student loan program. In addition to Pell Grants and other aid already available, the new program will offer loans to cover tuition, supplies, room and board up to:

	Dependent <u>Students</u>	Independent <u>Students</u>
First year	\$2,625	\$6,625
Second year	\$3,500	\$7,500
Remaining undergraduate years	\$5,500	\$10,500
Graduate students	n/a	\$18,500

Parents of dependent students may borrow additional funds up to the cost of attending the college. Dependent students may borrow a total of \$23,000; independent students may borrow up to \$46,000 as undergraduates and up to \$138,500 as graduate students. For low- and middle-income students, the government will

continue to pay all or part of the interest on loans while the students are in school.

- **A New System.** The Act doubles the size of a test program that provides loans to students directly through schools instead of through the complex guarantee system. This expansion will save taxpayers an estimated \$--- million over five years. The Secretary of Education is authorized to expand the program further if it is successful, saving up to \$1 billion a year.

--**DRAFT** January 21, 1993

NATIONAL SERVICE TRUST FUND ACT.

Short Title: National Service Trust Fund Act of 1993.

TITLE I. Purposes. The purposes of this Act are:

- to inspire in all Americans a new commitment to serving their country, their communities, and their fellow citizens;
- to provide access to higher education and job training for all young Americans, regardless of their economic background;
- to enable students to finance their education and job training by working in national and community service activities; and,
- to allow students to repay their loans as a percentage of their income and to consolidate and simplify the Federal student loan programs.

TITLE II. Amendments to the National and Community Service Act of 1990.

Part A: Creation of the National Service Trust Fund

The National and Community Service Act of 1990 is amended by adding the following new subtitle:

"Subtitle __. National Service Trust Fund.

There is created a National Service Trust Fund to provide educational benefits to participants performing qualified national service.

A. Eligibility of Individuals. Participants shall be eligible to receive educational benefits from the National Service Trust Fund if they:

--are a citizen of the United States or lawfully admitted for permanent residence;

--are an out-of-school youth or graduated from an institution of higher education in the previous two years; and

--are accepted into and serve for a term defined in section C in a qualified national service placement.

B. Term of Service. Participants shall serve:

--in the case of full-time service of not less than 40 hours per week, for a period of not less than nine months;

--in the case of part-time service of more than an average of **[nine?]** hours a week for a period of not less than three years

C. Qualified National Service. Individuals shall serve in positions meeting educational, human service, environmental or public safety needs. As provided in section I, states or the Commission on National and Community Service may designate any of the following as qualified national service:

--service as a VISTA volunteer;

--service in the Peace Corps;

-- service in programs funded under parts C, D, or sections 6 and 7 of part E of this Act;

--programs comparable to those funded under parts C, D, or sections 6 and 7 or part E of this Act that meet quality criteria established by the Commission;

--in the case of an individual who has completed one term of qualified national service, service on the staff of a qualified

national service program;

--service as a service-learning coordinator in a program eligible for funding under subtitle B of this Act; and,

--service, in positions determined by the Commission or the state, which provide health insurance to participants and which:

--meet human, educational, environmental or public safety needs; **and**,

--have been vacant for not less than [twelve months] and are unlikely to be filled in the next [six months] due to a shortage of qualified applicants; **OR**

--are located in an [urban or rural enterprise zone].

D. National Database. Qualified national service positions shall be listed in a national computerized database, accessible through college and high school placement offices, employment service centers, volunteer centers, and other entities.

E. Selection of Participants. Organizations sponsoring qualified national service positions shall select individuals to serve in such positions.

F. Educational Benefits. Participants successfully completing a term of qualified national service shall receive a certificate worth \$5,000 in educational benefits for each such term, up to two terms. Educational benefits may be used for:

--repayment of a qualified federal student loan;

--payment of tuition, fees, room and board at an institution of higher education; or

--employment training, including apprenticeship.

G. Remittance of Certificates. The Commission shall remit a payment to eligible entities presenting a completed certificate. A completed certificate shall include a statement, signed by the participant and the eligible entity under penalty of perjury, declaring that the funds are being used for the purposes intended, and may include supporting documentation as required by the Commission. An eligible entity is the holder of a loan described in F (below), an institution of higher education (as defined in the Higher Education Act, section --), or any other entity approved by the Commission.

