

At a Glance

S. 4466, Peace Corps Reauthorization Act of 2022

As ordered reported by the Senate Committee on Foreign Relations on July 21, 2022

By Fiscal Year, Millions of Dollars	2023	2023-2027	2023-2032
Direct Spending (Outlays)	13	39	74
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	13	39	74
Spending Subject to Appropriation (Outlays)	46	1,559	1,717

Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Specifically authorize appropriations of \$1.7 billion for the United States Peace Corps
- Suspend student loan payments and interest accrual for volunteers during term of service, but count the payments a borrower would have made during the suspension towards the number needed to be eligible for loan forgiveness
- Increase the minimum amount paid to volunteers for federal workers' compensation
- Extend short-term health care coverage for returning volunteers

Estimated budgetary effects would mainly stem from

- Spending of specified authorizations of appropriations
- Increased student loan costs
- Increased spending for federal workers' compensation

Areas of significant uncertainty include

- Estimating the number of volunteers who have student loans and what percentage of those borrowers will receive forgiveness under current law.

Detailed estimate begins on the next page.



Bill Summary

S. 4466 would authorize appropriations over the 2023-2027 period to fund the United States Peace Corps. The bill also would expand volunteer and employee benefits.

The bill also would raise the benefit amount under the Federal Employees' Compensation Act (FECA) program for Peace Corps volunteers. Those benefits are paid from mandatory appropriations. S. 4466 also would modify the terms of federal direct student loans by suspending student loan payments and interest accrual for volunteers during term of service, and by allowing any Peace Corps time served for past and future volunteers count toward loan forgiveness programs available to the borrower. The cost of modifying existing and future federal student loans is classified as direct spending.

Estimated Federal Cost

The estimated budgetary effects of S. 4466 are shown in Table 1. Implementing the bill would increase spending subject to appropriation by \$1.7 billion over the 2023-2032 period. In addition, enacting the bill would increase direct spending by \$74 million over that same period. The costs of the legislation fall within budget functions 150 (international affairs), 500 (education, training, employment, and social services), and 600 (income security).

Table 1.
Estimated Budgetary Effects of S. 4466

	By Fiscal Year, Millions of Dollars										2023-2027	2023-2032
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032		
Increases in Spending Subject to Appropriation												
Estimated Authorization ^a	70	411	411	411	411	3	3	3	3	3	1,713	1,727
Estimated Outlays	46	291	407	408	408	145	5	3	3	3	1,559	1,717
Increases in Direct Spending												
Estimated Budget Authority	15	7	7	7	7	7	7	7	7	7	41	76
Estimated Outlays	13	7	7	7	7	7	7	7	7	7	39	74
Memorandum:	*	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-7
Intragovernmental Collections ^b	*	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-7

Components may not sum to totals because of rounding, * = between -\$500,000 and zero.

- a. The Congress appropriated \$341 million for the Peace Corps in 2022. Because CBO estimates budgetary effects on an annualized basis, in 2023, CBO assumes that the same amount will be available under the current continuing resolution (Public Law 117-180). The amount shown in 2023 reflects the difference between the authorized amount and the amount annualized under the continuing resolution.
- b. Intragovernmental collections shown here are from the Peace Corps to the Department of Labor to pay for federal workers' compensation benefits paid to former and current Peace Corps volunteers and leaders.



Basis of Estimate

For this estimate, CBO assumes S. 4466 will be enacted before the end of 2022. Estimated outlays are based on historical spending patterns for the affected programs.

Spending Subject to Appropriation

The bill would specifically authorize discretionary appropriations for the 2023-2027 period. Implementing other provisions of the bill would increase estimated authorizations in later years. In total, implementing S. 4466 would increase discretionary spending by \$1.7 billion over the 2023-2027 period, subject to the appropriation of the specified and estimated amounts.

Peace Corps Authorizations. Section 2 would authorize appropriations of \$410.5 million each year over the 2023-2027 period. The Peace Corps has received appropriations for 2023, at an annualized rate of \$340.5 million, under the Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023 (Public Law 117-180), a continuing resolution. Thus, section 2 would authorize the appropriation of an additional \$70 million for fiscal year 2023.

Workers' Compensation. Section 13 would increase the minimum amount paid to Peace Corps volunteers for workers' compensation under FECA. Currently, the amount that volunteers receive in FECA benefits is based on the rate for employees in the GS-7 pay grade. The bill would raise that to the GS-7, step 5 pay grade, an increase of 13 percent on average.

Increasing the amount of FECA benefit payments would increase direct spending; those effects are discussed below under the heading "Direct Spending." In turn, the claimant's employing agency reimburses the FECA account from discretionary appropriations for salaries and expense accounts. (Those reimbursements are shown in the memorandum line in Table 1.)

