

# Serving with a Purpose

Evaluating Practical Options to Increase College  
Accessibility through National Service

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## ABSTRACT

The provision of educational benefits in exchange for national service has long been considered one of the best ways to increase college financial accessibility. Such a program is especially attractive because of its non-incident benefit of engaging youth service to their national and international communities. There are many government programs that offer an educational benefit in exchange for service, but these programs are limited to certain sectors, such as health care or education. Using the Forever GI Bill as a comparative tool for benefits, the national service program proposed here would provide participants with full college tuition for four years at an in-state public university as well as an annual stipend for books and supplies. Program participants would volunteer to serve in AmeriCorps or Peace Corps for a period of three years to receive the full educational benefit through the program. The proposed national service program is found to have an individual cost benefit of 1:2.06 and a social cost benefit of 1:2.39. Individual benefits include increased earnings, a volunteer living allowance while in service, and student loan and interest savings, whereas individual costs are losses in earnings both during service and while attending college. Social benefits include increased earnings and federal tax revenue, a volunteer living allowance while in service, direct service benefits in AmeriCorps-served communities, and student loan and interest savings, whereas social costs include the cost of administering programs, college capital and operating costs, and losses in earning both during service and while attending college. After incurring debt in the first decade on the program, this national service program model is self-sustainable and eventually contributes to additional tax revenue to the federal government.

Keywords: National Service, AmeriCorps, Peace Corps, Higher Education

*“The GI Bill following World War II was a nation’s way of expressing its gratitude for those who served in its military. It is time to extend this principle to those who perform civilian service as well.”*

*Charles C. Moskos*

*A Call to Civic Service: National Service for Country and Community*

*“A system of full-time National Service would bring together black and white, rich and poor, young people from the North and South, East and West, city and suburb, small town and farm, those who do not go to college and those who do, and bring them together because their service is needed. Integration in such a positive and functional setting, for a year or two between age 16 and 25, before the patterns of adult life are set, could have a profound effect on the relation of racial and other groups in this country. Doing hard tasks together, sharing frustrations and successes, being partners in a common adventure should help break down the barriers between people and lead to better understanding. Working and living together may not make people like each other, but without that experience the distance between them may never be bridged.”*

*Committee for the Study on National Service*

*Youth and the Needs of the Nation*

## INTRODUCTION

The Servicemen's Readjustment Act of 1944 is one of the most successful government programs to date and is credited for allowing 7.8 million World War II veterans to attend college or vocational school after their service was completed (Roach, 1997, p. 26). Commonly referred to as the GI Bill of Rights or simply the GI Bill, the program has expanded over time and continues to provide higher education benefits to veterans in exchange for serving in the United States Armed Forces. Military service is an honorable profession in service to the nation, but this opportunity should not be strictly limited to the armed forces and should be further expanded to include other forms of national service. While there are other public and private sector opportunities that provide higher education benefits in exchange for service, unlike GI benefits, these are either limited in amount or tied to a specific professional career. Providing a similar program of higher education benefits, tied to service in AmeriCorps or Peace Corps, would increase an individual's financial ability to attend college while fostering a beneficial service to deserving communities in our nation and internationally. Peace Corps was developed with the goal to "provide trained people for developing countries, to promote a better understanding of Americans on the part of the host country, and to promote a better understanding of other peoples on the part of Americans," while AmeriCorps was created as a domestic equivalent (Moskos, 1998). This study is going to examine if it is worthwhile to expand educational benefits for national service programs, which would likely lead to an overall expansion of those programs, and to determine how comparable benefits in the GI Bill can be adjusted for these programs.

## PURPOSE OF THE STUDY

The purpose of this study is to examine current national service programs that offer higher education benefits for volunteer participation and to evaluate the introduction of additional benefits into these programs for cost, feasibility, and sustainability. Other opportunities to receive higher education benefits in private and public service are identified and investigated to ascertain what is currently available and how those benefits compare with the more comprehensive approach suggested here. A national service program with education benefits addresses the problem of college accessibility, specifically financial accessibility, where an individual's inability to pay for tuition prevents them from otherwise receiving a college education. The ability to pay will be the only requirement for college accessibility that is discussed in this paper; topics such as affirmative action in college admissions, unavailability of college preparation classes, or academic qualifications will not be addressed in this paper.

The proposal targets high school graduates who are considering their options after graduation, such as going to college or seeking means of employment. This is the primary population that would consider joining a national service program, similar to joining the armed forces, specifically for the higher education benefits. It will be focused on programs that are national and international, as opposed to state-specific programs. This is not only to encourage national service on a truly national scale, but also because individual states base vastly different programs on their own needs and values. The paper will refer to the present state of national service programs and higher education benefits, while referencing how past programs and proposals evolved into those that are current available. A Nation Service program that includes AmeriCorps and Peace Corps and that provides an educational benefit for participants is a cost-

effective way to significantly increase the number of college graduates while simultaneously getting individuals active in serving national and international communities.

Within the context of this paper, the concept and scope of national service must be clarified. The standard definition of national service is the compulsory service of individuals, usually males, within the armed services of a country for a specified term. This definition applies to countries such as China or Austria that require males to serve a total of 2 years and 6 months, respectively, or in the case of Cuba, where they require both males and females to serve 2 years in the armed services. By contrast, national service in the context of this paper refers to the voluntary enlistment of an individual into a regulated civilian community service program for the purpose of serving the nation. Danzig and Stanton have the best definition for national service as it applies to this study, stating that it is “any federally supported program in which, for a period of time, participants sacrifice some degree of personal advancement, income, or freedom to serve a public interest” (Danzig & Stanton, 1986). The distinctions here are that national service is completely voluntary and is not within the armed forces. Universal national service is also a term that will be used in this paper, but only when referring to other authors’ views and proposals on national service. Universal national service is the compulsory service of an individual in either the armed forces or a civilian organization with the purpose of serving the country for a specified term. The proposal discussed in this paper involves national, but not universal, non-military service.

Throughout this paper, certain terms are used for participants in the national service program. Volunteers are participants that are performing volunteer service in the first three years of the program. Students are participants that have completed their volunteer service and are now attending college in program years three to six. Program participants refers to all

individuals in the national service program regardless if they are in volunteer service, attending college, or have graduated and entered the workforce. These terms are relatively interchangeable, but are meant to clarify the position the individual is at within the national service program. All dollar figures, including all costs and benefits, will be adjusted in 2018 dollars. This will be calculated using the Bureau of Labor Statistics Consumer Price Index Calculator (Bureau of Labor Statistics, 2018). Additionally, cumulative costs and benefits are adjusted to their present value in 2018 at a discount rate of 2%.<sup>1</sup>

This proposal is important because it focuses on improving access to higher education incentivizing national and community-based service. Implementation of the proposals under review would give individuals another option of how to pay for college. This would provide individuals in the program, specifically low-income participants, with guaranteed tuition towards any qualified academic degree, alleviating at least some of the financial burden of student loans that has become a detriment to pursuing a college education. Improving college accessibility and affordability are the ultimate goals of the proposal because increased education is the primary means of improving economic mobility (Urahn, Currier, Elliott, Wechsler, Wilson, & Colbert, 2012). In *Financing American Higher Education in the Era of Globalization*, the authors further note that “economists have also found that investments by individuals and governments in the development of human capital are generally good economic investments, with a rate of return at least comparable to that for physical capital investments such as industrial machines and public infrastructure” (Zumeta, Breneman, Callan, & Finney, 2015). A national service program with educational benefits would be a substantial investment in human capital.

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<sup>1</sup> The discount rate is applied annually to every future cost and benefit.

Individual involvement in the country on a national and community scale, including participation in the political process, is also very important. This will give individuals a greater stake in their communities, as well as the overall direction that the country is headed. This will also create more connections and common bonds with individuals from different parts of the country and of diverse backgrounds and beliefs. Given the current challenges in promoting positive interactions between classes, races, genders, religious beliefs, and sexual orientations, it has never been more important to find commonality amongst each other to better our country, including our discourse about it. Shared experiences, such as serving in the military or participating in a national service program, help to provide these common bonds that lead to individuals becoming more involved in their country and communities (Simon & Wang, 2002; Marshall & Magee, 2005).

## REVIEW OF LITERATURE

Many studies have focused on increasing national service and what forms that might take. However, aside from mentioning it as a possible benefit for those who choose to volunteer, few researchers attempt to predict the individual and social benefits of including an educational benefit as an incentive to perform national service. The majority of research in this field has been focused on evaluating current national service programs. Nonetheless, several authors have envisioned such programs as a reasonable future for national service's role in higher education.

Discussion of national service proposals began with the Carter Administration's publication *Youth and the Needs of the Nation*, which detailed national service under various levels of obligation and participation (Committee for the Study of National Service, 1979). This is the first study to emphasize educational benefits as part of national service, stating that "one of the incentives for participants should be the appropriate post-service educational and employment benefits along the lines of the G.I. Bill of Rights and the Peace Corps readjustment allowance, apportioned according to the length of service." The Committee also envisioned those who completed national service having priority in hiring from private businesses and acceptance from colleges and universities, which is similar to how the status of a veteran is to an employer today. The Committee was also quick to caution that "a mandatory system, whatever its good intentions, would be perceived as a backdoor to meet military manpower needs."

Moskos (1981) advocates a voluntary civilian service force as an alternative to voluntary military service that would drastically increase the number of individuals serving our country. While he views this as still supporting the military, he further suggests education benefits with national service should be increased while linking all federal aid for higher education to national service, even designating it as a "New GI Bill." He acknowledges that such a program would

need to be phased in over time, but that in the interim national service volunteers should get priority over federal financial aid over other college students.

Doug Bandow (1990) of the Cato Institute discusses and evaluates multiple proposals for national service, some of which include housing and education vouchers as benefits. Two of the enumerated proposals call for a set term of service in exchange for a higher education benefit, either through vouchers or debt forgiveness. One of the most interesting options presented in the idea of a civilian national service program modelled after the National Guard, in which individuals provide only 24 hours of service per month in exchange for a comparably set of scaled down educational benefits. While this system would have given less benefits for much less time required than the GI Bill, it was determined that the National Guard model had a problem in “promoting infrequent and episodic service,” which really came down to an issue with regulation and accountability.

Robert D. Shumer and Jane Maland Cady (1997) explore the concept of national service throughout the history of the United States and evaluate proposals set out by various advocates. They point out that the precedent for service-based education benefits has already been established with the GI Bill and the Reserve Officer Training Corps. They describe other programs that provide such benefits in exchange for service, including the Health Service Corps, the Teacher Corps, and the New York Police Cadet Corps, which require the service in their participants’ prospective profession.

Jeffrey Williams (2006) proposes loan abatements or forgiveness conditioned on national service. He advocates a “set term of, say, two or three years of service in exchange for a fair if modest salary and, more consequentially, forgiveness of a significant portion of education loans per year in service.” He argues that benefits from attaching educational benefits to national

service include greater employment, less student debt, as well as “a sense of pride in public service.” Williams suggests “it would likely foster solidarity or esprit de corps, as the national service that the World War II generation performed did for soldiers from varied walks of life, or as required national service does in some European countries.”

Another advocate, Carol Armistead Grigsby (2008) argues for the gradual introduction of universal civilian national service in our country. While fully acknowledging the difficulty that the public would initially have with such a proposal, she finds large benefits for both individuals and the country as a whole. She illustrates the ability of such a program to “bring together young people from different walks of life to forge a renewed sense of American identity and comity,” further strengthening the civil-military relationship. While her goals seem simple and conclusions sound, she stills sees national service as a precursor to possible military commitment, even stating that such a program would “create a ready pool of citizens who, if already involved in national service, may be willing to pursue a military option.” Her reasoning is that as universal national service becomes more acceptable, individuals may be more inclined to serve in the military as opposed to simply choosing the civilian option, especially if GI Bill benefits always surpass any gained in a national service organization.

#### The GI Bill and Educational Benefits

Comparisons with the Harry W. Colmery Veterans Educational Assistance Act, commonly known as the Forever GI Bill, provide the basis for the current cost benefit study. This is because of similarities in the benefit structure of the proposed program. A veteran receives benefits from the GI Bill for serving 90 days or more on active duty, with the time in service requirement for full benefits being 36 months (United States Department of Veterans

Affairs, 2018). The time of active duty service and their respective benefits can be seen in Table 3.1 (adjustments based on service-connected disabilities are excluded as irrelevant).

Once program eligibility and the percentage of benefits received are calculated, benefits can be calculated annually for an individual based on their school of choice. These benefits include all tuition and fees at a public university for an in-state student and up to \$22,805.34 per academic year for a student attending a private or foreign school (United States Department of Veterans Affairs, 2017). With 100% benefits, covered expenses include the cost of attending an in-state public university varies, fluctuating from \$5,220 a year in Wyoming to \$16,070 a year in New Hampshire, with \$9,970 being the average across all states (College Board, 2018). The total cost of tuition and fees per student over four years of education potentially ranges from \$19,105 – \$58,814 at in-state public universities, an average of \$36,489.

