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Cost Estimates

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January 28, 1993

TO: Eli Segal
FROM: Bill Galston
SUBJ: National Service/Student Loan budget estimates

Attached you will find the budget estimates of a four-year buildup to 100,000 full-time equivalents prepared by David Long of the Manpower Demonstration Research Corporation. Here are some complications.

1. As you will see, the total figure $20,125 per full-time person is based on a $5,000 post-service benefit; with a $10,000 post-service benefit the per person cost would be $25,125.

2. Note that this is total program cost, not federal contribution. If we required a 50% state/local/private match of program costs other than the post-service benefit, the federal per person cost with a $10,000 post-service benefit would be about $17,600; with $5000 post-service benefit, $12,600. If we required a 25% state/local/private match of costs other than post-service benefits, the federal per person cost with a $10,000 post-service benefit would be about $21,300; at $5000, $16,300.

3. Note that the FY1994 budget impact depends on assumptions about how quickly people officially begin service. The MDRC estimate assumes that participants don't begin officially enrolling until January 1994--not an implausible assumption, but one you may wish to adjust.

4. These are incremental costs for full-time service. The rest of the Commission's agenda--elementary and secondary service-learning, college campus-based service, etc., will also have to be funded at some level.

5. This cost estimate says nothing on the revenue side, which is probably wise. In particular, the alleged savings from the switch to direct lending are speculative, not empirically verified (that's why a test was authorized last year). The programs sponsored by Boren (CCC) and Mikulski (HUD/HOPE) might help a little, but my understanding is that the Boren money is still held up by the budget scoring issues with the department of Defense.

The bottom line: a total service request of $500 million for FY1994 is certainly in the ballpark. You might be able to get away with $100 million less if you go the lower post-service benefit/higher match route and if actual enrollments don't begin until well after October 1. The numbers in the "out years" will rise to anything from $1.4 billion to $2.4 billion by FY1998--again, depending on the match formula/post-service benefit decisions.

> How fast can $ be added to targetted programs

- Teach for America
- selected state programs
- selected religious charity programs

> Record of denied applicants for fast speed up

> only 5000 in Summer programs

GROWTH AND COST SCENARIO

FOR

NATIONAL SERVICE

Staff Paper Prepared

for

Board Discussions

January, 1993

1. Introduction and Guiding Assumptions

What follows is a staff paper prepared for the Commission's Board of Directors for purposes of discussion. It is one among many possible scenarios of how a national service network might be quickly developed and what it might cost, extending the more general discussion of national service in Chapter 6 of the Commission's Report, "What You Can Do For Your Country". Given that this is largely a venture into uncharted waters, it is at best an indicator of magnitude and not a precise road map or accounting. All costs are projected in constant 1992 dollars and thus will likely be higher once inflation is accounted for. Finally, this scenario has not been fully reviewed with all of the programs discussed. It is a staff paper designed to help stimulate dialogue and debate. (All tables and charts referred to are found at the end of this paper.)

This scenario starts from the assumption that national service would consist of a network of diverse programs. It would have programs targeted at high school graduates and dropouts, college students, college graduates, professional degree holders and seniors. There also would be a balance between federally operated programs and locally owned and operated ones. To achieve this diversity, we have followed two principles in building this scenario. First, we have attempted to keep an even balance between programs geared to those not yet in college or not planning to attend college, and programs for those either in college or already graduated from college. Second, we assume that federally operated programs comprise no more than 25% of the slots in the national service network of opportunities. This ensures that federally operated programs do not dominate local ones. It may, however, take a couple of years to reach this goal given that federal programs account for about one third of the current placements and they are the easiest to expand. Using these two principles as guide posts, we have projected what developing such a network might entail.

Growth Projections

This scenario illustrates how a national service network could be developed over a three-year period. This would require a dramatic growth-rate, averaging about 50 percent annually, and would depend, among other things, not only on the availability of increased federal, state, local and private funding, but also the development of programs and leadership to provide high-quality opportunities for service.

Under this scenario, by the end of the first full year in which national service is funded and operational, the number of people involved in national service programs would double from the current level of 30,000 people involved in full-time civilian service (or the equivalent in part-time service) to 60,000. [See Table 1.]

After that, growth would continue at a rate of 20,000 additional slots a year--a rate that allows for evaluation and quality improvement--taking the network to a total of 100,000 participants by its third year. If at this point, national service has

demonstrated its worth and feasibility, the infrastructure already developed could provide a solid foundation further high-quality expansion, perhaps reaching as many as half a million participants - the size of the Civilian Conservation Corps at its peak. Chart 1 provides a picture of what such a national service network might look like, a picture lessons learned in the next few years might very well alter. A slower growth-rate is also possible and depending upon what we learn from the programs already underway, might even prove to be desirable. Nonetheless, the pattern of development illustrated by this scenario could be a useful guide even for a slower expansion.

Cost Projections

Currently the federal government already spends over $250 million on federally operated full-time service programs,[1] and through the Commission is spending another $45 million to support non-federal full-time programs.

Table 2 shows the three-year projected costs to the government per participant by program model. The total costs are shown in Table 3 and Table 4. All of these figures are ballpark estimates, based on many assumptions, most importantly that federal funds will be matched by other moneys. In the first year, the federal cost of national service would be just over a billion dollars. By the third year, the costs would have risen to almost $1.6 billion for 100,000 participants. If non- federal costs are included, the total cost of national service rises to around $2.1 billion.

In general, under the network described in this scenario the costs to the federal government fall into three major areas: 1) direct support of participants, 2) matching grants to participating programs for operation and stipends, and 3)support for network coordination.

Direct Support for Participants:

We assume that federal direct support of participants could come in the form of health insurance, day care, and post-service benefits usable for further training or for paying off debts incurred in training.

Health insurance would be made available to all participants in national service who lack other coverage. Current costs of health insurance for existing programs are very high–in the range of $1,500 per participant. The National Association of Service and Conservation corps has negotiated a policy with a major insurer at a cost of around $600 per participant for less comprehensive coverage.[2] In addition, other benefits, such as a day care allowance, may be necessary for some participants. We have estimated a cost of $1,500 per participant on average to cover this allowance and other miscellaneous costs.

The post-service benefit, or reward for service could take several different forms, which require further analysis and discussion. The simplest, and the one currently

authorized by Congress for the Commission's programs, would be a fixed-sum certificate of $5,000 given for every year of service. Some advocate a post-service benefit as high as $10,000 per year of service, or graduated benefit levels based on age or educational attainment. Still others advocate forgiving a percentage of debt for each year of service. However, except where otherwise noted, this scenario assumes a certificate valued at $5,000 per year of service, as is currently provided for in Subtitle D of the Act.

Support for Programs

If the federal government hopes to build a network of the size and quality envisioned in this scenario, it will need to provide programmatic support to local or state operated programs, as well as to cover the full costs of the 25% of programs that are federally operated. This scenario assumes that the support to the non-federally operated programs would come in the form of matching grants to bolster local commitment to program quality. To reflect a true partnership between federal and local sources, the level of the match could be set at 50/50. The non federal portion would come from state and local governments (including federal money that is locally controlled, such as Job Training Partnership Act and Community Development Block Grants funds), individuals, foundations, and the private sector. We assume that 5% to 10% of the total funding could come from non--governmental sources (the greater this percentage is, the more the programs will be entrepreneurial and locally responsive). The costs covered by the matching grants will vary with the program and thus will be discussed below.

Cost of Coordination at Federal Level

The final component of cost would be network coordination. As noted throughout this working paper the staff believes strongly that any network of national service should be highly decentralized, run largely by the states and communities where the service is being provided.

For the purposes of this paper we are estimating that the cost of federal coordination (whether by one or more agencies) would be 5% of total federal national service expenditures, or $50 million in year one.

2. Discussion of Growth and Cost by Program Category

The programs that could be part of the national service network vary along many dimensions. From the perspective of cost to the federal government, however, the most important dimensions are whether they will be federally operated or just federally-supported, and whether they are team models or placement models as defined in Chapter 6 of the Commission's report "What You Can Do For Your Country." In addition, the models that we are calling professional and the Peace Corps will be more

expensive for reasons to be discussed below, while part-time models will be the least expensive.

Federally-Supported corps

There are currently around 15,000 year-round participants in youth corps around the country. The biggest obstacle to the growth of these corps has been funding. Most leaders of existing corps feel that they could double their programs within a year if they had more financial resources. In addition, there are communities currently without corps that might be inspired to establish them if federal matching funds were available. Therefore, we make the assumption that in the first year, corps could expand to 27,000 members, and in each of the following two years they could add another 9,000 to reach a total of 45,000 by the end of the third year [see Table 1]. This, when combined with the federally operated corps discussed below, would result in half of the national service opportunities being allocated to corps.