H. Qualified Federal Student Loan. A qualified federal student loan is any loan issued or insured by the federal government under Title IV of the Higher Education Act or Title VII of the Public Health Service Act.

I. Designation of Qualified National Service Positions. From funding authority appropriated pursuant to part L, the Commission shall allocate the authority to designate positions eligible for the education benefits certificate described in part F. Authority to designate the recipients of certificates shall be allocated as follows:

--[not less than one-third] to qualified states based on [population];

--[up to one-third] to qualified states on a competitive basis and

--[not less than one-third] directly to public or private nonprofit organizations providing qualified national service opportunities.

Such states and organizations shall use criteria established by the Commission in designating positions offering education benefits certificates.

J. Qualified States. For a state to be eligible to designate positions under part I:

- the chief executive officer of such state shall designate a state lead agency responsible for administering the program;

- the state shall have in place a state National Service Commission described in section 178;

- the state lead agency shall submit a plan, approved by the state Community Service Commission, specifying proposed qualified national service positions within the state, describing a system for ensuring compliance with this subtitle, describing how the state will make child care available for children of participants to the maximum extent practicable, and describing how such positions will be coordinated with other service initiatives within the state, and

- the state shall arrange group activities for participants and make other efforts designed to promote the ethic of service

K. Commission on National and Community Service. The Commission on National and Community Service shall administer the National Service Trust Fund. The Commission shall:

- in consultation with experts in the field of national service establish criteria for qualified national service opportunities

- monitor compliance with the provisions of this subtitle.

- arrange for the national database described in section D.

- arrange for a national visibility campaign promoting a national service ethic and participation and national service;

- provide a national training curriculum for participants to foster a national program identity;

- facilitate the creation of an alumni network of national service participants;

- coordinate this subtitle with other provisions of the Act;

- provide training and technical assistance to states and programs offering qualified national service positions;

L. Authorization of Appropriations. There are authorized to be appropriated:

- to provide education benefits described in section F, [\$X00 million], which shall remain available until expended; and,

- to carry out other activities described in this subtitle, and to administer the National Service Trust Fund, [\$X million].

Part B: Reauthorization and Expansion of the National and Community Service Act.

The National and Community Service Act of 1990 is amended to:

- continue and expand the funding authorization for the Youth Service and Conservation Corps, Serve America, and Model National Service Programs; and,

- add new authority for a Pre-Professional Corps and Public Interest Entrepreneurs.

TITLE III. Federal Family Education Loans.

Section 428A of the Higher Education Act is amended as follows:

A. Establishment of New Loan Program. There is established one federal student loan program to ensure that all students have access to the financial resources to attend college.

B. Loan Limits. Full-time students are entitled to borrow the following amounts annually (students attending part-time or in short-term programs will have lower limits):

	Dependent <u>Students</u>	Independent <u>Students</u>
First year	\$2,625	\$6,625
Second year	\$3,500	\$7,500
Remaining undergrad years	\$5,500	\$10,500
Aggregate undergrad limit	\$23,000	\$46,000
Graduate	n/a	\$18,500
Aggregate graduate limit	n/a	\$138,500

No student may receive more financial aid from the federal programs than the amount needed to cover the cost of attendance.

C. Repeal of Existing Programs. [The new program incorporates eligibility from Stafford, SLS, and the unsubsidized program].

D. Universal Eligibility. No student shall be denied a loan based on either personal or family income.

E. In-school interest subsidy. Section 428 of the Higher Education Act is amended to provide for a federal interest subsidy for financially needy students, as identified under the needs analysis provisions in section _____. The subsidy would apply to that portion of their loan for which they are eligible, up to a maximum of \$2,625 in the first year, \$3,500 in the second year, \$5,500 in the remaining undergraduate years, and \$8,500 in the graduate years. [Deferral

benefits must also be included].

F. Interest rate. Section 427 is amended such that the interest rate on the loans shall be equal to the 91-day Treasury bills plus 3.1 percent, with a maximum of 9 percent. (The current SLS maximum is 11 percent, so this is a better deal for students).

G. Origination Fee. Borrowers under the federal student loan program shall be charged an origination fee equal to ___ percent of the loan principal. [The level of the fee must be determined based on cost estimates of the overall program -- current origination fee levels on federal student loans are either 5 or 6.5 percent.]