Additionally, students on the GI Bill receive a monthly housing allowance, which is payable at the military Basic Allowance for Housing rate for a military grade E-5 with dependents based on the zip code where they are attending school (United States Department of Veteran Affairs, 2017). Similar to in-state tuition, this number varies significantly based on the locale, with \$795 at Altus Air Force Base, OK as the lowest monthly rate and \$4,329 in San Francisco, CA the highest. On average the Department of Defense spent \$1,552 per month per veteran for housing allowance (Defense Travel Management Office, 2018). The total cost of the monthly housing allowance per student over the course of their education could be anywhere from \$26,186 – \$142,592, with the average being \$51,121. Students also receive a stipend of up to \$1,000 a year for books and supplies (United States Department of Veteran Affairs, 2017).

The total educational benefits over four years under the GI Bill can range from \$57,449 – \$229,717, depending upon the choice of school. Excluding private and foreign schools, this

comes to an average of \$91,270 in educational benefits, which includes the student's tuition and fees, their monthly housing allowance, and their stipend for books and supplies. This number is important because, due to the housing allowance, GI Bill educational benefits will always be higher than a differently designed program that offers full college tuition, which plays a role in political considerations for future programs that include an educational benefit.

### The AmeriCorps and Peace Corps Experiences

Existing AmeriCorps and Peace educational benefits provide another relevant comparison point. Service in AmeriCorps entitles a volunteer to receive a Segal AmeriCorps Education Award. Volunteers may earn two awards for up to two years of service (Corporation for National & Community Service, 2017). The amount of the award is based on the time served in AmeriCorps. A full award is equal to \$5,920 and is set to be on par with federal Pell Grants. The actual Segal AmeriCorps Education Award is pro-rated based on time served. Table 3.2 depicts a table of benefits. If the individual volunteers for two years and receives two awards, the student receives the maximum education benefit of \$11,268.67 through their service. In comparison to the GI Bill, a two-time Segal AmeriCorps Education Award Recipient receives on average \$21,492.73 less in educational benefits for the same amount of time served and \$63,207.52 less in overall benefits if the monthly housing allowance is included.

Peace Corps offers two distinct types of education benefits for participants (Peace Corps, 2018). The first benefit is loan deferment, partial cancellation, income-driven repayment, or loan forgiveness, and these programs depend on the specific type of loan that the volunteer has received, including private, Perkins, Stafford, and other federal loans. For instance, volunteers with Perkins loans may be eligible for up to 70 percent cancellation of their debt. The most utilized of these programs is the Public Service Loan Forgiveness Program, which permits

qualified federal student loans to be forgiven after 10 years (120 months) of on-time payments are made (Federal Student Aid, 2018). The Peace Corp will cover 27 months or more of these payments, so the amount of the education benefit for each individual based on their loan amounts.

The second type of education benefit that Peace Corps offers is the Paul D. Coverdell Fellows Program, a graduate program that offers financial assistance to Peace Corps volunteers through its partner universities (Peace Corps, 2018). The program covers at least 25% of a participant's tuition and fees at 212 partner universities. Monetized, this benefit ranges between \$1,500 and \$130,000 based on the school attended, with an average education benefit of \$28,860.73. Unlike the Segal AmeriCorps Education Award or the Federal Loan Repayment option, the fellowships are not guaranteed, are specifically for graduate students, and the volunteer must apply and be accepted into the participating program.

For undergraduate programs, the GI Bill provides a significantly higher educational benefit than the Federal Loan Repayment program as well due to a higher college tuition cap, the monthly living allowance, and the annual stipend for books and supplies. Using the federal student loan with the highest interest rate and fees, the Direct PLUS Loan for parents, which has an interest rate of 7% and loan fees at 4.264%, the monthly payment is \$198.41. If the Peace Corps pays for 27 months of this, the payment from their Peace Corps service is calculated at \$4,602.89. If the individual continues to make minimum monthly payments of \$50 until the loan is forgiven at 120 months, they have spent \$3,625.82 in minimum monthly payments to have \$12,876.36 forgiven. This calculates to a maximum educational benefit of \$17,479.25, which is still on average \$15,282.15 less in educational benefits for the same amount of time served and \$56,996.94 less in overall benefits if the monthly housing allowance is included. Although the

Paul D. Coverdell Fellows Program is a graduate program, which will have higher costs yet be less accessible, it still provides on average of \$3,900.67 less in educational benefits for the same amount of time served and \$45,615.46 less in overall benefits if the monthly housing allowance is included.

#### Other Federal Education Benefit Programs

For comparison purposes, it is helpful to identify other federal programs that offer tuition assistance and loan repayment options in exchange for a type of service. To the extent that these programs are tailored towards service in a specific field, they are less satisfactory as a means to widen educational access. They are included in this paper to ensure that other available options are presented to further support the proposal that an increase in benefit for national service programs that produce a universal degree is needed.

The National Health Service Corps (NHSC) Scholarship is open to those that have been accepted into programs for physicians, dentists, nurse practitioners, certified nurse-midwives, and physician assistants at accredited schools and covers “tuition, fees, other educational costs, and provides a living stipend in return for a commitment to work at least 2 years at an NHSC-approved site in a medically underserved community” (National Health Service Corps, 2018). The scholarship covers up to four years, but a year of service is required for every year in school. There is no dollar amount associated with this program because the benefits will vary based on the time in school, the chosen program, and the accredited school of choice. The participant also receives a monthly living stipend while they are enrolled in school.

The Teacher Loan Forgiveness Program allows for a teacher to be eligible for loan forgiveness up to \$17,500 and requires them to teach full-time for five consecutive academic years in a low-income elementary, middle, or secondary school or at an educational service

agency (Federal Student Aid, 2018). This program specifically targets direct subsidized and unsubsidized loans as well as subsidized and unsubsidized federal Stafford loans. While similar in purpose to the NHSC Scholarship, this program requires that the teacher completes school and their service requirement before any of their loans will be forgiven. Teachers may also have up to 100% of their federal Perkins loans cancelled based on similar service requirements, but the required amount of time in service is not specified and is the responsibility of the school.

The Public Service Loan Forgiveness Program is similar to the Teacher's Loan Forgiveness Program, except that it is in the public service sector and that there is no specified minimum amount of time that the participant needs to work for a qualified employer (Federal Student Aid, 2018). The same stipulations apply that the loans are forgiven if you have made 120 monthly payments under a qualifying repayment plan while working full-time for a qualified employer. Qualified employers can consist of government organizations at any level, including federal, state, local, or tribal, non-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and other types of non-profit organizations whose primary purpose is to provide certain types of public services.

Lastly, the Department of Justice Attorney Student Loan Repayment Program is designed to recruit and retain attorneys for continued service in the Department of Justice (United States Department of Justice, 2018). All employees that hold an attorney position are eligible so long as they have eligible federal loans. Acceptance into the program requires the individual to serve three years in the Department of Justice, and they must repay all benefits received if they do not meet this obligation. Participants can receive up to \$6,000 in loan repayments per calendar year, with a lifetime maximum amount of \$60,000 in loan repayments.

The GI Bill provides superior educational benefits than any other service program that is offered by the federal government and this is before the inclusion of the monthly housing allowance. Additionally, it provides the individual with college tuition that is not tied to a specific sector of employment, allowing them to choose any program that is of interest to them, regardless of its employability. Comparing time in service to benefits received, it provides a much greater educational benefit than the tuition programs offered through AmeriCorps or Peace Corps. The GI Bill is an excellent example from which to model a future national service program that provides educational benefits.

## METHODOLOGY

Cost Benefit Analysis puts dollar estimates on a program's impact and helps us understand its potential value and if the initiative's costs can be justified. Time and resource constraints make it necessary to calculate these costs and benefits using previously collected authoritative data sources. The initial phase of the analysis discovers how significantly particular costs are affected by program parameters. The proposal of specific program parameters is achieved through an interactive process that examines their impact on costs and benefits. This study will require calculating the explicit dollar and implicit costs and benefits. Dollar values for program outlays and benefits are used when available. Additionally, implicit opportunity costs or social benefits are factored in where possible. This portion of the study will be more in the realm of predictive analysis, as I will be evaluating proposals as opposed to established programs. The costs and benefits will be presented in the following format:

### Explicit Costs

Volunteer Program Expenses per Participant (Social Cost)

Volunteer Program Administration (Social Cost)

Tuition, Capital, and Operating Expenditures (Social Cost)

### Opportunity Costs

Forgone Wages while in Service (Individual and Social Cost)

Forgone Wages while in College (Individual Social Cost)

### Explicit Benefits

Increase Wages (Individual and Social Benefit)

Tuition and Student Loan Interest Savings (Individual and Social Benefit)

### Implicit Benefits

Direct Service Benefits (Social Benefit)

Social Benefits from Volunteering (Individual and Social Benefit)

Social Benefits from Graduating College (Individual and Social Benefit)

The individual cost benefit analysis will identify what the individual is giving up and what they are getting in return. This allows individuals to determine whether this program is beneficial for their particular situation. The social cost benefit analysis involves the costs and benefits to all groups involved in the national service program. This is used to determine if the program is overall beneficial to society as well as identifying which groups are primarily paying for the program and which groups are primarily benefiting from it. Lastly is the cost benefit analysis for the federal government, which is in essence for the federal taxpayer. This is to determine the costs and benefits for federal taxpayers, who in turn would support such a program or be opposed to it.

## *COSTS*

### Eligibility Rules and Take-Up Rates

Total benefit costs will be heavily influenced by the size of the eligible population and by the take-up rate among them. The first step therefore must be to define eligibility and estimate the size of the eligible population. The second step, involves calculation of a minimum and maximum take-up rate. The take-up rate is the percentage of individuals that will join the program out of the eligible population. Lacking reliable data on the number of eligible individuals who would opt for service and then seek to use educational benefits, I suggest an estimate based upon experiences with the GI Bill and assumptions about the motivations for

volunteering. Table 4.1 outlines the effects of various factors upon take-up rates due to changes in eligibility rules.

Eligibility rules define who is eligible for the programs. Currently, any US citizen or lawful permanent resident is eligible to join AmeriCorps, whereas a Peace Corps volunteer must be a US citizen; the reason for this change in the Peace Corps is that one of their goals is to promote a better understanding of Americans to the people that they are serving. Comparably, the US armed forces accepts both US citizens and lawful permanent residents into its ranks. Any future program would undoubtedly have to include US citizens, preferably lawful permanent residents as well. Additionally, since the proposals are primarily to increase education benefits, a high school diploma, a General Education Development (GED), or a High School Equivalency Test (HSET) should be mandatory for program participants. This is not only because it lessens the eligible population, but also because only high school graduates can use the accompanying educational benefit.

Another issue regarding eligibility that needs to be considered is how long an individual is eligible to volunteer for such a program. Since this program is designed for high school graduates to volunteer prior to attending college, there should be an age restriction to ensure that volunteering isn't utilized as a jobs program or so volunteers' positions and education benefits are not transferred to individuals that already have established careers. Given it is the age that the Bureau of Labor Statistics tracks as the beginning of an individual's career, individuals that are more than 25 years old should not be eligible for this program. This leaves high school graduates ages 17-25 as the eligible population. It is worth noting at this time that for the calculations within this study, it is based on a steady influx of volunteers based on the number of high school graduates. While there are certainly more eligible individuals than the current

graduating class, a backflow of volunteers from previous graduating classes represents a difficult variable into the equation that cannot currently be accounted for in the calculations. As will be detailed later in the study, after seven years when the first group of volunteers graduates from college through the program, the take-up rate will become more stable.

Table 4.1  
Take-Up Rate Factors and their Effect

<b>Take-Up Rate Factor</b>	<b>Level of Participation</b>	<b>Cost per Volunteer</b>	<b>Overall Cost</b>	<b>Overall Benefit</b>	<b>Quality of Participants</b>
Increased Eligibility Requirements	Decrease	Increase	Decrease	Decrease	Increase
Decreased Eligibility Requirements	Increase	Decrease	Increase	Increase	Decrease
Increased Level of Benefits	Increase	Likely Increase	Increase	Likely Increase	Decrease
Decreased Level of Benefits	Decrease	Increase	Decrease	Likely Decrease	Stable to Likely Decrease
Limited Number of Participants	Decrease	Increase	Decrease	Likely Decrease	Likely Increase
Unlimited Number of Participants	Increase	Decrease	Increase	Increase	Decrease

Defining eligibility for service and for service-related benefits is critical both to program success and in estimating costs and benefits. It is also necessary to determine the likely pool of individuals from which this program would receive volunteers. According to the National Center for Education Statistics, the number of high school graduates in the country projected for the 2017-2018 school year is 3,242,620 individuals (Hussar & Bailey, 2017). Making

allowances for backfill, this is a reasonable estimate of the number of individuals who might profitably be added to the eligibility pool every year.

Estimating the take-up rate from this eligibility pool poses one of the more difficult challenges. The take-up rate is the proportion of individuals likely to utilize the program. The approach taken in this paper is to make key assumptions about the take-up rate and to use those to consider parameters that may need to be adjusted to keep overall costs in line. The assumptions in predicting take-up rate rely upon estimates of the number of high school graduates, college enrollments, and students requiring financial aid. This method is used to determine the minimum, median, and maximum amount of participants.