In existing corps the annual cost per year of service, exclusive of post-service benefits, varies significantly between $10,000 and $30,000. These costs cover stipends, (some pay the minimum wage of $4.25 an hour and others pay a stipend of $100 per week), team supervision, education and counseling, equipment and facilities, and central administration. Corps on the low end of the spectrum indicate that more money would allow them to significantly enhance the impact of their program on the servers and the community. Corps on the high end indicate that they would realize some economies of scale as they expanded. For this scenario, we estimate an average of $15,000 annual operating cost per participant, exclusive of post-service benefit. Assuming a 50% match, the annual cost to the government of operating support would be $7,500, on average. The total cost to the government annually, when post-service and other benefits are included would be approximately $14,000 per participant.

Federally operated corps

There are currently no existing federally operated, full-time team based programs of any size. (There are summer programs operated by the Department of the Interior.) The recently passed Community Works Progress Act of 1992 amendment to the Defense Authorization Act authorizes, as part of military down-sizing, federally operated residential corps supervised by the National Guard and by the Commission. This will provide an opportunity to establish federally operated corps. However, it is our view that these corps should not overshadow the community-based corps that have evolved through grassroots efforts. Therefore, for this analysis, we limit the numbers in federally operated corps to 10% of the total corps enrollment. Table 1 shows the estimated growth from 3,000 federal corps members during the first year to 5,000 by Year 3. This would keep to the 10% split of federal and non- federal slots while allowing for experimentation and development of new models.

Given that there is no existing model, the cost per participant of these corps used in Table 2 is based on information on local youth corps. As noted above, on average, a typical youth corps' annual operating cost per year of service is around $15,000, excluding post-service benefit. The total cost to the government, when post-service benefit and other benefits are included would be around $21,500 per participant. We have assumed that this would all be incremental cost. However, perhaps these new federal corps will be able to draw on some existing federal resources (such as personnel, facilities, and supplies) to reduce this cost.

Non-Federal Placement

This category includes a mixture of individual placement and individual placement/group identification models as defined in the Commission's report. Current examples of the group model are Teach for America with 1,300 participants and the Jesuit Volunteer corps, with 430 people providing non--sectarian service. In addition, the Commission funded several models of this type under Subtitle D (Delta Service Corps, Oklahoma Health Care Volunteers, Volunteer Maryland!, Seneca Nation Language Link and Pennsylvania Service Corps) The Washington Service Corps provides the closest example of an existing individual model. The number of 5,000 current servers in Table 1 for this category is a rough extrapolation.

The advantage of group and individual models is that they can be expanded quickly because the organizations where the servers are placed provide the majority of the supervision. (The sponsoring organizations, however, will require training and support to allow them to make effective use of the servers). The significant interest shown by college students in serving full-time after graduation in return for debt relief, and the fact that many of these programs are currently oversubscribed, leads us to assume that many people would be interested in serving in this kind of program.

Given the strong demand for this type of service opportunity, and the wide diversity of potential programs through which these service opportunities could be offered, we estimate that the number involved in this kind of service could double in the first year to 10,000. 3,500 slots added in each of the following years mean a total of 17,000 slots by the end of the third year. While we recognize that this would represent less than 2% of the estimated 1 million students who would be graduating with some debt each year[3], we believe it is the best approach to ensure that quality is maintained.

The cost to the government for many of these programs is low because the sponsoring organization pays all or part of the server's stipend or salary and often also covers health insurance. This reflects the fact that most of the people in these programs will be more experienced and educated and thus able to bring marketable skills to the organizations where they are serving. Teach For America and the Jesuit Volunteer corps both operate in this manner. The costs to the federal government would be half of the operating costs of the programs through which the servers are placed and the post-service benefits.

The operating costs for these programs would also vary widely depending on the amount of structured group interaction, training, placement service, and reflection provided by the program. We have assumed that the more structured models would account for the majority of opportunities and thus have used a cost estimate at the high end of the spectrum. Teach For America, which has a very heavy training and group interaction emphasis, has annual operating costs of approximately $5,000 per participant.

Assuming that the federal government were to pick up half this cost and that in half the models the sponsoring organization pays the stipends, the result would be about $5,000 per server on average, the amount indicated in Table 2 for operating costs.[4] Insurance costs would also be only 50% of the $1,500 average because in about half the cases the sponsoring organization would pay for insurance. The average total cost to the government of these programs would thus be around $11,000 per service year.

Federally operated Placement

The only existing example of a federally operated placement model is VISTA, which currently has 3,300 volunteers. According to VISTA staff members, there is more than enough demand on both the side of the servers and the agencies looking for servers to almost double to 6,000 the number involved by the end of the first year if the funds were available. In each of the following two years, 2,000 participants would be added bringing the total to 10,000 by Year 3. Faster growth than this might be possible, but it would have to be kept at this level to hold to the assumption of only 25% federal slots.

At the end of their service, VISTA volunteers receive a bonus of $95 a month for each month of service or $1140 if they serve a full year. We have assumed that this would be increased to $5,000 to achieve parity if a national service network is established. The cost of operating VISTA is hard to determine because the same staff work on both VISTA and other ACTION programs. VISTA staff members estimate that annual costs could be kept at around $2,000 per participant as the program expanded to scale. Adding in $2,000 of miscellaneous costs for training and support, the federal contribution for stipend and operating costs would be in the range of $12,000 per service year. The total cost to support a participant for a year would thus be around $18,500.

Peace Corps

The Peace Corps currently has around 6,300 participants. We estimate slower growth for the Peace Corps for several reasons. The expansion of an international program requires extensive lead time and is costly. The Peace Corps has made many of these investments already and believes it is ready to grow. The Peace Corps also believes it has demonstrated the capacity to manage rapid growth and has grown in

recent years. Given our urgent domestic needs, we have assumed that the expansion of domestic programs would be the first priority. Therefore, as indicated in Table 1, the Peace Corps grows to 7,000 servers the first year and adds 500 each of the following two years, bringing it to 8,000 at the end of year 3. This, however, is lower than the Congressionally mandated 10,000 participants. Peace Corps current plans call for growth to 9,300 participants by Year 3.

This program is more expensive because of the logistics involved in operating an international program. The current cost per Peace Corps volunteer is approximately $39,000 per year of service; however, the incremental cost for a new Peace Corps volunteer in an existing site is $9,000. This includes health insurance and a readjustment bonus of $2,600 which we have again assumed would be increased to $5,000 for parity reasons. This may, however, not be necessary for the Peace Corps given that volunteers receive extensive training, overseas experience and access to fellowships. Assuming some economies of scale, we estimate that the Peace Corps could operate at $33,500 per service year exclusive of insurance and post-service benefits, which means a total cost of $40,000 per service year. The Peace Corps believes that the cost per service year or expansion will be significantly lower than $40,000 because a high percentage of the cost is fixed.

Professional

The professional models are designed to attract skilled professionals (usually advanced degree holders) to underserved areas. The National Health Service Corps is the best-known example of this model, helping people pay for medical school loans in return for practicing in underserved communities. It does this through two programs, its scholarship program and the more recently begun loan repayment program. The scholarship program, which began in 1974, offers to pay for a year of medical school in return for a year of service in an underserved community. Last year, 3200 applicants applied for 365 spots in the program. Participants choose the numbers of years they wish to commit to, most agreeing to three or four. In return for this commitment they receive tuition, books, and a living stipend of about $800 per month for each year of service. When they graduate, they choose where they will serve from a list of qualified organizations that the Health Service assembles. While in service the organization where they work pays participants the entry level wage for their organization. There are currently around 400 people serving in the field through this program; over 14,000 people have gone through since its inception.

For the 365 people accepted into the program this year, the Corps set aside $29 million dollars to cover the total costs of tuition, living stipend and books. Those 365 people contracted for 934 years of service. Therefore, the estimated cost per year of service for the people accepted into the corps this year was $31,138 (up 17% from the previous year because of the increasing costs of medical school).

The loan repayment program was begun in 1988 and has accepted about 700 people since its inception. For each of the first two years of service they can get $25,000 in loans forgiven. For each year after that, $35,000 in loans are repaid. In addition, they

receive a 39% bonus on the amount of loans paid off to cover the taxes they have to pay on the payment they receive. The organization where they are working provides their salary. Last year 914 people applied and 326 were approved (230 of whom were primary care physicians). They committed to 747 years of service. To cover the loan costs for these people, the National Health Service Corps set aside $22.7 million, an average of $28,816 per year of service. There are currently around 600 people in the field through this program and other similar state and Indian Health Service programs.

