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[National Service-General Information]

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CORPORATION FOR NATIONAL SERVICE
Structure According to Legislation

Oversight
Inspector General will oversee programs to protect against waste & fraud

Independent audits/ evaluations

Board of Directors

Chairman : Appointed by President
11 volunteer members/ bipartisan Board appointed by President
7 Cabinet non-voting ex-officio members

Tasks:
Develop Corporation's strategic plan
Review policy/personnel decisions
Act on reports from Inspector General
Supervise evaluations
Advise Chair on all issues

k-12 and higher education $45 mill

1/3 of funds $130 mill

Investment Division
Managing Director

Commission on National & Community Service
(15 full-time staff/ $75.5 million FY '93 budget)

Tasks:
Select programs applying to national level
Administer programs currently run by CNCS
Coordinate National outreach
Clearinghouse, training & technical assistance
Approve or reject state population plans
Determine successful applicants (States competition)

Operating Division
Managing Director

ACTION
(422 full-time staff/ $198.6 million FY'93 budget)

Tasks:
Administer programs currently run by ACTION
(including VISTA, Older American Volunteer Programs, Student Community Service Programs, Special Volunteer Programs)

State Commissions
7-13 members appointed by Governors
Commissions elect own Chair
Member of Corporation will sit on Board

Tasks:
Select programs for population-based and competitive funding
Design strategic plan for states
Recruit participants
Disseminate information about opportunities
(may support clearinghouses/ training & tech. assistance)

2/3 of funds $260 mill

1/2 competitive

1/2 population

CORPORATION FOR NATIONAL SERVICE
Possible Structure According to Function

Oversight

Inspector General will oversee programs to protect against fraud and waste.

Independent audits/ evaluations

Board of Directors

Chairman: Appointed by President
11 volunteer members
bipartisan Board appointed by President
7 Cabinet non-voting

Tasks:

Develop Corporation's strategic plan
Review policy/personnel decisions
Act on reports from Inspector General
Supervise evaluations
Advise Chair on all issues

Office of the Chairman

Legal

Tasks:

Advise on all legal matters (including developing regulations)

Administrative

Tasks:

General corporate overhead

Personnel

Tasks:

Handle all personnel issues

Facilities, Equip. Technology

Tasks:

Manage facilities, equip. and tech.

Government Affairs

Tasks:

Communicate with Congress

Communicate with Executive branch

Communicate with states/ cities

Finance

Tasks:

Fund programs

Pay stipends (direct or through program or states)

Disburse benefits

Program Operations

Tasks:

Provide technical assistance on issues, management and process

Conduct research and development

Operate database

Oversee advisory groups for specific categories of service

Develop national training models

Operating Division

Direct Programs
VISTA, OAVP, CCC

Investment Division

Analyze programs states' & direct apps.

- k-12 and higher ed. $ 45 mill
- 1/3 of funds $130 mill

State Commissions

7-13 members appointed by Governors
Commissions elect own Chair
Member of Corporation will sit on the Board

Tasks:
Select programs for population-based and competitive funding
Design strategic plan for States
Disseminate information about opportunities

- 2/3 of the funds $260 mill.
  - 1/2 competitive
  - 1/2 population

Marketing & Communications

Tasks:

Communicate with the public

Communicate with the media

Stimulate participation in program (advertising & outreach)

Manage internal communications

Private Sector Liaison

Tasks:

Gain financial and in-kind support for programs

Get technical assistance (esp. management for non-profits)

CONFIDENTIAL
MEMORANDUM

TO: Eli, Rick, Jack
FR: Robert
DA: February 12, 1993
RE: What happens now

This memo is a little rambling, but I'll flatter myself and say I think it's important you read it soon.

Our draft legislation allows slots and funding to go to pre-, during- and post-college programs. The draft doesn't decide among them, but we've assumed that pre-college corps programs would capture most of the funding. We've made the assumption partly because pre-college corps programs are better developed than pre-professional models, but partly because the youth service lobby and the DLC folks have led us in this direction. And it's a good assumption: the legislation we have seen, though apparently open among outcomes, would probably have funded the pre-college model over others.

Now we are reminded that the President has little interest in this outcome, and we need to take a new direction. In the end, we may persuade the President to come back to the model we have developed. But we owe it to him and the people who elected him to take an honest shot at designing the program he wants. To do that, we need to escape the assumptions and the guidance of both the youth service community and the DLC.

For now, it seems more important for us to focus on mechanism and less on legislation. That is: what will need to happen to create the program that the President wants? The rest of this memo outlines in barest form some key issues.

The features of the President's program are as follows:

- post-college
- real job (limited group component)
- big benefit

He would probably want those who enter the program to become teachers, health care workers, and police officers. We should try to think of others.

We know from his rhetoric that the President does not want to see people who would have gotten jobs as teachers just getting a $10,000 benefit when they take them. (In this case, it's certainly not "the best money we ever spent.) He wants to see one of two outcomes -- or really, I think, both:

DETERMINED TO BE AN ADMINISTRATIVE
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A. Greater demand: People who previously wanted but could not find jobs as (say) teachers are able to take them because the program creates new slots.
B. Greater supply: People who previously did not want jobs as teachers decide to take them because of the program benefits.

With a $10,000 benefit, plenty of people will want to teach who didn't before (category B). For some jobs, no special skills may be required; but for a job like teaching, they are. So we need to direct some of what we had called the operations/stipend funds into training programs on either TFA's intensive summer model or ROTC's school and summer model. (Note that to spend a lot of money training teachers who will quit after two years is not the best allocation of resources. Just the first of unions' problems here.)

The problem of demand remains. States and localities today do not have the money to pay teachers or police officers. If the federal government starts paying the salaries for teachers -- in addition to the $10,000 -- costs skyrocket. And if salaries are cut -- bringing the states and feds into a cost-sharing arrangement -- unions go crazy. Leaving us a problem: The program Bill Clinton wants can offer up trained young people, but jobs may not exist for them.

Where do we go, then?

1. Need to see whether my conjecture is right -- whether, in fact, there are no socially-useful positions out there waiting to be filled.

2. Need to consider offering a federal subsidy to localities that hire national servers. (Walinsky confidentially suggests this to Klain, who passes it on to Baird, in the Police Corps case.)

3. Need to consider some slightly cut salary for servers -- a cut small enough to keep unions satisfied, but large enough to enable localities to do a few more hires.

Generally, we need to keep in mind that in switching to the President's model, we do find a little money to play with. City Year needed money for operations that schools and hospitals do not. City Year also needed stipend money -- and this money we may or may not need to pump back into slots.

Hope this helps. Remotely.

RA

MEMORANDUM

TO: Steve Richetti, Congressional Relations
FR: Robert Gordon, National Service
RE: Summary of National Service Legislation
DA: January 19, 1993

General Background

The DLC's national service plan came out in 1988 and provided a model for the Nunn-McCurdy bill a year later. These plans would have phased out existing Pell and GSL programs, and required any student to agree to perform service in order to receive federal financial aid. Nunn-McCurdy was routed by a coalition of liberals, conservatives, labor unions, higher education advocates, civil rights activists, bankers, guaranty agencies, secondary markets and others. These argued that Nunn-McCurdy would force the poor to do service while forcing the rich to do nothing; that "college delayed is college denied"; that the current systems works very well and shouldn't be tinkered with; that service should be freely chosen, not mandated; and so on.

During the campaign, Bill Clinton offered a vision different from the DLC: Allow every American to borrow the money for college and pay it back in one of two ways -- either through an income contingent loan, or ("better still") by serving their country by working as a police officer, teacher, or coach. In the fall, he modified his vision to include pre- and non-college bound youth as well. Clinton also often expressed support for direct lending as a way to save the federal government billions of dollars.

Recent Legislative Background

* The National and Community Service Act of 1990 was the product of much haggling among liberals (who tended to favor service-learning for teenagers and in-college service), DLCers (who favor full-time, pre- or post-college service), and Republicans (who support "volunteerism," meaning no funding). The Act created the Commission on National and Community Service, with a Board of 21 presidential appointees, which funds $75 million in grants in four areas: service-learning in the classroom, college service, youth corps, and national service. The Commission is currently a model of non-bureaucratic reinvented government.

* The Higher Education Act Amendments of 1990 (S. 1150) made many changes in the education financing system. Most significant: (1) Made unsubsidized guaranteed loans available to anyone who wants them (so everyone can already borrow the money for college); (2) followed the lead of Senators Simon, Durenburger and Bradley and created a direct lending pilot of $500 million, not yet up and running, with an income-contingency pilot within it; (3) cracked down on trade school fraud in the GSL program, which Senator Nunn had made a major issue in hearings that year.

The Transition Plan at Present

Immediately after the election, a small group of senior advisors began meeting to hash out a national service proposal. The group included four people now in the White House: Bill Galston (project head), Bruce Reed, Melanne Verveer and Shirley Sagawa; three people from the Hill: Nick Littlefield, Bob Shireman, and Terry Hartle; and Peter Edelman. They reached agreement on a proposal, and a few of then have drafted legislation for discussion and for Eli's review. (I'm not sure that that is public knowledge, or that the legislation will actually represent the consensus reached.) I will get the draft later today and be able to review it for you tomorrow, but here are basics in the meantime.

* Voluntary
* No funding drawn from spending on higher education
* Eligibility for pre-, during- and post-college service, with emphasis on latter.
* Hope to expand to 100,000 participants by 1996, at a cost of $2 billion that year.
* $10,000 voucher paid for by "trust fund"; stipend and operating costs split on some matching basis between feds and service groups, which can raise money from anywhere (including JTPA, HOPE VI, etc.)
* Commission gives money to states by formula; states certify eligible organizations to receive service participants; localities decide organizations eligible to receive federal funding and federally funded positions
* Some slots and some funding authority reserved at federal level, in Commission. Federal government may operate a program itself.
* Eligible service will include corps-based models like City Year; individual placements like VISTA; combinations like Teach for America; and "service entrepreneurs."
* Some places will be reserved for part-time service and for service by non-college age youth.
* Uncertain whether vouchers will be usable for non-education purposes; definitely usable for vocational school, community colleges, etc.
* ACTION will be allowed to continue to stand alone and run its programs, but it will not operate the national service plan.
* Adequate nondisplacement and nonduplication provisions included.
* Some small amount of funding for service-learning and college-based service, but not the target.

On the loan side, I am even less certain of details than on the service side. I think that the plan will include an expansion of the direct loan pilot (perhaps to 500 schools instead of $500 million), and a move to make income-contingent lending available to all, through unidentified servicers. The IRS may or may not do all the servicing for income contingent lending. I don't know other details.

This is skeletal, I know. If you have questions please do not hesitate to call me here at x1474 or at home at 244-0692.

RA

MEMO

TO: Eli Segal
FR: Robert Gordon
DA: January 16, 1993
RE: National Service -- what we've learned, where we're stuck

I am sure you will learn far more in Sunday's meeting than I can tell you. Shirley Sagawa has already taken a first cut at drafting the service side of the legislation, and folks on Nick Littlefield's staff are working on the expansion in the direct lending pilot and the income contingent option. This memo will just update you on recent progress and point out some places where (as I understand it) questions remain. I've drawn heavily on talks with Bill Galston, and duplicated our options paper in places.