H. Guarantee Fee. Guarantee agencies may charge borrowers a fee as permitted under section ____.

I. Loan Consolidation. Loans made under this program shall be eligible for student loan consolidation as under current law, to simplify repayment for borrowers.

TITLE IV. Establishment of Income-Contingent Repayment Option.
(Expansion of §437A on the Higher Education Amendments of 1992).

A. Purpose. It is the purpose of this section to

--establish a program that will allow student borrowers to repay their loans as a percentage of their income over time

--allow the Secretary to identify and implement other measures to encourage borrowers not participating in the National Service Trust Fund programs to enter into low-paying public service work.

B. Authorization. The Secretary shall establish a program allowing student borrowers under this part or part D to choose to repay their loans on an income-contingent basis. The Secretary is authorized to

(1) acquire from eligible holders, or to otherwise arrange for the transfer of, the notes of borrowers who submit a request for income-contingent repayment; and,

(2) to enter into contracts or arrangements with private firms or other agencies of the Government to carry out the purposes of this section.

C. Regulations. The Secretary shall establish the terms and conditions for the income contingent repayment program. The regulations shall:

(1) specify the schedules under which income will be assessed for repayment of loans;

(2) provide for the discharge of any remaining obligation after the borrower has been in repayment status (non-student status) for not more than 25 years; and,

(3) establish other terms and conditions as may be necessary

[This provides the Secretary with maximum flexibility to address issues such as types of borrowers who can participate (new borrowers, new loans, old borrowers, graduate, etc.), when borrowers opt for the program (and the opt-out procedure, if any); the definition of income (and provisions to protect against hiding of income); the assessment of income (including whether there is an adjustment to reduce negative amortization for lower income borrowers and/or a surcharge for higher income borrowers, and how married couples are treated); etc.].

D. Community Service Incentives. The Secretary, in cooperation with the Commission on National and Community Service, may establish alternative terms, conditions, and discharge provisions to

encourage borrowers to participate in low-paying public service work.

[This permits the Secretary to establish loan forgiveness and/or interest deferral provisions other than those provided for in the income-contingent repayment formula to help borrowers who engage in a particular type of work. For example, the Secretary could pay the interest costs for anyone making less than \$10,000 and working for a charitable corporation providing direct services to low-income or disabled individuals.

E. National Service Loan Forgiveness. To facilitate loan forgiveness under [section ___ of the National and Community Service Act, as amended above], the Secretary of Education is authorized to acquire from eligible holders, or to otherwise arrange for the transfer of, the notes of borrowers who are engaging in national and community service activities pursuant to [the National Service Trust Fund]. If the participant has loan amounts remaining, or fails to complete the service, the Secretary shall assign the loan to a servicer to resume repayment.

F. Authorization of Appropriation. There are authorized to be appropriated funds for the purchase of loans on behalf of students who will engage in national service and to cover any additional costs associated with part D (Community Service Incentives).

V. Expansion of Direct Lending Demonstration Program.

(§451 of the Higher Education Amendments of 1992 et. seq.)

A. 500 schools. Section ___ is amended to require the Secretary to enter into agreements with not fewer than 400 nor more than 500 institutions of higher education to participate in the direct loan demonstration program. Further amend to allow the program to begin with some schools as early as July 1993.

B. Expansion. After the first year, the Secretary may increase the

number of institutions participating in the program, if the Secretary determines that the Federal government has the administrative capacity to do so.

C. Guaranty Agency protections. Section 453 (e) should be deleted and replaced with two new provisions.

(1) The Secretary shall assure that no guaranty agency's administrative cost allowance (ACA) will be reduced by more than 15% of its level for fiscal year 1992; and,

(2) The Secretary may, for any guarantee agency with a substantial volume of loans under the direct loan demonstration program, reimburse agencies based on a percentage of outstanding loans guaranteed by the agency, rather than 1% of the new loans guaranteed by the agency. (The Secretary may determine the percentage that would be appropriate).

[Current law requires the Secretary to choose schools so as not to reduce the volume of new loans at any guaranty agency by more than 15 percent and to determine that all affected guaranty agencies "will remain financially sound." This provision places the Secretary in the position of publicly declaring some agencies financially troubled.]