As noted earlier, the number of high school graduates for the 2017-2018 school year is estimated at 3,242,620 individuals (Hussar & Bailey, 2017). According to the data from the Bureau of Labor Statistics for 2016, 69.7% of high school graduates totaling 2,260,106 individuals will enroll in college the following year (Bureau of Labor Statistics, 2017). Of that number, according to the 2014-2015 data from the National Center for Education Statistics, 86% of first-time, full-time degree/certificate-seeking undergraduate students received some financial aid, which brings the total number of individuals to 1,943,691 (National Center for Education Statistics, 2017). We must then consider how many among the population that typically does not attend college would volunteer for service, and how many of these might then subsequently seek benefits for a college education. At the same, we must also consider that some students who currently go directly to college may instead opt to perform national service and delay college entry. Some of these individuals will likely be motivated by the existence of educational benefits. Since the estimated number of high school graduates in 2018 is 3,242,620 though, this will be the upper limit on the number of participants because it is the entire eligibility pool.

The minimum number of participants is easier to calculate, as it is the combined amount of current AmeriCorps and Peace Corps volunteers, 75,000 and 7,376 volunteers respectively (Corporation for National & Community Service, 2013; Peace Corps, 2017). Obviously, there is a wide gap between 82,470 and 3,242,620 participants and this makes it almost impossible to calculate the cost of such a program at every possible level of participation. Therefore, it is also necessary to calculate costs at the median level of participation.

The cost benefit ratio will be based on a typical individual participant in the program, but for sustainability calculations, 1,662,545 will be used, as it is the median between the current number of national service volunteers (82,470) and the eligible population (3,242,620). This number is a more likely representation of the number of individuals that will consider a national service program as it is closer to the number of students that receive financial aid.

#### Volunteer and Program Administrative Costs

This section defines direct costs per individual and the administrative costs by program (AmeriCorps and Peace Corps). Direct costs included living allowance or wages, as well as project costs for Peace Corps volunteers. Education benefit packages are estimated separately. AmeriCorps volunteers work on projects that are funded by the states they are working in, so the only cost to the federal government are the volunteers' monthly living allowance and the administrative costs. Using data assembled by the Corporation for National & Community Service, it is estimated that annual direct costs per individual in AmeriCorps are approximately \$19,510.17, with \$15,465.78 in living allowances and \$4,044.39 in administrative costs (Corporation for National & Community Service, 2017). These costs include only those incurred directly by the federal government. States also incur costs that must be included. We can define these as the additional costs per volunteer in the cost benefit analysis.

Calculating direct cost for a Peace Corps volunteer’s living allowance is significantly more difficult, as the organization does not publish this information. Peace Corps volunteers who have written about their experience suggest the living allowance is around \$300-500 a month, or \$3,600-6000 a year (Hunsicker, 2009; Reddit, 2018). However, living allowances vary widely based on the country that they are serving. With the AmeriCorps living allowance being \$15,465.78 a year and the Peace Corps living allowance estimated at \$6,000 a year, the weighted average living allowance for a volunteer is estimated at \$14,608.38.

$$\$14,608.38 = \frac{(75,000) (\$15,465.78) + (7,470) (\$6,000)}{82,470}$$

The costs per Peace Corps volunteer must be calculated using another method because they need to include the project costs. In the Peace Corps’ Congressional Budget Justification for fiscal year 2018, the cost of overseas operations in Africa, Europe, the Mediterranean, Asia, Inter-America, and the Pacific is \$206.6 million (Peace Corps, 2017). With 7,470 Peace Corps volunteers in these areas, the cost per volunteer comes to \$27,657.30, but this includes their living allowance and project costs.

The administrative costs of a proposed national service program are included in the organizations’ Congressional Budget Justifications (Corporation for National & Community Service, 2018; Peace Corps, 2017). The administrative costs for AmeriCorps include the Volunteer Generation Fund, Innovation, Demonstration, & Other, Evaluation, the National Service Trust, Salaries and Expenses, and the Office of Inspector General. The cost of these departments in the 2019 Congressional Budget Justification comes to \$303,329,000. The administrative costs for Peace Corps include the administrative department of Overseas Operational Management, Overseas Operational Support, Volunteer Operations Support Services, and the Inspector General. The costs of these departments in the 2018 Congressional

Budget Justification comes to \$225,400,000. The administrative costs are assessed to remain static with the addition of new personnel into the organizations, which means that the addition of new program participants will decrease the cost per volunteer.

In the Committee for the Study of National Service's final report, the Congressional Budget Office (CBO) determined that although a national service program with around 1.6 million participants would not require any additional administrative costs, a program with 3.5 million participants would require an additional 20% in administrative funding due to the increased scale (Committee for the Study of National Service, 1979). This is applicable to the median and maximum levels of participation and would bring the administrative cost of AmeriCorps to \$363,994,800 and the administrative cost of Peace Corps to \$270,480,000. This would bring the annual federal weighted cost of a volunteer at the median level of participation to \$16,951.70, which is the level of participation for the sustainability models.

AmeriCorps has a current volunteer population of 75,000, and at this level, the living allowance is 15,465.78 per volunteer and administrative costs are \$4,044.39 per volunteer, for a total cost of \$19,510.17 per volunteer. While this is accurate for the purposes of federal budgeting, the state project costs need to be included for the cost benefit analysis. According to the 1999 Aguirre International cost benefit study, which evaluated 44 separate AmeriCorps programs, the state cost of projects was \$19,080.58 per volunteer (Aguirre International, 1999). When all federal and state costs are included, an AmeriCorps volunteer costs \$38,590.75 per year. Peace Corps has a volunteer population of 7,470, and at this level, the living allowance and project costs are \$27,657.30 per volunteer and administrative costs are \$30,174.03 per volunteer, for a total cost of \$57,831.33 per volunteer. As noted earlier, the costs per volunteer will decrease with greater numbers of volunteers as administrative costs for the organizations will

remain the same. In a national service program of 82,470, the weighted average cost of a volunteer is \$40,333.53.

$$\$40,333.53 = \frac{(75,000) (\$38,590.75) + (7,470) (\$57,831.33)}{82,470}$$

The majority of the costs of the national service program are transfer payments from one group to another, meaning that they are not included in the social cost benefit analysis. They are nonetheless of concern to taxpayers and program beneficiaries. The living allowance is a cost to the federal government but is a benefit to a volunteer. The project costs for AmeriCorps are costs to the states but are benefits to AmeriCorps-served communities. The only portions of the national service program that are not transfer payments are the administrative costs of AmeriCorps and Peace Corps. After removing the transfer payments from the cost, the cost per volunteer in a national service program is \$24,629.28 over three years.

#### Costs for Educational Benefits

As noted earlier, the GI Bill covers college tuition, a monthly housing allowance, and a yearly stipend for books and supplies and is significantly more generous than educational benefits offered through AmeriCorps or Peace Corps. GI Bill benefits provide a baseline for estimating the benefits of a future national service program. Provisions in the GI Bill suggest three distinct levers that can be used to vary costs within a civilian education benefit program. I define these as cost levers. They include allowable tuition coverage, allowable housing allowance, and a stipend for books and supplies. In combination with the eligibility requirements and take-up rate they can be used to estimate costs associated with different program designs. The placement of these levers will also affect the take-up rate, as a more generous benefits package will likely incentivize more individuals to volunteer for the program.

I adjusted the aforementioned levers and determined the cost of the program benefits at the following levels: college tuition at 100%, 75%, and 50% of the public university average; monthly housing allowance at 100%, 50%, and 0% of the current level of the GI Bill; and 100%, 50%, and 0% of the yearly stipend offered by the GI Bill. The results of these adjustments can be seen in Figure 4.2. The cost of the monthly housing allowance relative to the tuition and stipend costs makes up a substantial proportion of expenses, and suggests limits on the degree to which a new program may be modeled on the GI Bill. At a rate of 100% of GI Bill benefits, housing allowance would average \$13,968 per year, or 56-74% of the total benefits package. At the 50% rate, which is an average of \$6,984 a year, it still accounts for 39-58% of the total benefits package. While it accounts for 56% of the yearly benefit from the GI Bill, it does not seem cost effective to include the housing allowance benefit in any proposal of national service education benefits.

The unique feature of a national service program that needs to be pro-ratable over three years, which would be required for the maximum available benefit. As stated before, the GI Bill provides a greater benefit up front that levels out over time. While this benefit structure is specifically designed to accommodate injured or disabled servicemembers who cannot fulfill their obligation, it is not a good comparison for a national service program because it could encourage individuals to sever their commitment early. The differences between the GI Bill benefits by time in service and the national service proposal can be seen in Figures 4.3 and 4.4. The national service proposal would provide 50% of benefits after 12 months of service, 75% after 18 months, and 100% after 24 months.

The monthly housing allowance is typically the largest portion of the benefits and raises costs substantially and it seems likely that this benefit would have to be eliminated for a program

to be cost effective. This leaves full tuition at an in-state public university and the yearly stipend of \$1,000 for books and supplies. Based on the state, this comes to \$6,220 – \$17,070 a year, with the average being \$10,970 (College Board, 2018). College tuition and the annual stipend are also transfer payments though because they are costs to the federal government but benefits to the program participants.

Capital costs and operating costs are additional expenses for the university that do not include tuition. Capital costs are the costs per student for building new structures on college campuses to accommodate the addition of new students. Operating costs are the college expenses for administrative functions and instruction. According to the Joint Legislative Audit and Review Commission, the annual capital cost per student is \$1,442.02. This number is not accurate for every student though, as it will only be applied for additional students into the college system. Since this will vary based on the level of program participation, it is best to use the maximum level of participation as this will have the greatest cost. At maximum participation, only 30.3% of the college students will be new enrollments because of the national service program, therefore only 30.3% of the cost is added per student. This calculates at \$436.93 a year, or \$1,599.11 over four years. According to the Delta Cost Project, the college operating costs, including instruction, research, and public service expenses, are \$16,300.35 annually (Delta Cost Project, 2012). Subtracting the cost of tuition, this calculates to \$6,330.35 annually for new students. Using the same calculation above for the percentage of new students, this calculates to \$1,918.10 a year or \$7,020 over four years. The total of college capital and operating costs for a student over four years is \$8,619.10.

### Foregone Wages

The implicit costs are those for which there is not monetary disbursement. In this proposal they involve the opportunity costs to individuals that choose a national service program in lieu of immediate entry to the job market upon graduation from high school. These are estimated using the Bureau of Labor Statistics data as of the 1st Quarter 2018. The average weekly earnings for full-time wage and salaried workers with only a high school diploma was \$721.76 per week, or an annual salary of \$37,531.52 (Bureau of Labor Statistics, 2018). If a program participant serves a three-year term of national service, they are missing out on these earnings less their living allowance. This comes to a total opportunity cost of \$247,761.74 to the individual for their three years in a national service program and four years while attending college.

### *BENEFITS*

After determining the costs of such a program, including the opportunity costs for the individuals involved, it is important to calculate the benefits of such a program to the individual and the nation. The explicit benefits of such a program are as follows: increase in earnings for college graduates of the program, which includes an increase in federal tax revenue, decrease in individual student loan debt, and implicit benefits to the individual and communities, including the direct service benefit of program projects.

On average, a college graduate earns significantly more in weekly wages than an individual with just a high school diploma (Bureau of Labor Statistics, 2018). As noted earlier in opportunity costs, full time workers age 25 and older with a high school diploma and no college earned on average \$721.76 a week, which comes to \$37,531.52 a year. In the same demographic, an individual with a bachelor's degree earned \$1,183.37 a week or \$61,535.24. A

college graduate earns \$461.61 more a week and \$24,003.72 more than a high school graduate annually, a wage increase of 64%. If an individual with a high school diploma works from age 18 to 66, they would earn approximately \$1,188,740. Comparatively, an individual with a Bachelor's Degree who works from 25-66 would earn approximately \$1,542,792. After applying the discount rate, the Bachelor's Degree holder actually earns \$601,814 more than a high school graduate over the course of their last 42 years of work. After accounting for opportunity costs, a 3-year national service volunteer and 4-year college graduate earns approximately \$354,052.06 or 29.8% more over the course of their career.

There is also a significant benefit to the federal government for individuals graduating from college and earning higher wages, as this leads to an increase in the amount that the individual pays in federal taxes. According to the College Board's *Education Pays 2016*, individuals with a Bachelor's Degree paid \$15,298.73 in federal taxes while those with only a high school diploma paid \$8,016.65 (College Board, 2016). Calculating the total taxes paid over the course of their careers while taking into account their initial opportunity cost, an individual with a Bachelor's Degree pays an additional \$7,282.08 annually, which calculates to paying \$182,574 more in federal taxes than a high school graduate.