This memo focuses on the national service issues. As we discussed yesterday, there's very little analytic link between national service on one side and direct and income-contingent lending on the other. Particularly with the voucher replacing loan cancellation for the pre-college young people we want to dominate the program, the national service trust can operate almost completely apart from the student loan system. In order to maintain the link for which the President-elect called in the campaign, the drafters are pulling the two areas into one bill. They will be separate titles and operate independently.

If you are interested. I will give you some separate materials on lending issues.

The Goals of National Service

However high-falutin these principles sound, they have real policy implications

* Foster civic virtue. A high-profile program will reaffirm our nation's commitment to the basic value of serving the community. Not only in word but in deed: by reestablishing the link between opportunity and obligation, national service will ensure that those who do right can also do well. (No points of light here.) It will help weave into the fabric of ordinary life the principle that service, not greed, is good.

* Fight America's problems. The crisis of the underclass in the inner city, the encroachment on public lands in the wilderness, and the decline of public schools, public health facilities and public decency most everywhere are all targets for a national service program.

* Reaffirm the national community. National service will lower the barriers of race and class and bring Americans together to tackle common problems. By reaffirming shared values -- what better than opportunity, responsibility, and community? -- national service can overcome multicultural fragmentation while genuinely serving multiple cultures.

* Build local institutions. National service will bring businesses, schools, religious organizations, nonprofit organizations, organized labor, and local governments together to offer service opportunities. In doing so it will enhance the local networks that make community life meaningful.

* Expand individual opportunity. Many Americans will escape the constraining effects of a crushing debt load because of national service. Many who cannot afford college will be able to go through national service. And many who never thought of a postsecondary education will think again -- from both the money they get and the diverse contacts they make doing service. All Americans who perform national service will emerge with more of the skills and the values to fulfill themselves throughout their lives.

* Prove that a reinvented government can work. Many Americans believe that "social programs" are inevitably bureaucratic, inefficient and ineffective. As President Clinton's "signature" domestic policy, national service can restore Americans' faith in presidential leadership and in government.

Developing a National Service Program
Key points of some agreement

As I understand it, the many consultations of the last two months have achieved something of a consensus on some basic questions, previously open. "Something of a consensus" because there are always exceptions, and often plenty of them.

1. National service should be voluntary and should not limit the availability of college aid. The Nunn-McCurdy legislation introduced in 1989 would have required Americans to perform national service in order to receive college aid, phasing out the Pell grant and guaranteed student loan (GSL) programs. Bill Clinton has kept that proposal off the table.

In the course of the campaign, to respond to a petrified education community, the President-elect also began saying he would "maintain Pell grants." His statement has been slow to sink in; Michael Laski of the Ford Foundation insisted for sometime that Clinton would use existing funding to pay for national service, even when we assured him otherwise. Nunn-McCurdy left very strong suspicions we must recognize.

2. National service should grow from the grass roots, not the federal bureaucracy. People come to this conclusion from many places, including the perceived failures of ACTION, the diversity and rapid expansion of existing service organizations, the need to limit program costs, and the value of community involvement. While the Civilian Conservation Corps may have been right during the Great Depression, a military-run program would be wrong in a time when federal expertise is in short supply but local know-how is not.

3. National service cannot be an entitlement. Every American who wants to serve will not be able to do so for many years. There are two reasons: cost and capacity. At a federal

cost of about $2 billion per 100,000 participants and with something like 2 million 18-year-olds in America, the cost of an entitlement could be vast. In addition, the local organizations that are so succeeding on a limited scale could not handle the massive influx which service as entitlement would create. Only a CCC-style program could do that -- and that is not the program we want.

We have a chance to make national service a way of life. It would be a crime to muck it up forever by going too far, too fast.

4. Pre-college service should be emphasized. We talked about this yesterday. Before young people get to college, they are more open-minded and more likely to be transformed for the better by their service experience. Service can ensure that young people are prepared for college -- and half of college first-years need the help by some estimates. A pre-college program is easier to administer, since an opportunity voucher is much less complicated than loan cancellation, particular in the current guaranteed student loan program. Finally, a pre-college program is cheaper, since the work is less specialized, training less difficult, and opportunity cost for those who are dabbling lower.

5. The voucher should be sizeable. Here there is more debate than in most areas. The National and Community Service Act of 1990 specifies a $5,000 voucher, and the Commission that the Act established favors that figure. But two years of service at that voucher level will pay for only two years at a public college, not even a year at many private schools. Most students who serve would still graduate with debt. If we are serious about offering young people a decent deal -- what President-elect Clinton promised while campaigning -- a $10,000 voucher will be necessary.

6. States should have a significant role in between the federal government and whatever local operations exist. The federal government cannot efficiently certify the hundreds of local organizations that will want federal funding, but someone must. The feds cannot know the needs of states as different as New York and Wyoming, but whoever makes funding decisions in these states ought to know. Washington cannot monitor programs in every corner of the country -- and so on.

7. Corps programs like City Year, or individual placement programs with significant corps components like Public Allies, should be emphasized over pure individual placements like VISTA. The group experience is essential for promoting civic spirit, creating diversity, and building character. While individual placements may be the best option for college graduates who have a particular job to do, most pre-college young people will benefit most from a corps.

Developing a National Service Program
Trouble areas for policy and politics

Different folks have already held plenty of meetings to attempt to resolve the questions below, with what success I'm not sure.

1. <u>Program structure</u>. There is a broad question here -- the division of responsibility between federal, state and local levels -- then additional issues at each level.

A. *The division of responsibilities between federal, state and local levels*. Here are just a few of the turf questions.

* Should the federal government fix any national priorities for service that states and localities will be obligated to respect in funding decisions? If Washington fixes no priorities, pressing national needs may go unmet and cohesion may be lost. Unless there is some federal control, localities may reject basic priorities of the administration -- that service should be pre-service, for example. But if Washington does issue mandates, state and local initiatives may be stifled.

Some of the dilemma can be avoided with a federal program that addresses essential and otherwise unmet needs. For example, there is not a lot of sophisticated environmental corps work at the local level and not much potential for capacity-building. A federal "Earth Corps" could make sure that this sort of service gets done, without skewing local funding decisions away from valuable but different projects.

The federal government might also directly fund some local programs without actually operating them, as the current Commission does. Doing so would meet enable Washington to meet national goals without operating a program of its own.

* Should the federal government operate training and capacity-building programs of its own, or should that work be left to states and national nonprofits like Youth Service America? Again, a federal program may be necessary to build capacity quickly, but it risks crowding out valuable private-sector organizations.

* Should states fund local organizations directly, or should local entities make funding decisions? The consensus is that localities are much better suited to make local funding decisions, but they may not have the infrastructure to do so. It is not clear how funds should be allocated from the states to the localities in this case, and the bureaucracies seem to be piling up in the meantime.

B. *Local structure*. If we determine that localities should make final decisions about placements (and most seem to agree this is the right answer), we need to figure out the best local organizations for this purpose. National service cannot become a patronage program, and it cannot become dominated by local "service bosses" who block out innovation. The federal government may be famous for bureaucratic bloat, but localities are known for corruption.

To avoid the problems of local government, we may want to establish non-governmental councils with significant representation from a variety of sectors: non-profits, organized labor, businesses, politicians, young people, and so on. The Job Training Partnership Act established "Private Industry Councils" that were supposed to be inclusive in this way, but PICs are widely viewed as failures.

C. *State structure*. At a minimum, states will have monitoring, planning, and cheerleading functions. States will probably also be responsible for certifying local

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organizations and distributing funds.

Some states already have offices that are successful in some of these ways: Pennsylvania's PennSERVE and Arkansas' Division of Volunteerism are two of the best-known. But in many cases the past is not promising. The Commission on National and Community Service operates through state lead agencies that are notoriously weak. ACTION runs three regional and many state offices, but these are widely thought useless. We will have to work to help generate state programs that can do all we want.

D. *Federal structure*. At a minimum the federal lead office will be responsible for establishing national goals and standards; monitoring waste, fraud and abuse ("measuring outputs" is the reinvented way to put it); initially allocating funds, even if only by formula; serving as an information clearinghouse; supporting research, technical assistance, and so on; and inspiring the whole country and creating a sense of shared purpose and involvement. What sort of organization is best suited to these and perhaps other tasks is angrily debated. The strongest existing candidates to perform these functions are ACTION and the Commission. There is no love lost between the two.

By all accounts except its own, ACTION cannot do much of what we want from a federal agency. It is the politicized, demoralized, bureaucratized morals of David Osbourne's nightmares. Its primary experiences are with Older Americans' programs, valuable but not central to our efforts, and VISTA, an individual placement model that is not our ideal. ACTION has not worked successfully with states or local organizations, it knows nothing about corps programs, and it is full of uninspired career employees. In the new order. ACTION's bureaucracy should continue to run the programs it runs well, but nothing more.

The Commission has been far more successful. It has built a reputation for really listening to folks in the communities; it has disbursed money quickly and by all accounts fairly; and it is nonpartisan and non-civil service to maintain independence and motivation. Yet it too has problems. Its state operations are weak. It has no experience running a corps program of the sort we might want to establish. It is currently too small to lead the national effort we seek. And most importantly, its Board is dominated by individuals who do not share Bill Clinton's vision of national service. President Clinton will be able to appoint five people to the Commission immediately, seven more in the fall for an effective majority. But changing the Commission's overall outlook will take more time. who?

There are several issues here:

* How to restructure ACTION, the Commission and the Office of National Service so as to minimize bureaucracy and maximize effectiveness. (As I understand it, the current Office of National Service is closely tied to the Points of Light Foundation about which I know little except that (a) it was Bush's attempt to co-opt the service movement; (b) it has successfully recognized hundreds of "volunteer centers," but is otherwise much mocked; (c) it is now a private non-profit entity, so we may not be able to kill it even if try.)
* What legal status the lead entity ought to have. There is a continuum from an executive agency like ACTION or a White House office like yours, over which the President ultimately has complete personnel control at the top and almost complete

policy control, to independent entity like the Public Broadcasting Corporation, over which he has little influence. The Commission falls somewhere in between. In making this decision, we must balance a desire to avoid politicization and to create a partnership with state and local entitites, both of which argue for relative independence, against President-elect Clinton's desire to continue shaping the program. and Congress's interest in overseeing it, which argue for more federal control.

* What to do with the "trust fund." It could pay only for post-service benefits, or it could pay for stipends and operating costs as well. In the former case, stipend and operating costs would flow through the Commission or other agency as they do now. Funding

2. Service-learning, in-college service, part-time service. The Clinton plan targets full-time service by pre- or post-college youth, followed by a sizeable post-college benefit. Such "national service" is currently a small player on a very large scene, with about 30,000 slots among millions of servers. Millions of Americans are currently doing national service during grade school, high school, college, and their later years. A variety of interest groups represent servers in all these categories.

School and college-based service constitute two of the Commission's four grantmaking areas (corps and national service programs are the other two). Much of the Commission is strongly dedicated to expanded access to these forms of service. Along with many advocates, these members believe that the Clinton plan should maintain the Commission's policy of seeding all forms of service relatively equally. They do not grasp the way that a nationally identifiable effort like our national service plan will have a far more transformative effect than continued money-throwing.

With our finite resources and clear agenda, we must still find a way to suppor college-based and service-learning, which are genuinely valuable. But we must be prepared to handle the politics when our limited commitment becomes clear.

3. Funding. There are three issues.

A. *How fast should we attempt to expand?* As noted above, the questions here are cost and capacity. No one can be certain whether we can meet the current 100,000 target by 199(-- or what it will cost.