This results in the average post-service benefit, in the form of loan forgiveness, for the National Health Service Corps being much higher than with other programs--it's an average of around $30,000 per year of service. Salary and insurance costs are picked up by the agency where the doctor works, but all the other operating costs for placement and training are picked up by the government. These costs, however, are mixed in with the other costs of the National Health Service and thus must be estimated. An average of $3,000 per service year has been used in Table 2, making the total cost, including the post service benefit, come out at around $33,000.

We have assumed no growth in the first three years from the current level of 1,000 people in the field because of the unique nature and cost of this model. In subsequent years, however, once a solid foundation is laid in the other program areas, professional programs could be expanded to such areas as the already existing Legal Services Corporation, or starting new programs for engineers, architects, managers, and others.

Part-Time

There is great potential for expanding the number of people serving in part-time models. These models fall into three groups based on different target populations: people still in high school such as those in New York's City Volunteer Corps, Youth Volunteer Corps (YVC) programs or other part-time year round corps programs; people in college like those in the Bonner and INVST programs; and people not in school such as in many of the Commission's Subtitle D models. The number in Table 1 of 2,400 currently involved is an extrapolation based on programs targeted at all three groups. All of the models would involve a regular weekly commitment by the server after school or work or on the weekend, as well as a full-time commitment during the summer or vacations. Servers would be expected to participate for at least three years.

The Bonner Scholars is the largest existing model of this kind with over 900 college students currently participating. Given the large number of service institutions already existing on college campuses and in some high schools, and that part-time programs do not require people to stop doing what they are currently doing, it is our belief that the numbers participating through this type of program could be expanded dramatically with federal support. The same would be true for many youth corps that have summer programs (currently about 5,000 people are participating in summer programs) that could be expanded to include a part-time component during the school year, as is currently done in the CVC and some of the YVC programs. The Subtitle D models will add significant numbers of part-timers, some of whom will be adults.

Finally, many senior citizens may be attracted to part-time options, and they could constitute a large additional source of skilled servers.

Based on the above, it is our assumption that 6,000 people could be placed in part-time programs by the end of the first year. This would then be expanded by 4,000 per year to create a total of 14,000 part-time slots by the end of year 3. We believe this is achievable because there are so many potential participants who could be placed through the already existing programmatic infrastructure. For instance, if more work study funds were made available to support this kind of program, there are many students who would be interested in serving and they could use the already existing service programs on campus to get placed. Given that there are currently 875,000 work study students, there is a large pool to draw from.[5]

The costs of this type of program would vary. We have assumed a post-service benefit of $2,000 per year of service. (This is the figure in the Act.) The need to pay stipends would vary. People employed or students not requiring financial aid would not need to be compensated, except for the possibility of a stipend for work done during the summer or after school. For example, YVC programs currently do not provide any stipends, yet they have been able to attract a diverse mix of servers.

Students or adults with financial needs would require some stipend to remove the financial barrier to service. For college students, this could come in part from existing work study funds. Most participants in these programs could also get their insurance either through their school or employer. A conservative estimate for operating costs per part-time server year would be in the range of $3,000. This is close to the average current yearly contribution made by the Bonner Foundation to the Bonner Scholars. Some of this would be matched, so we have assumed an average a federal contribution for stipends and operating costs of $2,000 per service year. With post-service benefit the total federal cost would be $4,000 per service year. The incremental federal cost per service year, may however, end up being much lower than this estimate, depending on how many people require stipends and what percent of the cost is picked up by the government as opposed to non- federal sources.

3. Total Cost

Under this scenario, an estimated total cost for national service for the federal government would be just over $1 billion in the first year, rising to $1.6 billion by the third year [see Table 3]. Adding in the non- federal cost, the total rises to over $1.3 billion in the first year and to just over $2.1 billion in the third year. Table 4 breaks this cost into four components: post-service benefits and insurance for the participants, federally operated program support (including stipends but excluding post-service benefits and insurance), non- federal program support (including stipends but excluding post-service benefits and insurance), and network coordination.

There are certain as yet unknown variables that will have an impact on these figures, such as deferment of interest on loans during service, attrition rates, and taxation of benefits. If interest is deferred on student loans during service this will add

to the overall costs, although much of this cost is already covered by existing loan deferment provisions. Secondly, attrition, which has historically been high in many of these programs, could reduce costs significantly. The level of this impact will depend on whether post service benefits are pro-rated based on length of service and the lapse in time between when a participant exits a program and a new recruit fills the vacant slot. Finally, the decision about whether to tax stipends and benefits will impact costs. Given that post-service benefits and stipends are designed to reimburse for expenses, many argue that they should not be taxed. Others argue that, while we might want to increase the stipends and benefits to cover taxes, we definitely should count them as taxable income because one of the main purposes of national service is to prepare youth for the demands of citizenship, and paying taxes is one such demand.

4. Factors Reducing Cost

Establishing a national service network could help drive down costs in several other areas of federal spending:

Reduction in Loan Defaults

Last year there were around $3 billion in defaults on student loans.[6] Creating a national service network should reduce these defaults because people will now have an alternative way to meet their debt obligation. It is important to note, however, that in the early years of the national service network there will be a limited number of slots and thus only a small percentage of those graduating with debt will be able to reduce it through service. Therefore, national service alone will not be able to impact on the majority of student loan defaulters..

Work Study for Part-Timers

The federal government has authorized around $800 million dollars for college work study in fiscal year 1993. Beginning in fiscal year 1994, schools are required to use at least 5% of their work study money to support community service.[7] To the extent that some of this money is earmarked for community service it will reduce the need of the federal government to finance a majority of the part-time models.[8]

Ties to Social Welfare Programs

Currently, service is being tested as a way to help people make the transition from welfare to work (one example is the Oklahoma model the Commission funded under Subtitle D). If this is feasible, some portion of the $11.5 billion spent by the federal government on AFDC in 1990 could be used instead to expand such programs.[9] Similarly, since service programs are an effective way of preparing at-risk youth for the world of work, perhaps even more than the portion of JTPA's funds now spent in support of corps and summer service programs could be channeled to the national service network. In addition, service could be incorporated into some of the $955 million appropriated to the Job Corps Programs in fiscal year 1992.[10]

[1]Peace Corps, VISTA and the National Health Service Corps

[2] Interview with Tony Perez, Executive Director, Milwaukee Community Service Corps, 10/13/92.

[3] Interview with Jamie Merisotis, Executive Director, National Commission on Responsibilities for Financing Post secondary Education, 11/92.

[4] Assumes government pays $2,500 of the $5,000 operating cost for all participants and $5,000 of the $10,000 stipend for half the participants, or another $2500 on average.

[5] "Trends in Student Aid, 1981-1991", The College Board, NYC, NY, 1991, p. 9.

[6] "Student Loans: An Overview of Issues and Options", Issue Brief, National Commission on Responsibilities for Financing Post secondary Education, June 1992, p. 3.

[7]The Federal Work Study Program authorized by 42U.S.C.. 2751.

[8] Interview with Senator Wofford's Office, 12/30/92.

[9] Interview with Herb Lieberman, Administration for Children and Families, Office of Family Assistance, 10/15/92.

[10] Letter from Deputy Assistant Secretary of Labor, 1/7/93.

Table 1

Potential Number of National Service Slots by Program Model

	Current Situation	Year 1	Year 2	Year 3
Team-based Programs				
Nonfederal Youth Corps	15,000	27,000	36,000	45,000
Federally Operated Corps	0	3,000	4,000	5,000
Individual Placement Programs				
Nonfederal (e.g., TFA, JVC, DELTA)	5,000	10,000	13,500	17,000
Federal Domestic (e.g., VISTA)	3,300	6,000	8,000	10,000
Peace Corps*	6,300	7,000	7,500	8,000
Professional Programs (e.g., NHS Corps)	1,000	1,000	1,000	1,000
Part-time Programs (e.g., YVC, Bonner)	2,400	6,000	10,000	14,000
Total Participation	33,000	60,000	80,000	100,000
Precollege/Non-college	45%	50%	50%	50%
College/Postcollege	55%	50%	50%	50%
Federally Operated	32%	28%	26%	25%
Nonfederally Operated	68%	72%	74%	75%

*Peace Corps current plans call for expansion to 9,300 participants by Year 3.

