

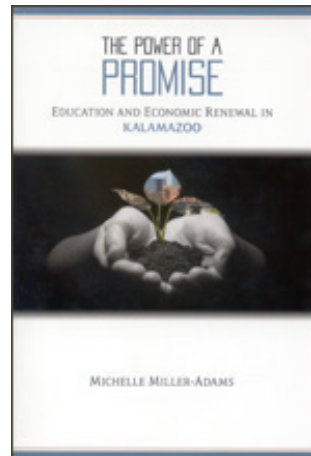
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## A Not-So-Simple Gift

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**The Power of a Promise: Education and Economic Renewal in Kalamazoo**

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# 1

## A Not-So-Simple Gift

The crowd that gathered inside Kalamazoo’s Chenery Auditorium on November 15, 2005, was humming with excitement. Hundreds of students, parents, teachers, and administrators had come to celebrate the news that a group of anonymous donors had pledged to provide full college scholarships to every graduate of the Kalamazoo Public Schools (KPS) for decades to come.

KPS superintendent Dr. Janice Brown had announced the scholarship program at a school board meeting a few days earlier with a beaming smile and words that brought many in the audience to tears: “It has been said that Kalamazoo is a very special community. Tonight we have more proof of that than ever before . . . We have a group of donors, [a group] of very, very special people [who] have stepped forward with a willingness to invest in our most important resource—the children, the residents, the parents of KPS.”<sup>1</sup>

Outlining the terms of the scholarship, Dr. Brown explained, “It’s a very simple concept. Go to school at KPS, graduate from KPS, and in your hands there will be a scholarship in the amount of tuition plus fees [based on] the number of years that you have gone to KPS.” She also stressed that the purpose of the program is not simply to enhance access to higher education, saying, “Study after study indicates that an investment in education adds to the quality of our community and the quality of life for all its citizens.”

Thus was launched an unprecedented experiment in education-based economic renewal—one that has landed this Michigan city in the national spotlight as communities across the nation seek to emulate some of the program’s key principles.

- The Kalamazoo Promise is universally accessible to graduates of KPS. The program differs from most other scholarship programs in that the allocation of funds is based not on merit or need, but on location. Beginning with the graduating class of 2006, every high school graduate who has been enrolled in and resided within the KPS district for at least the previous four years will receive

a scholarship to any public university or community college in Michigan. A student who enters kindergarten will find the scholarship waiting when he or she graduates. The program is set up to last in perpetuity, and the donors have committed to giving 13 years' notice to the community in the unlikely event that they ever terminate this scholarship.

- Funding levels are generous. For graduates who have lived in and attended high school in the district for four years, the scholarship covers 65 percent of tuition and mandatory fees, while those who have attended district schools since kindergarten receive 100 percent coverage. For students who fall between these two categories, the proportion of costs covered by the scholarship is prorated, rising 5 percent for each year of attendance. The scholarship pays for up to 130 college credits or a bachelor's degree, whichever comes first.<sup>2</sup>
- Terms of use are extremely flexible. Scholarships can be used to attend any of Michigan's 28 community colleges or 16 public colleges and universities, and students can access their funding any time within 10 years of graduation. To retain their scholarships, students must maintain a 2.0 grade point average (GPA) at their postsecondary institution and make "regular progress" toward a degree.<sup>3</sup> If the GPA drops below 2.0, a student may be reinstated if he or she is able to bring it back to at least a 2.0.

While the concept is indeed simple, its implications are not. The Kalamazoo Promise touches on issues as diverse as regional governance, urban sprawl, and racial segregation. It has been variously described as a scholarship program, an economic development strategy, a boon to the middle class, and a gift to the poor. It has been met with great enthusiasm in most quarters, but also on occasion has elicited suspicion and resentment. It has the potential to unite the region or intensify longstanding divisions between black and white residents, middle- and low-income populations, city and suburb. It may transform the community or leave much unchanged.

This book investigates the origins and initial responses to the Kalamazoo Promise and its relevance as a model for other communities.<sup>4</sup> The Promise is a long-term investment, expected to last for decades; thus, a more thorough assessment of its impact must come at a later

date. However, there is a great deal to be learned from examining the reasons why it was created, the structure of the program, and the potential it holds as a catalyst for educational, economic, and social change. Such an analysis is especially important as Kalamazoo and other cities with similar programs grapple with two critical issues: First, how can communities best organize and deploy their resources to maximize the potential benefits of a Promise-type initiative? Second, why should public and private actors beyond the educational system be interested in aligning their activities in support of such an initiative?