B. *How should costs be shared between the federal government, states and localities, and the private and non-profit sectors?* Currently there is agreement that the federal government should pay for the voucher and health and child care. But the stipend and local operating costs could be paid at any level. Probably the federal government should agree to match state and local money at some rate to ensure grassroots commitment. The level of the match and the stipend remains uncertain.

C. *How can we find money elsewhere in the federal budget to fund national service?* As Martha Diepenbrock of the Los Angeles Conservation Corps says, "National service is not another program separate from other national priorities like public works and AIDS. National service is a process -- a way to get our priorities done." More to the point, we can minimize

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the new costs of national service by using funding that is already budgeted or will be budgeted whether we create a program or not.

Here is a partial list of potential funding sources. In every case, the existing program is not our ideal, but it can work.

- The Civilian Community Corps: Modeled on the old CCC, this is a Boren pilot to test a federal program operated by former military personnel on military bases. Funded at $20 million, with another $20 million for the Commission to disburse in areas hard-hit by military-downsizing, the appropriation requires defense "scoring" by the Defense Department for the money to be released. We should make sure DoD scores the money appropriately.
- HOPE VI. Congress appropriated $300 million for this Mikulski initiative to renovate dilapidated public housing. HOPE VI requires applicants to use some portion of 20% of their funding to establish a community service program. Not less than $2. million will be made available for service, which is also only in the planning stages.
- YouthBuild (HOPE IV). It has diversity problems, discussed below, but unlike HOPE VI, it exists. The reauthorization of the National Affordable Housing Act will provide between $17.5 million and $40 million for YouthBuild, depending on a HUD decision. We should think about what we want to see happen.
- JTPA. I don't know the total funding level. JTPA targets disadvantaged Americans and has limited applicability, but PennSERVE's John Briscoe has apparently done a masterful job of ripping off its funding. A recent Department of Labor study showed that among youth, participation in a JTPA program actually produces worse outcomes than non-participation -- so we should not feel bad about taking their money.
- HHS Programs. The National Health Service Corps is the loan forgiveness program for physicians who go to underserved rural or urban areas. It has had mixed success. There are probably other potential sources here; I just don't know what they are.

4. Diversity. The demand for diversity can shut out successful programs. To take an example, YouthBuild was denied funding by the Commission because it is not diverse. But YouthBuild is not diverse because its program is 50 percent construction work and 50 percent remedial education, and so it only attracts young people who've hit educational trouble. In refusing to fund such a program, we make it impossible for a service effort to offer significant remedial education. That may be worth the benefits of creating social diversity and maintaining political support, but there is a tradeoff here that we must recognize. A program without skills training may fail to provide disadvantaged youths with the know-how they desperately need. Diversity within programs may mean conformity among them.

If we do seek to promote diversity within all programs, we must find a way to do so not only in new programs but in old. Many existing and successful corps are racially or economically homogeneous.

Robert: —
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DRAFT

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;

unmet needs?

- 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.

- to meet pressing national needs through the practical work of those who serve.

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.

No.

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:

too low?

	Dependent Students	Independent Students
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

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;

wider eligibility

--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;

new programs

--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:

how does this work?

--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, accesible through college and high school placement offices, employment service centers, volunteer centers, and other entities.

800-number?

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;

educ only

--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 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.

Fund admin by Comm.

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:

state design.

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

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

Federal design

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

no local control

do we want specified? goes to cost. Find out.

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

Comm. renaming

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;

Fund publicity + expert de-emph as goal of one division — publicity grant making program.

--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:

Comm. require match? 50/25/25

--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.

January 21, 1993

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 Students	Independent Students
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**

combination of what people can get now: in need of $1500 - can get 1500 sub 1400 unsub in-imp. ~~$65~~ $105

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].

~~average gets $5 subsidy~~

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

$1,005.

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). Stafford is 9

Rule to Fed govt higher.

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].

National Service Trust Fund Act of 1993

DRAFT

"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 Students	Independent Students
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

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, accesible 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 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 Students	Independent Students
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].

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.

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)

seem low

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	– does this # go down w/ economies of scale?	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.

QUESTIONS

1. **Federal organization.** Should we pull ACTION under an enhanced Commission? Should the many agency programs be consolidated or at least coordinated (recruiting, information, esprit de corps) through the Commission? Should the Commission structure be changed at all at this stage?

2. **Federal programs.** Should we support any federally-run programs (teacher corps, earth corps, Boren/CCC, Police Corps, etc.)? If so, how: by direct appropriations; by changing the 1/3-1/3-1/3 breakdown, and designating a portion specifically for federal programs; or by just letting agencies compete in states and the Commission with everyone else?

3. **Federal/state/local division.** Are we agreed on the "state lead agency" concept over either more local control or pure Commission control? Is there anything we can do to make the state agencies work better?

4. **Federal roles.** As currently written, will the legislation create enough unity across programs, technical assistance, and public relations?

5. **Eligibility.** Should pre-college vs. post-college vs. part-time be left open or specified in the legislation -- and if specified, how?

6. **Benefits.** What should the voucher be worth? What should it be usable for?

7. **Stipend.** Should the stipend be standardized or left to local choice within a range?

8. **Eligible service.** Do we want to build in special support for a particular form of service (like corps), condition in service (like diversity), or goal of service (like children's welfare), or do we let a thousand flowers bloom?

9. **Challenge grants.** Should we require grantees to match federal money? If so, at what rate and how?

10. **Funding/Slots.** Do we need to figure out now what we want to spend, how many participants we aim to have when, or where we hope to find money (including work-study, JTPA, etc.)?

11. **Loan consolidation.** Beyond the expanded direct loan pilot and income contigent loan opportunities, do we want to move toward consolidation of current loan programs?

12. **Defaults.** What steps (if any) do we want to take to give enhanced incentives to guarantors to collect on loans and reduce default rates?

MEMORANDUM

TO: Jack Lew
FR: Robert Gordon, Office of National Service
DA: 2/2/93
RE: Information on National Service

Eli asked me to send you some materials on service. I've enclosed:

1. The report of the Commission on National and Community Service. I've marked sections you may want to read -- the executive summary and chapters ~~6~~ 4 and ~~5~~ 8 most carefully.

2. The Transition options paper on national service, written by Bill Galston, who's now in the White House. Some of the paper is dated, but it is the best overview of legislative questions.

3. Our latest outine of legislation. Please note that we recently decided for political reasons not to include the ACTION reauthorization. That could change.

4. A list of policy questions. We decided these tentatively last week, but the list gives you a sense of the world we are dealing with.

5. Cost estimates from MDRC. These are not great, but they're the best we have. Right now, our total cost estimate for year one (FY 94) to create 25,000 new slots is $250 million for the trust, $250 million to support program operations and stipends, about $50 million for grandfathering in existing programs, and about $100 million for an ad campaign, technical assistance, and administration. ($650 million total).

If you have any questions today or tonight, please call me here at 456-6444 or at home at 337-3926. Look forward to meeting you.

National Service

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

National service was perhaps the signature idea of your campaign. No proposal /oked 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, ean that corps programs tend to be relatively expensive (as much as $10,000 per par- ipant, exclusive of stipend and loan forgiveness).

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

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

dividual Placements with Non-Profit or Other Direct Service Organizations

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

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

A private, non-profit organization could also recruit, train, and place participants ith other non-profit agencies – sort of a private-sector VISTA. The federal govern- ent might make a grant to the placement organization to cover a share of administra- e expenses and provide stipends (or a portion of the stipend) and health insurance r the participants.

Alternatively, individual public and private non-profit organizations could create acements 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 nonsectarian 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 ıe disadvantage can be counteracted by setting the benefit high enough so that all but ıe most indebted students can discharge their loan obligation through two years of ervice.

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

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

Second, the larger voucher exceeds the education and training benefits earned ırough military service. Under the Montgomery GI bill, for example, members of the ıilitary with two-year contracts earn benefits of $7800 ($3900 per year). The Army ollege Fund (ACF), which limits participation in various ways, provides an additional 3000 for two years of service. The maximum available to two-year members of the ıilitary is thus $15,800. The higher Opportunity Voucher figure might collide with the ecruiting requirements of the ACF. This issue must be carefully explored with senior epresentatives of the armed forces.

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

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

Whatever figure is eventually selected for the Opportunity Voucher, its benefits ıould be non-taxable, and the legislative language should make this clear to avoid ıdless 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 or 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 or 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 orgiveness. However, these programs could provide placements for up to 25,000 full-ime national service participants who would help organize the younger students in ervice 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 perent of America's public schools by the end of 1996.

It could be argued, however, that these activities are primarily a state and local unction. For example, Maryland recently imposed a service requirement for high chool 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 hat do so with what she calls a "Good Guy bonus."

In a similar vein, the Commission estimates that a total appropriation of $100 nillion ($20 million in FY 1984, $30 million in FY 1995, and $50 million in FY 1996) vould 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 ıll, 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, vould 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 unning 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 voluneers.

OPTIONS FOR FEDERAL ADMINISTRATIVE STRUCTURES

The issue of a federal structure for administration of the National Service system emains 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

:ommunity 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:

- Scrap the existing program completely and make income-contingent repayment and national/community service cancellation available as part of a direct loan program;

- Consolidate the current GSL programs and make the new repayment options available to all borrowers; or

- 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:

. *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.

. *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.

. *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.

. *It's Efficient.* Guarantee agencies, loan servicers and collection agencies are all nvolved in the student loan program. Terminating the existing student loan program vould eliminate these middlemen and simplify the program.

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

. *It's Popular.* Influential members (primarily Democrats) in both the House and the enate 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 he current system entirely. They may be attainable through several modifications to he 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 profession.

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

ndividuals and Groups Consulted (partial listing)

ull Board of the National and Community Service Commission

.d 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

Iational 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

›e Duffey, President, American University
:ichard 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)

NATIONAL SERVICE							
PROGRAM	FY93*	FY94	FY95	FY96	FY97	FY98	94-98
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**

MEMORANDUM

To: Eli Segal

From: Shirley Sagawa

Re: Congressional and Outreach Strategy for National Service Legislation

Date: February 8, 1993

I have done some thinking over the weekend about how we should structure our dealings with Congress and interest groups regarding the national service proposal.

Re: Congress. At the outset, we need to develop a target list of key members of Congress, which will include members of the House and Senate Labor Committees and Appropriations Subcommittees, as well as the Democratic leadership of both houses. You should ask Catherine Milton to have her staff identify service programs in the districts of these members and provide you with descriptions.

In the next few days, you should meet with the members who have worked on this issue in the past, or their staffs: in the Senate, Kennedy, Mikulski, Wofford, Boren, Nunn, Simon, Mitchell and maybe Wellstone; in the House, Ford, Gephardt, Hoyer, and Bonior. This meeting should occur <u>before</u> our draft has been circulated to others, and the meetings should occur as close together as possible so that each office fees they have been contacted first. The meetings should ask for members' input on the outline and for their help in lining up other members. You should ask the Senators to ask their staffs to work closely with us and to organize a Congressional strategy: each should be assigned a handful of House members; hearings should be discussed. I believe that Kennedy and Ford should be asked to be lead sponsors of the legislation, with the Democratic leadership as first cosponsors.