Chart 1

Potential Distribution of National Service Opportunities - 500,000 Participants

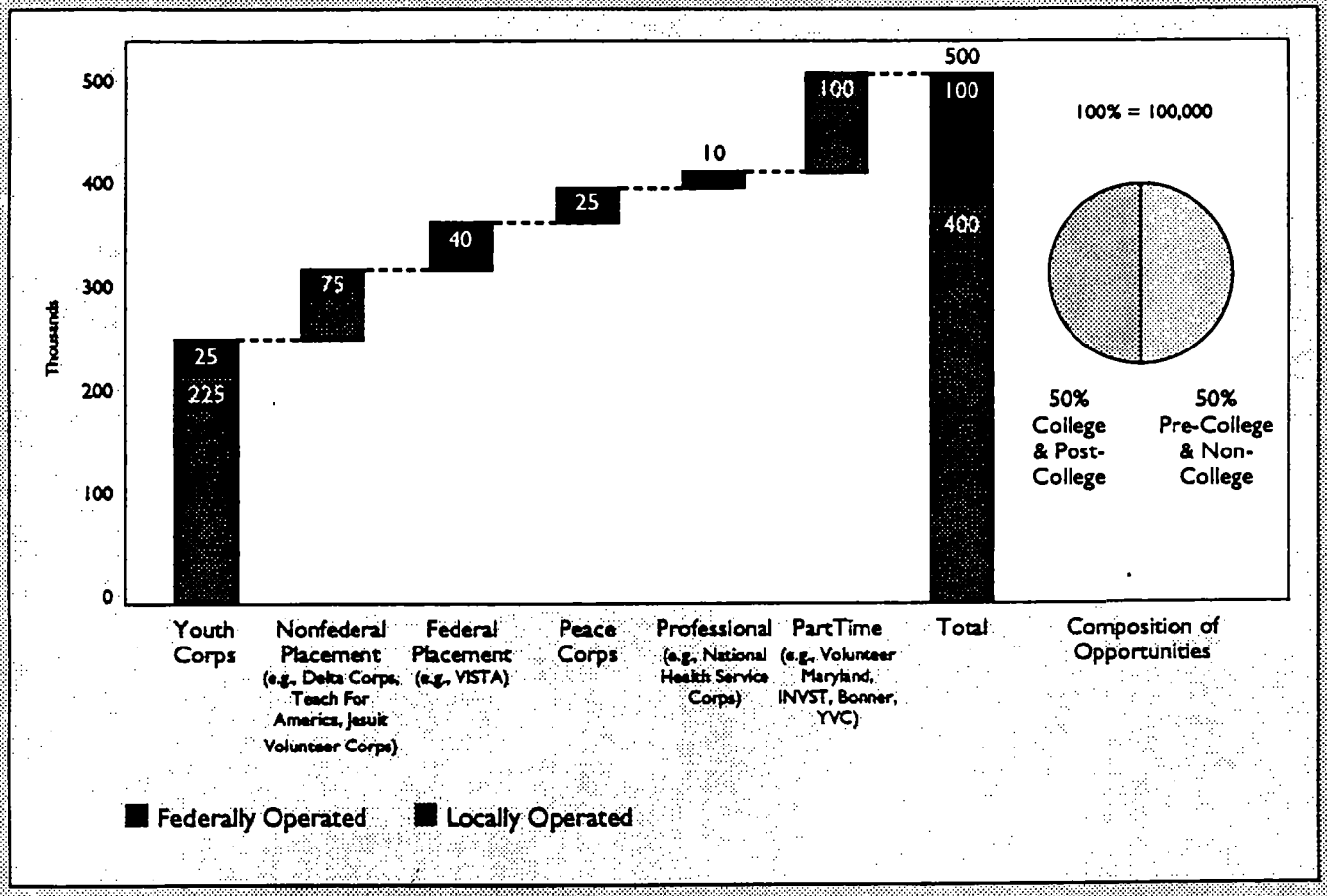

Table 2

Potential Annual Federal Cost Per Slot by Program

	Stipends and Operating Cost	Postservice Benefit	Insurance/ Other Benefits	Total Federal Cost
Team-based Programs				
Nonfederal Youth Corps	$7,500	$5,000	$1,500	$14,000
Federally Operated Corps	$15,000	$5,000	$1,500	$21,500
Individual Placement Programs				
Nonfederal (e.g. TFA, JVC, DELTA)	$5,000	$5,000	$750	$10,750
Federal Domestic (e.g., VISTA)	$12,000	$5,000	$1,500	$18,500
Peace Corps*	$33,500	$5,000	$1,500	$40,000
Professional Programs (e.g., NHS Corps)	$3,000	$30,000	$0	$33,000
Part-time Programs (e.g., YVC, Bonner)**	$2,000	$2,000	$0	$4,000

*Peace Corps believes that the cost per service year of expansion will be significantly lower than $40,000 because a high percentage of the cost is fixed.

**Part-time costs are for the equivalent of between one-half and one-third of a service year.

Table 3

Potential Total Federal Cost

$ in Millions

	Year 1	Year 2	Year 3
Team-based Programs			
Nonfederal Youth Corps	$378	$504	$630
Federally Operated Corps	$65	$86	$108
Individual Placement Programs			
Nonfederal (e.g., TFA, JVC, DELTA)	$108	$145	$183
Federal Domestic (e.g., VISTA)	$111	$148	$185
Peace Corps*	$280	$300	$320
Professional Programs (e.g., NHS Corps)	$33	$33	$33
Part-time Programs (e.g., YVC, Bonner)	$24	$40	$56
Total Federally Operated Programs	$489	$567	$646
Total Nonfederally Operated Programs	$510	$689	$869
Total Program Cost	$998	$1,256	$1,514
Federal Coordination (5%)	$50	$63	$76
Total Federal Cost	$1,048	$1,319	$1,590
Nonfederal Cost	$322	$435	$548
Total Cost	$1,370	$1,754	$2,138

*Because totals were based on total average cost, and approximately one-third of Peace Corps total average cost is fixed, Peace Corps estimates the dollar amounts contained is this table would support significantly more participants that those indicated in Table 1.

Table 4

Potential Program Cost Exclusive of Post-service Benefit and Insurance

$ in Millions

	Year 1	Year 2	Year 3
Team-based Programs			
Nonfederal Youth Corps	$203	$270	$337
Federally Operated Corps	$45	$60	$75
Individual Placement Programs			
Nonfederal (e.g., TFA, JVC, DELTA)	$50	$68	$85
Federal Domestic (e.g., VISTA)	$72	$96	$120
Peace Corps*	$235	$251	$268
Professional Programs (e.g., NHS Corps)	$3	$3	$3
Part-time Programs (e.g., YVC, Bonner)	$12	$20	$28
Total Federally Operated Programs	$355	$410	$466
Total Nonfederally Operated Programs	$265	$358	$451
Total Program Cost	$619	$768	$917
Total Postservice Benefit	$307	$395	$483
Total Insurance/Other Benefit	$72	$93	$115
Federal Coordination (5%)	$50	$63	$76
Total Federal Cost	$1,048	$1,319	$1,590

*Because totals were based on total average cost, and approximately one-third of Peace Corps total average cost is fixed, Peace Corps estimates the dollar amounts contained is this table would support significantly more participants that those indicated in Table 1.

MANPOWER DEMONSTRATION
RESEARCH CORPORATION

MEMO

TO: Richard Danzig, Bill Galston

DATE: December 3, 1992

FROM: David Long

SUBJECT: National Service Program Costs

Attached are revised versions of the cost tables we discussed yesterday. I have modified my estimates to reflect the input I received from the group and have added notes to each table which summarize the assumptions and data that underlie the estimates.

Please let me know if you have questions or if there are other things I could do to be helpful.

TABLE 1. ESTIMATED COST OF THE NATIONAL SERVICE PROGRAM PER PARTICIPANT YEAR (in 1993 Dollars)

Loan Forgiveness:	Principal	$5,000	[5,000 - 10,000]
	Interest	625	
Stipend		8,000	[7,000 - 9,000]
Supervision		2,000	[500 - 3,000]
Benefits:	Health Insurance	1,000	[700 - 2,000]
	Child Care	1,250	[500 - 2,000]
Administration		2,250	[1,700 - 3,900]
TOTAL		$20,125	

NOTES:

1. The cost estimates in this table are expressed per full-time equivalent participant per year (some participants will be allowed to participate on a part-time basis). The cost ranges in the right-hand column present upper- and lower-bound cost estimates, and the figures in the left-hand column indicate where within these ranges we currently expect the costs to fall.

2. Loan Forgiveness. Lower bound: $5,000 is the approximate cost of two years of tuition and required fees (but not room and board) at a public, four-year college (National Center for Education, Digest of Education Statistics); $625 is the cost of interest payments on the participants' outstanding education debt while they are enrolled in the program (assuming half of participants enter the program with debt, the average debt is $10,000, and the applicable interest rate is 5 percent above the inflation rate). Upper bound: $10,000 covers tuition, fees, over half of room and board for two years at a public college, and interest payments.