There also is a pressing need for accurate information about the early impact of the Kalamazoo Promise. As city after city announces plans for programs inspired by the Kalamazoo Promise, community leaders are turning to Kalamazoo for evidence of success. Changes in school enrollment, graduation rates, and housing prices have all been cited by those planning their own Promise-type programs. Often, however, these data have been taken out of context and their meaning is not always clear.

Even at this early date, it is evident that money alone is insufficient for the Kalamazoo Promise or programs modeled after it to reach their full potential as engines of community transformation. The ingredients mentioned above—a clear conceptual understanding of how such a program can catalyze economic and social change, the engagement of multiple partners and alignment of their efforts around a common goal, and realistic expectations about short- and long-term impact—are also essential. But because it is the financial commitment made by the donors that brought the Kalamazoo Promise into being, it is here that we begin.

A key to making sense of the Kalamazoo Promise is the unusual notion that money is no object. Unlike most college scholarship programs that provide “last dollar” contributions to supplement other financing, such as federal student aid, the Kalamazoo Promise is a “first dollar” scholarship calculated and awarded before any other funding source. There is no complicated application process or assessment of family income (the application form is a single page), and no requirement that students apply for other sources of aid, although this step is encouraged. In fact, early clarifications of program rules reflect the donors’ enthusiasm for serving as many students as possible.

When the program was first announced, it was stipulated that Promise funds could only be used for college entrance immediately after graduation and would be available for four years, with deferrals available for military service. Six months later, this requirement was revised to allow students to delay college entry, although it was assumed that the length of the delay would be subtracted from the four years of eligibility—in other words, if a student took a year off before starting college, he or she would only receive three years of the scholarship. Shortly thereafter, the requirement was clarified further to allow eligible students to receive the full four years of tuition any time within 10 years of graduation. As Dr. Brown explains, “We’ve heard from the donors that this is a four-year scholarship. If someone’s life circumstances mean they get a later start on college or they interrupt college, they will still qualify for four years of funding” (Mack 2006a,b).

The repeated easing of restrictions reveals something important about the unique nature of this gift. Most scholarship funds consist of a limited pool of resources with students qualifying or competing to obtain them based on some criteria, whether it is financial need, GPA, or extracurricular accomplishments. The Kalamazoo Promise reverses this relationship: the funds are essentially unlimited, and the challenge is to ensure that they are utilized as widely and fully as possible. As Kalamazoo Promise administrator Robert Jorth says of the donors, whose identities he does not know, “I have been just stunned by their generosity. Every time we’ve gone back to ask them, it is that they want to give this money out, they want people to take advantage of this. This isn’t about trying to narrow it, which I think was the natural inclination of everybody. You’d go to meetings and people would say, ‘Do you have to do community service? Do you have to do this? Do you have to do that?’ ‘No, no, and no.’”<sup>5</sup>

The universality of the Kalamazoo Promise, with scholarships awarded to students regardless of need or merit, circumvents a growing criticism of the current financial aid system—that its main beneficiaries are not those most in need, but rather students from middle-income families who would have gone to college anyway. This argument is grounded in several developments. First, the value of federal grant aid has fallen over time. Thirty years ago, the Pell Grant, the U.S. government’s chief tool for assisting low- and moderate-income families with college tuition, covered 72 percent of the cost of attendance at a pub-

lic four-year institution, while today it covers less than a third of that cost (Kahlenberg 2006a). (In 2006–2007, the maximum Pell Grant of \$4,050 had remained unchanged for five years, although by 2008–2009 it had increased to \$4,731.) Second, the balance between grant aid that goes mainly to low-income students and loans or tax incentives that tend to benefit middle-class families has shifted. In the early 1980s, grants accounted for 55 percent of student aid and loans accounted for 41 percent, whereas in recent years grants constituted only 38 percent and loans 56 percent of aid. Federal education tax breaks that benefit middle-income families have also expanded dramatically and now rival the Pell Grant program in size (Kahlenberg 2004). Third, while the bulk of financial aid is still made up of need-based grants, these are increasing at a slower pace than merit scholarships. Between 1994 and 2004, for example, grant aid grew by 110 percent, from \$18.6 billion to \$39.1 billion, while during the same period merit scholarships grew by 508 percent, from \$1.2 billion to \$7.3 billion (Kahlenberg 2006a). These developments have altered the complexion of student financial aid in the United States and raised questions about whether the nation remains committed to ensuring the affordability of higher education for both lower- and middle-income high school graduates.