Bob Dole and Labor Committee Ranking Republicans Kassebaum and Goodling should also be contacted early, as should sympathetic Republicans; this list would include Durenberger and Hatch, with others to be identified. At a later date, after the legislation is introduced, you should take several days and visit as many other Senators and Congressmen as possible.

Re: Organizations. Organizations concerned with national service can be helpful to us in several ways. They will help lobby for the eventual legislation, help sell the program to the public, and advise us on how best to make the program work. However, they have to feel part of the process.

Several types of outreach activities have worked in the past. First, we should ask the Commission to set up substantive discussion meetings on specific topics. The Commission is able to identify the most knowledgeable people in the field on those topics that concern us, and by bringing in a large group, we will be able enlarge the number of people who field involved in the process. One early topic might be symbolic and other leadership activities the President should undertake to elevate service. Another might be ways to encourage other agencies to support service.

Second, you or senior staff should meet early on -- this week if possible -- with the most active service groups, as well as unions and higher education. These include: Youth Service America (Roger Landrum); National Association of Service and Conservation Corps (Kathleen Selz); VISTA advocates (Lisa Woll, Mimi Mager); Alliance for Service Learning (Barbara Gomez, Jim Kielsmeier); National and Community Service Act Coalition Steering Committee (contact is Roger Landrum); Youth Coalition (contact Pronita Gupta at the U.S. Student Association); and the Alliance for Justice (Nan Aron). In the meetings, these groups should be asked for their views on our proposal and asked for help in promoting national service (they can lobby, do op eds, reach out to other groups, etc.).

Third, open mike hearings (here, or better yet, outside of Washington) have been an effective way to allow anyone who wants to to be heard. This could be done in conjunction with a public relations event like a visit to a service program. It should take place after the first two types of consultations have occurred.

Finally, I assume you are sending staff to speak at relevant conferences. The Commission could be asked to develop a schedule of these to make sure they are all covered.

I hope this is helpful.

cc: Melanne Verveer

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Jack
After the fellow from AFL-CIO, we should see these people -- all of whom are my personal friends -- & close friends of the Clinton Administration.
Eli

To: Eli Segal

From: Joan Baggett

Date: January 27, 1993

Per our conversation regarding arranging National Service discussions with AFT, AFSCME, and NEA, I recommend that initially you hold three separate meetings with representatives of each union.

Your contacts for these introductory policy discussions are as follows:

AFT
Rachelle Horowitz
879-4436

NEA
Debra DeLee
822-7300

AFSCME
Frank Cowan
429-1111

~~Monpower Demonstr Reserve Corp~~

If you require any assistance in scheduling these meetings, feel free to call me.

~~See me this weekend~~
~~[illegible] people & budget~~
~~[illegible] Corps~~
~~[illegible] Bruce Babbitt~~
~~Will get other agencies [illegible]~~

National Service Trust Fund Act of 1993

CONFIDENTIAL DRAFT

A. Establishment of the National Service Trust Fund

Funds appropriated to the Trust Fund may be used to provide a benefit worth **$10,000 for each year of service** to individual completing one or two terms of approved national service.

States and a new National Service Agency will approve national service positions in the areas of education, human services, environment, and public safety. These positions may include **youth corps**, **specialized service corps** dedicated to priority needs (such as an earth corps, education corps, and health corps), **individual placements in non-profit organizations** (including VISTA), **professional corps** (such as a police corps, Teach for America corps, and service-learning corps), a limited number of **public interest entrepreneurs** designing new ways to solve a domestic problem, and **service in hard-to-fill employer-supported teaching, nursing, and other service jobs** in enterprise zones. National service positions may not displace any paid worker.

all eligible for stipend + benefit
not

Recent college graduates of any age or out-of-school youth may participate by applying to and being accepted into a program offering approved national service positions. To assist individuals in locating approved positions, a **national database** will be established which can be accessed through college placement offices, employment centers, and other appropriate locations.

A minimum term of service qualifying the individual for a $10,000 benefit is equal to 1500 hours of service over a period of not less than nine months. A part-time term of service of the equivalent number of hours must be completed within three years. A benefit may be used to pay for tuition, fees, room and board at an institution of higher education, to repay qualified federal student loans, or to obtain employment training.

To promote **national esprit de corps**, the National Service Agency will arrange a national training program for participants, along with a national insignia to be used on uniforms, promotional materials, and other materials of approved programs. It will also arrange for a national visibility campaign promoting national service and facilitate creation of an alumni network of individuals who have participated in national service.

B. Authorization of National Service Programs

To support an infrastructure of national service positions, funding is authorized for stipends and benefits (health care, child care) for participants and for program support. Three types of national service programs may be supported: <u>School-age service-learning programs</u>, as authorized under subtitle B of the National and Community Service Act; <u>Older American programs</u>, including the Older American Volunteer Programs of the Domestic Volunteer Service Act; and <u>Full- and part-time national service</u> eligible for benefits through the Trust Fund.

additional $ w/ post service years

Three types of support may be made available for full- and part-time national service:

-- Single-year **planning or start-up** grants, available to individuals, states, and public or private non-profit organizations including education institutions;

-- Multi-year **operations** grants, available to states and public or private non-profit organizations wishing to improve or expand existing programs.

-- Multi-year **replication** grants, available to states and public or private non-profit organizations wishing to replicate proven existing programs.

All full- and part-time national service grants will be made on a **challenge basis** and must be matched dollar for dollar with at least half of the match in cash.

C. Establishment of the National Service Agency

A new National Service Agency, building on the existing Commission on National and Community Service and ACTION agency, will have responsibility for establishing criteria for approved national service positions, ensuring against fraud and abuse, arranging for a national database of positions, arranging for a national training program, coordinating service programs within the federal government, administering the national service grant programs, and providing training and technical assistance to states and programs.

D. State Governance

To be eligible,

~~The~~ governor of each state ~~may~~ must designate a lead agency and appoint a State National Service Commission responsible for administering the Trust Fund and the national service grant programs. The State Commission will include representatives of local service program directors and other citizens and will develop a plan for service, including proposed national service placements. The plan must ensure equitable treatment of urban and rural areas within the state and be approved by the governor and the National Service Agency.

encourage diversity

SCHEDULE FOR ELI J. SEGAL

Monday, February 8, 1993

7:45 a.m.	White House Senior Staff Meeting
9:00 a.m.	National Service Staff Meeting
10:30 a.m.	HRC
11:00	Peter Edelman
11:30 a.m.	Shirley Segawa, Bill Galston, Melanne Verveer
12:30 p.m.	Judy Harrington, Susan Stroud, Jack Lew, Rick Allen, Robert Gordon
2:30 p.m.	Kathleen Kennedy Townsend

SCHEDULE FOR ELI J. SEGAL

Tuesday, February 9, 1993

7:45 a.m.	White House Senior Staff Meeting
9:00 a.m.	National Service Staff Meeting
10:00 a.m.	Tom Lindenfeld (**032255**)
12:30 p.m.	Lunch with David Wilhelm

10:30 Greg [illegible]

SCHEDULE FOR ELI J. SEGAL

Wednesday, February 10, 1993

7:45 a.m.	White House Senior Staff Meeting
9:00 a.m.	National Service Staff Meeting
5:00 p.m.	Arnold Hyatt (**052627**)

SCHEDULE FOR ELI J.

Thursday, February 11, 1993

7:45 a.m.	White House Senior S
9:00 a.m.	National Service Sta
11:00 a.m.	Coach Phelps, Notre Commission Board mem
12:30 p.m.	Lunch with Frank Gre

Jack Lew
Good memo. We need to get with Howard package [illegible].

MEMORANDUM

To: Eli Segal

From: Shirley Sagawa

Re: Congressional and Outreach Strategy for National Service Legislation

Date: February 8, 1993

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Susan Stroud

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Finally, I assume you are sending staff to speak at relevant conferences. The Commission could be asked to develop a schedule of these to make sure they are all covered.

I hope this is helpful.

cc: Melanne Verveer

MEMORANDUM

TO: Christine Varney
FR: Eli Segal CW
DA: February 8, 1993
RE: 2/10 Cabinet Meeting: National Service & Reinventing Government

As we understand it, a principal topic at Wednesday's Cabinet meeting will be a review of each Department's progress towards, and strategy for, re-invigorating and re-inventing their operations. We believe that national service can be a fulcrum for re-inventing government, and that this potential should be specifically presented by the President to the Cabinet.

Concept: In an era of diminished budgetary resources and accelerating national needs, traditional bureaucratic federal intervention is no longer possible -- and history has proven that it is frequently undesirable. Each Cabinet Department can leverage virtually every programmatic investment by developing a service component.

Example: HHS is working with our Office to add a service component to its immunization program. By providing volunteers (including "service warriors" who may be part of newly-federally funded service programs which are a part of the President's National Service Trust) to assist in inoculating children, HHS can deliver this service to a far larger universe at a reduced cost.

Request to the Cabinet: In our memos to you of February 1 and 4, we asked for each Department 1) to designate a service contact person; 2) to inventory their existing service programs; and 3) to work with our Office in designing service components to enhance the effectiveness of a wide variety of their initiatives.

To-date, we have had responses from the Departments of Energy, Commerce, HHS, Interior, Labor and Education. We would like your assistance (through inclusion of the subject on the Agenda) to inspire the participation of the other Departments (and to keep the subject front and center for the others). As an example, DOD has a large number of exceptional community service programs done on both a Department-wide and service-specific basis (Navy has 17,000 career officers and enlisted persons involved in vital -- and coordinated -- community service activities).

Please call me (ext. 6444) or Rick Allen if anything further is required.

EJS:cra

DRAFT

National Service Trust Fund Act of 1993

A. Establishment of the National Service Trust Fund

Funds appropriated to the Trust Fund may be used to provide a benefit worth $10,000 for each year of service to individual completing one or two terms of approved national service.

States and a new National Service Agency will approve national service positions in the areas of education, human services, environment, and public safety from among the following:

-- Programs funded in part 3 of section B, below.

-- Program comparable to those funded in part 3 of section B, below.

-- In the case of individuals who have completed one term of national service in a youth corps program, service on the staff of a youth corps program.

-- Service as a service-learning coordinator in a program eligible for funding under part 1 of section B, below.

-- Service in employer-support service positions that have been vacant for not less than a year and are unlikely to be filled due to a shortage of qualified applicants and that are located in depressed urban or rural areas.

To guard against displacement of paid workers, the nondisplacement and nonduplication provisions of the National and Community Service Act (NCSA) apply to all positions.

The ability to approve half of national service positions will be awarded to states -- one-fourth of positions to be allocated to states based on population and one-fourth based on a competition. The other half of positions will be awarded on a competitive basis by the National Service Agency -- at least one-fourth directly to public and private non-profit organizations and up to one-fourth to federally run programs or programs sponsored by other federal agencies.

Any recent college graduate of any age or out-of-school youth may participate by applying to and being accepted into a program offering approved national service positions. To assist individuals in locating approved positions, a national database will be established which can be accessed through college placement offices, employment centers, and other appropriate locations.

A minimum term of service qualifying the individual for a $10,000 benefit is equal to 1500 hours of service over a period of not less than nine months. A part-time term of service of the equivalent number of hours must be completed within three years. A benefit may be used to pay for tuition, fees, room and board at an institution of higher education, to repay qualified federal student loans, or to obtain employment training.