D. Default Reduction. Reduce Federal reinsurance to guaranty agencies by 3 percentage points for every percent of defaults above 2.5%. [Currently, there is a "cliff" of sorts when the default rate reaches 10 percent and the reinsurance rate is reduced to X%. This would instead encourage constant effort to reduce defaults, to counter the incentive created by the bounty on already-defaulted loans.]

TITLE VI. Amendments to the Domestic Volunteer Service Act and to the Peace Corps Act. [If necessary].

THE WHITE HOUSE
WASHINGTON

T#

Options open

~~Salvage something~~
hang loose

Punato

Ali Seagal
Old Spec

146

Mar 2 Seru
6 PMR

MEMORANDUM

TO: Eli Segal
CC: Distribution
FR: David Dreyer, Jonathan Prince
RE: National Service Communications Strategy Meeting, 1/25/93
DT: January 26, 1993

Monday's meeting outlined some broad themes, some potential problems, some items for research, a potential timeline, and the beginnings of a list of potential communications mechanisms.

BROAD THEMES

There are two broad aspects of the national service program that were linked to each other by Bill Clinton during the campaign: service as a national priority and universal access to higher education.

Universal Access to Higher Education

This is the first target for examination:

- 1 Does the American public believe the President has committed to providing universal access?
- 2 How important is that to them?
- 3 Is that commitment inextricably linked to national service or would public demand be satisfied through an alternative means of resolution?
- 4 At what pace does the public expect the President to move towards universal access? (students per year, percentage of need...)

Service as a National Priority

You effectively described the broad themes:

Citizenship
Diversity
Self-esteem
National needs.

An interesting corollary to this is the obvious ease with which this message enhances and underscores the broader contribution theme outlined by Carville.

POTENTIAL PROBLEMS

From a political/communications perspective the first major problem is the depth of the public's perception that the President has promised to provide universal access to education through the National Service Trust Fund. As indicated above, this should be explored through appropriate research.

The second issue for concern is the gap between the universal, nationwide character of the rhetoric and the current focus on youth as the only targeted group. We need to explore opportunities - and related payoffs - to every demographic segment of the population.

Third, is the difficulty in crafting a real program that will produce the diversity that is a core objective of the philosophical program. There must be a carefully created balance that provides opportunities attractive to whites in middle-class suburbs and minorities in inner cities.

Finally, there is a need to communicate to the public that this is not Points of Light, this is not volunteerism, this is not necessarily a jobs program. We must frame the core message of the program exactly as we want it framed. I believe that it is something akin to: Each of us has an obligation to contribute, but nobody is asking for something for nothing; contributions provide a return on your investment. This also needs exploration; we need to get a better grasp on current public perception about what national service means to people, about what they expect from it, what they want from it, and what they believe the President has promised. That information is essential to the refinement of the ultimate core message.

RESEARCH

The consensus last night was that, ideally, we would focus group prior to developing an instrument. Obviously, this must be discussed with the experts.

We have referred previously to the general topics identified thus far as needing exploration. In quick summation, they deal broadly with:

- 1 The interconnectedness of universal access to higher education and the national service program;
- 2 The extent to which people believe the President has committed to providing universal access;
- 3 What form Bill Clinton's national service program currently takes in the national mindset; and
- 4 What the most compelling message about national service is.

Additionally, mention was given to:

- 5 A name. As you have stressed, this is a critical component of the program's eventual success; it provides a focus and a rallying cry; it has the potential to become one of the defining characteristics of the President's term. Finally,
- 6 An examination of youth receptivity to a program directed much more towards post-high school opportunities and less towards post-college opportunities.

TIMELINE

There was a great deal of discussion over the relative benefits between rapid introduction of legislation (30 days) or a slower approach (6 months). Although there

was a general consensus that the six month approach was the better one, we will quickly summarize the arguments for each.

Thirty Days

- 1 No successful social program in history has been passed gradually; they have all been essentially rammed through Congress.
- 2 Immediate passage of legislation gives the program a focus around which to organize and build gradually.
- 3 Starting immediately instead of engaging first in a communications campaign helps to ensure that demand will not quickly exceed supply.
- 4 If we are going to have a series of difficult battles in the near term (economic program, health care reform, gays in the military, and so forth), this provides an opportunity for an early win.