While there is nothing inherently wrong with either merit- or need-based aid, each has its weakness as a strategy for expanding access to higher education. Statewide merit-based scholarship programs have a mixed record. One of the best-known, Georgia's HOPE Scholarship Program, has been shown to increase strongly the college attendance rates of middle- and high-income youth, while widening the gap in college attendance between blacks and whites and between students from lower- and higher-income families (Bugler, Henry, and Rubenstein 1999; Dynarski 2000). Similarly, researchers expect the state of Massachusetts' John and Abigail Adams Scholarships to have little impact on broadening college access because so few minority or poor students in the state qualify for the program (Heller 2006a; Goodman 2008). Whether such statewide scholarships reduce or widen disparities in college access by race and income is not a foregone conclusion. It depends on how they are structured. Oklahoma's Promise, for example, a college assistance program created in 1992, reaches most of the state's lower- and middle-income students through its low GPA and high family income cut-offs and has had an impressive effect on college access.

(See Chapter 3 for details on the Oklahoma Promise and other statewide merit aid programs.)

As for need-based programs, they rarely enjoy the broad political support necessary for their maintenance and expansion. In addition to the shrinking Pell Grant, there are many privately funded programs based on need, but they are usually targeted narrowly, whether toward low-income schools (such as the “I Have a Dream” classroom adoption programs) or high-potential individuals (the best-known example is the 20-year, \$1 billion Gates Millennium Scholarship program to support outstanding low-income minority students). Most of the beneficiaries of these programs are minority youth, opening the way for the kind of racially based resentment that also characterizes the debate over affirmative action.

Social scientists and policymakers have long recognized that universal, as opposed to income-based, policies tend to enjoy stronger support across the political spectrum. One example is the divergent fates of the Social Security system and the welfare system, with the former proving impervious to change and the latter suffering successive cutbacks since the 1970s. The Kalamazoo Promise is not a government program, but by making scholarships available to all KPS graduates regardless of merit or need, the program avoids these divisive debates and virtually guarantees that there will be broad support for the program, at least within the KPS district.

Who is behind this unusual gift and what motivated them to give? The first part of this question—what the *Kalamazoo Gazette* in 2005 called “This year’s best whodunit”—cannot be answered at this time (Jones 2005). In the weeks following the announcement of the program, many people assumed that the identities of the donors would soon become public knowledge, but within a few months it was clear that their anonymity was a critical part of the deal. Apart from Janice Brown, who retired from the office of superintendent in 2007, no one has acknowledged knowing the donors’ identities. Even their number remains unclear, with initial reports saying that seven donors are involved and later conjecture that there are fewer. It is not difficult to hypothesize about the identities of at least some of the donors in a city that is home to several families with tremendous wealth: three residents regularly make the *Forbes* list of the world’s billionaires.<sup>6</sup> But while local interest in the question has waned, those outside Kalamazoo still seem intrigued. One

former community leader dismisses the issue as beside the point: “It’s fascinating that we have such a preoccupation with wanting to know. I mean, what are you going to do when you find out? What difference does it make?”<sup>7</sup> Whatever their identities, the donors have conveyed their intention for the Kalamazoo Promise to last in perpetuity. “I am confident that the donors have set up a system to fund the Kalamazoo Promise for many generations to come,” says Janice Brown.<sup>8</sup>

The donors’ motivations are arguably far more interesting than their identities. Shortly after the Kalamazoo Promise was announced, Dr. Brown recounted a series of private conversations among a group of wealthy individuals concerned about the faltering health of the local and regional economy. The meetings came in the aftermath of a series of plant closings and mergers that had depleted the region’s economic base and forced many of its workers to relocate. As downtown real estate developer William Johnston told a *Wall Street Journal* reporter, “One of the conclusions was that a better economy was going to require a healthier Kalamazoo school system” (Boudette 2006). According to Dr. Brown, the donors see the Promise as a way to revitalize their city, and they believe that “equal access to higher education for all creates a powerful incentive that will bring people and employers back to Kalamazoo” (Boudette 2006). The combination of the Kalamazoo Promise’s strict residency requirement—to qualify, students must not only have attended and graduated from a district public school but also have lived within the district for a minimum of four years before graduation—and the long-term commitment of funds is a clear reflection of this place-based, economic development goal.