3. Stipend. Lower bound: $7,000 is approximate U.S. poverty standard for a single individual. Upper-bound: $9,000 roughly corresponds both to the poverty standard for a family of two, and to the earnings one would receive from a full-time job at the minimum wage.

4. Supervision. Lower bound: $500 is the approximate cost of participant placement and monitoring in program models that place participants with outside agencies and community organizations (which assume responsibility for on-the-job supervision). Upper bound: $3,000 is the cost of supervision in a youth service corps model, assuming that a supervisor's crew consists of 10-15 members (the average for the California Conservation Corps), the supervisor's salary is $25,000, and fringe benefits and overhead amount to 50 percent of salary.

Table 1 (continued)

5. Health Insurance. Lower bound: $700 is the approximate annual premium for basic and major medical coverage offered by the American Bar Association to law students under age 35. Upper bound: $2,000 is the approximate premium cost for large-group insurance provided by private employers (about $1,700 for single individuals, and higher for families, according to the 1991 Hay-Huggins Benefit Report).

6. Child Care. Lower bound: $500 is the cost if the annual child care expenditure is $2,900 per user, and one in six participants uses child care ($2,900 is the median cost, adjusted for inflation, of care used by employed mothers with 1 child reporting non-zero costs on the SIPP survey in 1984-85; Census Bureau, "Who's Minding the Kids," ser. P-70, no. 9). Upper bound: $2,000 is the expenditure if the cost per child is about $4,000, there are 1.5 children per user, and one in three participants uses child care ($4,000 is the average cost of "quality" care, adjusted for inflation, assuming a participant requires 40 hours of child care per week; hourly cost of quality care in 1990 estimated by E. Kisker and C. Ross, "An Overview of Child Care Supply and Demand").

7. Administration. Lower bound: $1,700 is 15 percent of the estimated total lower-bound cost of the program (excluding forgiveness of loan principal) which is consistent with the limit on administrative costs set by the JTPA program. Upper bound: $3,900 is about 20 percent of upper-bound costs (excluding forgiveness of principal), which is consistent with administrative costs in the Supported Work program (Long, Analysis of Expenditures in The National Supported Work Program).

TABLE 2. ESTIMATED COST OF THE NATIONAL SERVICE PROGRAM PER 100,000 PARTICIPANTS
(By Fiscal Year, in Millions of 1993 Dollars)

	1994	1995	1996	1997	1998
Loan Forgiveness					
(Encumbered)	21.1	222.7	463.2	558.5	562.5
Expended	7.4	89.8	261.1	434.5	446.1
Stipend	112.5	500.0	787.5	800.0	800.0
Supervision	28.1	125.0	196.9	200.0	200.0
Benefits	31.7	135.0	212.7	216.0	216.0
Administration	112.5	168.8	225.0	225.0	225.0
TOTAL EXPENDED	292.2	1018.6	1683.2	1875.5	1887.1

NOTES

1. Program Operations. It is assumed that the program begins operations in October, 1993, and that participants begin enrolling in January, 1994. The number of full-time-equivalent participants gradually increases to 100,000 by January 1996; 10,000 of these positions are filled by part-time participants (e.g., 20,000 participants involved on a half-time basis).

2. Length of Service. On average, participants are assumed to spend 1.25 years in the program; 25 percent spend 6 months, 25 percent stay one year, 25 percent spend 18 months, and 25 percent stay two years.

3. Education Vouchers. It is assumed that half of participants enroll after completing their education to pay off an existing debt (on average $10,000); interest on this debt (at five percent above the inflation rate) is paid by the program during the period of participation. The other half of participants enroll prior to beginning their education to earn vouchers they can use to pay for qualifying education expenses; participants fully use these vouchers (none of the credit they earn goes unspent). It is also assumed that vouchers are vested after six months of participation, but are not available to use until participation has been completed.

GROWTH AND COST SCENARIO

FOR

NATIONAL SERVICE

Staff Paper Prepared

for

Board Discussions

January, 1993

1. Introduction and Guiding Assumptions

What follows is a staff paper prepared for the Commission's Board of Directors for purposes of discussion. It is one among many possible scenarios of how a national service network might be quickly developed and what it might cost, extending the more general discussion of national service in Chapter 6 of the Commission's Report, "What You Can Do For Your Country". Given that this is largely a venture into uncharted waters, it is at best an indicator of magnitude and not a precise road map or accounting. All costs are projected in constant 1992 dollars and thus will likely be higher once inflation is accounted for. Finally, this scenario has not been fully reviewed with all of the programs discussed. It is a staff paper designed to help stimulate dialogue and debate. (All tables and charts referred to are found at the end of this paper.)

This scenario starts from the assumption that national service would consist of a network of diverse programs. It would have programs targeted at high school graduates and dropouts, college students, college graduates, professional degree holders and seniors. There also would be a balance between federally operated programs and locally owned and operated ones. To achieve this diversity, we have followed two principles in building this scenario. First, we have attempted to keep an even balance between programs geared to those not yet in college or not planning to attend college, and programs for those either in college or already graduated from college. Second, we assume that federally operated programs comprise no more than 25% of the slots in the national service network of opportunities. This ensures that federally operated programs do not dominate local ones. It may, however, take a couple of years to reach this goal given that federal programs account for about one third of the current placements and they are the easiest to expand. Using these two principles as guide posts, we have projected what developing such a network might entail.

Growth Projections

This scenario illustrates how a national service network could be developed over a three-year period. This would require a dramatic growth-rate, averaging about 50 percent annually, and would depend, among other things, not only on the availability of increased federal, state, local and private funding, but also the development of programs and leadership to provide high-quality opportunities for service.

Under this scenario, by the end of the first full year in which national service is funded and operational, the number of people involved in national service programs would double from the current level of 30,000 people involved in full-time civilian service (or the equivalent in part-time service) to 60,000. [See Table 1.]

After that, growth would continue at a rate of 20,000 additional slots a year--a rate that allows for evaluation and quality improvement--taking the network to a total of 100,000 participants by its third year. If at this point, national service has

demonstrated its worth and feasibility, the infrastructure already developed could provide a solid foundation further high-quality expansion, perhaps reaching as many as half a million participants - the size of the Civilian Conservation Corps at its peak. Chart 1 provides a picture of what such a national service network might look like, a picture lessons learned in the next few years might very well alter. A slower growth-rate is also possible and depending upon what we learn from the programs already underway, might even prove to be desirable. Nonetheless, the pattern of development illustrated by this scenario could be a useful guide even for a slower expansion.

Cost Projections

Currently the federal government already spends over $250 million on federally operated full-time service programs,[1] and through the Commission is spending another $45 million to support non-federal full-time programs.

Table 2 shows the three-year projected costs to the government per participant by program model. The total costs are shown in Table 3 and Table 4. All of these figures are ballpark estimates, based on many assumptions, most importantly that federal funds will be matched by other moneys. In the first year, the federal cost of national service would be just over a billion dollars. By the third year, the costs would have risen to almost $1.6 billion for 100,000 participants. If non- federal costs are included, the total cost of national service rises to around $2.1 billion.

In general, under the network described in this scenario the costs to the federal government fall into three major areas: 1) direct support of participants, 2) matching grants to participating programs for operation and stipends, and 3)support for network coordination.

Direct Support for Participants:

We assume that federal direct support of participants could come in the form of health insurance, day care, and post-service benefits usable for further training or for paying off debts incurred in training.

Health insurance would be made available to all participants in national service who lack other coverage. Current costs of health insurance for existing programs are very high--in the range of $1,500 per participant. The National Association of Service and Conservation corps has negotiated a policy with a major insurer at a cost of around $600 per participant for less comprehensive coverage.[2] In addition, other benefits, such as a day care allowance, may be necessary for some participants. We have estimated a cost of $1,500 per participant on average to cover this allowance and other miscellaneous costs.

The post-service benefit, or reward for service could take several different forms, which require further analysis and discussion. The simplest, and the one currently

authorized by Congress for the Commission's programs, would be a fixed-sum certificate of $5,000 given for every year of service. Some advocate a post-service benefit as high as $10,000 per year of service, or graduated benefit levels based on age or educational attainment. Still others advocate forgiving a percentage of debt for each year of service. However, except where otherwise noted, this scenario assumes a certificate valued at $5,000 per year of service, as is currently provided for in Subtitle D of the Act.