Six Months

- 1 Most of the social programs in history have turned into bureaucratic disasters; that may be the single greatest risk inherent in this program's development (recall the message behind Eli's pledge to quit if ever the program has more than 100 employees).
- 2 Holding the legislation out in front as a short-term goal provides a target to shoot for and an early rationale for a nationwide campaign to build public demand.
- 3 There is a terrific opportunity in a campaign-style, take this on the road approach to crafting nationwide support for the program. The six or so months could be used to powerful advantage as a component of crafting the President's persona and, additionally, as a second-track vehicle for the delivery of the Carville contribution message.
- 4 There is no compelling need for immediate legislation; we can have a name, a slogan, a logo, and even a pilot program without it.
- 5 Hold the win in the can and pop it when we really need it.

COMMUNICATIONS MECHANISMS

In no particular order, a not-exhaustive list of ideas mentioned:

- 1 A Presidential op-ed in The New York Times, defining the call to service. Perhaps including a directive from the President to the entire White House staff and the Cabinet to devote one day a month to service.
- 2 A national contest to name the service corps.
- 3 A similar contest, along the lines of Ron Brown's campaign commercial contest last year, to create a public relations campaign.
- 4 Targeted mailings to college students of the above op-ed.

- 5 Mailings of a cassette with excerpts from the Inaugural Address and/or the President talking about service. Include donated music by industry supporters (Michael Stipe, etc.).
- 6 Rock-the-Vote town meetings at the University of Michigan, the University of Washington, and the University of Iowa. Others...
- 7 An Eli Segal and company road show, complete with celebrities.
- 8 The President of the United States jogging in matching tee shirts with a group of participants from different, existing programs (City Year, Public Allies).
- 9 A major Presidential address.
- 10 President/Congressman joint service projects in districts.

Obviously, this list doesn't begin to scratch the surface of potential communications tools. The guiding principle of the campaign however should be to make a lot of noise, to generate excitement, and create a true demand.

We hope this is helpful. At your convenience, we should reconvene the same group or a sub-set of smaller working groups.

Distribution: Boorstin
Byrne
Eller
Enright
Gordon
Greenberg
Johnson
Moffett
Seidman
Stephanopoulos
Toback
Waldman

Dear

I am deeply committed to President Clinton's goal of creating a national service program that will give young people the opportunity to serve their country and communities. In return for their energy and commitment, we would like to help them meet the costs of a college education or job training. It is critical that young people have the option to take low-paying community service jobs and still pay off their student loans. To do this, we must:

- Provide loan forgiveness to borrowers for national service after college or training.
- Provide flexible repayment plans to borrowers so that students who take low-paying community service jobs will not be overburdened with debt.
- Streamline the student aid programs so that they are easy to understand, operate efficiently, and cost taxpayers less money.

While we are developing plans to meet all of these goals, it is the third one that I write to you about today. In order to streamline the student aid programs, we believe that *it is necessary to move toward a system of direct lending*. Under this system, the Federal government would provide the capital for student loans through Treasury Department borrowing, while educational institutions could originate the loans. This arrangement would be much cheaper than the current system in which banks and other private lenders serve as both the source of capital (with a Federal guarantee) and the originators of loans. We are recommending this change because it offers the opportunity to serve students, families, and schools better. Direct lending will simplify the current complicated system of student aid, and it will greatly decrease costs to taxpayers.

Despite the many positive reasons to move to direct lending, there remains some opposition to the change. This opposition has naturally come from those who have profited most from the current guaranteed loan program. As this issue is debated in the coming weeks, we want you to have some information concerning our reasons for the change as well as our response to arguments against direct lending.

Major Benefits of Direct Lending:

Cost Savings. *The Congressional Budget Office, the General Accounting Office and the Department of Education have confirmed that direct lending could save \$1 billion or more per year.* The cost savings are derived from the difference between what it would cost the Federal government to lend directly to students and what banks and other participants in the current system are paid to make the loans. In more precise terms, the savings would accrue because the Federal government can borrow at the ten-year Treasury Bill rate whereas private lenders are paid 3.1 percentage points above the ninety-day Treasury Bill rate to provide money to students.

