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A Simple Gift? The Impact of the Kalamazoo Promise on Economic Revitalization

Michelle Miller-Adams
W.E. Upjohn Institute, miller-adams@upjohn.org

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W.E. Upjohn Institute
300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686
(269) 343-5541
www.upjohninstitute.org

Randall W. Eberts
Executive Director

Michelle Miller-Adams

A Simple Gift?

The Impact of the Kalamazoo Promise on Economic Revitalization

Kalamazoo, Michigan, the hometown of the W.E. Upjohn Institute, recently became the site of an unprecedented experiment in economic development. Announced in November 2005, the Kalamazoo Promise guarantees full college scholarships to potentially every graduate of the 10,500-student Kalamazoo Public School (KPS) district. Behind the scholarship program is an economic development agenda that seeks to revitalize the city and the region through a substantial investment in public education. It is an unorthodox approach that is drawing attention throughout the United States (see Boudette 2006; Jones 2006; Lydersen 2006). If the return on investment in human and economic terms is high enough, the Kalamazoo Promise could serve as a new model for community revitalization and change the way policymakers think about K-16 education.

The Kalamazoo Promise differs from most other scholarship programs in that the allocation of funds is based not on merit or need, but on place—in this case, a medium-sized midwestern city located halfway between Chicago and Detroit. Beginning with the class of 2006 and continuing indefinitely, any student graduating from the district's high schools who has been continuously enrolled in and resided in the district since kindergarten will receive a scholarship covering 100 percent of tuition and mandatory fees at any of Michigan's public colleges or universities. Graduates who have attended a public school and lived in the district for four years will receive a 65 percent scholarship, with a sliding scale for those in between. There are remarkably few strings attached: students must maintain a 2.0 GPA in their college courses and make regular progress toward a degree. With current in-state tuition ranging from under $2,000 a year for a full-time student at the local community college to more than $9,000 a year at the University of Michigan, the benefit to families is worth as much as $36,000 per child, while the cost to the donors is expected to run to $12 million a year once four classes of "Promise-eligible" students have graduated.

At first glance, it is easy to miss the economic development implications of the Kalamazoo Promise. The sole direct contribution of the donors is to lower the cost of postsecondary education, thereby increasing incentives for high school graduation, college attendance, and college completion. This intervention on the "demand" side is likely to translate into changes on the "supply" side, including the broader availability of college-preparatory courses within the schools and intensive efforts to close the achievement gap between students of different races and income levels. The Promise is also expected to reverse the school district's decades-long slide in enrollment and the increasingly minority

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and low-income composition of the student population. The anticipated results include higher lifetime earnings for the community's young people, a better-trained workforce for area businesses, and a school district that has more resources and is more diverse in terms of both race and socioeconomic status.

But beyond its impact on human capital and the educational system, the Kalamazoo Promise is envisioned as a catalyst for economic growth and development. By creating incentives for current residents to remain in the district and for new residents (especially those with children) to move in, the scholarship program is expected to bring about a tightening in the slack housing market and higher property values. The Promise also makes the community more attractive for businesses seeking to invest, expand, or relocate; not only will their employees' children have access to free college tuition, but the businesses themselves will be able to tap an increasingly well-trained workforce (provided that college graduates or newly skilled workers opt to stay in the region). The program fits readily into a regional growth strategy that seeks to position the Kalamazoo area as a leader in the life sciences field and a home to high value-added, high-wage service jobs.
The arrival of middle-class professionals is also expected to benefit the struggling downtown, as a larger population can support more of the kinds of amenities—restaurants, bookstores, arts and cultural institutions—that are seen as essential for attracting and retaining members of the "creative class" found in vibrant urban centers around the world (Florida 2002, 2005).

Kalamazoo at the "Tipping Point"

Like many older cities in the Midwest and the Northeast, Kalamazoo has faced a series of challenges over the past several decades that have hollowed out the urban core and led to an increasing concentration of minorities and the poor in the central city and the public schools. For many years, Kalamazoo's labor market was characterized by plentiful manufacturing jobs as well as positions for highly trained scientists and other professionals recruited to work in the city's pharmaceutical and financial firms. But automotive and paper plant closings and corporate mergers led to the loss of the headquarters of two of the area's largest employers, the Upjohn Company and First of America Bank. These economic changes set in motion a cycle of middle-class flight, rising poverty, and stagnant population growth, made worse by the state's "little box" system of governance in which metropolitan regions are comprised of very small jurisdictions, each with its own government and property tax rate. (Kalamazoo County, with a population of approximately 240,000, encompasses 24 local jurisdictions grouped into 10 separate school districts, making it the fifth most fragmented metropolitan area in Michigan.)[1] Such a system makes it easy for those remaining in the region to leave the central city and its urban schools by relocating only a few miles in any direction, lowering their tax rates and keeping their jobs while sending their children to schools that are far more homogeneous and have better test scores. (One reflection of these demographic trends is that the population of the city of Kalamazoo has shrunk by 10 percent over the past 35 years, while that of the county has grown by almost 20 percent).[2] While the city retains a cadre of middle-class and wealthy residents and is rich in educational, cultural, and philanthropic institutions, the housing market is flush with properties for sale, unemployment exceeds the national average, median income lags behind both the state and the nation, poverty is twice the national rate, and overall population growth is nonexistent.