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B. Authorization of National Service Programs

To support an infrastructure of national service positions, funding is authorized for stipends and benefits (health care, child care) for participants and for program support. Three types of National Service programs may be supported:

1. School-age service-learning programs, as authorized under subtitle B of the NCSA.

2. Older American programs, including the Older American Volunteer Programs of the Domestic Volunteer Service Act.

3. Full- and part-time national service eligible for benefits through the Trust Fund, including:

-- Youth Corps (as currently authorized in subtitle C and D of the National and Community Service Act);

-- Specialized Service Corps (including Earth Corps, Public Safety Corps, Health Corps, Education Corps, and a Child Welfare Corps);

-- Individual Placement Programs (as currently authorized in subtitle D of the NCSA and VISTA);

-- Professional Corps (including a Police Corps, Teach for America Corps, and Service-Learning Corps); and

-- Public Interest Entrepreneurs.

GEORGETOWN UNIVERSITY LAW CENTER

Peter B. Edelman
Professor

February 2, 1993

Dear Eli:

Thank you for sharing the draft with me. It certainly reflects the general understanding I have had of where we are going, and I am comfortable with the thrust. I have a number of questions.

1. Level of Benefits. It says a benefit of $10,000 a year. I thought we had been talking $5000 a year. This is going to make it an incredibly expensive program by the time the stipend is added on, and other program costs are added as well. Where did this come from? I frankly think we can't afford it, and I think we will run into very tough political sledding with such an expensive program. A total benefit of $10,000 for two years of service equals the cost of four years tuition at approximately the median-cost state university. I just don't see how we can afford more than that.

2. Qualifying Positions. There are two categories of position mentioned on page 1 that are intriguing but are not defined anywhere. One is "programs comparable to those funded in part 3 of section B" and the other is "employer-support service positions." What is each of these?

If the first is programs that deliver service to troubled families, programs that work on building and rehabilitating inner-city housing, programs that work with the elderly or the developmentally disabled, programs that work with runaway or other troubled youth, and so on and so on -- all of which might have use for a national service worker -- I think we need to understand much more explicitly what we are talking about. It is far from clear in the draft.

If the second is schools, police departments, rural and inner-city public health clinics, and so on, I think greater clarity is similarly needed.

Apparently the intent, which I infer from comparing Section A with Section B, is that these programs could obtain national service positions but would not qualify for stipend funding or program funding. Is that correct? If so, I am troubled, in that I believe there are nonprofit programs which are not Corps-type in structure but are extremely important forces in the community

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and as good or better than Corps-type programs as service experiences for young people. I am of course happy that they could obtain national service positions, but I would stress that they have program-support needs which are as important and valid as all of the Corps we create in section B, and I think they certainly have a valid call on funding for stipends. (Indeed, as I indicate below, I wonder if we are not going a little Corps-crazy with our proliferation of all kinds of Corps.) I am hopeful that we can find a way to get stipended positions and possibly even program support to programs that involve young people in significant ways in their work even though they are not Corps.

3. Allocation of Positions. On the allocation of the positions, which is discussed at the bottom of the first page, how will this work? Will programs have to apply for positions every year? If so, I think this will be very cumbersome and impracticable. How far in advance would a program have to apply? Planning from year to year is going to be very difficult if they have to re-apply annually.

Still on the allocation of positions, can a program apply to both a state and the NSA for positions? How will this be coordinated?

And, how do we make sure that we neither waste slots by assigning them and then having them go unfilled, nor end up with more slots being filled than there is money available?

4. Qualifying Programs. What, in detail, are all of these Corps? As I said above, it looks to me that we have perhaps gone a little Corps crazy -- Earth Corps, Public Safety Corps, etc. What is a Child Welfare Corps? Are any of these the same as the "comparable" programs and the "employer-support service positions" mentioned on page 1 of the draft? How do they differ?

The more I think about it, I have to confess I only get more mystified. Who will organize these various types of Corps? Is each national in scope? How will they relate to the police, the schools, the child welfare system, the health care system, and so on? If everything is reduced to a Corps, I foresee a danger of political ridicule from people who oppose the legislation.

5. Stipends and Program Support. Are all positions in Section B stipended with federal funds? Is this on a matching basis, or does the matching requirement apply only to the three kinds of program support listed at the end of Section B?

Who decides how much money to put into each of the categories of program support?

Again, why is it that the "comparable programs" on page 1 seem to be excluded from both stipends and program support? Why is it that a program has to be a "Corps" to be eligible for stipends and program support? I would suggest that this does not accord with the way the real world is organized. I am afraid that it will be viewed as elitist by many who are doing important work in neighborhoods and communities: yet another group of social engineers imposing a form from the top on the anointed methodology for delivering service.

6. <u>Diversity</u>. How are we going to make sure that the participants, viewed nationally and even state by state, are sufficiently diverse in terms of age mix, income background, race, gender, and ethnicity?

7. <u>State governance</u>. It says the governor "may" designate a lead agency and appoint a State National Service Commission. Why isn't that a "must" if they want any of the money?

I hope these thoughts are helpful and can be the basis of a useful discussion. See you or talk to you soon.

Sincerely,

Peter

Public Law 87-293

September 22, 1961
[H. R. 7500]

AN ACT

To provide for a Peace Corps to help the peoples of interested countries and areas in meeting their needs for skilled manpower.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—THE PEACE CORPS

SHORT TITLE

Peace Corps Act.

SECTION 1. This Act may be cited as the "Peace Corps Act".

DECLARATION OF PURPOSE

SEC. 2. The Congress of the United States declares that it is the policy of the United States and the purpose of this Act to promote world peace and friendship through a Peace Corps, which shall make available to interested countries and areas men and women of the United States qualified for service abroad and willing to serve, under conditions of hardship if necessary, to help the peoples of such countries and areas in meeting their needs for trained manpower, and to help promote a better understanding of the American people on the part of the peoples served and a better understanding of other peoples on the part of the American people.

AUTHORIZATION

SEC. 3. (a) The President is authorized to carry out programs in furtherance of the purposes of this Act, on such terms and conditions as he may determine.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1962 not to exceed $40,000,000 to carry out the purposes of this Act.

DIRECTOR OF THE PEACE CORPS AND DELEGATION OF FUNCTIONS

SEC. 4. (a) The President may appoint, by and with the advice and consent of the Senate, a Director of the Peace Corps, whose compensation shall be fixed by the President at a rate not in excess of $20,000 per annum, and a Deputy Director of the Peace Corps, whose compensation shall be fixed by the President at a rate not in excess of $19,500 per annum.

(b) The President may exercise any functions vested in him by this Act through such agency or officer of the United States Government as he shall direct. The head of any such agency or any such officer may promulgate such rules and regulations as he may deem necessary or appropriate to carry out such functions, and may delegate to any of his subordinates authority to perform any of such functions.

(c)(1) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(2) The President shall prescribe appropriate procedures to assure coordination of Peace Corps activities with other activities of the United States Government in each country, under the leadership of the chief of the United States diplomatic mission.

(3) Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of the programs authorized by this Act, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby.

(d) Except with the approval of the Secretary of State, the Peace Corps shall not be assigned to perform services which could more usefully be performed by other available agencies of the United States Government in the country concerned.

PEACE CORPS VOLUNTEERS

SEC. 5. (a) The President may enroll in the Peace Corps for service abroad qualified citizens and nationals of the United States (referred to in this Act as "volunteers"). The terms and conditions of the enrollment, training, compensation, hours of work, benefits, leave, termination, and all other terms and conditions of the service of volunteers shall be exclusively those set forth in this Act and those consistent therewith which the President may prescribe; and, except as provided in this Act, volunteers shall not be deemed officers or employees or otherwise in the service or employment of, or holding office under, the United States for any purpose. In carrying out this subsection no political test shall be required or taken into consideration, nor shall there be any discrimination against any person on account of race, creed, or color.

(b) Volunteers shall be provided with such living, travel, and leave allowances, and such housing, transportation, supplies, equipment, subsistence, and clothing as the President may determine to be necessary for their maintenance and to insure their health and their capacity to serve effectively. Transportation and travel allowances may also be provided, in such circumstances as the President may determine, for applicants for enrollment to or from places of training and places of enrollment, and for former volunteers from places of termination to their homes in the United States.

(c) Volunteers shall be entitled to receive termination payments at a rate not to exceed $75 for each month of satisfactory service as determined by the President. The termination payment of each volunteer shall be payable at the termination of his service, or may be paid during the course of his service to the volunteer, to members of his family or to others, under such circumstances as the President may determine. In the event of the volunteer's death during the period of his service, the amount of any unpaid termination payment shall be paid in accordance with the provisions of section 61f of title 5 of the United States Code. 64 Stat. 395.

(d) Volunteers shall be deemed to be employees of the United States Government for the purposes of the Federal Employees' Compensation Act (39 Stat. 742), as amended: *Provided, however*, That entitlement to disability compensation payments under that Act shall commence on the day after the date of termination of service. For the purposes of that Act— 5 USC 751 note.

(1) volunteers shall be deemed to be receiving monthly pay at the lowest rate provided for grade 7 of the general schedule established by the Classification Act of 1949, as amended, and volunteer leaders (referred to in section 6 of this Act) shall be deemed to be receiving monthly pay at the lowest rate provided for grade 11 of such general schedule; and 63 Stat. 954. 5 USC 1071 note.

(2) any injury suffered by a volunteer during any time when he is located abroad shall be deemed to have been sustained while in the performance of his duty and any disease contracted during such time shall be deemed to have been proximately caused by his employment, unless such injury or disease is

caused by willful misconduct of the volunteer or by the volunteer's intention to bring about the injury or death of himself or of another, or unless intoxication of the injured volunteer is the proximate cause of the injury or death.

(e) Volunteers shall receive such health care during their service, and such health examinations and immunization preparatory to their service, as the President may deem necessary or appropriate. Subject to such conditions as the President may prescribe, such health care, examinations, and immunization may be provided for volunteers in any facility of any agency of the United States Government, and in such cases the appropriation for maintaining and operating such facility shall be reimbursed from appropriations available under this Act.

(f)(1) Any period of satisfactory service of a volunteer under this Act shall be credited in connection with subsequent employment in the same manner as a like period of civilian employment by the United States Government—

70 Stat. 736.
74 Stat. 844.

(A) for the purposes of the Civil Service Retirement Act, as amended (5 U.S.C. 2251, et seq.), section 852(a)(1) of the Foreign Service Act of 1946, as amended (22 U.S.C. 1092(a)(1)), and every other Act establishing a retirement system for civilian employees of any United States Government agency; and

60 Stat. 999.
22 USC 801 note.

(B) except as otherwise determined by the President, for the purposes of determining seniority, reduction in force, and layoff rights, leave entitlement, and other rights and privileges based upon length of service under the laws administered by the Civil Service Commission, the Foreign Service Act of 1946, and every other Act establishing or governing terms and conditions of service of civilian employees of the United States Government: *Provided*, That service of a volunteer shall not be credited toward completion of any probationary or trial period or completion of any service requirement for career appointment.

(2) For the purposes of paragraph (1)(A) of this subsection, volunteers and volunteer leaders shall be deemed to be receiving compensation during their service at the respective rates of termination payments payable under sections 5(c) and 6(1) of this Act.

(g) The President may detail or assign volunteers or otherwise make them available to any entity referred to in paragraph (1) of section 10(a) on such terms and conditions as he may determine: *Provided, however*, That any volunteer so detailed or assigned shall continue to be entitled to the allowances, benefits and privileges of volunteers authorized under or pursuant to this Act.