So what will it accomplish? The Kalamazoo Promise is structured to serve as a catalyst for economic, educational, and community change. The offer of fully funded college tuition changes the incentives for a broad range of actors including students, families, school administrators, real estate agents, housing developers, business leaders, entrepreneurs, and public officials. The decisions made in response to these new incentives are likely to lead to a series of outcomes, most of them desirable. While many observers claim with good reason that the Promise is first and foremost intended as an economic development program, others argue that without a clear statement from the donors it is impossible to speak in terms of their goals. In the words of one local observer, “The Kalamazoo Promise is not *about* anything. It’s a thing;



a donation. You've had an iceberg land in the middle of the pool. Now you have to find out what it does."<sup>9</sup>

The lack of any public statement by the donors as to their goals has magnified the degree to which the Kalamazoo Promise can be interpreted differently by different groups. The general public and especially parents of school-age children tend to see it first and foremost as a scholarship program, and some of the criticism of the program has come from people whose children and the school districts they attend are left out. Within KPS, administrators believe the Promise will help them transform the district's culture to one where dropping out of high school is not an option and students are prepared to succeed in college. Business leaders, real estate agents, and local government officials focus on the potential impact of the Promise on business investment, economic growth, and community vitality. Some observers view it mainly as an advantage for the city's middle-class homeowners whose property values eventually may rise and whose educational savings accounts are now freed up for other purposes, while others interpret the choice of KPS, an urban school district with a large minority and low-income student population, as a reflection of the donors' desire to give a hand up to the poor. In many respects, the Kalamazoo Promise has contributed to greater unity and a more positive identity for the community, although for some it has intensified long-standing divisions along racial and income lines. There are even debates over the significance of the Promise—is it truly a transformative opportunity, or just an excuse for media hype?

All of these currents of thought and more were played out in the weeks following the announcement of the scholarship program. The immediate reaction to the Promise was startling in its intensity and variety. Above all was the tremendous sense of enthusiasm, excitement, and opportunity. One giddy mother of three KPS students was heard to ask, "Where's a rooftop? I need to shout" (Campbell 2005). Within a few days of the announcement, Superintendent Brown was interviewed on *Good Morning America* and the *Today Show*, and the school district had fielded more than 100 e-mails and calls from parents, many of them from outside the state, interested in moving into the district. Real estate agents, too, were taking calls from families in outlying communities and nearby states, while "College Tuition Qualified" signs produced by the school district sprouted in the yards of homes for sale in the district.

Within days of the announcement, Wayne State University in Detroit had offered a 50 percent discount on its dormitory rates for incoming Kalamazoo Promise recipients. A few hours later, Western Michigan University (WMU), located in Kalamazoo, trumped this offer with four years of free room and board for any 2006 graduate of KPS who received a Promise scholarship. (WMU's 2006–2007 room and board rate was \$6,877, while in-state tuition and fees cost \$6,866, for a total savings to 2006 graduates attending their local university of more than \$50,000 over four years.)<sup>10</sup> Eastern Michigan University and Lake Superior State soon announced offers similar to those of Wayne State. While contributing to the excitement over the program, these schools were motivated chiefly by the goal of increasing enrollment. In a calculus not widely understood, offering discounts to students who arrive with full scholarships in hand can be a boon to college finances. If those same students qualify for any other financial aid—and many coming from KPS do—those resources will help to make up for the discounts. The Michigan Education Trust, the state's prepaid tuition program, quickly revised its rules so that families that had invested in contracts to lock in current tuition rates could cash them in and receive a refund that could be used to pay for room, board, and other expenses.

The district's schools, as well as several local churches, held rallies and information sessions to celebrate the Promise. New college applications were completed and extra dates arranged for admissions tests. The college plans of many seniors were revised as parents debated whether or not going to college out of state remained an option for their children. Opportunities for recovering class credits were expanded to enable more students to graduate on time, and the alternative high school admitted a number of students midyear to make it possible for them to receive their diplomas. At a college fair held at one of the KPS high schools in early December 2005, school representatives noted the greater diversity of the attendees; notably, parents who had never gone to college, and more 9th and 10th graders than in the past (Mack 2005).