A decrease in an individual's student loan debt is also an explicit benefit from this program. According to the College Board's *2017 Trends in Student Aid*, the average student at a public university that borrows money for tuition accumulates \$27,000 in student debt by the time they graduate (College Board, 2017). This amount is even greater for borrowers who graduate from private non-profit schools, where the average amount in student debt is \$32,000 per individual. Since the discussed program is for public universities, the amount needs to be the average of all public university graduates, not just the average of borrowers. According to the

College Board data, this comes out to \$16,359.58 per degree recipient. After using a weighted average on the federal student loans that are taken by undergraduate students, including an interest rate of 5.3% and a loan fee rate of 2.132%, the average student loan interest is approximately \$4,768.48 over the 10-year life of the loan, which means the total student debt is \$21,128.06 per degree recipient; the interest rates and calculations can be seen in Tables 4.5, 4.6, and 4.7 (Federal Student Aid, 2018).

Lessening student debt is extremely important to individual students, but because of federal student loan subsidies, it is equally important to the federal government. According to the Congressional Budget Office's *How the Government Budgets for Student Loans*, in 2018, the federal government is projected to issue \$100,910,000,000 in student loans at a subsidy rate of 8.9% through the Total Direct Loan Program (Humphrey, 2017). This comes to \$8,980,990,000 in federal student loan subsidies in 2018 alone. According to the previously mentioned *2017 Trends in Student Aid*, 10% of all dollars involved in the federal student loan program are in default (College Board, 2017). Extrapolating from the CBO's 2018 projections, this means that approximately \$10,091,000,000 of the federal student loans will be in default, which means that federal student loan subsidies are essentially covering the default rate. It is important to note at this time that the author is not specifically advocating for disbanding the Total Direct Loan Program in favor solely of a national service program, but that such a comparison of costs and benefits needs to be addressed. This issue will be further covered within cost-saving options.

The implicit benefits of such a program are tied to the benefits of graduating from college and from volunteering in a national service, but as the name suggests, not as readily apparent as the explicit benefits. Additionally, many of them are not directly tied with financial benefits that are readily apparent without additional research. College graduates are in better health, have a

lower likelihood of requiring disability payments, and are much more likely to have more steady employment during economic downturns (Schanzenbach, Bauer, and Breitwieser, 2017).

College graduates also help to lower unemployment and their presence leads to higher wages for workers without college degrees. Lastly, there are significant positive externalities for the communities that are served by AmeriCorps and Peace Corps in the United States and international communities, respectively.

According to *Making College Worth It: A Review of the Returns to Higher Education*, additional education has health benefits, especially when it helps to prevent stressful situations (Oreopoulos & Petronijevic, 2013). Individuals with a college education were less likely to get divorced, have mental ailments, or have a child held back a grade level. Additionally, a college graduate is less likely to receive health disability payments, which further decreases overall government entitlement payments. In *Financing American Higher Education in the Era of Globalization*, the authors note that students and parents are “well aware of the association between college degree attainment and other aspects of desirable careers, such as job-related benefits, satisfaction, social status, longer life, better health, better child-rearing outcomes, and lower rates of social dysfunction (Zumeta, Breneman, Callan, & Finney, 2015). A study by the Brookings Institute identified that college graduates are more likely to be employed than individuals with less education, which was especially important during the Great Recession (Greenstone & Looney, 2011). For instance, in 2010, 88% of college graduates were employed compared to 43% of those with only a high school diploma.

Further studies have shown that wages increase for the overall population if the college graduation rate increases (Moretti, 2004). Moretti concluded that for every percentage point increase in an area’s supply of college graduates, there was an increase in wages of 1.9% for

high school drop-outs, 1.6% for high school graduates, and 0.4% for college graduates. In another study, Autor concludes that compared to those with only a high school diploma, employment was barely affected for college graduates during the Great Recession (Autor, 2014). This further details that a college graduate is much more likely to be able to endure through difficult economic times than others with less education. Lastly, college graduates are more likely to participate in civic and community engagement and give to charity than high school graduates. According to the Association of Public & Land-Grant Universities, Bachelor's Degree holders vote 23% more than high school graduates, are twice as likely to volunteer, and contribute more than three times as much to charity (Association of Public & Land Grant Universities, 2018). As noted earlier, these are significant benefits, but are difficult to place an accurate financial benefit.

There are also significant benefits to volunteering through a national service program, but as stated before, these benefits are not necessarily financial. In the article, *At Your Service? Volunteering and National Service in 2020*, which evaluates the Edward M. Kennedy Serve America Act of 2009, the authors conclude that there are many benefits to volunteering that extend beyond financial gain (Nesbit & Brudney, 2010). Their research has shown that volunteers have a greater interest in politics and current events, show an increase in tolerance of others, and are more likely to engage in voting and volunteering as adults. For AmeriCorps volunteers specifically, they found program alumni engaged in higher levels of volunteering, voting, and political engagement than those that did not join AmeriCorps. They were also more involved in community groups than others after their volunteer service had ended. The same benefits are also true of Peace Corps volunteers, but on a more national and global-scale. In a 1969 Harris Study, Peace Corps volunteers that had returned from their overseas assignments

showed positive results in how their attitudes changed (Danzig & Szanton, 1986). The study found that 87% of returned Peace Corps volunteers stated that the program “broadened their perspective on international affairs,” 69% identified that it “made them more tolerant of others’ conditions, religious beliefs, etc.,” and 58% of these individuals had their perspectives on national politics broadened through their service.

The last implicit benefit is the direct service benefits for the communities, both national and international, that are served by AmeriCorps and Peace Corps. The quintessential study on the costs and benefits of AmeriCorps was conducted by Aguirre International and it details the benefits after evaluating 44 separate AmeriCorps programs (Aguirre International, 1999). The study concluded that per AmeriCorps volunteer, there was approximately \$42,483.97 in annual direct service benefits, \$11,580.82 in future earnings from education, \$2,703.23 in future earnings from training, and \$2,501.83 in student loan interest saved. According to the study, the direct service benefits were derived from market prices for the services rendered, calculating them for teachers, tutors, police officers, and other who provide similar services. Since future earnings from education and student loan interest have already been accounted for, the only applicable benefits are from direct service benefits and future earnings from training. This leads to an annual positive externality of \$45,187.2 per AmeriCorps volunteer. The study also mentions that the direct service benefit is a likely a conservative estimate of the benefit from AmeriCorps.

Calculating the same benefit for Peace Corps is a more difficult task as there have not been any studies on the benefits of Peace Corps that calculate it into a dollar value. Even the latest self-evaluation in 2010, *The Peace Corps: A Comprehensive Agency Assessment*, steers clear of budgetary issues within the organization (Peace Corps, 2010). As stated before, one of

the goals of Peace Corps is “to help promote a better understanding of Americans on the part of the peoples served.” According to an essay by the Center for Global Development, Peace Corps volunteers are meeting their goal, with 44% of host country nationals who have interacted with a Peace Corps volunteer believing that Americans are committed to assisting other peoples (Kenny, 2011). Unfortunately, this statistic does not translate into a dollar amount for a cost benefit analysis. The only way to quantify the benefit of the Peace Corps is to look at the dollar amount that is being injected into the host nation’s economy. This number includes the total cost of a Peace Corps volunteer, as their living allowance and project costs are all funneled back into the host nation economy. While this number comes out to \$27,657.97 annually per volunteer, it cannot be translated directly into a benefit to the United States as host country nationals are influenced by American goodwill, again not something that can be quantifiably measured. Unless accounting for the benefits to the host nation, this leaves only a benefit from future earnings from training as a measureable benefit of the Peace Corps, which comes to \$2,703.23 per volunteer. By incorporating Peace Corps into overall direct service benefits, the weighted average direct service benefits come to \$38,635.84 annually per volunteer or \$113,649.68 over three years. There is a transfer payment of \$51,042.82 in the form of the weighted costs for AmeriCorps and Peace Corps projects, so the direct service benefit is actually \$62,606.86.

## RESULTS AND DISCUSSION

Table 5.1  
Composite of Costs and Benefits for the Social, Individual, and Taxpayer

<u>Costs</u>	<u>Social</u>	<u>Recipient</u>	<u>Public Expenditure</u>
<u>Volunteer Program</u>			
Program Expense per Recipient	\$24,629	\$0.00	\$49,864
Forgone Wages during Volunteer Service	\$110,401	\$110,401	\$0.00
<u>Education</u>			
Tuition	Transfer	\$0.00	\$40,149
Capital Expense for Expanded Education	\$1,599	\$0.00	\$0.00
Operating Expense for Expanded Education	\$7,020	\$0.00	\$0.00
Foregone Wages	\$137,360	\$137,360	\$0.00
<b>Total Costs</b>	<b>\$281,010</b>	<b>\$247,762</b>	<b>\$90,013</b>
<u>Benefits</u>			
Earnings from Higher Education	\$427,625	\$427,625	\$0.00
Increased Federal Taxes	\$182,574	\$0.00	\$182,574
Direct Service Benefits	\$62,607	\$0.00	\$0.00
Living Allowance during Volunteer Service	Transfer	\$42,971	\$0.00
Reduced Student Loan Interest Payments	\$4,768	\$4,768	\$0.00
Earnings from Volunteer Training	\$2,703	\$2,703	\$0.00
<b>Total Benefits</b>	<b>\$671,892</b>	<b>\$509,832</b>	<b>\$182,574</b>
<u>Non-Pecuniary Benefits</u>			
Non-pecuniary Benefits of Volunteering			
Non-pecuniary Benefits of Graduating from College			

The cost benefit analysis must be completed at both an individual and social level, as there are both costs and benefits that primarily affect only one group. Additionally, the specific costs and benefits to the federal taxpayer need to be analyzed for a single individual in the program to determine if they will likely support such a program. For the individual cost benefit analysis, the costs and benefits included are only those that directly affect the individual. The only individual cost is time, which has already been directly translated into the opportunity cost for

wages lost during volunteering and attending college. This comes to an average cost of \$247,761.74 to the individual. The individual benefit comes from an increase in after-tax wages from having a Bachelor's Degree, college tuition and student loan interest savings, the volunteer living allowance while serving, and an increase in earnings from AmeriCorps or Peace Corps training. This figure comes to \$509,831.68, which consists of a total living allowance of \$42,971.44 over three years, an after-taxes wage increase of \$419,239.76 over the course of a 42-year career, \$44,917.25 saved in college tuition and student loan interest, and an earnings increase from training of \$2,703.23. This computes to a ratio of 1:2.06, meaning that for every dollar that the individual spends (in opportunity costs), they are receiving \$2.06 in return. This ratio does not change due to increases in the level of program participation.

The social cost benefit analysis includes all costs and benefits to all parties that are involved with the national service program, which includes the individual participants, the federal government, and communities served by a national service organization. The social costs include the individual opportunity cost of lost wages, cost per volunteer in a national service program, and college tuition and annual stipend, and college capital and operating expenses. The opportunity cost to the individual is \$247,761.74 during their three years volunteering and four years of college. The cost per national service volunteer, including administrative, project, and living allowance costs, comes to \$118,643.54 over three years; of this amount, up to \$67,600.72 is borne by the federal and up to \$51,042.82 by the state government, but except for the federal administrative costs of \$24,629.28, these are all transfer payments and removed from the cost benefit calculations. The cost per student is \$48,767.87 for four years of college tuition, an annual stipend for books and supplies, and college capital and operating costs and is borne by the federal government. This cost is all a transfer payment and removed from the calculation,

except for the college capital and operating costs of \$8,619.10. The total cost comes to \$281,010.12 per participant, but based on the static administrative costs of AmeriCorps and Peace Corps until median levels of participation, this number will decrease with every additional volunteer.

The social benefits of the program include an individual's after-tax wage increase due to having a Bachelor's Degree, added tax revenue to the federal government, college tuition and student loan interest saved, a volunteer's living allowance while in a national service organization, direct service benefits for AmeriCorps-served communities, and future earnings from training for AmeriCorps or Peace Corps volunteers. The individual wage increase for a Bachelor's Degree holder over the course of their 42-year career is \$601,813.80, of which \$419,239.76 goes to the individual and \$182,574.04 in federal tax revenue. The college tuition and student loan interest saved comes to \$44,917.25 and is a benefit to the program participant, but only the student loan interest saved, in the amount of \$4,768.48, is used in the calculation as college tuition and the annual stipend are transfer payments. The average living allowance for a national service organization is \$42,971.44 over the course of three years and is a benefit to the volunteer, but this is also a transfer payment. The direct service benefits to AmeriCorps-served communities is \$113,649.68, but after removing the project costs as transfer payments, this total comes to \$62,606.86. Future earnings from AmeriCorps or Peace Corps training is \$2,703.23 and is a benefit to program participants. This calculates to a total social benefit of \$671,892.37 for the national service program proposal. The social cost benefit analysis leads to a ratio of 1:2.39, meaning that for every dollar spent in the proposed national service program, \$2.39 will be generated in additional earnings, including tax revenue, student loan interest savings, and direct service benefits to AmeriCorps-served communities.

