

# The Economics of Expanding National Service

**National Service** – intensive and formal programs to support communities – is a commitment to the nation’s social and economic well-being. Communities with more extensive service initiatives have better civic infrastructure, stronger labor markets, and more human and social capital. The initial benefit – services provided – leads to future benefits as participants build skills and move toward economic independence. National service is an investment in future prosperity.

The main national service youth program is AmeriCorps (State and National, VISTA, and the National Civilian Community Corps), which is funded through the Corporation for National and Community Service (CNCS). AmeriCorps provides support for many well-known programs, such as City Year, YouthBuild and Teach for America; and there are other service programs such as National Guard Youth ChalleNGe.

**Economic Value of National Service.** Based on current evidence and data, youth national service programs easily pass a cost-benefit test.\* For every \$1 invested in national service, there are returns to society of \$3.95 in terms of higher earnings, more output, and community-wide gains. For every \$1 of taxpayer spending, there are returns to the taxpayer of \$2.20 in terms of higher taxes on output produced and lower spending on government programs. See Figure 1.

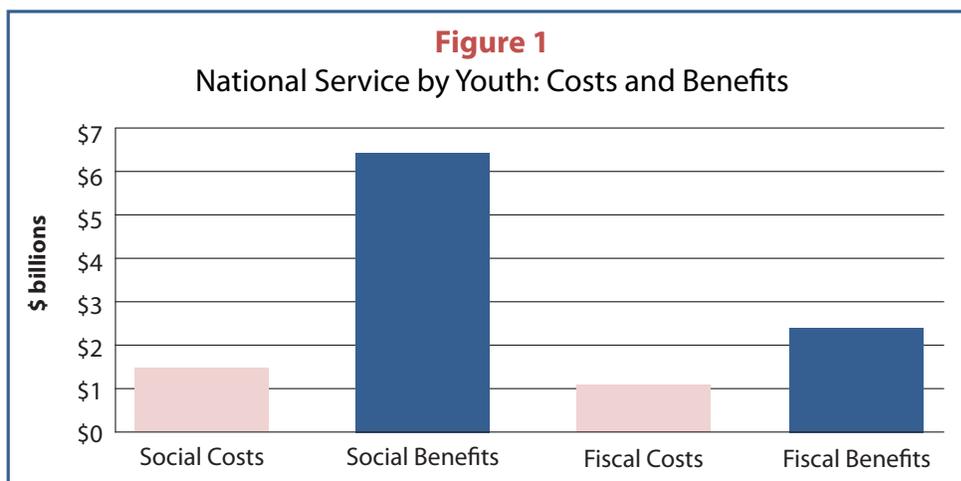
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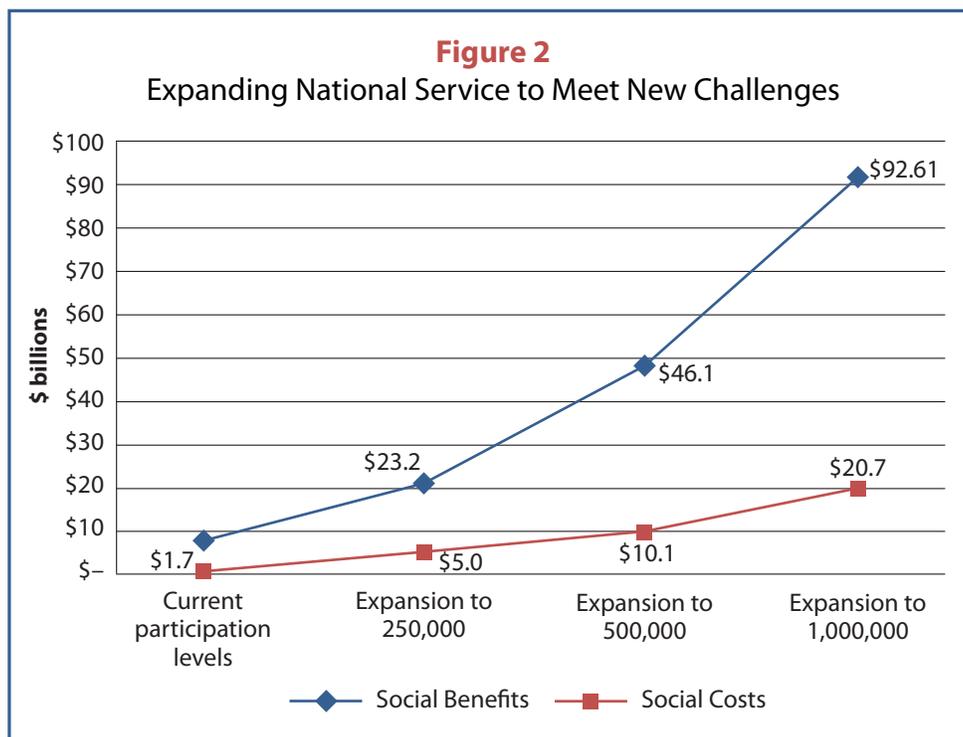
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**Expanding National Service Participation.** Currently, there are 80,450 individuals (full-time equivalents) in these formal national service programs. Given the value of national service, it is possible to expand participation over the next five years to reach 1 million youth. This 1 million figure represents one-quarter of all youth aged 18. This expansion would generate a significant boost for the U.S. economy. The evidence suggests that expanding National Service would be more efficient: the benefits would likely exceed the costs by an amount even greater than shown in Figure 1.