This is a familiar story, and familiar solutions have been tried. Experts have visited to encourage regional cooperation and changes in metropolitan governance. Tax abatements have been offered to companies considering a move out, and incentives offered to those thinking about moving in. Bidding wars have erupted between neighboring towns, not to mention neighboring states (the Indiana border is only 40 miles away). Downtown revitalization has been pursued, and a series of regional economic development entities have taken the lead in attracting businesses and jobs. Sporadic efforts have been made to integrate the large student population (especially those from Western Michigan University, with an enrollment of 26,000) into the community. Yet the trends continue, with some indicators approaching what urban expert David Rusk (2005) has called the "tipping point" for urban areas.

Hopes and Challenges for The Promise

The assumption underlying the Kalamazoo Promise is that the city and the school district have declined together and that they will revive together as well. The Promise has the potential to serve as a powerful force to shift Kalamazoo away from the tipping point of urban decay and set it on a virtuous cycle of school improvement, population growth, and economic revitalization. But formidable challenges are embedded in that vision.

The first of these is structural. By opting to make scholarships available to every graduate of the Kalamazoo Public Schools, the donors have created a hurdle to their larger goal of revitalizing the urban core. Geographically, more than one-half of the school district lies outside the boundaries of the city of Kalamazoo and, because of limited space for new development in the central city, most investment generated by the Kalamazoo Promise, unless directed otherwise, is likely to occur in the newer, less dense, and more suburban-like townships that surround the city (see map). Further complicating matters is the fragmented system of local governance described above that prevents the city of Kalamazoo from capturing any of the revenues generated by expansion outside its borders. In addition, two amendments to the Michigan state constitution, one dating from 1978 and the other from 1994, interact in such a way as to prevent any revenue gains even if property values within the city appreciate.[3] At the same time, a larger regional population could place an added burden on some city

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services. All of these factors are likely to intensify the fiscal crisis already brewing for the city of Kalamazoo.

The second challenge relates to the continued segregation of the region by race and income. Relative to neighboring municipalities and Kalamazoo County, the city of Kalamazoo has a high concentration of minority and low-income residents (see Table 1). Most of these are clustered in a few inner-city neighborhoods characterized by limited commercial activity, relatively high crime rates, and a decaying housing stock. The schools reflect this dual concentration by poverty and race, a condition not unique to Kalamazoo. (Recent research by Harvard University's Civil Rights Project ranks Michigan as one of the nation's four most segregated states when it comes to its schools [Orfield and Lei 2006]). As Table 2 shows, 61 percent of KPS students are low-income (compared to 16 percent in the similar-sized Portage Public School district, which abuts Kalamazoo) and 59 percent are nonwhite (compared to 13 percent in the Portage schools). Moreover, despite several decades of desegregation efforts, first through cross-district busing and then through the creation of magnet schools, KPS elementary schools remain stratified by race and income.

Research shows that socioeconomic integration is among the most powerful tools for raising student achievement.[4] The Promise is expected to make KPS more diverse in terms of the socioeconomic status of its students, but it is less certain that the influx of middle-class families will be robust enough to create a mixed-income school district. (To achieve a federally subsidized lunch rate of 50 percent or lower would require the entry of over 3,000 noneconomically disadvantaged students; the enrollment increase for all students projected by KPS officials for fall 2006 is 450).[5] An even more important question is whether socioeconomic integration will change the composition of individual elementary schools. KPS has a system of in-district school choice, and middle-class students are currently concentrated in just a few elementary schools. As these fill up, parents will begin to look at other schools, but as with much about the Promise, socioeconomic school integration is a long-term proposition.

A third challenge is that the Kalamazoo Promise does not provide any new funding for the schools themselves