As stated before, the direct service benefits may be a conservative estimate and student loan subsidies have not been changed under this model, so the benefits may be understated. This model is also predicated on the belief that all individuals in the program will provide three years of national service, receive four years of college tuition and stipends, and graduate with a college degree. While graduation and dropout rates can be estimated based on current rates, there are many variables that cannot be accurately accounted for within this model. Additionally, if individuals do not utilize their full educational benefit, direct expenditures for the program will be lower, but will also lead to a reduction in program benefits. These include the number of volunteers that choose to serve less than three years, the number of participants that choose to attend a community college or choose to complete only an associate's degree, or an unbalanced portion of students attending a public universities in low- or high-cost states. As noted earlier, the social cost benefit analysis is conducted at the minimum level of participation, so the benefit will actually be greater due to the static administrative costs as participation increases. For instance, at the median level of participation, 1,662,545 volunteers, this decreases the total cost per volunteer to \$265,179.85. This leads to a cost benefit ratio of 1:2.53.

#### *ANNUAL EXPENDITURES*

The total cost of such a program to the federal government is calculated based on the number of participants that volunteer for national service in either AmeriCorps or Peace Corps and all calculations are for annual costs and levels of participation. The calculation is as follows for the first-year each program is under the new national service proposal:

$$\text{Cost of AmeriCorps} = (\# \text{ of AmeriCorps Volunteers}) (\text{Cost per AmeriCorps Volunteer}) + \\ \text{AmeriCorps Administrative Costs}$$

$$\begin{aligned} \text{Cost of Peace Corps} &= (\# \text{ of Peace Corps Volunteers}) (\text{Cost per Peace Corps Volunteer}) \\ &+ \text{Peace Corps Administrative Costs} \end{aligned}$$

$$\text{National Service Cost} = \text{Cost of AmeriCorps} + \text{Cost of Peace Corps}$$

Cost of AmeriCorps represents the total annual cost of AmeriCorps while Cost of Peace Corps represents the same for Peace Corps. # of AmeriCorps Volunteers represents the number of annual AmeriCorps Volunteers, with the same for # of Peace Corps Volunteers. Cost per AmeriCorps Volunteer and Cost per Peace Corps Volunteer represents the operating cost per individual for each organization and AmeriCorps and Peace Corps Administrative Costs represents the administrative costs. National Service Cost represents the total annual cost of the national service program, which at this time is the addition of the budgets for AmeriCorps and Peace Corps.

The current distribution of national service volunteers is 90.9% in AmeriCorps and 9.1% in Peace Corps, which is the best metric available in which to determine future participant distribution. The operating expenses for AmeriCorps are calculated by the number of participants multiplied by the average living allowance of \$15,465.78, while the operating expenses for the Peace Corps are calculated by the number of participants multiplied by the combination of the living allowance and projects costs, which come to \$27,657.30 per individual. As stated before, the administrative and support costs of each organization will remain the same. The first-year calculations are completed using the minimum number of participants; median and maximum levels of participation can be seen in Tables 5.2, 5.3, and 5.4:

$$\$1,463,262,500 = (75,000) (\$15,465.78) + \$303,329,000 \text{ (AmeriCorps)}$$

$$\$432,000,031 = (7,470) (\$27,657.30) + \$225,400,000 \text{ (Peace Corps)}$$

$$\$1,895,262,531 = \$1,463,262,500 + \$432,000,031 \text{ (Total)}$$

Table 5.2

Annual First-Year Costs for a National Service Program (AmeriCorps) based on the Number of Participants

# of AmeriCorps	Operating Expenses	Administrative Costs	Total Program Cost
75,000	\$1,159,933,500	\$303,329,000	\$1,463,262,500
1,511,954	\$23,383,553,301	\$363,994,800	\$23,747,548,101
2,948,909	\$45,607,173,103	\$363,994,800	\$45,971,167,903

Table 5.3

Annual First-Year Costs for a National Service Program (Peace Corps) based on the Number of Participants

# of Peace Corps	Operating Expenses	Administrative Costs	Total Program Cost
7,470	\$206,600,031	\$225,400,000	\$432,000,031
150,591	\$4,164,930,866	\$270,480,000	\$4,435,410,866
293,711	\$8,123,261,701	\$270,480,000	\$8,393,741,701

Table 5.4

Total Annual First-Year Costs for a National Service Program based on Number of Participants

Total # of Participants	AmeriCorps Cost	Peace Corp Costs	Cost of College Tuition	National Service Program Costs
82,470	\$1,463,262,500	\$432,000,031	\$0	\$1,895,262,531
1,662,545	\$23,747,548,101	\$4,435,410,866	\$0	\$28,182,958,968
3,242,620	\$45,971,167,903	\$8,393,741,701	\$0	\$54,364,909,604

This is just the first year cost of the program and includes only one cohort of AmeriCorps and Peace Corps volunteers, but does not yet include any expenses for college tuition as those would start incurring in the fourth year of the program (this study does not account for participants taking varying levels of education benefits in exchange for serving less time in a national service organization). The calculations in the fourth year of the program are as follows:

$$\text{Cost of AmeriCorps} = ((3) (\# \text{ of AmeriCorps Volunteers}) (\text{Cost per AmeriCorps Volunteer}) + \text{AmeriCorps Administrative Costs}) / (1+r)^n$$

$$\text{Cost of Peace Corps} = \frac{((3) (\# \text{ of Peace Corps Volunteers}) (\text{Cost per Peace Corps Volunteer}) + \text{Peace Corps Administrative Costs})}{(1+r)^n}$$

$$\text{Cost of Participant College Tuition} = \frac{((\# \text{ of Participants}) (\text{Cost per Participant}))}{(1+r)^n}$$

$$\text{Total Program Cost} = \text{Cost of AmeriCorps} + \text{Cost of Peace Corps} + \text{Cost of Participant College Tuition}$$

The only changes in the fourth year calculation is that AmeriCorps and Peace Corps are now budgeting for three cohorts, which is their maximum number, and that college tuition costs are included for the first-year cohort. Additionally, the discount rate for the fourth year is applied to the calculations. The formula for the discount rate is  $(1+r)^n$ , where  $r$  represents the discount rate of 2% and  $n$  represents the number of future years until the cost or benefit occurs. Cost of Participant College Tuition represents the total annual cost of college tuition for program participants, while # of Participants represents the number of students that are attending college through the program. Cost per Participant represents the average cost of the tuition and stipend that program participants receive as an education benefit. Total Program Cost is the combination of all AmeriCorps, Peace Corps, and tuition costs in the fourth year. The fourth-year calculations are completed as follows for the minimum number of participants; median and maximum levels of participation can be seen in Tables 5.5, 5.6, and 5.7, where the discount rate is applied to each calculation individually before the totals are compiled:

$$\$3,564,927,422 = \frac{((3) (75,000) (\$15,465.78) + \$303,329,000)}{(1+0.02)^3} \text{ (AmeriCorps)}$$

$$\$796,450,925 = \frac{(3) (7,470) (\$27,657.30) + \$225,400,000}{(1+0.02)^3} \text{ (Peace Corps)}$$

$$\$852,515,153 = \frac{(82,470) (\$10,970)}{(1+0.02)^3} \text{ (College)}$$

$$\$5,213,893,500 = \$3,564,927,422 + \$796,450,925 + \$852,515,153 \text{ (Total)}$$

Table 5.5

Annual Fourth-Year Costs for a National Service Program (AmeriCorps) based on the Number of Participants

# of AmeriCorps	Operating Expenses	Administrative Costs	Total Program Cost
75,000	\$3,279,093,731	\$285,833,691	\$3,564,927,422
1,511,954	\$66,104,533,611	\$343,000,430	\$66,447,534,040
2,948,909	\$128,929,973,490	\$343,000,430	\$129,272,973,920

Table 5.6

Annual Fourth-Year Costs for a National Service Program (Peace Corps) based on the Number of Participants

# of Peace Corps	Operating Expenses	Administrative Costs	Total Program Cost
7,470	\$584,051,471	\$212,399,454	\$796,450,925
150,591	\$11,774,122,131	\$254,879,345	\$12,029,001,476
293,711	\$22,964,192,792	\$254,879,345	\$23,219,072,137

Table 5.7

Total Annual Fourth-Year Costs for a National Service Program based on Number of Participants

Total # of Participants	AmeriCorps Cost	Peace Corp Costs	Cost of College Tuition	National Service Program Costs
82,470	\$3,564,927,422	\$796,450,925	\$852,515,153	\$5,213,893,500
1,662,545	\$66,447,534,040	\$12,029,001,476	\$17,186,186,544	\$95,662,722,061
3,242,620	\$129,272,973,920	\$23,219,072,137	\$33,519,857,935	\$186,011,903,993

The last calculation of costs that needs to be made is for the seventh year, in which there are three active cohorts in national service programs and four cohorts receiving college tuition.

There are no changes from the fourth year to the seventh year in AmeriCorps or Peace Corps costs. The calculations in the seventh year of the program are as follows:

$$\text{Cost of AmeriCorps} = ((3) (\# \text{ of AmeriCorps Volunteers}) (\text{Cost per AmeriCorps Volunteer}) + \text{AmeriCorps Administrative Costs}) / (1+r)^n$$

$$\text{Cost of Peace Corps} = ((3) (\# \text{ of Peace Corps Volunteers}) (\text{Cost per Peace Corps Volunteer}) + \text{Peace Corps Administrative Costs}) / (1+r)^n$$

$$\text{Cost of Participant College Tuition} = ((4) (\# \text{ of Participants}) (\text{Cost per Participant})) / (1+r)^n$$

$$\text{Total Program Cost} = \text{Cost of AmeriCorps} + \text{Cost of Peace Corps} + \text{Cost of Participant College Tuition}$$

The only changes in the seventh year calculation is college tuition is quadrupled due to having four cohorts attending college. The seventh-year calculations are completed as follows for the minimum level of participants; median and maximum levels of participation can be seen in Tables 5.8, 5.9, and 5.10:

$$\$3,359,310,731 = \frac{((3) (75,000) (\$15,465.78) + \$303,329,000)}{(1+0.02)^6} \text{ (AmeriCorps)}$$

$$\$750,513,495 = \frac{(3) (7,470) (\$27,657.30) + \$225,400,000}{(1+0.02)^6} \text{ (Peace Corps)}$$

$$\$3,213,376,275 = \frac{(4) (82,470) (\$10,970)}{(1+0.02)^6} \text{ (College)}$$

$$\$7,323,200,501 = \$3,359,310,731 + \$750,513,495 + \$3,213,376,275 \text{ (Total)}$$

Table 5.8  
Annual Seventh-Year Costs for a National Service Program (AmeriCorps) based on the Number of Participants

# of AmeriCorps	Operating Expenses	Administrative Costs	Total Program Cost
75,000	\$3,089,963,260	\$269,347,471	\$3,359,310,731
1,511,954	\$62,291,778,436	\$323,216,966	\$62,614,995,402
2,948,909	\$121,493,593,613	\$323,216,966	\$121,816,810,578

Table 5.9

Annual Seventh-Year Costs for a National Service Program (Peace Corps) based on the Number of Participants

# of Peace Corps	Operating Expenses	Administrative Costs	Total Program Cost
7,470	\$550,364,745	\$200,148,750	\$750,513,495
150,591	\$11,095,018,254	\$240,178,499	\$11,335,196,753
293,711	\$21,639,671,763	\$240,178,499	\$21,879,850,262

Table 5.10

Total Annual Seventh-Year Costs for a National Service Program based on Number of Participants

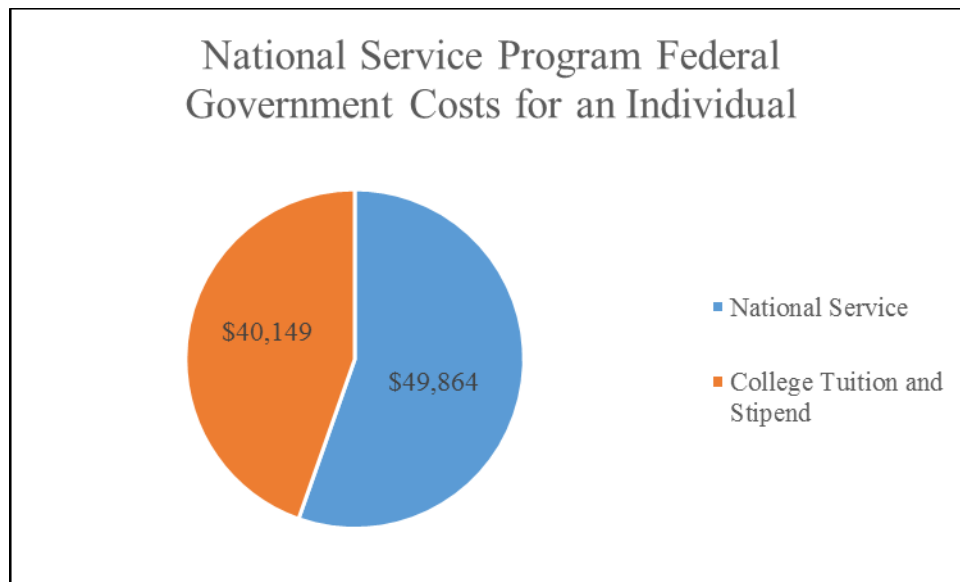
Total # of Participants	AmeriCorps Cost	Peace Corp Costs	Cost of College Tuition	National Service Program Costs
82,470	\$3,359,310,731	\$750,513,495	\$3,213,376,275	\$7,323,200,501
1,662,545	\$62,614,995,402	\$11,335,196,753	\$64,779,709,704	\$138,729,901,860
3,242,620	\$121,816,810,578	\$21,879,850,262	\$126,346,043,134	\$270,042,703,974

*SUSTAINABILITY*

The next step is looking at short-term and long-term sustainability of a national service program. In the short-term, the program is not sustainable simply because all the costs are in the first seven years while the individual is a volunteer and a student. It is not until the eighth year of the program that the first group of college graduates through the program begin paying taxes, which begins to slow the annual cost of the program. With any level of participation though, there is also the question of if state-costs are included in the calculation of sustainability. I have chosen not to include in this calculation because while the living allowance and administrative costs are constant, project costs have the possibility of varying greatly due to what projects are funded by the state and in what capacity. Over the long-term though, the program is not only financially sustainable, but eventually begins to add significant revenue to the federal budget.