While most celebrated, others worried. Concerns were raised about the impact on enrollment at the area's private, parochial, and charter schools. (Kalamazoo's charter schools, Christian schools, and Catholic schools enroll approximately 1,200 students each.) Neighboring public school districts—there are nine districts in Kalamazoo County—expressed wariness about potential enrollment declines, although

the superintendent of the Portage Public Schools, Kalamazoo's nearest neighbor and closest competitor, spoke out early, saying, "It's a benefit for the whole county to have any and all districts operating at a strong level."<sup>11</sup> Disappointment was voiced by families whose children were enrolled in KPS but whose residences were outside district boundaries, thereby disqualifying them for the scholarships. (Kalamazoo Public Schools spokesman Alex Lee responded, "This is an incentive for community development. The donors made a gift and put parameters on it. That's it") [Killian 2005a].) In an oft-quoted letter to the editor, a resident of Portage wrote, "I am angered by the Kalamazoo Promise. The Kalamazoo Public Schools has a bad reputation for unsafe learning environments, lower income levels and safety problems. Why use this as an excuse to pay for college degrees?" The writer instead proposed that the funds be used to benefit the "excellent students with bright futures, parents who care, [and] excellent learning environments" of other districts in the county, presumably including her own (Letter to the Editor 2005).

Western Michigan University's free room and board offer was especially controversial, with critics arguing that it was not equitable for a public institution to subsidize costs for a specific geographic group. Moreover, many observed that those receiving the offer—Kalamazoo residents by definition—are arguably the WMU students least in need of free room and board since they have the option of living at home. The university subsequently clarified its policies to underscore that no public funds would be used as part of the offer, but that it would instead draw upon federal need-based aid and unrestricted private gifts (*WMU News* 2005). The policy, while poorly explained, made financial sense for WMU, which had recently experienced sharp enrollment declines, because most of the students receiving the Kalamazoo Promise also qualified for either need-based or merit-based aid that would be applied to their room and board rates. Nevertheless, the public relations fiasco that accompanied the room and board offer hurt the university's standing in the community, and the offer was not renewed (although class of 2006 graduates will continue to receive free room and board for their four years at WMU).

On the economic development front, advocates for the poor and homeless noted the potential for gentrification if investors were to acquire rundown property, convert rental units to owner-occupied homes,

or raise rents as the market tightens. At a forum a few days after the Promise announcement, members of the Kalamazoo Homeless Action Network voiced disappointment with the donors' intentions, noting that the money involved in the gift could have housed the city's entire homeless population several times over.<sup>12</sup>

Others made the point that the barriers to college faced by many minority children lie so far beyond the economic realm that there is little in the Promise to benefit them. Arlene Washington, the editor of *Community Voices*, a bimonthly newspaper read widely in the African-American community, asked a question a few days after the announcement of the Promise that was on the minds of many: "Just how is this going to affect the minority community? Our children are falling further behind—dropping out, moving on to alternative schools, not graduating, unable to go to college even if they have the funds . . . How can the Kalamazoo Promise be a reality for all? What is Kalamazoo Public Schools doing to provide the kind of quality education in a manner that at-risk children can be a part of the greater good?"<sup>13</sup>

Attention was not confined to the local press. Newspapers and Web sites around the country reported on the Kalamazoo Promise, with many writers suggesting ways to adapt the idea for their own communities. News coverage was strong throughout Michigan, a state that lags the national average in terms of its percentage of college graduates.<sup>14</sup> While some writers noted the high cost of replicating the Kalamazoo Promise in larger school districts, such as Detroit, others reminded readers of the tremendous wealth that can still be found in many Michigan communities and some of the more cost-effective options for providing college scholarship support. With the state's economy struggling due to the loss of manufacturing jobs, particularly in the auto industry, many articles referenced research showing that a small increase in the state's share of college-educated adults would boost overall economic growth and real earnings.<sup>15</sup>

The most provocative comments could be found on Internet bulletin boards, where writers expressing their amazement and gratitude for the gift were outnumbered by those whose perspectives were more negative. Racial animosity was one theme, as the following exchange suggests: **[Author's note: The following comments are presented exactly as they appear online.]**

► It's a wonderful opportunity for many public school kids, however, the majority of kids in K-zoo's public schools are non-white. Since more scholarships go to non-whites, why should they continue to benefit?