28 USC 2671-2680 and notes.

(h) Volunteers shall be deemed employees of the United States Government for the purposes of the Federal Tort Claims Act and any other Federal tort liability statute, and for the purposes of section 1 of the Act of June 4, 1920 (41 Stat. 750), as amended (22 U.S.C. 214).

(i) The service of a volunteer may be terminated at any time at the pleasure of the President.

(j) Upon enrollment in the Peace Corps, every volunteer shall take the oath prescribed for persons appointed to any office of honor or profit by section 1757 of the Revised Statutes of the United States, as amended (5 U.S.C. 16), and shall swear (or affirm) that he does not advocate the overthrow of our constitutional form of government in the United States, and that he is not a member of an organization that advocates the overthrow of our constitutional form of government in the United States, knowing that such organization so advocates.

PEACE CORPS VOLUNTEER LEADERS

SEC. 6. The President may enroll in the Peace Corps qualified citizens or nationals of the United States whose services are required for supervisory or other special duties or responsibilities in connection with programs under this Act (referred to in this Act as "volunteer leaders"). The ratio of the total number of volunteer leaders to the total number of volunteers in service at any one time shall not exceed one to twenty-five. Except as otherwise provided in this Act, all of the provisions of this Act applicable to volunteers shall be applicable to volunteer leaders, and the term "volunteers" shall include "volunteer leaders": *Provided, however*, That—

(1) volunteer leaders shall be entitled to receive termination payments at a rate not to exceed $125 for each month of satisfactory service as determined by the President;

(2) spouses and minor children of volunteer leaders may receive such living, travel, and leave allowances, and such housing, transportation, subsistence, and essential special items of clothing, as the President may determine, but the authority contained in this paragraph shall be exercised only under exceptional circumstances;

(3) spouses and minor children of volunteer leaders accompanying them may receive such health care as the President may determine and upon such terms as he may determine, including health care in any facility referred to in section 5(e) of this Act, subject to such conditions as the President may prescribe and subject to reimbursement of appropriations as provided in section 5(e); and

(4) spouses and minor children of volunteer leaders accompanying them may receive such orientation, language, and other training necessary to accomplish the purposes of this Act as the President may determine.

PEACE CORPS EMPLOYEES

SEC. 7. (a) The President may employ such persons, not to exceed 275 persons permanently employed in the United States at any one time in fiscal year 1962, as the President deems necessary to carry out the provisions and purposes of this Act. Except as otherwise provided in this Act, such persons (hereinafter sometimes referred to as "employees") shall be employed in accordance with and shall be subject to the laws applicable to personnel employed by the United States Government.

(b) Of the persons so employed in the United States in activities authorized by this Act, not to exceed thirty may be compensated without regard to the provisions of the Classification Act of 1949, as amended, of whom not to exceed twenty may be compensated at rates higher than those provided for grade fifteen of the general schedule established by the Classification Act of 1949, as amended, and of these not to exceed two may be compensated at a rate in excess of the highest rate provided for grades of such general schedule but not in excess of $19,000 per year. Such positions shall be in addition to those authorized by section 4(a) of this Act to be filled by Presidential appointment, and in addition to the number authorized by section 505 of the Classification Act of 1949, as amended.

63 Stat. 954.
5 USC 1071 note.
5 USC 1105.

(c) For the purpose of performing functions under this Act outside the United States, the President may—

(1) employ or assign persons, or authorize the employment or assignment of officers or employees of agencies of the United States Government, who shall receive compensation at any of

the rates provided for persons appointed to the Foreign Service Reserve and Staff under the Foreign Service Act of 1946, as amended (22 U.S.C. 801 et seq.), together with allowances and benefits thereunder; and persons so employed or assigned shall be entitled, except to the extent that the President may specify otherwise in cases in which the period of the employment or assignment exceeds thirty months, to the same benefits as are provided by section 528 of that Act for persons appointed to the Foreign Service Reserve, and the provisions of section 1005 of that Act shall apply in the case of such persons, except that policymaking officials shall not be subject to that part of section 1005 which prohibits political tests;

60 Stat. 999.

22 USC 928, 807.

(2) utilize such authority, including authority to appoint and assign persons for the duration of operations under this Act, contained in the Foreign Service Act of 1946, as amended, as the President deems necessary to carry out functions under this Act. Such provisions of the Foreign Service Act of 1946 as the President deems appropriate shall apply to persons appointed or assigned under this paragraph, including in all cases, the provisions of section 528 of that Act: *Provided, however*, That the President may by regulation make exceptions to the application of section 528 in cases in which the period of the appointment or assignment exceeds thirty months: *Provided further*, That Foreign Service Reserve officers appointed or assigned pursuant to this paragraph shall receive within-class salary increases in accordance with such regulations as the President may prescribe; and

(3) specify which of the allowances and differentials authorized by title II of the Overseas Differentials and Allowances Act (5 U.S.C. 3031 et seq.) may be granted to any person employed, appointed or assigned under this subsection (c) and may determine the rates thereof not to exceed those otherwise granted to employees under that Act.

74 Stat. 793.

(d) The President is authorized to prescribe by regulation standards or other criteria for maintaining adequate performance levels for persons appointed or assigned pursuant to subsection (c)(2) of this section and section 527(c)(2) of the Mutual Security Act of 1954, as amended, and may, notwithstanding any other law, separate persons who fail to meet such standards or other criteria, and also may grant such persons severance benefits of one month's salary for each year of service, but not to exceed one year's salary at the then current salary rate of such persons.

68 Stat. 857; 7 Stat. 364.
22 USC 1787.

(e) In each country or area in which volunteers serve abroad, the President may appoint an employee or a volunteer as a Peace Corps representative to have direction of other employees of the Peace Corps abroad and to oversee the activities carried on under this Act in such country or area. Unless a representative is a volunteer, the compensation, allowances and benefits, and other terms and conditions of service of each such representative, shall be the same as those of a person appointed or assigned pursuant to paragraph (1) or (2) of subsection (c) of this section, except that any such representative may, notwithstanding any provision of law, be removed by the President in his discretion.

VOLUNTEER TRAINING

SEC. 8. (a) The President shall make provision for such training as he deems appropriate for each applicant for enrollment as a volunteer and each enrolled volunteer. All of the provisions of this Act applicable respectively to volunteers and volunteer leaders shall be applicable to applicants for enrollment as such during any period of training occurring prior to enrollment, and the respective terms "volunteers" and "volunteer leaders" shall include such applicants during any such period of training.

(b) The President may also make provision, on the basis of advances of funds or reimbursement to the United States, for training for citizens of the United States, other than those referred to in subsection (a) of this section, who have been selected for service abroad in programs not carried out under authority of this Act which are similar to those authorized by this Act. The provisions of section 9 of this Act shall apply, on a similar advance of funds or a reimbursement basis, with respect to persons while within the United States for training under authority of this subsection. Advances or reimbursements received under this subsection may be credited to the current applicable appropriation, fund, or account and shall be available for the purposes for which such appropriation, fund, or account is authorized to be used.

(c) Training hereinabove provided for shall include instruction in the philosophy, strategy, tactics, and menace of communism.

PARTICIPATION OF FOREIGN NATIONALS

SEC. 9. In order to provide for assistance by foreign nationals in the training of volunteers, and to permit effective implementation of Peace Corps projects with due regard for the desirability of cost-sharing arrangements, where appropriate, the President may make provision for transportation, housing, subsistence, or per diem in lieu thereof, and health care or health and accident insurance for foreign nationals engaged in activities authorized by this Act while they are away from their homes, without regard to the provisions of any other law: *Provided, however*, That per diem in lieu of subsistence furnished to such persons shall not be at rates higher than those prescribed by the Secretary of State pursuant to section 12 of Public Law 84–885 (70 Stat. 890). Such persons, and persons coming to the United States under contract pursuant to section 10(a)(4), may be admitted to the United States, if otherwise qualified, as nonimmigrants under section 101(a)(15) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)) for such time and under such conditions as may be prescribed by regulations promulgated by the Secretary of State and the Attorney General. A person admitted under this section who fails to maintain the status under which he was admitted or who fails to depart from the United States at the expiration of the time for which he was admitted, or who engages in activities of a political nature detrimental to the interests of the United States, or in activities not consistent with the security of the United States, shall, upon the warrant of the Attorney General, be taken into custody and promptly deported pursuant to sections 241, 242, and 243 of the Immigration and Nationality Act. Deportation proceedings under this section shall be summary and the findings of the Attorney General as to matters of fact shall be conclusive.

5 USC 170q.

66 Stat. 166.

8 USC 1251-1253.

GENERAL POWERS AND AUTHORITIES

SEC. 10. (a) In furtherance of the purposes of this Act, the President may—

(1) enter into, perform, and modify contracts and agreements and otherwise cooperate with any agency of the United States Government or of any State or any subdivision thereof, other governments and departments and agencies thereof, and educa-

tional institutions, voluntary agencies, farm organizations, labor unions, and other organizations, individuals and firms;

(2) assign volunteers in special cases to temporary duty with international organizations and agencies when the Secretary of State determines that such assignment would serve the purposes of this Act: *Provided*, That not more than one hundred and twenty-five Peace Corps volunteers or volunteer leaders shall be assigned to international organizations as described in this section;

64 Stat. 765.

(3) accept in the name of the Peace Corps and employ in furtherance of the purposes of this Act (A) voluntary services notwithstanding the provisions of 31 U.S.C. 665(b), and (B) any money or property (real, personal or mixed, tangible or intangible) received by gift, devise, bequest, or otherwise; and

(4) contract with individuals for personal services abroad, and with aliens (abroad or within the United States) for personal services within the United States: *Provided*, That no such person shall be deemed an officer or employee or otherwise in the service or employment of the United States Government for any purpose.

(b) Notwithstanding any other provision of law, whenever the President determines that it will further the purposes of this Act, the President, under such regulations as he may prescribe, may settle and pay, in an amount not exceeding $10,000, any claim against the United States, for loss of or damage to real or personal property (including loss of occupancy or use thereof) belonging to, or for personal injury or death of, any person not a citizen or resident of the United States, where such claim arises abroad out of the act or omission of any Peace Corps employee or out of the act or omission of any volunteer, but only if such claim is presented in writing within one year after it accrues. Any amount paid in settlement of any claim under this subsection shall be accepted by the claimant in full satisfaction thereof and shall bar any further action or proceeding thereon.

(c) Subject to any future action of the Congress, a contract or agreement which entails commitments for the expenditure of funds available for the purposes of this Act, including commitments for the purpose of paying or providing for allowances and other benefits of volunteers authorized by sections 5 and 6 of this Act, may extend at any time for not more than thirty-six months.

65 Stat. 7; 73 Stat. 210.
50 USC app. 1211 note.

(d) Whenever the President determines it to be in furtherance of the purposes of this Act, functions authorized by this Act may be performed without regard to such provisions of law (other than the Renegotiation Act of 1951, as amended) regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

(e) The President may allocate or transfer to any agency of the United States Government any funds available for carrying out the purposes of this Act including any advance received by the United States from any country or international organization under authority of this Act, but not to exceed 20 per centum in the aggregate of such funds may be allocated or transferred to agencies other than the Peace Corps. Such funds shall be available for obligation and expenditure for the purposes of this Act in accordance with authority granted in this Act or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred.