The breakdown of federal funds spent on a single individual is important to identify as well, which will be done at the minimum participation level due to the cost being the highest. During their first three years in a national service program, \$49,864.46 is spent on the individual for their living allowance and administrative costs. After their service is complete, the individual attends college at a cost of \$40,148.77 over four years for tuition and the annual stipend for books and supplies. This identifies the total cost of the individual using federal funds, which comes to \$90,013.23. The federal government costs per individual can be seen below in Figure 5.11.

Figure 5.11  
National Service Program Federal Government Costs for an Individual



After graduation, the individual earns \$20,896.68 more a year with a Bachelor's Degree, which comes to \$601,813.79 over the course of their 42-year working career. Of these additional earnings, \$419,239.75 is after-tax income to the individual and \$182,574.04 goes to federal taxes. In the eighth year, or the first year after graduating, the individual begins paying federal taxes, which makes the program sustainable on an annual basis. In the 24th year, or the

individual's 17th year of working, the total amount of federal taxes paid by the individual exceeds the total amount spent on them, which leads the overall program to be sustainable by generating a positive return on investment. When the individual retires after their 42th year of working, they have paid an additional \$92,560.81 in federal taxes on top of the cost of their national service participation and their college tuition. The individual annual sustainability and individual overall sustainability can be seen below in Figures 5.12 and 5.13, respectively.

Figure 5.12  
Annual National Service Program Sustainability for an Individual

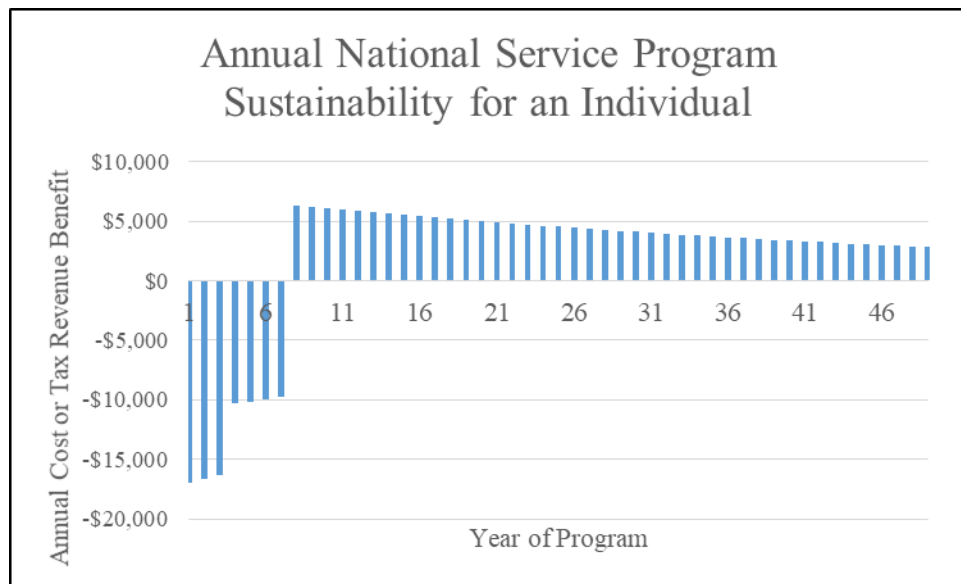
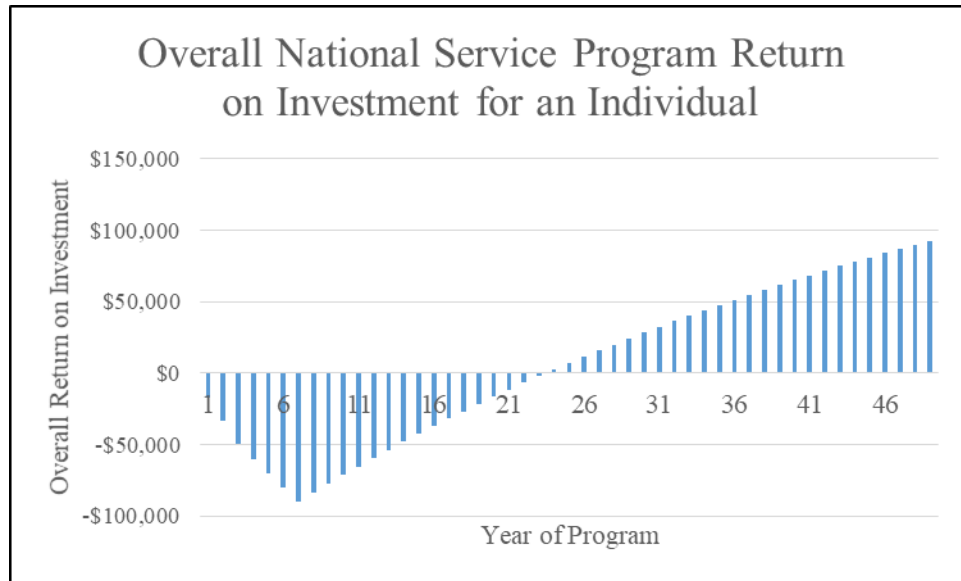


Figure 5.13  
 Overall National Service Program Return on Investment for an Individual



Using the median number for minimum and maximum participation, crudely estimated at 1,662,545, we can calculate the cost and sustainability of the program over time, which can be seen below in Tables and Figures 5.14 through 5.16. In the first year of the program, the annual cost is only for national service organizations, which comes to \$28.2 billion. The annual cost doubles to \$54.6 billion and triples to \$80 billion in the second and third years, respectively, as AmeriCorps and Peace Corps reach their three-year capacities. For the purposes of this calculation, this number will remain steady for the duration; additional volunteers over the three-year capacity at this point would lessen the cost per volunteer while increasing tax revenue, which may positively skew the numbers. In the fourth year of the program, the first cohort of volunteers enters their first year of college, at which the cost of college tuition is added. The annual cost for the fourth year comes to \$95.7 billion. The cost of college increases the annual cost every year as new cohorts leave service and enter school, but tops out at \$138.7 billion in the seventh year as this is the first year when there are three cohorts in national service

organizations and four cohorts attending college. In the eighth year, the first cohort begins paying federal taxes after graduating from college, which leads to \$10.5 billion in revenue to slightly offset the cost of the program. Tax revenues continue to increase as additional cohorts graduate and enter the workforce. In the 20th year, with the addition of the 13th cohort into the workforce, the program officially becomes self-sustainable, posting a \$793.4 million return on investment for the year. In the 41st year, all previous debt has been paid off as the overall program now has a total return on investment of \$79.2 billion. In the 49th year, the program has reached its full capacity with three cohorts in national service, four cohorts in college, and 42 cohorts in the workforce, with the original cohort about to retire. At this point, the program costs \$60.4 billion a year, generates \$196.5 billion in tax revenue a year, and has an annual program return on investment of \$136.2 billion.

Table 5.14

National Service Program Costs and Tax Revenue over Time based on 1,662,545 Participants (in millions)

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Annual Cost	-\$28,183	-\$54,639	-\$80,046	-\$95,663	-\$110,636
Federal Tax Benefit	\$0	\$0	\$0	\$0	\$0
Annual Return	-\$28,183	-\$54,639	-\$80,046	-\$95,663	-\$110,636
Total Return	-\$28,183	-\$82,822	-\$162,868	-\$258,530	-\$369,167

	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
Annual Cost	-\$124,986	-\$138,730	-\$136,010	-\$133,343	-\$130,728
Federal Tax Benefit	\$0	\$0	\$10,540	\$20,666	\$30,391
Annual Return	-\$124,986	-\$138,730	-\$125,470	-\$112,677	-\$100,337
Total Return	-\$494,152	-\$632,882	-\$758,352	-\$871,029	-\$971,366

	<b>Year 15</b>	<b>Year 20</b>	<b>Year 25</b>	<b>Year 30</b>	<b>Year 35</b>
Annual Cost	-\$118,405	-\$107,243	-\$97,133	-\$87,976	-\$79,683
Federal Tax Benefit	\$73,403	\$108,036	\$135,487	\$156,802	\$172,894
Annual Return	-\$45,001	\$793,385	\$38,354	\$68,826	\$93,212
Total Return	-\$1,302,943	-\$1,387,023	-\$1,267,322	-\$981,512	-\$561,976

	<b>Year 40</b>	<b>Year 45</b>	<b>Year 50</b>	<b>Year 55</b>	<b>Year 60</b>
Annual Cost	-\$72,171	-\$65,368	-\$59,206	-\$53,624	-\$48,569
Federal Tax Benefit	\$184,559	\$192,489	\$192,695	\$174,530	\$158,077
Annual Return	\$112,388	\$127,121	\$133,489	\$120,905	\$109,508
Total Return	-\$36,465	\$571,310	\$1,236,584	\$1,865,779	\$2,435,661

Figure 5.15  
Annual National Service Program Sustainability based on 1,662,545 Participants

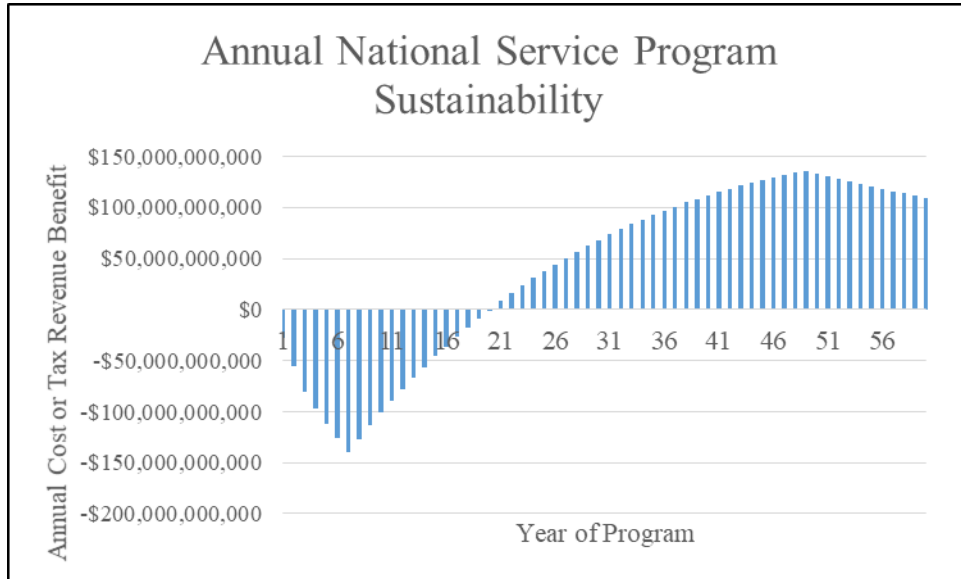
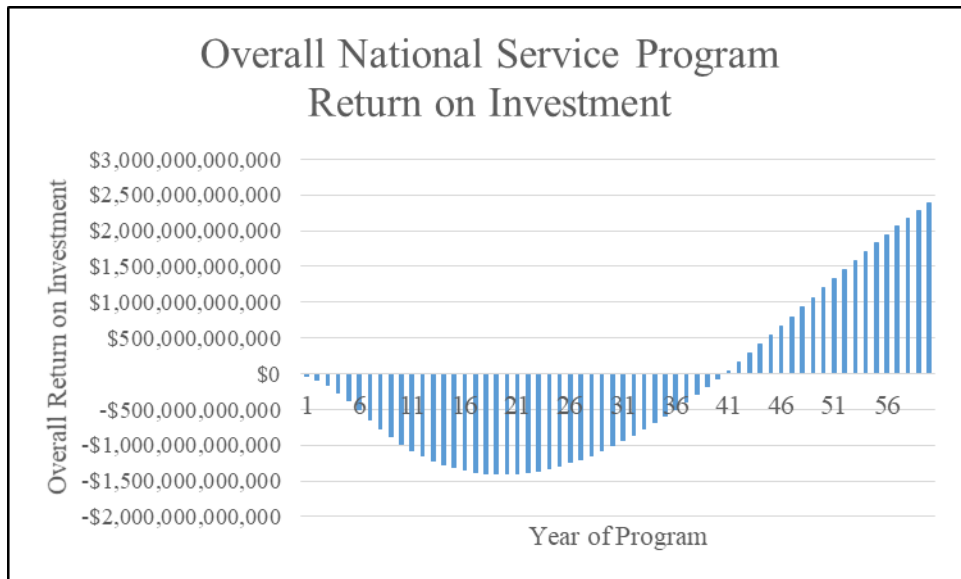


Figure 5.16  
Overall National Service Program Return on Investment based on 1,662,545 Participants



Even though this proposal eventually becomes self-sustainable, there is an issue that may preclude funding, popular support, or require limiting initial participation. As seen in Table 5.14 and Figure 5.16, the annual cost compounds every year to produce the overall cost, which is a

running total of how much has been spent on the program. Eventually though, this becomes a running total of the return on investment from the program, but getting to that point is an issue. In the first three years of the program, the overall cost remains relatively low, with there being a running cost of \$28.2 billion, \$54.6 billion, and \$80 billion in the first, second, and third years, respectively. With the addition of college tuition and the continuing of the national service program, the cost begins to exponentially increase, equating to \$138.7 billion in the seventh year, before the first cohort has even graduated or entered the workforce. Even with the added tax revenue in the seventh year, the cost continues to compile until the 19th year when the total cost reaches \$1.4 trillion. In the next year, when the program achieves annual sustainability, the total cost begins to go down ever so slightly, but this increases with every additional cohort added to the workforce. This decrease in the overall cost continues until the 41st year when there becomes an overall return on investment of \$79.2 billion. Higher levels of program participants will lead to greater debt in the beginning of the program, but will lead to a quicker and greater overall return on investment. Additionally, with lower levels of participation, less overall debt is incurred, but it takes longer for the program to reach a return on investment in federal tax revenue.