We find that an expansion of national service for youth would be cost-effective. Based on a series of cost-benefit simulations we find that: benefits are likely to increase more than proportionally as more youth participate; and, because of economies of scale, unit costs are likely to fall. The overall effect is to make national service programs more efficient when more participants are involved.



To reach a participation level of 250,000 persons would have a social cost of \$5.0 billion (which would be split across individuals, government agencies, and private groups). At this level, social benefits would be \$23.2 billion (Figure 2). To reach a participation level of 1 million individuals, the social burden would have to increase fourfold to \$20.7 billion; benefits would increase to \$92.6 billion. At these scales of operation, the benefits would exceed the costs by a factor of 4.5. Expanding national service programs would therefore increase their cost-effectiveness.

**Funds for Expanding National Service.** Based on the current costs of National Service programs it is possible to calculate the additional funds needed to incrementally scale up to reach one million participants. See Table 1.

**Table 1**  
Funding to Expand National Service (\$ millions)

	<b>Additional Annual Amount for 5 Years</b>	<b>Total Amount Each Year when 1 million Participants</b>
Federal spending	\$2,101	\$11,641
State/local match and private funding	\$1,930	\$10,690
<b>Total</b>	<b>\$4,031</b>	<b>\$22,331</b>

To expand National Service to one million participants requires additional funding of \$4 billion annually over five years. Additional federal spending on National Service would be \$2.1 billion (net of the additional tax revenues from the goods and services produced by work by participants). Matched funding, from state/local and private sources combined, would be \$1.9 billion (also net of additional tax revenues).

After five years of additional funding, one million youth would be participating in National Service on a full-time basis. The total amount of federal spending would be \$11.6 billion. The total amount of matched spending would be \$10.7 billion.

**Financing National Service Expansion.** The financing required to expand National Service should be sourced from many groups using a range of financing models.

Currently, CNCS funding for national service programs is approximately \$0.8 billion (with additional funding authorized through the Edward M. Kennedy Serve America Act of 2009). Given that National Service programs generate benefits for many sectors of the economy, the additional funding requirement may be sourced from several departments of the federal government, including the Department of Labor, Department of Education, and Department of Defense.

Similarly, state and local governments already support National Service programs and these investments generate substantial benefits across many sectors of the local economy. Given the value to local communities of National Service, additional funding should be sought for expansion of programs.

To reach one million participants will also require more private contributions. Presently non-federal sources provide about \$1 billion in matching funds to the programs run by the Corporation for National and Community Service. But private charitable donations in the US exceed \$300 billion annually. New private support could be leveraged through

many different approaches, including tax incentives and public-private partnerships. Two new approaches are crowd-funding, which may be successful when the program has a clear social value, and Social Impact Bonds, which spread the risk of investment across the private and public sectors.

\*See Belfield, C.R. (2013). *The Economic Value of National Service*. Monograph, Voices for National Service and Civic Enterprises for the Franklin Project at The Aspen Institute.