(f) Any officer of the United States Government carrying out functions under this Act may utilize the services and facilities of, or procure commodities from, any agency of the United States Government as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to

any such agency may be established in separate appropriation accounts on the books of the Treasury.

(g) In the case of any commodity, service, or facility procured from any agency of the United States Government under this Act, reimbursement or payment shall be made to such agency from funds available under this Act. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposing agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning or disposing agency determines that such replacement is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

REPORTS

SEC. 11. The President shall transmit to the Congress, at least once in each fiscal year, a report on operations under this Act.

PEACE CORPS NATIONAL ADVISORY COUNCIL

SEC. 12. (a) The President may appoint to membership in a board to be known as the Peace Corps National Advisory Council twenty-five persons who are broadly representative of educational institutions, voluntary agencies, farm organizations, and labor unions, and other public and private organizations and groups as well as individuals interested in the programs and objectives of the Peace Corps, to advise and consult with the President with regard to policies and programs designed to further the purposes of this Act.

(b) Members of the Council shall serve at the pleasure of the President and meet at his call. They shall receive no compensation for their services, but members who are not officers or employees of the United States Government may each receive out of funds made available for the purposes of this Act a per diem allowance of $50 for each day, not to exceed twenty days in any fiscal year in the case of any such member, spent away from his home or regular place of business for the purpose of attendance at meetings or conferences and in necessary travel, and while so engaged may be paid actual travel expenses and per diem in lieu of subsistence and other expenses, at the applicable rate prescribed by the Standardized Government Travel Regulations, as amended from time to time.

EXPERTS AND CONSULTANTS

SEC. 13. (a) Experts and consultants or organizations thereof may, as authorized by section 15 of the Act of August 2, 1946, as amended (5 U.S.C. 55a), be employed by the Peace Corps for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of $75 per diem, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence and other expenses at the applicable rate prescribed in the Standardized Government Travel Regulations, as amended from time to time, while so employed: *Provided*, That contracts for such employment may be renewed annually. 60 Stat. 810.

(b) Service of an individual as a member of the Council authorized to be established by section 12 of this Act or as an expert or consultant under subsection (a) of this section shall not be considered as service or employment bringing such individual within the provisions of section

62 Stat. 697.

281, 283, or 284 of title 18 of the United States Code, or of section 190 of the Revised Statutes (5 U.S.C. 99), or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of service, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States Government, except insofar as such provisions of law may prohibit any such individual from receiving compensation in respect of any particular matter in which such individual was directly involved in the performance of such service; nor shall such service be considered as employment or holding of office or position bringing such individual within the provisions of section 13 of the Civil Service Retirement Act, as amended (5 U.S.C. 2263), section 212 of the Act of June 30, 1932, as amended (5 U.S.C. 59a), section 872 of the Foreign Service Act of 1946, as amended, or any other law limiting the reemployment of retired officers or employees or governing the simultaneous receipt of compensation and retired pay or annuities.

70 Stat. 757.
47 Stat. 406; 69 Stat. 498.
74 Stat. 846.
22 USC 1112.

DETAIL OF PERSONNEL TO FOREIGN GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS

SEC. 14. (a) In furtherance of the purposes of this Act, the head of any agency of the United States Government is authorized to detail, assign, or otherwise make available any officer or employee of his agency (1) to serve with, or as a member of, the international staff of any international organization, or (2) to any office or position to which no compensation is attached with any foreign government or agency thereof: *Provided*, That such acceptance of such office or position shall in no case involve the taking of an oath of allegiance to another government.

(b) Any such officer or employee, while so detailed or assigned, shall be considered, for the purpose of preserving his allowances, privileges, rights, seniority, and other benefits as such, an officer or employee of the United States Government and of the agency of the United States Government from which detailed or assigned, and he shall continue to receive compensation, allowances, and benefits from funds authorized by this Act. He may also receive, under such regulations as the President may prescribe, representation allowances similar to those allowed under section 901 of the Foreign Service Act of 1946 (22 U.S.C. 1131). The authorization of such allowances and other benefits, and the payment thereof out of any appropriations available therefor, shall be considered as meeting all of the requirements of section 1765 of the Revised Statutes (5 U.S.C. 70).

74 Stat. 801.

(c) Details or assignments may be made under this section—

(1) without reimbursement to the United States Government by the international organization or foreign government;

(2) upon agreement by the international organization or foreign government to reimburse the United States Government for compensation, travel expenses, and allowances, or any part thereof, payable to such officer or employee during the period of assignment or detail in accordance with subsection (b) of this section; and such reimbursement shall be credited to the appropriation, fund, or account utilized for paying such compensation, travel expenses, or allowances, or to the appropriation, fund, or account currently available for such purpose; or

(3) upon an advance of funds, property or services to the United States Government accepted with the approval of the President for specified uses in furtherance of the purposes of this Act; and funds so advanced may be established as a separate fund in the Treasury of the United States Government, to be available for the specified uses, and to be used for reimbursement

of appropriations or direct expenditure subject to the provisions of this Act, any unexpended balance of such account to be returned to the foreign government or international organization.

UTILIZATION OF FUNDS

SEC. 15. (a) Funds made available for the purposes of this Act may be used for compensation, allowances and travel of employees, including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, for printing and binding without regard to the provisions of any other law, and for expenditures outside the United States for the procurement of supplies and services and for other administrative and operating purposes (other than compensation of employees) without regard to such laws and regulations governing the obligation and expenditure of Government funds as may be necessary to accomplish the purposes of this Act.

(b) Funds made available for the purposes of this Act may be used to pay expenses in connection with travel abroad of employees and, to the extent otherwise authorized by this Act, of volunteers, including travel expenses of dependents (including expenses during necessary stopovers while engaged in such travel), and transportation of personal effects, household goods, and automobiles when any part of such travel or transportation begins in one fiscal year pursuant to travel orders issued in that fiscal year, notwithstanding the fact that such travel or transportation may not be completed during the same fiscal year, and cost of transporting to and from a place of storage, and the cost of storing automobiles of employees when it is in the public interest or more economical to authorize storage.

(c) Funds available under this Act may be used to pay costs of training employees employed or assigned pursuant to section 7(c)(2) of this Act (through interchange or otherwise) at any State or local unit of government, public or private nonprofit institution, trade, labor, agricultural, or scientific association or organization, or commercial firm; and the provisions of Public Law 84–918 (7 U.S.C. 1881 et seq.) 70 Stat. 934.
may be used to carry out the foregoing authority notwithstanding that interchange of personnel may not be involved or that the training may not take place at the institutions specified in that Act. Such training shall not be considered employment or holding of office under section 2 of the Act of July 31, 1894, as amended (5 U.S.C. 62), and any payments or contributions in connection therewith may, as deemed appropriate by the head of the agency of the United States Government authorizing such training, be made by private or public sources and be accepted by any trainee, or may be accepted by and credited to the current applicable appropriation of such agency: *Provided, however*, That any such payments to an employee in the nature of compensation shall be in lieu, or in reduction, of compensation received from the United States Government.

(d) Funds available for the purposes of this Act shall be available for—

(1) rent of buildings and space in buildings in the United States, and for repair, alteration, and improvement of such leased properties;

(2) expenses of attendance at meetings concerned with the purposes of this Act, including (notwithstanding the provisions of section 9 of Public Law 60–328 (31 U.S.C. 673)) expenses in connection with meetings of persons whose employment is authorized by section 13(a) of this Act;

(3) rental and hire of aircraft;

(4) purchase and hire of passenger motor vehicles: *Provided*, That, except as may otherwise be provided in an appropriation or other Act, passenger motor vehicles for administrative purposes abroad may be purchased for replacement only, and such vehicles may be exchanged or sold and replaced by an equal number of such vehicles, and the cost, including exchange allowance, of each such replacement shall not exceed $2,500 in the case of an automobile for any Peace Corps country representative appointed under section 7(e): *Provided further*, That passenger motor vehicles may be purchased for use in the United States only as may be specifically provided in an appropriation or other Act;

(5) entertainment (not to exceed $5,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act);

(6) exchange of funds without regard to section 3561 of the Revised Statutes (31 U.S.C. 543) and loss by exchange;

(7) expenditures (not to exceed $5,000 in any fiscal year except as may be otherwise provided in an appropriation or other Act) not otherwise authorized by law to meet unforeseen emergencies or contingencies arising in the Peace Corps: *Provided*, That a certificate of the amount only of each such expenditure and that such expenditure was necessary to meet an unforeseen emergency or contingency, made by the Director of the Peace Corps or his designee, shall be deemed a sufficient voucher for the amount therein specified;

(8) insurance of official motor vehicles acquired for use abroad;

(9) rent or lease abroad for not to exceed five years of offices, health facilities, buildings, grounds, and living quarters, and payments therefor in advance; maintenance, furnishings, necessary repairs, improvements, and alterations to properties owned or rented by the United States Government or made available for its use abroad; and costs of fuel, water, and utilities for such properties;

(10) expenses of preparing and transporting to their former homes, or, with respect to foreign participants engaged in activities under this Act, to their former homes or places of burial, and of care and disposition of, the remains of persons or members of the families of persons who may die while such persons are away from their homes participating in activities under this Act;

(11) use in accordance with authorities of the Foreign Service
60 Stat. 999. Act of 1946, as amended (22 U.S.C. 801 et seq.), not otherwise provided for; and

(12) ice and drinking water for use abroad.

APPOINTMENT OF PERSONS SERVING UNDER PRIOR LAW

SEC. 16. (a) Under such terms and conditions as the President may prescribe, volunteer personnel who on the effective date of this Act have been engaged by contract by, or pursuant to agreement with, the Peace Corps agency established within the Department of State pur-
26 F.R. 1789. suant to Executive Order Numbered 10924, dated March 1, 1961, may be enrolled as volunteers or volunteer leaders under this Act. Such enrollment may be made effective, for any or all purposes, as of a date prior to the effective date of this Act but not earlier than the date of commencement of training of the person in question. All allowances and termination payments similar to those authorized by this Act received by any such person or by members of his family or payable with respect to any period between the effective date and the actual date of such enrollment shall be deemed for all purposes to have been received or to be payable under the appropriate provision of this Act.

(b) Any person who was appointed by and with the advice and consent of the Senate to be Director of the Peace Corps prior to the enactment of this Act may be appointed by the President to be Director of the Peace Corps under section 4(a) of this Act without further action by the Senate.

USE OF FOREIGN CURRENCIES

SEC. 17. Whenever possible, expenditures incurred in carrying out functions under this Act shall be paid for in such currency of the country or area where the expense is incurred as may be available to the United States.

APPLICABILITY OF MUTUAL DEFENSE ASSISTANCE CONTROL ACT

SEC. 18. The Mutual Defense Assistance Control Act of 1951 (22 U.S.C. 1611 et seq.) shall apply with respect to functions carried 65 Stat. 644. out under this Act except in cases where the President shall determine that such application would be detrimental to the interests of the United States.

SEAL

SEC. 19. The President may adopt, alter, and use an official seal or emblem of the Peace Corps of such design as he shall determine, which shall be judicially noticed.

MORATORIUM ON STUDENT LOANS

SEC. 20. Section 205 of the National Defense Education Act of 1958 (20 U.S.C. 425) is amended by deleting the word "or" immediately 72 Stat. 1584. preceding clause (ii) of section 205(b)(2)(A) and by adding immediately after that clause the following: "or (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act: *Provided*, That this clause shall apply to any loan outstanding on the effective date of the Peace Corps Act only with the consent of the then obligee institution,".