► Yes you said it. more s--- for the minorities again!!!!!! WTF. Our government just wants to give them more more and more.... What about us the TRUE AND REAL AMERICANS!!!! True Americans are American Indians and And WHITE PEOPLE!!!!!! We were here first! We found this country. This world is all black this, black that.<sup>16</sup>

Other comments posted online reflected a misunderstanding of the private nature of the gift, with attacks on what was perceived as an unfair government policy.

► Why should only the students of the city schools get this benefit!!!! Are the parents in other districts excluded from this program? Why not every child that lives in Kalamazoo county? Is it because they are not in poverty!!! Some are and alot are close to poverty. Those parents and students that are working are paying taxes to support those familys in the city schools that are in poverty. Lets be real alot of familys choose to be in poverty, thats why Michigan is called the walfare wonder land think about it people!<sup>17</sup>

► Well guess what will happen now..... Everyone will be flocking to k-zoo public schools so they can get free college. So what happens to the kids in all the small towns? Do you have to be a non-white person to get a good education in this damn State. We have two special needs kids who are over coming there disabilities. But they need new equipment, more space more everytyhing. We also have three other kids at public schools but because we are white, live in a smaller town then the hell with us right? This government is corupted and completly unfair!<sup>18</sup>

Also repeated were some of the negative perceptions of Kalamazoo's public schools that surfaced in the mainstream press:

► I think that this is a great opportunity for the people of KPS. However, no self-respecting parent with econminc means are going to pull their children out of Mattawan, Portage, etc. to put their children in KPS- do you know the things that go on in these schools or the people you would subject your children to?<sup>19</sup>

One writer drew a parallel to a scholarship program in Philomath, Oregon (see Chapter 3), where donors threatened to withdraw their funding in protest over the curriculum being taught in the schools, referring to the Kalamazoo Promise donors as a special interest group and asking:

► How do you prevent the Special Interest Group (SIG) that provides the funds from using their carrot to bring about quantum changes in the curriculum such as “Intelligent Design” for instance? How do you inform [Superintendent Brown] that she now effectively reports to the SIG rather than to the school board? How do you tell the School Board, the teachers and staff that they now serve at the beck and call of the SIG? How do you help the families in Kalamazoo to regard this gift as a gift—one that can be taken away at any time—rather than an entitlement?<sup>20</sup>

These reactions reveal not just the self-interested side of human nature but also highlight one of the central questions about the Kalamazoo Promise: who benefits? The earliest and most direct beneficiaries are those families whose children qualify for full scholarships, but the implications of such a long-term program radiate outward to affect the housing market, the business climate, the city, the school district, and the broader region. Economists believe that any region is only as strong as its urban core. By strengthening the public school district at the center of Kalamazoo County, the Kalamazoo Promise stands to benefit the county as a whole. Even so, this “rising tide lifts all boats” argument is a hard sell for those people who see the world in zero-sum terms—what’s good for you must be bad for me—and who measure their gains not in absolute terms but relative to their neighbors.

Whether one views the Kalamazoo Promise as a win-win or a zero-sum endeavor depends as much on one’s personal experiences as on the objective realities of the program. Indeed, as the above Internet postings suggest, the negative reaction to the Promise reflects hot-button issues like race or the increasing financial pressures faced by middle-class families and has little to do with the program itself. (Race has figured prominently in Michigan politics in recent years due in part to a November 2006 ballot initiative banning the use of affirmative action by public institutions; voters approved this amendment to the state’s constitution by a resounding margin of 58 percent to 42 percent.) However, regardless of outlook, it is undeniable that the Kalamazoo

Promise, by virtue of its design, has the potential to accomplish far more than simply sending more KPS graduates to college. As Carrie Pickett-Erway of the Kalamazoo Community Foundation puts it, “They [the donors] set the bar much higher than anyone was thinking. It gives us an opportunity to let go of our short-term, short-sighted objectives and be more progressive and aggressive in thinking about the future. Somebody went in big, and they picked the right thing because it’s connected to everything.”<sup>21</sup>

One way to approach the question of how the Kalamazoo Promise is “connected to everything” is to disaggregate its impact into different categories. The long-term nature of the program suggests that it may be most useful to think about impact in terms of the kinds of assets that might be created as a result of this investment. (For more on asset-building strategies for community development, see Miller-Adams [2002].) An asset can be defined simply as something of value, whether tangible or intangible. With the stimulus provided by an unlimited pool of scholarship funds based on residency and available over the long term, the Kalamazoo Promise holds the potential to strengthen three different kinds of assets:

- Human assets (or human capital), including the education, knowledge, and skills that enable individuals to support themselves and their families and that play a crucial role in economic productivity.
- Economic assets, including traditional measures of wealth, such as equity in a home or business, retirement savings, the value of an insurance policy, and a broad range of other financial and real holdings.
- Social assets (or social capital), defined by social scientists as “social networks, norms of reciprocity, mutual assistance, and trustworthiness,” that bind communities together and allow individuals to work collectively to improve the quality of their lives (Putnam and Feldstein 2003, p. 2).<sup>22</sup>

Assets and income play different roles in providing security to individuals and families. A central feature of assets is their staying power. Economic assets, such as a home or business, can be passed from parent to child. Human assets, too, give future generations a head start. Educated parents are more likely to read to their children and send them

to preschool, while a large body of research shows that the strongest predictor of a child's educational attainment is the educational level of his or her parents.<sup>23</sup> Assets also serve as a cushion against risk. Home equity can be borrowed against if illness strikes or a job is lost, and social capital provides a network of support for families in crisis. Assets have even been shown to have physical and psychological benefits, ranging from greater longevity to higher self-esteem to a reduced incidence of domestic violence.<sup>24</sup> The value of assets is not wealth for its own sake, but the stability, security, and greater degree of self-reliance they bring.

**Human assets.** The most obvious impact of the Kalamazoo Promise is in the educational sphere where positive outcomes are expected at both the individual student and school district level. Stripped to its essence, the Kalamazoo Promise lowers the cost of postsecondary education to close to zero for those students who continue to live at home, theoretically making it possible for high school graduates at all income levels to obtain additional years of schooling. (There are still opportunity costs for students choosing to attend college rather than work full time, as well as the substantial costs of room and board for those who do not qualify for financial aid and choose not to remain at home—not to mention the ever-rising cost of textbooks.)

Research shows that a college degree substantially increases an individual's lifetime earnings potential. Annual surveys by the National Center for Education Statistics show that between 1980 and 2005, earnings increased as level of education increased, while the gap between those with a bachelor's degree and those with less education widened steadily. In 2005, for example, the \$32,800 median salary for all full-time workers ages 25–34 masked a sharp disparity between young workers with different levels of education: \$26,800 for those with a high school degree versus \$43,100 for those with a bachelor's degree or higher (U.S. Department of Education 2007). There is also some evidence that attending college and earning credits even without completing a degree translates into expanded earning potential (see, for example, Kane and Rouse [1993]). In this sense, an increase in human capital makes possible an increase in economic assets down the road.

As for the school district, the Promise has already reversed KPS's decades-long slide in enrollment, which grew by more than 10 percent



in fall 2006 over the previous year, and continued to rise, although at a much smaller rate, in 2007 and 2008. Michigan's educational funding system is unusual in that 100 percent of schools' operational resources come from the state's "foundation grant," which is allocated on a per-pupil basis. Because of this key fact, rising enrollment translates directly into more funds for the district.

The Promise is also expected to reduce the dropout rate and increase the graduation rate. Somewhat more speculative is the idea that its powerful "pull" effect could reverse the trend of middle-class flight from the district and reduce the percentage of low-income children who attend KPS (at last count, 65 percent of students in KPS qualified for the federal free and reduced-price lunch program).<sup>25</sup> This shift could lead to greater socioeconomic integration within schools, a condition thought by many experts to support higher achievement for all.<sup>26</sup> The district may also see a change in the availability of educational services supplied in response to the Kalamazoo Promise: With more students planning to attend college, offerings of college-preparatory courses, advanced placement, and dual enrollment opportunities may be expanded, while lower-achieving students will need to receive added support to graduate and avail themselves of the scholarship.

Finally, the additional years of schooling provided to KPS graduates through the Kalamazoo Promise could also yield higher levels of human capital for the community as a whole in the form of a better-educated workforce. The availability of a pool of skilled workers is a critical factor in attracting business investment to an area.