Using information about historical FECA claims from Peace Corps volunteers, CBO estimates that this section would increase discretionary costs for salaries and expenses by a total of \$7 million over the 2023-2032 period, of which \$3 million would be covered by specified authorizations in section 2 over the 2023-2027 period. For the 2028-2032 period, CBO estimates that the Peace Corps would need an additional \$4 million.

Health Care Insurance Extension. The Peace Corps currently provides one month of private health insurance to returning volunteers who successfully complete their term of service. Section 5 would extend that benefit to two months. Using data provided by the agency, CBO estimates that extending the health care insurance benefit would increase costs by about \$1 million annually during the five-year period covered by the specified



authorization. For the 2028-2032 period, CBO estimates the benefit would cost an additional \$10 million.

Direct Spending

S. 4466 would increase direct spending by \$74 million over the 2023 through 2032 period. Those costs are shown in Table 2.

Table 2. Estimated Increases in Direct Spending Under S. 4466												
	By Fiscal Year, Millions of Dollars										2023- 2027	2023- 2032
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032		
	Increase in Direct Spending Outlays											
Student Loan Benefits	12	6	6	6	6	6	6	6	6	6	36	66
Workers' Compensation	1	1	1	1	1	1	1	1	1	1	3	8
Total Changes	13	7	7	7	7	7	7	7	7	7	39	74

Components may not sum to totals because of rounding. Estimated budget authority is equal to the estimated outlays shown here for all provisions.

Student Loan Benefits. Section 4 would automatically suspend the payment of student loans and interest accrual on those loans for Peace Corps volunteers throughout their term of service with the agency. The bill also would count the payments a borrower would have made during the suspension towards the number of payments needed to receive loan forgiveness for Public Service Loan Forgiveness and income-driven repayment plans. Finally, the bill would require that any past deferments of loan payments from volunteers be treated in a similar manner.

Under current law, volunteers may defer payments on their federal student loans, but interest continues to accrue on most loans, and the forgone payments do not count toward the number of payments required to receive loan forgiveness.

The Department of Education published a Notice of Proposed Rulemaking on July 13, 2022, about counting deferred payments towards those needed for loan forgiveness. As a result, CBO's May 2022 baseline reflects a 50 percent probability that the rule will be finalized in which case the requirements of section 4 will be met under current law; thus, the estimated costs of section 4 reflect only 50 percent of the full estimated costs of enacting this provision. The estimate is based on an assumption that about 30 percent of outstanding loan volume held by former volunteers will be forgiven as a result of President Biden's executive action on federal student loans that was announced on August 24, 2022.



The estimates of changes to federal student loans are based on procedures outlined in the Federal Credit Reform Act of 1990 (FCRA). Under FCRA, the multiyear costs of changes to student loans are recorded up front on a present-value basis in the year of the loan's origination and any changes to the terms of outstanding loans arising from legislation are recorded in the year in which the bill is enacted.¹

Using information from the Peace Corps and data from the National Student Loan Data System, CBO estimates that enacting this provision would increase direct spending by \$66 million over the 2023-2032 period; \$8 million of that total is the cost for currently outstanding loans and the remainder would arise from loans originated after enactment.

Workers' Compensation. As discussed under the heading "Spending Subject to Appropriation," section 13 would increase the minimum amount paid to Peace Corps volunteers for workers' compensation under FECA. CBO estimates that this section would increase direct spending by \$8 million over the 2023-2032 period. This cost is higher than the amount the Peace Corps would provide to the Department of Labor for these benefits over the 2023-2032 period because reimbursements from agency appropriations are made some time after the benefits are paid. The receipt of those reimbursements are not counted as having an effect on the deficit because the payments are dependent on future appropriations.

Uncertainty

CBO's estimate of direct spending for changes to federal student loans is subject to considerable uncertainty. Most of the uncertainty stems from estimating the percentage of Peace Corps volunteers who have student loans and those who would eventually be eligible for Public Sector Loan Forgiveness. In addition, the bill's criteria for eligibility for the new deferment and the length of time that borrowers' payments will be paused is unclear and thus CBO is not certain how the Department of Education would implement this section.

Pay-As-You-Go Considerations:

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 2.

1. A present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid at a specific time. The value depends on the rate of interest, known as the discount rate, used to translate future cash flows into current dollars.



Increase in Long-Term Deficits: None.

CBO estimates that enacting S. 4466 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2033.

Mandates: None.

Previous CBO Estimate

On February 15, 2022, CBO transmitted a [cost estimate for H.R. 1456](#), the Peace Corps Reauthorization Act of 2021, As ordered reported by the House Committee on Foreign Affairs on September 30, 2021. Differences in the estimated costs arise from differences in specified authorizations between the two bills and the provision in S. 4466 related to student loans.

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