AMENDMENT TO CIVIL SERVICE RETIREMENT ACT

SEC. 21. Subsection (j) of section 3 of the Civil Service Retirement 70 Stat. 745. Act, as amended (5 U.S.C. 2253), is amended to read as follows:

"(j) Notwithstanding any other provision of this section or section 5(f) of the Peace Corps Act, any military service (other than military service covered by military leave with pay from a civilian position) performed by an individual after December 1956 and any period of service by an individual as a volunteer under the Peace Corps Act, shall be excluded in determining the aggregate period of service upon which an annuity payable under this chapter to such individual or to his widow or child is to be based, if such individual or widow or child is entitled (or would upon proper application be entitled) at the time of such determination, to monthly old-age or survivors benefits under section 202 of the Social Security Act, as amended (42 U.S.C. 402), based on such individual's wages and self-employment income. If in the case of the individual or widow such military service or service under the Peace Corps Act is not excluded under the preceding sentence, but upon attaining age sixty-two, he or she becomes entitled (or would upon proper application be entitled) to such benefits, the Commission shall redetermine the aggregate period of service upon which such annuity is based, effective as of the first day of the month in which he or she attains such age, so as to exclude such service. The Secretary of Health, Education, and Welfare shall, upon the request of the Commission, inform the Commission whether or not any such individual or widow or child is entitled at any specified time to such benefits."

SECURITY INVESTIGATIONS

SEC. 22. All persons employed or assigned to duties under this Act shall be investigated to insure that the employment or assignment is consistent with the national interest in accordance with standards and procedures established by the President. If an investigation made pursuant to this section develops any data reflecting that the person who is the subject of the investigation is of questionable loyalty or is a questionable security risk, the investigating agency shall refer the matter to the Federal Bureau of Investigation for the conduct of a full field investigation. The results of that full field investigation shall be furnished to the initial investigating agency, and to the agency by which the subject person is employed, for information and appropriate action. Volunteers shall be deemed employees of the United States Government for the purpose of this section.

UNIVERSAL MILITARY TRAINING AND SERVICE ACT

SEC. 23. Notwithstanding the provisions of any other law or regulation, service in the Peace Corps as a volunteer shall not in any way exempt such volunteer from the performance of any obligations or duties under the provisions of the Universal Military Training and Service Act. 65 Stat. 75. 50 USC app. 451 et seq.

FOREIGN LANGUAGE PROFICIENCY

SEC. 24. No person shall be assigned to duty as a volunteer under this Act in any foreign country or area unless at the time of such assignment he possesses such reasonable proficiency as his assignment requires in speaking the language of the country or area to which he is assigned.

DEFINITIONS

SEC. 25. (a) The term "abroad" means any area outside the United States.

(b) The term "United States" means the several States and territories and the District of Columbia.

(c) The term "function" includes any duty, obligation, right, power, authority, responsibility, privilege, discretion, activity, and program.

(d) The term "health care" includes all appropriate examinations, preventive, curative and restorative health and medical care, and supplementary services when necessary.

(e) For the purposes of this or any other Act, the period of any individual's service as a volunteer under this Act shall include—

(i) except for the purposes of section 5(f) of this Act, any period of training under section 8(a) prior to enrollment as a volunteer under this Act; and

(ii) the period between enrollment as a volunteer and the termination of service as such volunteer by the President or by death or resignation.

(f) The term "United States Government agency" includes any department, board, wholly or partly owned corporation, or instrumentality, commission, or establishment of the United States Government.

(g) The word "transportation" in sections 5(b) and 6(2) includes transportation of not to exceed three hundred pounds per person of unaccompanied necessary personal and household effects.

CONSTRUCTION

SEC. 26. If any provision of this Act or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of this Act and the applicability of such provision to other circumstances or persons shall not be affected thereby.

EFFECTIVE DATE

SEC. 27. This Act shall take effect on the date of its enactment.

TITLE II—AMENDMENT OF INTERNAL REVENUE CODE AND SOCIAL SECURITY ACT

TAXATION OF ALLOWANCES

SEC. 201. (a) Section 912 of the Internal Revenue Code of 1954 (relating to exemption from gross income for certain allowances) is amended by adding at the end thereof the following new paragraph: 74 Stat. 802. 26 USC 912.

"(3) PEACE CORPS ALLOWANCES.—In the case of an individual who is a volunteer or volunteer leader within the meaning of the Peace Corps Act and members of his family, amounts received as allowances under section 5 or 6 of the Peace Corps Act other than amounts received as—

"(A) termination payments under section 5(c) or section 6(1) of such Act,

"(B) leave allowances,

"(C) if such individual is a volunteer leader training in the United States, allowances to members of his family, and

"(D) such portion of living allowances as the President may determine under the Peace Corps Act as constituting basic compensation."

(b) Section 1303(b) of the Internal Revenue Code of 1954 (relating to definition of back pay) is amended by adding at the end thereof the following new paragraph: 68A Stat. 335. 26 USC 1303.

"(4) Termination payments under section 5(c) or section 6(1) of the Peace Corps Act which are received or accrued by an individual during the taxable year on account of any period of service, as a volunteer or volunteer leader under the Peace Corps Act, occurring prior to the taxable year."

(c) Section 3401(a) of the Internal Revenue Code of 1954 (relating to the definition of wages for purposes of the collection of income tax at source on wages) is amended by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; or", and by adding at the end thereof the following new paragraph: 69 Stat. 616. 26 USC 3401.

"(13) pursuant to any provision of law other than section 5(c) or 6(1) of the Peace Corps Act, for service performed as a volunteer or volunteer leader within the meaning of such Act."

(d) The amendments made by subsections (a) and (b) of this section shall apply with respect to taxable years ending after March 1, 1961. The amendment made by subsection (c) shall apply with respect to remuneration paid after the date of the enactment of this Act.

SOCIAL SECURITY COVERAGE

70 Stat. 878. 26 USC 3121.

SEC. 202. (a)(1) Section 3121(i) of the Internal Revenue Code of 1954 (relating to computation of wages for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof the following new paragraph:

"(3) PEACE CORPS VOLUNTEER SERVICE.—For purposes of this chapter, in the case of an individual performing service, as a volunteer or volunteer leader within the meaning of the Peace Corps Act, to which the provisions of section 3121(p) are applicable, the term 'wages' shall, subject to the provisions of subsection (a)(1) of this section, include as such individual's remuneration for such service only amounts paid pursuant to section 5(c) or 6(1) of the Peace Corps Act."

Infra.

(2) Section 3121 of such Code is amended by adding at the end thereof the following new subsection:

"(p) PEACE CORPS VOLUNTEER SERVICE.—For purposes of this chapter, the term 'employment' shall, notwithstanding the provisions of subsection (b) of this section, include service performed by an individual as a volunteer or volunteer leader within the meaning of the Peace Corps Act."

68A Stat. 428. 26 USC 3122.

(3) The first sentence of section 3122 of such Code (relating to Federal service) is amended by inserting after "section 3121(m)(1) are applicable," the following: "and including service, performed as a volunteer or volunteer leader within the meaning of the Peace Corps Act, to which the provisions of section 3121(p) are applicable,".

68A Stat. 747. 26 USC 6051.

(4) Section 6051(a) of such Code (relating to receipts for employees) is amended by adding at the end thereof the following new sentence: "In the case of compensation paid for service as a volunteer or volunteer leader within the meaning of the Peace Corps Act, the statement shall show, in lieu of the amount required to be shown by paragraph (5), the total amount of wages as defined in section 3121(a), computed in accordance with such section and section 3121 (i)(3)."

Supra. 60 Stat. 979.

(b)(1) Section 210 of the Social Security Act (42 U.S.C. 410) is amended by adding at the end thereof the following new subsection:

"Peace Corps Volunteer Service

"(o) The term 'employment' shall, notwithstanding the provisions of subsection (a), include service performed by an individual as a volunter or volunteer leader within the meaning of the Peace Corps Act."

(2) Section 209 of such Act (42 U.S.C. 409) is amended by adding at the end thereof the following new paragraph:

"For purposes of this title, in the case of an individual performing service, as a volunteer or volunteer leader within the meaning of the Peace Corps Act, to which the provisions of section 210(o) are applicable, (1) the term 'wages' shall, subject to the provisions of subsection (a) of this section, include as such individual's remuneration for such service only amounts certified as payable pursuant to section 5(c) or 6(1) of the Peace Corps Act, and (2) any such amount shall be deemed to have been paid to such individual at the time the service, with respect to which it is paid, is performed."

Supra.

64 Stat. 520.

(3) The first sentence of section 205(p)(1) of such Act (42 U.S.C. 405(p)(1)) is amended by inserting after "are applicable," the following: "and including service, performed as a volunteer or volunteer leader within the meaning of the Peace Corps Act, to which the provisions of section 210(o) are applicable,".

(c) The amendments made by subsections (a) and (b) of this section shall apply with respect to service performed after the date of the enactment of this Act. In the case of any individual who is enrolled as a volunteer or volunteer leader under section 16(a) of this Act, such amendments shall apply with respect to service performed on or after the effective date of such enrollment.

Approved September 22, 1961.

Public Law 87-294

AN ACT

September 22, 1961 [H. R. 9030]

To amend the Act to promote the education of the blind, approved March 3, 1879, as amended, so as to authorize wider distribution of books and other special instruction materials for the blind, and to increase the appropriations authorized for this purpose, and to otherwise improve such Act.

American Printing House for the Blind.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 3 of the Act entitled "An Act to promote the education of the blind", approved March 3, 1879, as amended (20 U.S.C. 102), is amended to read as follows: "The Secretary of Health, Education, and Welfare is hereby authorized to pay over semiannually, to the trustees of the American Printing House for the Blind, located in Louisville, Kentucky, and chartered in 1858 by the Legislature of Kentucky, upon requisition of their president, countersigned by their treasurer, one-half of such annual appropriation upon the following conditions:".

20 Stat. 468.

SEC. 2. The paragraph of such section 3 designated "Second." is amended to read as follows:

Buildings. Restriction.

"Second. No part of the appropriation shall be expended in the erection or leasing of buildings; but the trustees of the American Printing House for the Blind may use each year a reasonable sum of the annual appropriation for salaries and other expenses of experts and other staff to assist special committees which may be appointed in performance of their functions, and for expenses of such special committees."

SEC. 3. The paragraph of such section 3 designated "Sixth." is amended to read as follows:

Ex officio trustees.

"Sixth. The superintendent of each public institution for the education of the blind (or his designee) and the chief State school officer (or his designee), of each State and possession of the United States, the Commonwealth of Puerto Rico, and the District of Columbia, shall each, ex officio, be a member of the Board of Trustees of the American Printing House for the Blind only for purposes of administering this Act."

Trust fund.

70 Stat. 939.

SEC. 4. The Act entitled "An Act providing additional aid for the American Printing House for the Blind", approved August 4, 1919, as amended (20 U.S.C. 101), is further amended by striking out "the sum not to exceed $400,000" and inserting in lieu thereof the following: "such sum as the Congress may determine", and by inserting after "said Act" the following: ", under rules and regulations prescribed by the Secretary of Health, Education, and Welfare,".

SEC. 5. The amendments made by this Act shall be effective immediately after the date of its enactment.

Approved September 22, 1961.