In its recent report, the Congressional Research Service agreed that while direct lending is not the only reform option, it could provide significant savings over the current system where lenders receive excess profits. Student loans are profitable for lenders because the

Page 2 - Direct Lending

Federal government guarantees the loans if students default, protects against interest rate changes, and pays interest on the loans while the students are in school. A study performed under contract to the Department of Education in 1991 confirmed that lenders receive high profits from student loans. In fact, student loans were found to be more profitable than auto loans, mortgage-backed securities, adjustable and fixed-rate mortgages, and U.S. Treasury securities. Only credit cards and commercial and industrial loans ranked higher for profitability.

Simplification of the Delivery System. The current student aid system is bureaucratic, maze-like, and frustrating for students and schools. Under direct lending, the process would be greatly simplified and streamlined because students could arrange for their Federal financial assistance through their schools. The school, in turn, would no longer have to deal with the current complicated web of banks and guarantee agencies.

Responses to Concerns Raised About Direct Lending:

Opponents of direct lending raise a number of concerns. Some of these concerns are legitimate and we are designing our proposals to address them; other concerns are not.

National Debt. The current system of loan guarantees has the same effect on the economy as direct loans would have because the same level of borrowing will occur. While government debt would initially increase because we would have to issue Treasury securities to raise start-up capital, the lower costs of direct lending would, in fact, *reduce the annual deficit.*

Administrative Capacity at the Department of Education. After years of negligence, it is clear that the Department must continue to improve its efficiency and capacity before it can take on the task of direct lending. There is no question that the Department must strengthen its monitoring and review functions, but we must do so regardless of whether the current program continues or we move to direct lending. We have, however, made significant progress in some areas, including improved management and computer systems. *Ultimately, a direct lending process would have fewer administrative layers and thus reduce the risk of error or abuse.*

Administrative Capacity at Educational Institutions. Some educational institutions (especially small schools and vocational schools) are concerned about their capacity to manage a direct lending program. The administrative burden would not be much greater than what schools currently face under the Perkins loan and Pell grant programs. The Education Department has been monitoring a direct loan demonstration program that will provide us with information so that we can successfully implement direct lending on a wider scale. *We are assembling advisory groups to integrate results from the demonstration program and design a larger program in which all schools can participate.*

Serving Students During the Transition. For a long time, lenders have maintained the status quo by using threats of pulling out and disrupting the flow of private funds. The Department is well aware of the challenges in moving to a new system. Maintaining the availability of loans to students is our number one priority. Right now, we have teams working on ways to ensure a smooth transition.

Page 3 - Direct Lending

In sum, there is widespread agreement that direct lending, done right, could save taxpayers a significant amount of money. By streamlining the student aid program and saving money, we can help the President turn his national service program into a reality. Given the Department's high priority for national service and direct lending, I have asked Deputy Secretary Kunin to take direct responsibility for this initiative. If you have questions or would like more information, please contact her at 401-1000 or contact the office of Maureen McLaughlin, Acting Assistant Secretary for Postsecondary Education, at 708-5547.

We look forward to your support for this opportunity to serve students and schools better.

Sincerely yours,

1:40 p.m.

#79 - Green Awning / West Wing Basement

DSOB 303 - Nunn

1/21/93

National Service Program

Moskos -

How to do it

Germany - in home medical care for aged.

- 800 people to run program. (150,000)

Nunn - quantify value returned by doing
social services

model program - being started.

pilot program - should be folded into
the service program.

- enlarge the test program

- Boston City - year (models getting ready)
(2 in GA.)

- Show things that work before going
national.

Commission on Med. Serv.

(Rept. of Commission is out.)

Mikolski

① small adm. structure

② Special to participate (pride)

③ framework for Alums

④ pre-serv. - not only for college
but other post experiences.

Post-College (ROTC) - adult literacy, etc.

40 B- to vets

80 B portfolio at Mikulski appropriation sub.
- need sustaining appropriations.

① Prevention as has empirical value.

① Concept that is over-arching (all programs w/in it)
- with these de-centralized programs all under this national umbrella.

Wafford - opportunity voucher / loan - stipend
- should be matching to other sources.

Ed Kilgore - w/ Gov's staff - Zee Miller.

- not every admin. model will work all over the country

National ?

- ethic
- single administration

Who administers below federal -

- states some places, some private
- buying, non-fed match
- must have some kind of local support (local gov., bus., non-profits)

How to acknowledge traditional volunteerism
natural bridge to trad. orgs. - by
the Youth Service appointees.