### *COST-SAVING OPTIONS*

While there are innumerable variations of this program that could be considered in order to cut costs, there are four options that are going to be examined to see their changes to the cost benefit of the program and its sustainability. The first change is to remove the yearly stipend for books and supplies from an individual's educational benefit. This saves \$3,659.87 per individual over the course of their college education. As expected with such a small budgetary change, this does not significantly change the sustainability of the program. This change leads to only taking

up to \$1.3 trillion of debt in the beginning of the program, the annual sustainability remaining unchanged, but the overall debt being paid off two years ahead of the previous model. This change may also lead students to take out additional student loans for books and supplies, as the average cost of books and supplies at a public university is \$1,250, which is not even completely offset by the stipend (College Board, 2018). In this option, the individual cost benefit ratio is slightly worse at 1:2.04 because of the removal of the stipend as a benefit, but the social cost benefit ratio remains at 1:2.39 because the stipend was a transfer payment.

The second option to consider is the elimination of the Peace Corps as part of this national service program; it would still exist as it does today, just not under the umbrella of the Corporation of National & Community Service. The reason for this is that Peace Corps not only has a significantly higher administrative cost per volunteer, but that their project costs are included in their costs, whereas that of AmeriCorps volunteers is not. Additionally, this would increase the benefit to communities in the United States, which are benefits that can be financially measured. This may also be practical as Peace Corps is more selective and tends to recruit volunteers that already have college degrees or experience. In this model, total debt in the beginning of the program only reaches \$1.3 trillion, with no change to annual sustainability but having a positive return on investment two years earlier. This change also effects the cost benefit analysis, as all volunteers would receive a higher living allowance and produce direct service benefits to the communities they serve, instead of just those serving in AmeriCorps. Under this change, the individual cost benefit ratio is 1:2.07 due to the increased living allowance. The social cost benefit ratio increases to 1:2.53 because AmeriCorps volunteers cost less than Peace Corps volunteers, the increased living allowance of AmeriCorps volunteers, and all volunteers contributing direct service benefits.

The third option would be to allow full public college tuition to be paid for after two years of service. This option would add substantially more individual benefit for the time served in a national service organization. The budgetary changes to this model are significant as the total debt only reaches \$980.7 billion, the program becomes sustainable three years earlier, and an overall positive return on investment occurs eight years earlier. The individual cost benefit ratio of this option is 1:2.35 due to opportunity costs decreasing as the participant is out of the workforce one year less. The social cost benefit ratio is 1:2.77 due to the decrease in costs to the federal government for the eliminated third-year of the national service requirement for full benefits. This is a very practical plan that would get support, but it would also likely lead to a decrease in military recruiting. For students that have public university aspirations, the national service option may be a better option for them than serving three years in the military, even though the GI Bill has a much higher cap and provides a housing allowance. Additionally, veterans groups may not support such a program because of its high-level of benefits, which many could see as better than the GI Bill for the amount of time required to serve.

The fourth option is the removal of federal subsidies for student loans in an effort to save money and to encourage individuals to join a national service organization after graduating from high school. This change would eliminate all federal student loan subsidies, which comes to \$8,980,990,000 in 2018, and put this money towards the national service program and its educational benefit. This change leads to the total debt in the beginning of the program to be \$1.2 trillion, leading to no change in the annual sustainability and an overall return on investment occurring two years earlier. While the individual cost benefit ratio remains unchanged, the social cost benefit for this change is interesting, as the benefit decreases as more participants are added, but never achieves a ratio less than that of the original model. At 82,470 participants, the social

cost benefit is 1:2.75, which reflects the additional money from the federal subsidies coming into the program, but only benefiting a small number of individuals. At this level, the cost of the subsidies per individual almost pays for the cost of the entire national service program. At the median level of participants, the social cost benefit ratio is 1:2.58, while it comes to 1:2.57 at the maximum level of participants. This may be one of the more cost-effective options, especially if combined with other cost-saving possibilities, but it may prove unpopular because of its clear intent to boost participation in the national service program.

### *POLITICAL CONSIDERATIONS*

As with every proposed change in policy, there are political considerations that need to be taken into account when it comes to a national service program. Similar to other policies, the current advocates of national service are different than those who supported it decades ago, albeit for dissimilar reasons. These considerations are also not just to gain supporters, but to also assuage the fears of those that believe it would undercut their beliefs, organization, or livelihood. The political considerations that will be discussed include the cost of the program, the effect on military recruitment, opinions from veteran's organizations, and the current political supporters of national service.

The cost models clearly identify that the program is self-sustainable after a certain number of years and eventually contributes a significant amount of tax revenue to the federal budget, but the up-front cost of the program may be too much for some individuals. This could be seen as another costly government program that will not reach the benefit levels that were promised, or that this is an attempt by the federal government to control higher education. At the highest level of annual cost at the median level of participation, the program costs \$138.7 billion a year or 3.1% of the federal budget (Office of Management and Budget, 2018). At the highest

level of total debt, \$1.4 trillion, it would account for 6.6% of the national debt, which is currently \$21.2 trillion (US Debt Clock.org, 2018). There are no positions to necessarily counter these opinions, but they must be acknowledged as a possibility when it comes to getting individuals to support such a proposal.

There is concern that a national service program, especially one that provides educational benefits to its volunteers, will cause a drop in military recruitment. This is because a national service program has the same eligible population for participation as the military and may seem like a better option, likely even a safer one, if comparable benefits can be found there. This was actually the most serious concern from lawmakers in past studies on national service. Senator Sam Nunn, a Democrat from Georgia who was especially concerned with this issue, commissioned several studies to determine a national programs effect on military recruitment. In the study *Achieving America's Goals: National Service or the All-Volunteer Armed Force?*, William R. King determined that a national service program could actually be beneficial to military recruitment (Moskos, 1988).

In the Committee for the Study of National Service's final report, the Congressional Budget Office (CBO) determined that voluntary national service with 1.6 million participants, drawn from youth ages 16-20, and who earn a competitive minimum wage, would be in direct competition with military recruitment (Committee for the Study of National Service, 1979). While this model includes a significantly larger, albeit younger, population, it includes only post-service benefits as opposed to educational benefits and is viewed more as a jobs program. The CBO further concluded that "a voluntary National Service system which reaches a scale of 1.6 million will reduce participation in the armed forces, and perhaps even cause shortfalls in institutions of higher education." The CBO studies on military recruitment and youth

unemployment tended to focus on national service as a jobs program though, which was then seen as in direct competition with military recruiting (Moskos, 1988). As the volunteer military has been sustainable for more than 45 years, further research needs to be conducted to determine a national service program's effect on military recruitment in the current political, social, and economic environment.

Veteran's organizations may see a national service program with educational benefits that are comparable to the GI Bill as an affront to our servicemembers and their sacrifice. This would be especially problematic if the service requirement for a greater educational benefit was less than that of the GI Bill. The economic benefits are clearly on the side of servicemembers though. Annually, a servicemember at the lowest grade, no dependents, and at the lowest Basic Allowance for Housing (BAH) rate receives \$18,176.40 in wages, \$7,092 in (BAH), and \$4,432.68 in Basic Allowance for Subsistence (BAS); it is important to note that for individuals of lower grades, their BAH and BAS would likely be taken away and they would live in military housing (barracks) and would have a meal card for a military dining facility, but the comparable cost is the same for calculations (Defense Finance and Accounting Service, 2018; Defense Travel Management Office, 2018). This calculates to \$87,367.54 over three years of service. This is 103% higher than an AmeriCorps volunteer's annual living allowance of \$42,971.44 over three years. As noted earlier, including tuition, housing allowance, and a stipend for books and supplies, the GI Bill benefit ranges from \$57,449 – \$229,717 based on the university attended and the area the school is located. This identifies that the GI Bill is 43% – 472% more beneficial than the \$40,148.77 for tuition and stipend under the national service proposal. While the end result of a college education is comparable, the level of financial benefits during service and during college are not equal due to the BAS and BAH benefits that servicemembers receive

while in the military, the GI Bill's higher tuition cap, and the housing allowance for veterans while in school.

When the majority of pro-national service literature was written in the 1970s and 1980s, Republican politicians in the United States were the primary supporters of national service. This was because national service was seen as a pool of military manpower that could augment the all-volunteer force in the event of a large, unanticipated conflict. In the Committee for the Study of National Service's final report, they state that "radical critics of American institutions view National Service as ideologically conservative (Committee for the study of National Service, 1979). There has been a dramatic shift in the political support of national service, as Democratic politicians are currently the main supporters of AmeriCorps and Peace Corps. This shift can further be identified by President Trump's dramatic reduction in the budget for national service programs. In the Corporation for National & Community Service's *Congressional Budget Justification Fiscal Year 2019*, the organization's total budget was cut 88.1% or \$908 million, with wording in the agency's request that states that "the Budget proposes to eliminate CNCS, returning responsibility to fund national service and volunteerism to the private and nonprofit sectors" and that "funding is included only for the purposes of orderly winding down AmeriCorps State and National, NCCC, and VISTA terms of service" (Corporation for National & Community Service, 2018). It can essentially be stated that the current administration is not very supportive of current or future national service programs, so timing in the presentation of such a proposal to the public and the government is important to gain support.

There also seems to be a widely held belief that the military leads to an individual to adopt conservative ideals while national service leads to developing liberal ideals. Additionally, some politicians view programs like AmeriCorps as providing employment for liberals as a

waypoint enroute to future activist organizations. Former Representative Dick Arme, a Republican from Texas, called AmeriCorps “a welfare program for aspiring yuppies,” where participants engage in “well-paid social activism” (Dionne Jr. & Drogosz, 2002). These beliefs further divide politicians by party that might otherwise support such a program, as they might view national service as a means of indoctrination or as a jobs program. Thankfully, studies have been conducted on this very topic that identify these fears as unnecessary. In the study *Testing for Bias in the Impact of AmeriCorps Service on Volunteer Participants*, Christopher A. Simon looked at AmeriCorps volunteers to determine if any of these preconceived notions held true (Simon, 2002). He concluded that not only do volunteers, liberal or conservative, not change their political ideology after their service, but that volunteers that were more politically liberal were significantly more likely to drop out of the program. While national service may lead to volunteers to think more about their communities and their individual social contributions, this study shows that this does not mean a major shift in political ideals.

## CONCLUSIONS

### *SUMMARY*

This study focused on how a national service program with an educational benefit would look, how it could be implemented, and how it could be financially sustainable. This was done through research on the eligibility criteria and benefits offered by the Forever GI Bill, developing a comparable national service program with an educational benefit, and by conducting a cost benefit analysis of the proposed program. Other programs that offer service in exchange for an educational benefit were further researched to determine what options are available and why the national service option is necessary. In exchange for three years of service in AmeriCorps or Peace Corps, the proposed national service program provides four years of full college tuition at an in-state public university and an annual stipend for books and supplies; participants can receive a smaller percentage of the educational benefit for serving only one or two years. This will likely lead to increased college accessibility, especially for low-income individuals who would otherwise not be able to attend college or would have to take out student loans.

The individual cost benefit of the program is 1:2.06, with the costs being the lost earnings of the participant during their service and while attending college and the benefit consisting of additional earnings, the volunteer living allowance, and student loan and interest savings. The social cost benefit analysis identified that the proposed national service program has a total cost benefit ratio of 1:2.39, which means that for every dollar spent, \$2.39 is generated in benefits. The costs to this program are the total direct costs per volunteer, the cost of college tuition and stipends, and the opportunity cost to the participant. The benefits consist of the volunteer living allowance, direct service benefits in AmeriCorps-served communities, student loan and interest savings, and additional earnings. While the program initially goes into debt, it begins to slow its

annual debt after the first cohort of participants graduates from college and begins to generate additional earnings and federal tax revenue. The program eventually becomes self-sustainable and generates a positive return on investment in the form of federal tax revenue.