Support for Programs

If the federal government hopes to build a network of the size and quality envisioned in this scenario, it will need to provide programmatic support to local or state operated programs, as well as to cover the full costs of the 25% of programs that are federally operated. This scenario assumes that the support to the non-federally operated programs would come in the form of matching grants to bolster local commitment to program quality. To reflect a true partnership between federal and local sources, the level of the match could be set at 50/50. The non federal portion would come from state and local governments (including federal money that is locally controlled, such as Job Training Partnership Act and Community Development Block Grants funds), individuals, foundations, and the private sector. We assume that 5% to 10% of the total funding could come from non--governmental sources (the greater this percentage is, the more the programs will be entrepreneurial and locally responsive). The costs covered by the matching grants will vary with the program and thus will be discussed below.

Cost of Coordination at Federal Level

The final component of cost would be network coordination. As noted throughout this working paper the staff believes strongly that any network of national service should be highly decentralized, run largely by the states and communities where the service is being provided.

For the purposes of this paper we are estimating that the cost of federal coordination (whether by one or more agencies) would be 5% of total federal national service expenditures, or $50 million in year one.

2. Discussion of Growth and Cost by Program Category

The programs that could be part of the national service network vary along many dimensions. From the perspective of cost to the federal government, however, the most important dimensions are whether they will be federally operated or just federally-supported, and whether they are team models or placement models as defined in Chapter 6 of the Commission's report "What You Can Do For Your Country." In addition, the models that we are calling professional and the Peace Corps will be more

expensive for reasons to be discussed below, while part-time models will be the least expensive.

Federally-Supported corps

There are currently around 15,000 year-round participants in youth corps around the country. The biggest obstacle to the growth of these corps has been funding. Most leaders of existing corps feel that they could double their programs within a year if they had more financial resources. In addition, there are communities currently without corps that might be inspired to establish them if federal matching funds were available. Therefore, we make the assumption that in the first year, corps could expand to 27,000 members, and in each of the following two years they could add another 9,000 to reach a total of 45,000 by the end of the third year [see Table 1]. This, when combined with the federally operated corps discussed below, would result in half of the national service opportunities being allocated to corps.

In existing corps the annual cost per year of service, exclusive of post-service benefits, varies significantly between $10,000 and $30,000. These costs cover stipends, (some pay the minimum wage of $4.25 an hour and others pay a stipend of $100 per week), team supervision, education and counseling, equipment and facilities, and central administration. Corps on the low end of the spectrum indicate that more money would allow them to significantly enhance the impact of their program on the servers and the community. Corps on the high end indicate that they would realize some economies of scale as they expanded. For this scenario, we estimate an average of $15,000 annual operating cost per participant, exclusive of post-service benefit. Assuming a 50% match, the annual cost to the government of operating support would be $7,500, on average. The total cost to the government annually, when post-service and other benefits are included would be approximately $14,000 per participant.

Federally operated corps

There are currently no existing federally operated, full-time team based programs of any size. (There are summer programs operated by the Department of the Interior.) The recently passed Community Works Progress Act of 1992 amendment to the Defense Authorization Act authorizes, as part of military down-sizing, federally operated residential corps supervised by the National Guard and by the Commission. This will provide an opportunity to establish federally operated corps. However, it is our view that these corps should not overshadow the community-based corps that have evolved through grassroots efforts. Therefore, for this analysis, we limit the numbers in federally operated corps to 10% of the total corps enrollment. Table 1 shows the estimated growth from 3,000 federal corps members during the first year to 5,000 by Year 3. This would keep to the 10% split of federal and non- federal slots while allowing for experimentation and development of new models.

Given that there is no existing model, the cost per participant of these corps used in Table 2 is based on information on local youth corps. As noted above, on average, a typical youth corps' annual operating cost per year of service is around $15,000, excluding post-service benefit. The total cost to the government, when post-service benefit and other benefits are included would be around $21,500 per participant. We have assumed that this would all be incremental cost. However, perhaps these new federal corps will be able to draw on some existing federal resources (such as personnel, facilities, and supplies) to reduce this cost.

Non-Federal Placement

This category includes a mixture of individual placement and individual placement/group identification models as defined in the Commission's report. Current examples of the group model are Teach for America with 1,300 participants and the Jesuit Volunteer corps, with 430 people providing non--sectarian service. In addition, the Commission funded several models of this type under Subtitle D (Delta Service Corps, Oklahoma Health Care Volunteers, Volunteer Maryland!, Seneca Nation Language Link and Pennsylvania Service Corps) The Washington Service Corps provides the closest example of an existing individual model. The number of 5,000 current servers in Table 1 for this category is a rough extrapolation.

The advantage of group and individual models is that they can be expanded quickly because the organizations where the servers are placed provide the majority of the supervision. (The sponsoring organizations, however, will require training and support to allow them to make effective use of the servers). The significant interest shown by college students in serving full-time after graduation in return for debt relief, and the fact that many of these programs are currently oversubscribed, leads us to assume that many people would be interested in serving in this kind of program.

Given the strong demand for this type of service opportunity, and the wide diversity of potential programs through which these service opportunities could be offered, we estimate that the number involved in this kind of service could double in the first year to 10,000. 3,500 slots added in each of the following years mean a total of 17,000 slots by the end of the third year. While we recognize that this would represent less than 2% of the estimated 1 million students who would be graduating with some debt each year[3], we believe it is the best approach to ensure that quality is maintained.

The cost to the government for many of these programs is low because the sponsoring organization pays all or part of the server's stipend or salary and often also covers health insurance. This reflects the fact that most of the people in these programs will be more experienced and educated and thus able to bring marketable skills to the organizations where they are serving. Teach For America and the Jesuit Volunteer corps both operate in this manner. The costs to the federal government would be half of the operating costs of the programs through which the servers are placed and the post-service benefits.

The operating costs for these programs would also vary widely depending on the amount of structured group interaction, training, placement service, and reflection provided by the program. We have assumed that the more structured models would account for the majority of opportunities and thus have used a cost estimate at the high end of the spectrum. Teach For America, which has a very heavy training and group interaction emphasis, has annual operating costs of approximately $5,000 per participant.

Assuming that the federal government were to pick up half this cost and that in half the models the sponsoring organization pays the stipends, the result would be about $5,000 per server on average, the amount indicated in Table 2 for operating costs.[4] Insurance costs would also be only 50% of the $1,500 average because in about half the cases the sponsoring organization would pay for insurance. The average total cost to the government of these programs would thus be around $11,000 per service year.

Federally operated Placement

The only existing example of a federally operated placement model is VISTA, which currently has 3,300 volunteers. According to VISTA staff members, there is more than enough demand on both the side of the servers and the agencies looking for servers to almost double to 6,000 the number involved by the end of the first year if the funds were available. In each of the following two years, 2,000 participants would be added bringing the total to 10,000 by Year 3. Faster growth than this might be possible, but it would have to be kept at this level to hold to the assumption of only 25% federal slots.

At the end of their service, VISTA volunteers receive a bonus of $95 a month for each month of service or $1140 if they serve a full year. We have assumed that this would be increased to $5,000 to achieve parity if a national service network is established. The cost of operating VISTA is hard to determine because the same staff work on both VISTA and other ACTION programs. VISTA staff members estimate that annual costs could be kept at around $2,000 per participant as the program expanded to scale. Adding in $2,000 of miscellaneous costs for training and support, the federal contribution for stipend and operating costs would be in the range of $12,000 per service year. The total cost to support a participant for a year would thus be around $18,500.

Peace Corps

The Peace Corps currently has around 6,300 participants. We estimate slower growth for the Peace Corps for several reasons. The expansion of an international program requires extensive lead time and is costly. The Peace Corps has made many of these investments already and believes it is ready to grow. The Peace Corps also believes it has demonstrated the capacity to manage rapid growth and has grown in

recent years. Given our urgent domestic needs, we have assumed that the expansion of domestic programs would be the first priority. Therefore, as indicated in Table 1, the Peace Corps grows to 7,000 servers the first year and adds 500 each of the following two years, bringing it to 8,000 at the end of year 3. This, however, is lower than the Congressionally mandated 10,000 participants. Peace Corps current plans call for growth to 9,300 participants by Year 3.

This program is more expensive because of the logistics involved in operating an international program. The current cost per Peace Corps volunteer is approximately $39,000 per year of service; however, the incremental cost for a new Peace Corps volunteer in an existing site is $9,000. This includes health insurance and a readjustment bonus of $2,600 which we have again assumed would be increased to $5,000 for parity reasons. This may, however, not be necessary for the Peace Corps given that volunteers receive extensive training, overseas experience and access to fellowships. Assuming some economies of scale, we estimate that the Peace Corps could operate at $33,500 per service year exclusive of insurance and post-service benefits, which means a total cost of $40,000 per service year. The Peace Corps believes that the cost per service year or expansion will be significantly lower than $40,000 because a high percentage of the cost is fixed.