Consider how much staff medicine will be developed in Budget.

beef up pilot program for one-year approach



602, 603B - Allocation

Marshall / From → 25,000 / yr. - for four years. to 100,000.

- big new program - would have to have other programs to be collapsed w/ in it.

From

welf.

- 1 1/2 million people - welf. ref.
- Begin w/ new recipients on welf. in a few states.

10 yrs. down the road - this is how student loans could go.

were losing 3 1/2 B in student loan program.

Sallie Krawcheck -

income contingent loan.

NATIONAL SERVICE 1/26/93 (6pm mtg E.S.)

1. timetable 30-45 days?
OR more Ext outreach > 100 days

2. Tie-in service w/ student loan?
UNIVERSAL ACCESS TO ED
Do bill as Pilot?

3. Size of program w/in context of deficit
\$20K per YEAR slot estimate
\$500 million first YR
25,000 people

Interest
Governors, Mayors (Flynn-Basson), Unions (job displacement),
Teachers

Future of ACTION-VISTA + Seniors programs?
Commission on National & Community Service

Structural

What will be put together - thing itself?
How will it be distributed, etc, make grants
 $\frac{1}{3}$ population; $\frac{1}{3}$ competition; $\frac{1}{3}$ direct grants

Legislary

Eligibility - pre or post college

Costing formulas \$20K

A. Stipend 5-10K

B. Benefit (scholarship, forgiveness)

Under National needs/citizenship & diversity benefits

Every

Thurs at 6pm

THE WHITE HOUSE

WASHINGTON

To: Eli Segal
From: Steve Ricchetti
Re: 1/21/93 Mtg. with Sentator Nunn, Mikulski, Wofford,
Charles Moskos, Al From, Wil Marshall

I thought the meeting on National Service yesterday was very productive. You have Charles Moskos's memorandum which summarizes various implementation options. You should remember that he recommended that you consider going to Germany because of the level of success their program seems to be now enjoying.

Major points made by the other participants include:

Senator Nunn

- We must make sure we can quantify the value returned by the social service performed.
- We need to build on the current pilot programs -- they should be folded into the larger/new national service program.
- Demonstrate programs that work before going national.
- We need the program to have private sector investment (funding) both in the start-up and for the benefits received by the organization.
- Expressed concern that, contingent on the austerity proposed in the President's budget initiative, we move realistically toward establishing a secure appropriation for the program.
- Must show country that they are getting something for the program - a tangible social benefit (savings).

Senator Mikulski

- We need to make sure that we adhere to a program which has a small/manageable administrative structure.
- Must develop sense that there is a "special" quality to participation.
- We need to develop a framework for alumni participation.
- She favors a predominantly pre-service program, not only for college but for other potential training programs.

-- We must make sure that the work is commensurate with the skill levels of the participants.

-- Particularly concerned that the program reach out to people who might not normally 'see' the opportunity for advancement/development by participating in the service program.

-- You need to follow up with Senator Mikulski re: appropriations process.

Senator Wofford

-- Need to promote national ethic of public service (From's sense as well).

-- Not opposed to some mix (maybe 50-50) of pre and post service to receive benefits.

-- Favors a concept/program that is over-arching -- with the decentralized programs from around the country under this national umbrella.

-- The opportunity stipend should be matched by other sources whenever possible.

-- Suggested you look at Bill Buckley's book on subject - Gratitude.

-- Make sure we create bridges to traditional volunteer organizations with our new programs.

Ed Kilgore

-- Administrative models that work well in some areas may not work in others.

All the participants in the program suggested that the program can connect with a variety of potential sources below the federal level; state, private non-profit, community organizations. They stressed that we must have some kind of strong local support for the programs to succeed in each location.

From-Marshall suggested program start at 25,000 participants/year and build over 4 years to 100,000.

FACT SHEET

NATIONAL AND COMMUNITY SERVICE TRUST ACT OF 1993

The "National and Community Service Trust Act of 1993" is innovative public policy founded on traditional American values: offering educational opportunity, demanding personal responsibility, and building the American community. In affirming these values, the initiative also rejects big bureaucracy -- reinventing government to unleash the initiative of the American people.