### *LIMITATIONS TO THE STUDY*

There are limitations to this study that need to be considered by the reader and future researchers. First, the majority of the calculations in this study are based on averages, and since individuals make decisions that are best for their situation, the number of participants will vary based on these individual choices. This includes choices based on the country's economy, an individual's local economy, and personal reasons that an individual would or would not want to take part in a program of national service.

This study does not attempt to project changes in income, poverty, or unemployment levels. With the financial inability to pay for college eliminated for all income levels, it is assessed that overall income levels would rise and poverty would be reduced, but only if individuals in low-income families commit and succeed through the program. In *Financing American Higher Education in the Era of Globalization*, the authors note that "well-designed financial aid policies can help close long-standing participation gaps between low-income and other students" and that "tuition and financial aid policies can substantially affect the level of enrollment in a state as well as equity across groups (Zumeta, Breneman, Callan, & Finney, 2015). This topic can further be expanded to include the effect a successful national service program would have on social welfare programs. While not naming specific programs, if a national service program lowers poverty or unemployment levels, it should decrease the need for individuals to utilize these social welfare programs. This would lead to the reduction in

expenditures for some of these social welfare programs, money which could be further spent supporting national service.

The last limitation of this study is the role of graduation rates in the earnings calculations. Because volunteering in a national service program is a self-selector, especially if solely for the educational benefit, it can be reasonably assessed that graduation rates would improve, but that determination was not the focus of this study. If an individual has greater incentive to succeed, it is reasonable to assess that more students will do so, but self-selection alone cannot predict this.

### *FUTURE RESEARCH*

As part of my research into the Forever GI Bill, it was identified that the housing allowance accounts for 23 – 78% of the total costs of the GI Bill educational benefit based on the location where the veteran attends school. The housing benefit was introduced in the passage of the Post-9/11 GI Bill in 2008. Given that a significant percentage of the funds are going towards a benefit that is not directly related to higher education, it should have led to increased graduation rates in veterans using the GI Bill or had other positive effects on these individuals. It is certainly a topic that should be researched in the future to determine if the funds are wisely spent in a section of a program that is not producing results. This benefit could have other positive implications, such as helping to prevent veterans from becoming homeless after transitioning from the military, but further research is needed in this area.

### *IMPLICATIONS*

The immediate implication of this study is that, with or without the national service component, the benefit of more Americans graduating from college with Bachelor's Degrees significantly outweighs the costs. This study does not outright support the idea of "free college"

that was a topic during the 2016 presidential campaign, but the numbers in this study suggest that something like this needs to be seriously considered. What surrounds such a proposal though is the idea of merit, of who is deserving of college tuition and who is not, which is the cornerstone of the national service model. Every individual that graduates from high school has the opportunity to join the program and receive college tuition in return for their service, regardless of their individual situation, so long as they choose to serve. This is not necessarily a consideration in the “free college” model, but this study should lead to increased discussion is finding common ground between the two beliefs.

The most serious implication of the study concerns the idea of national service itself and its place in our society. For an individual, the financial aspect of an educational benefit and increased earnings significantly outweighs the costs of serving for three years, but the cost benefit analysis fails to put an appropriate financial value on the experience of national service and how it changes the volunteer in a positive way. As a volunteer in AmeriCorps, an individual is learning and experiencing the struggles of others, developing a more complete view of their country, and at least for the duration of their service, selflessly helping other Americans. In the Peace Corps, volunteers are experiencing a new culture, developing a more complete worldview, and trying to exhibit the best virtues our country has to offer. In either program, volunteers are learning tolerance and understanding by interacting with others that share a different mindset and have different values. If implemented correctly, in time national service could be seen as an equal to military service in terms of experience and value to an organization, where the words “AmeriCorps Volunteer” or “Peace Corps Volunteer” are comparable to “Veteran” on an applicant’s résumé.

## *CONCLUSION*

National Service has a long tradition in our country. From the minutemen in the Revolutionary War to today's AmeriCorps, Peace Corps, and Armed Forces volunteers, national service has been a noble and sometimes necessary sacrifice by the citizens of this country in battling tyranny, poverty, and ignorance. This type of service is also essential in helping an individual to better understand their own nation and its inhabitants, which will in turn make them citizens who take an active role in their communities and tolerate the beliefs of others. Combining this service with education would only further improve the quality of our citizens and provide them with new career opportunities, yet would require a small sacrifice on their part to acquire this benefit. The benefits of this proposal far outweigh its cost to both the individual and the federal government. For the reader who wants to increase access for all to a college education, consider national service as a means to achieve it.

TABLES AND FIGURES

Table 3.1  
Forever GI Bill Benefits Percentage Based on Active Duty Service

<b>Individuals serving an aggregate period of active duty after September 10, 2001, of:</b>	<b>Percentage of Maximum Benefit Payable</b>
At least 36 months	100%
At least 30 months, but less than 36 months	90%
At least 24 months, but less than 30 months	80%
At least 18 months, but less than 24 months	70%
At least 6 months, but less than 18 months	60%
At least 90 days, but less than 6 months	50%

Table 3.2  
Segal AmeriCorps Education Award Amounts – Effective October 1, 2017

<b>Participation Type</b>	<b>Minimum # of Hours</b>	<b>Amount</b>
Full-Time	1,700	\$5,920
Half-Time	900	\$2,960
Reduced Half-Time	675	\$2,255.24
Quarter-Time	450	\$1,566.14
Minimal-Time & Summer Associate	300	\$1,252.91
AmeriCorps Affiliate	100	\$333.30

Figure 4.2  
Annual National Service Program Educational Benefit Options

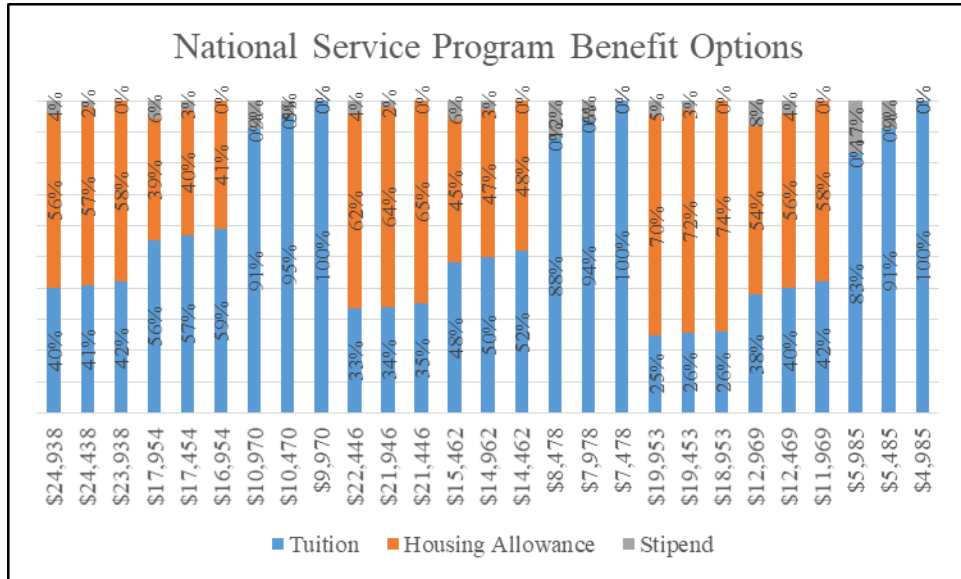


Figure 4.3  
Forever GI Bill % of Benefits by Months in Service

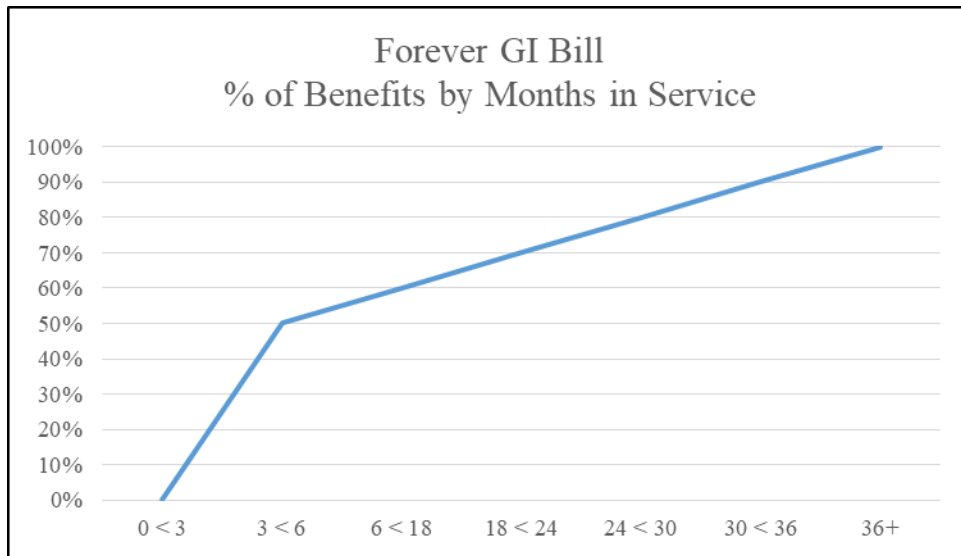


Figure 4.4  
National Service Program (Proposed) % of Benefits by Months in Service

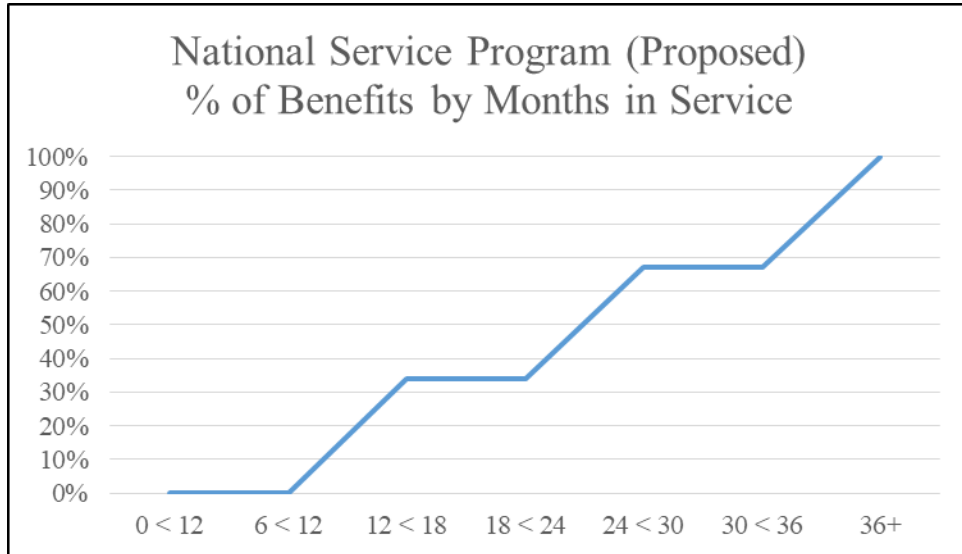


Table 4.5  
Interest Rates for Direct Loans First Disbursed on or After July 1, 2017

<b>Loan Type</b>	<b>Borrower Type</b>	<b>Loans first disbursed on or after 7/1/17 and before 7/1/18</b>
Direct Subsidized Loans	Undergraduate	4.45%
Direct Unsubsidized Loans	Undergraduate	4.45%
Direct Unsubsidized Loans	Graduate or Professional	6%
Direct PLUS Loans	Parents and Graduate or Professional Students	7%

Table 4.6  
 Cost of Individual Student Loans by Type, Fees, and Interest Rate

<b>Loan Type</b>	<b>Loan Amount</b>	<b>Interest Rate</b>	<b>Loan Fee Rate</b>	<b>Loan Interest and Fees</b>	<b>Total Cost of Loan</b>
Direct Subsidized Loans	\$16,359.58	4.45%	1.066%	\$4,157.52	\$20,517.10
Direct Unsubsidized Loans	\$16,359.58	4.45%	1.066%	\$5,888.12	\$22,247.70
Direct PLUS Loans (Parents)	\$16,359.58	7%	4.264%	\$7,449.40	\$23,808.98

Table 4.7  
 Total Cost of All Student Loans by Type, Fees, and Interest Rate

<b>Loan Type</b>	<b>Total Amount of Loans</b>	<b>Interest Rate</b>	<b>Loan Fee Rate</b>	<b>Total Amount Loan Interest and Fees</b>	<b>Total Cost of Loans</b>
Direct Subsidized Loans	\$22,964,000,000	4.45%	1.066%	\$5,836,066,490	\$28,800,066,490
Direct Unsubsidized Loans	\$24,071,000,000	4.45%	1.066%	\$8,663,825,510	\$32,734,825,510
Direct PLUS Loans (Parents)	\$14,044,000,000	7%	4.264%	\$6,395,050,916	\$20,439,050,916

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