Professional

The professional models are designed to attract skilled professionals (usually advanced degree holders) to underserved areas. The National Health Service Corps is the best-known example of this model, helping people pay for medical school loans in return for practicing in underserved communities. It does this through two programs, its scholarship program and the more recently begun loan repayment program. The scholarship program, which began in 1974, offers to pay for a year of medical school in return for a year of service in an underserved community. Last year, 3200 applicants applied for 365 spots in the program. Participants choose the numbers of years they wish to commit to, most agreeing to three or four. In return for this commitment they receive tuition, books, and a living stipend of about $800 per month for each year of service. When they graduate, they choose where they will serve from a list of qualified organizations that the Health Service assembles. While in service the organization where they work pays participants the entry level wage for their organization. There are currently around 400 people serving in the field through this program; over 14,000 people have gone through since its inception.

For the 365 people accepted into the program this year, the Corps set aside $29 million dollars to cover the total costs of tuition, living stipend and books. Those 365 people contracted for 934 years of service. Therefore, the estimated cost per year of service for the people accepted into the corps this year was $31,138 (up 17% from the previous year because of the increasing costs of medical school).

The loan repayment program was begun in 1988 and has accepted about 700 people since its inception. For each of the first two years of service they can get $25,000 in loans forgiven. For each year after that, $35,000 in loans are repaid. In addition, they

receive a 39% bonus on the amount of loans paid off to cover the taxes they have to pay on the payment they receive. The organization where they are working provides their salary. Last year 914 people applied and 326 were approved (230 of whom were primary care physicians). They committed to 747 years of service. To cover the loan costs for these people, the National Health Service Corps set aside $22.7 million, an average of $28,816 per year of service. There are currently around 600 people in the field through this program and other similar state and Indian Health Service programs.

This results in the average post-service benefit, in the form of loan forgiveness, for the National Health Service Corps being much higher than with other programs--it's an average of around $30,000 per year of service. Salary and insurance costs are picked up by the agency where the doctor works, but all the other operating costs for placement and training are picked up by the government. These costs, however, are mixed in with the other costs of the National Health Service and thus must be estimated. An average of $3,000 per service year has been used in Table 2, making the total cost, including the post service benefit, come out at around $33,000.

We have assumed no growth in the first three years from the current level of 1,000 people in the field because of the unique nature and cost of this model. In subsequent years, however, once a solid foundation is laid in the other program areas, professional programs could be expanded to such areas as the already existing Legal Services Corporation, or starting new programs for engineers, architects, managers, and others.

Part-Time

There is great potential for expanding the number of people serving in part-time models. These models fall into three groups based on different target populations: people still in high school such as those in New York's City Volunteer Corps, Youth Volunteer Corps (YVC) programs or other part-time year round corps programs; people in college like those in the Bonner and INVST programs; and people not in school such as in many of the Commission's Subtitle D models. The number in Table 1 of 2,400 currently involved is an extrapolation based on programs targeted at all three groups. All of the models would involve a regular weekly commitment by the server after school or work or on the weekend, as well as a full-time commitment during the summer or vacations. Servers would be expected to participate for at least three years.

The Bonner Scholars is the largest existing model of this kind with over 900 college students currently participating. Given the large number of service institutions already existing on college campuses and in some high schools, and that part-time programs do not require people to stop doing what they are currently doing, it is our belief that the numbers participating through this type of program could be expanded dramatically with federal support. The same would be true for many youth corps that have summer programs (currently about 5,000 people are participating in summer programs) that could be expanded to include a part-time component during the school year, as is currently done in the CVC and some of the YVC programs. The Subtitle D models will add significant numbers of part-timers, some of whom will be adults.

Finally, many senior citizens may be attracted to part-time options, and they could constitute a large additional source of skilled servers.

Based on the above, it is our assumption that 6,000 people could be placed in part-time programs by the end of the first year. This would then be expanded by 4,000 per year to create a total of 14,000 part-time slots by the end of year 3. We believe this is achievable because there are so many potential participants who could be placed through the already existing programmatic infrastructure. For instance, if more work study funds were made available to support this kind of program, there are many students who would be interested in serving and they could use the already existing service programs on campus to get placed. Given that there are currently 875,000 work study students, there is a large pool to draw from.[5]

The costs of this type of program would vary. We have assumed a post-service benefit of $2,000 per year of service. (This is the figure in the Act.) The need to pay stipends would vary. People employed or students not requiring financial aid would not need to be compensated, except for the possibility of a stipend for work done during the summer or after school. For example, YVC programs currently do not provide any stipends, yet they have been able to attract a diverse mix of servers.

Students or adults with financial needs would require some stipend to remove the financial barrier to service. For college students, this could come in part from existing work study funds. Most participants in these programs could also get their insurance either through their school or employer. A conservative estimate for operating costs per part-time server year would be in the range of $3,000. This is close to the average current yearly contribution made by the Bonner Foundation to the Bonner Scholars. Some of this would be matched, so we have assumed an average a federal contribution for stipends and operating costs of $2,000 per service year. With post-service benefit the total federal cost would be $4,000 per service year. The incremental federal cost per service year, may however, end up being much lower than this estimate, depending on how many people require stipends and what percent of the cost is picked up by the government as opposed to non- federal sources.

3. Total Cost

Under this scenario, an estimated total cost for national service for the federal government would be just over $1 billion in the first year, rising to $1.6 billion by the third year [see Table 3]. Adding in the non- federal cost, the total rises to over $1.3 billion in the first year and to just over $2.1 billion in the third year. Table 4 breaks this cost into four components: post-service benefits and insurance for the participants, federally operated program support (including stipends but excluding post-service benefits and insurance), non- federal program support (including stipends but excluding post-service benefits and insurance), and network coordination.

There are certain as yet unknown variables that will have an impact on these figures, such as deferment of interest on loans during service, attrition rates, and taxation of benefits. If interest is deferred on student loans during service this will add

to the overall costs, although much of this cost is already covered by existing loan deferment provisions. Secondly, attrition, which has historically been high in many of these programs, could reduce costs significantly. The level of this impact will depend on whether post service benefits are pro-rated based on length of service and the lapse in time between when a participant exits a program and a new recruit fills the vacant slot. Finally, the decision about whether to tax stipends and benefits will impact costs. Given that post-service benefits and stipends are designed to reimburse for expenses, many argue that they should not be taxed. Others argue that, while we might want to increase the stipends and benefits to cover taxes, we definitely should count them as taxable income because one of the main purposes of national service is to prepare youth for the demands of citizenship, and paying taxes is one such demand.

4. Factors Reducing Cost

Establishing a national service network could help drive down costs in several other areas of federal spending:

Reduction in Loan Defaults

Last year there were around $3 billion in defaults on student loans.[6] Creating a national service network should reduce these defaults because people will now have an alternative way to meet their debt obligation. It is important to note, however, that in the early years of the national service network there will be a limited number of slots and thus only a small percentage of those graduating with debt will be able to reduce it through service. Therefore, national service alone will not be able to impact on the majority of student loan defaulters..

Work Study for Part-Timers

The federal government has authorized around $800 million dollars for college work study in fiscal year 1993. Beginning in fiscal year 1994, schools are required to use at least 5% of their work study money to support community service.[7] To the extent that some of this money is earmarked for community service it will reduce the need of the federal government to finance a majority of the part-time models.[8]

Ties to Social Welfare Programs

Currently, service is being tested as a way to help people make the transition from welfare to work (one example is the Oklahoma model the Commission funded under Subtitle D). If this is feasible, some portion of the $11.5 billion spent by the federal government on AFDC in 1990 could be used instead to expand such programs.[9] Similarly, since service programs are an effective way of preparing at-risk youth for the world of work, perhaps even more than the portion of JTPA's funds now spent in support of corps and summer service programs could be channeled to the national service network. In addition, service could be incorporated into some of the $955 million appropriated to the Job Corps Programs in fiscal year 1992.[10]

[1]Peace Corps, VISTA and the National Health Service Corps

[2] Interview with Tony Perez, Executive Director, Milwaukee Community Service Corps, 10/13/92.

[3] Interview with Jamie Merisotis, Executive Director, National Commission on Responsibilities for Financing Post secondary Education, 11/92.

[4] Assumes government pays $2,500 of the $5,000 operating cost for all participants and $5,000 of the $10,000 stipend for half the participants, or another $2500 on average.

[5] "Trends in Student Aid, 1981-1991", The College Board, NYC, NY, 1991, p. 9.

[6] "Student Loans: An Overview of Issues and Options", Issue Brief, National Commission on Responsibilities for Financing Post secondary Education, June 1992, p. 3.