KPS District Boundaries and City Limits

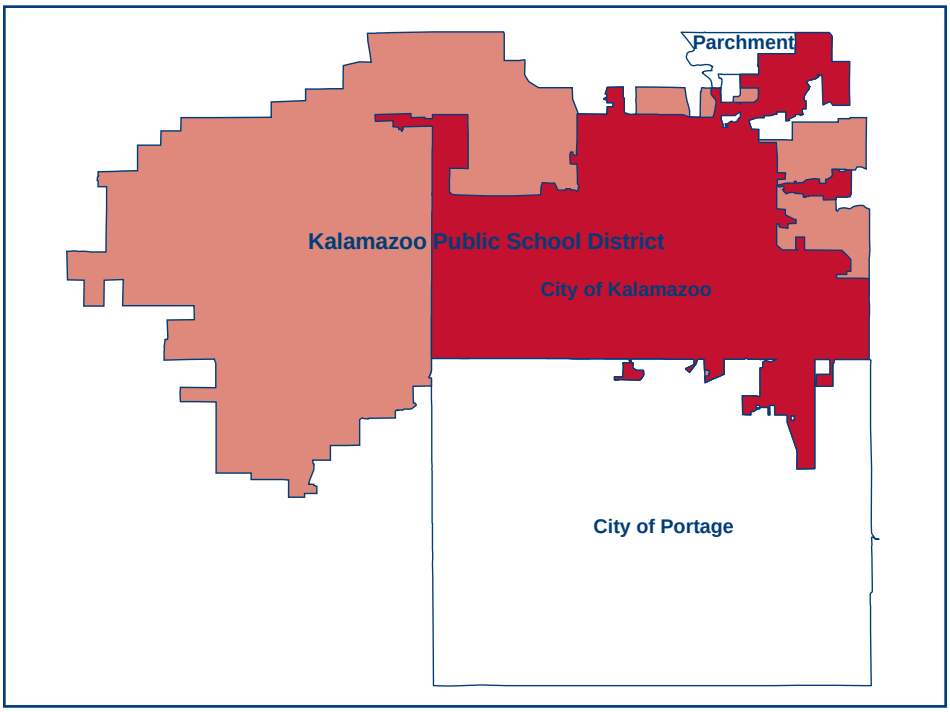

Table 1 Demographic Characteristics

	City of Kalamazoo	City of Portage	Kalamazoo County
Population	77,145	44,897	238,603
White (non-Hispanic)	69.5%	89.6%	83.5%
African American	20.6%	3.7%	9.7%
Hispanic	4.3%	1.9%	2.6%
Poverty rate	24.3%	4.8%	12.0%

SOURCE: U.S. Census Bureau, 2000.

beyond the automatic increases that accompany higher enrollment. The donors have left it up to others to find the resources to help schools close the achievement gap and prepare all their students for college, but this is no simple task. KPS Superintendent Janice Brown has repeatedly charged the community with helping to make real the promise that "every child is college material"; however, the barriers faced by many of the district's students extend well beyond the purview of the schools to include issues such as a lack of parental support, an absence of neighborhood role models, or the punishing effects of poverty. Support services such as nutrition programs, mental health care, and mentoring are crucial, but despite a considerable outpouring of volunteer energy and a large network of social service agencies, the mission of organizing these services is a formidable one.

A final challenge relates to the economic development goals of the Promise. Implicit in the program is the idea that an increase in the local supply of educated workers will have a matching effect on the demand side, enticing employers to expand or relocate to the community. But in the absence of concerted action to increase the attractiveness of Kalamazoo to employers, such an increase in demand is unlikely to materialize. And without a steady supply of new jobs that require a college education, it is doubtful that families will choose to relocate to Kalamazoo or that college graduates will opt to stay or move here. If the impact of the Kalamazoo Promise is merely a shift of middle-class families from outlying areas into the KPS district the result will be disappointing from an economic development standpoint—a redistribution of the existing pie rather than its expansion. The Promise in and of itself is probably not a powerful enough incentive to attract major new employers to the region, but it is a rallying cry for community engagement and mobilization, and a catalyst for positioning Kalamazoo as an attractive locale for those households and businesses that place a high value on education. By calling into action coalitions of residents, businesses, and organizations working strategically to leverage its potential, the Kalamazoo Promise may emerge as an important new instrument for economic revitalization.

The Upjohn Institute is part of this process of mobilization, particularly in the area of research and evaluation. In 2007, the Institute will publish a book on the origins and initial impact of the Promise. The Institute is also carrying out an evaluation of the net impact of the Kalamazoo Promise on K-16 student achievement, the local housing market, and the overall economic climate. Finally, the Upjohn Institute is positioned as a clearinghouse for research efforts and a convener of those seeking to strengthen the connection between education and economic development. The results of these efforts will be highlighted in future editions of this newsletter and on the Institute's Web site.

Table 2 School Characteristics

	Kalamazoo Public Schools	Portage Public Schools
Enrollment	10,580	9,042
Students per teacher	15.2	17.4
Minority enrollment	59%	13%
Economically disadvantaged	61%	16%
Reading proficiency	64.2%	90.0%
Math proficiency	52.2%	81.0%

SOURCE: Michigan Department of Education, 2004–05; Standard & Poor's SchoolMatters, available at http://www.schoolmatters.com.

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Notes

1. As measured by the Metropolitan Power Diffusion Index (MPDI) developed by David Y. Miller and calculated by David Rusk based on 1992 data.
2. U.S. Census Bureau data from 1970 and 2000.
3. The relevant pieces of state legislation are the Headlee Amendment, ratified in 1978, and Proposal A, ratified in 1994.
4. See research by Richard Kahlenberg, among others, at http://www.equaleducation.org/.
5. Deputy Superintendent Gary Start, quoted in the *Kalamazoo Gazette*, May 26, 2006.

Michelle Miller-Adams is a visiting scholar at the Upjohn Institute, where she is working on a book about the Kalamazoo Promise.