The President's support for service extends from the youngest elementary school students to our oldest citizens, and includes everything from part-time volunteer activities to full-time public service jobs.

The President's initiative will:

- o Build the American community through a new domestic Peace Corps that brings Americans together to tackle pressing national problems.
- o Offer educational opportunity and reward individual responsibility by providing educational awards to hundreds of thousands of Americans who serve our country.
- o Reinvent government by streamlining Federal bureaucracies, relying on locally driven initiatives, and creating flexibility for students and competition among programs.

The Act will establish a Corporation for National and Community Service that will offer Americans who do vital work in the national service initiative an educational award.

The Corporation will establish quality criteria and national priorities, and will require measurable impacts, but within these bounds, communities will be able to design programs that meet their own pressing needs. Programs will educate their participants both in the particular skills their service demands and in the civic responsibility that our democracy requires. In all respects, the Act is designed to build partnerships -- among Federal Government, State governments, and the private sector; and within communities, among the schools, businesses, and civic organizations that seek to fight common problems. Assistance will be distributed on a competitive basis and no program will have a right to funding, but a wide variety of organizations will have a chance to establish programs that serve our country.

Definition of National Service

- o Directly addresses educational, environmental, human, or public safety needs.
- o Improves the life of the participant, through citizenship education and training.
- o Does not displace or duplicate the functions of existing workers.

Organization

- o To reduce waste and promote an entrepreneurial government culture, a new government Corporation for National and Community Service will be established, combining the Commission on National and Community Service and ACTION.
- o While maintaining existing programs such as VISTA, and the Civilian Community Corps, the new program makes investments in new initiatives; neither the Corporation nor the State commissions will operate them.
- o A 15 member bipartisan Board will share power with a Chairperson.
- o Flexible and quality-driven personnel policies will include pay-for-performance.
- o The Corporation may solicit and accept private contributions.
- o At the state level, commissions on national service will be established to mirror and cooperate with the Federal Corporation.
- o Like the Corporation Board, commissions will be composed of bipartisan members from a variety of fields. To ensure a genuine Federal/State partnership, a representative of the Corporation will sit on the State commissions, and a State representative will sit on the Corporation Board.
- o All programs will have to compete for support; none will be guaranteed funding.
- o One-third of funds will be allocated by population-based formula to State commissions with approved plans for competitive distribution of funds; at least one-third to State commissions on a competitive basis for competitive distribution; and up to one-third will be reserved to the Corporation for allocation on a competitive basis.

Programs

- o National priorities will be established and quality criteria for programming will be developed for every type of program in conjunction with experts in the field.
- o Performance goals and independent evaluations will be required in every program.

- o An Inspector General will police fraud and abuse and perform oversight of funded programs.
- o To encourage public/private partnership, programs must provide a 15 percent cash match on stipends and health care and a 25 percent match for other program support.
- o Entities ranging from small community organizations to Federal agencies will be eligible to operate service programs.
- o A broad array of possible programs will be eligible for funding: from youth corps for at-risk youth, to specialized service programs for college graduates, to diverse community corps for Americans of all backgrounds. Many other models are possible, and venture capital will be available for new efforts.

Participants

- o To encourage wide and diverse participation, individuals aged 17 and over may serve before, during, or after post-secondary education.
- o To target program participation to participant interests and community needs, participants will be recruited and selected by approved local programs. A national or State recruitment system will also be established to disseminate information and help interested individuals locate placements in local programs. Information about available positions will be widely disseminated through high schools, colleges, and other placement offices.
- o To earn an educational award, a participant must complete at least 1 year of full-time or 2 years of part-time service in an approved program. An individual may serve up to two terms and earn up to two educational awards.
- o Educational awards of \$4,725 will be provided for each term of service. Awards may be used for past, present or future expenses, including 2- and 4-year colleges, training programs, and graduate or professional programs.
- o Programs will set stipends within a limited range based at minimum wage. Health and child care will be provided to those who need them.

Encouraging Service by All

- o The Act enhances the Serve-America program for school-age youth and the Higher Education innovative community service program.
- o The Act extends and improves the VISTA and Older Americans Volunteer Programs.
- o The Act reauthorizes support for the Civilian Community Corps.
- o The Act reauthorizes support for the Points of Light Foundation.