[7]The Federal Work Study Program authorized by 42U.S.C.. 2751.

[8] Interview with Senator Wofford's Office, 12/30/92.

[9] Interview with Herb Lieberman, Administration for Children and Families, Office of Family Assistance, 10/15/92.

[10] Letter from Deputy Assistant Secretary of Labor, 1/7/93.

Table 1

Potential Number of National Service Slots by Program Model

	Current Situation	Year 1	Year 2	Year 3
Team-based Programs				
Nonfederal Youth Corps	15,000	27,000	36,000	45,000
Federally Operated Corps	0	3,000	4,000	5,000
Individual Placement Programs				
Nonfederal (e.g., TFA, JVC, DELTA)	5,000	10,000	13,500	17,000
Federal Domestic (e.g., VISTA)	3,300	6,000	8,000	10,000
Peace Corps*	6,300	7,000	7,500	8,000
Professional Programs (e.g., NHS Corps)	1,000	1,000	1,000	1,000
Part-time Programs (e.g., YVC, Bonner)	2,400	6,000	10,000	14,000
Total Participation	33,000	60,000	80,000	100,000
Precollege/Non-college	45%	50%	50%	50%
College/Postcollege	55%	50%	50%	50%
Federally Operated	32%	28%	26%	25%
Nonfederally Operated	68%	72%	74%	75%

*Peace Corps current plans call for expansion to 9,300 participants by Year 3.

Chart 1

Potential Distribution of National Service Opportunities - 500,000 Participants

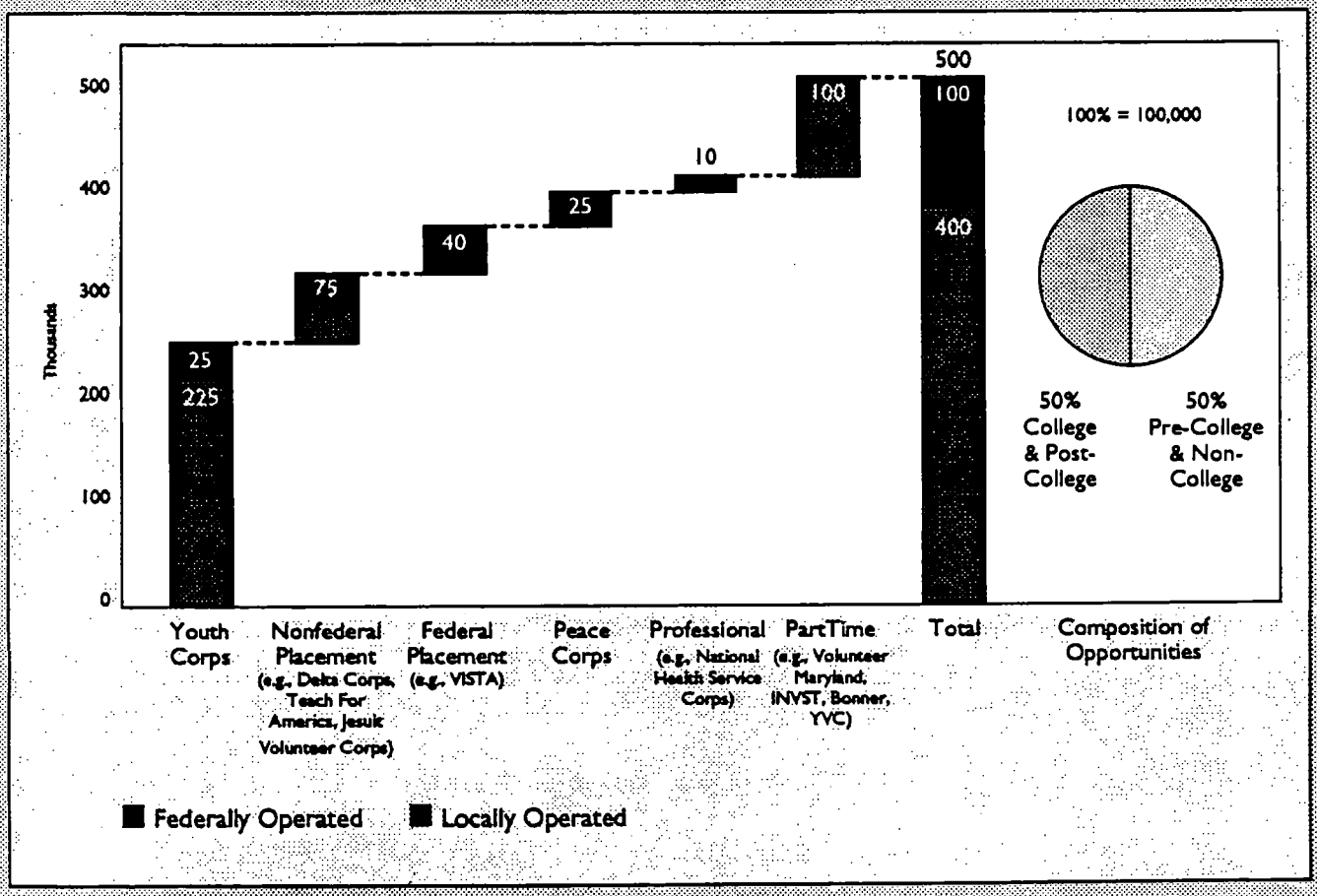

Table 2

Potential Annual Federal Cost Per Slot by Program

	Stipends and Operating Cost	Postservice Benefit	Insurance/ Other Benefits	Total Federal Cost
Team-based Programs				
Nonfederal Youth Corps	$7,500	$5,000	$1,500	$14,000
Federally Operated Corps	$15,000	$5,000	$1,500	$21,500
Individual Placement Programs				
Nonfederal (e.g. TFA, JVC, DELTA)	$5,000	$5,000	$750	$10,750
Federal Domestic (e.g., VISTA)	$12,000	$5,000	$1,500	$18,500
Peace Corps*	$33,500	$5,000	$1,500	$40,000
Professional Programs (e.g., NHS Corps)	$3,000	$30,000	$0	$33,000
Part-time Programs (e.g., YVC, Bonner)**	$2,000	$2,000	$0	$4,000

*Peace Corps believes that the cost per service year of expansion will be significantly lower than $40,000 because a high percentage of the cost is fixed.

**Part-time costs are for the equivalent of between one-half and one-third of a service year.

Table 3

Potential Total Federal Cost

$ in Millions

	Year 1	Year 2	Year 3
Team-based Programs			
Nonfederal Youth Corps	$378	$504	$630
Federally Operated Corps	$65	$86	$108
Individual Placement Programs			
Nonfederal (e.g., TFA, JVC, DELTA)	$108	$145	$183
Federal Domestic (e.g., VISTA)	$111	$148	$185
Peace Corps*	$280	$300	$320
Professional Programs (e.g., NHS Corps)	$33	$33	$33
Part-time Programs (e.g., YVC, Bonner)	$24	$40	$56
Total Federally Operated Programs	$489	$567	$646
Total Nonfederally Operated Programs	$510	$689	$869
Total Program Cost	$998	$1,256	$1,514
Federal Coordination (5%)	$50	$63	$76
Total Federal Cost	$1,048	$1,319	$1,590
Nonfederal Cost	$322	$435	$548
Total Cost	$1,370	$1,754	$2,138

*Because totals were based on total average cost, and approximately one-third of Peace Corps total average cost is fixed, Peace Corps estimates the dollar amounts contained is this table would support significantly more participants that those indicated in Table 1.

Table 4

Potential Program Cost Exclusive of Post-service Benefit and Insurance

$ in Millions

	Year 1	Year 2	Year 3
Team-based Programs			
Nonfederal Youth Corps	$207	$270	$337
Federally Operated Corps	$45	$60	$75
Individual Placement Programs			
Nonfederal (e.g., TFA, JVC, DELTA)	$50	$68	$85
Federal Domestic (e.g. VISTA)	$72	$96	$120
Peace Corps*	$235	$251	$268
Professional Programs (e.g., NHS Corps)	$3	$3	$3
Part-time Programs (e.g., YVC, Bonner)	$12	$20	$28
Total Federally Operated Programs	$355	$410	$466
Total Nonfederally Operated Programs	$265	$358	$451
Total Program Cost	$619	$768	$917
Total Postservice Benefit	$307	$395	$483
Total Insurance/Other Benefit	$72	$93	$115
Federal Coordination (5%)	$50	$63	$76
Total Federal Cost	$1,048	$1,319	$1,590

*Because totals were based on total average cost, and approximately one-third of Peace Corps total average cost is fixed, Peace Corps estimates the dollar amounts contained is this table would support significantly more participants that those indicated in Table 1.