**Economic assets.** With its sole focus on providing college scholarships to area youth, it is easy to miss the economic development implications of the Kalamazoo Promise. Nonetheless, the structure of the program suggests that it could serve as a catalyst for economic growth and development in the region. The official Kalamazoo Promise Web site offers this explanation: "The Kalamazoo Promise will create opportunities for individuals who attend Kalamazoo Public Schools and their current and future families. It follows—and studies have shown—that there is a strong correlation between overall academic achievement and a community's economic vitality and quality of life."<sup>27</sup>

Along the same lines, former KPS Superintendent Brown, now executive director of the Kalamazoo Promise, likes to share with audi-

ences what the donors have told her about their motivation: “This is not an educational decision,” she reports them saying. “This is an economic development, quality of life, community-building decision.”<sup>28</sup> But what does it mean to say that a scholarship program is a tool for economic development, and what kinds of economic assets are created in the process?

Most immediately, the Kalamazoo Promise has an impact on the personal finances of many families. Parents who have saved for their children’s college tuition can now use those funds for other purposes, whether retirement, home renovation, or pursuit of an entrepreneurial idea. For others, relief from the burden of paying for their children to attend college opens up new choices, as it has for Linda Van Dis, the mother of three KPS students: “I started talking years ago about how when my kids were in college I’d have to get a full-time job,” she says. “I don’t have to do that now. I can work part time and be home with my kids until they’re all the way through school. I might be ready to work full time, but I don’t have to. I have the option.”<sup>29</sup> Another profound effect is that students now have the opportunity to graduate from college with much smaller debt burdens.<sup>30</sup> As Ms. Van Dis told her eldest son, “‘If we don’t have to dip into what your grandmother left you and our little bit of savings, you can come out of college and actually have a little bit of money’ . . . It’s going to be a whole different future for a lot of these kids if they come out of school without debt.” Lolita and Sonita Moss are twin sisters who graduated from Loy Norrix High School with the class of 2006 and used their Promise scholarships to attend the University of Michigan. Lolita Moss, who hopes eventually to get a doctorate in clinical psychology, told the *Kalamazoo Gazette* that the Promise made a huge difference for her parents and herself: “I plan to go to graduate school, and now, with undergraduate paid for, paying for graduate school is all I have to worry about” (Mack 2006c).

Also widely anticipated is a rise in the value of homes within KPS boundaries. Free college tuition—a benefit potentially worth tens of thousands of dollars—creates incentives for families with children to move into the district or opt to remain here. This is expected to bring about a tightening in the slack housing market and reignite an appreciation in home prices that has stalled in recent years. For most families, equity in their homes is their largest financial asset, and any increase in property values will positively affect their overall wealth. There is also

the prospect of housing construction that could bring new tax revenue to local governments. Much of this construction, however, is likely to take place outside the urban core in neighboring townships that lie within the school district but have lower tax rates and more space for development.

The initial response of the housing market illustrates the difficulty of projecting the impact of the Kalamazoo Promise. While housing sales and median prices did indeed rise in the months following the announcement of the program, the supply of homes on the market also rose—and at a much faster rate—as owners sought to capitalize on expectations of tightening in the real estate market. The net result was a housing market characterized by even greater oversupply and stagnant prices—an example of an unintended short-term consequence that real estate agents and homeowners hope will reverse itself in the coming years once the current crisis in the national housing market abates (Killian 2006).

Another economic asset for the community is new business investment that could materialize as a result of the Promise. Attracted by the ability to offer the tuition benefit to their employees and the prospect of access to a more educated workforce, business owners may choose to relocate or expand their businesses in Kalamazoo. An early sign of the economic potential of the Promise is increasing construction in the downtown district as occupancy rates rise for office and residential space and local investors place a bet on real estate appreciation. The region's economic development organization, Southwest Michigan First, is using the Kalamazoo Promise as a recruiting tool for new employers and is capitalizing on the national media attention sparked by the program. The Promise is not only a draw for established businesses. Anyone who can work from home or who travels regularly for their job, such as a sales representative, can choose to relocate without finding new employment. Ron Kitchens, the head of Southwest Michigan First, notes: "We have entrepreneurs calling us—a lot of displaced manufacturing workers, management and blue-collar—who are saying, 'My job's evaporated, I'm going to have this severance package and I want to start a company, but if I do that I put my kid's education at risk. So you're telling me that if I move there, you'll pay for my kid's education?' . . . I predict we're going to see a significant number of those individuals come here and invest and start companies. They're taking a

risk in starting a company but it minimizes the personal risk to them.”<sup>31</sup> Investment and relocation decisions, especially those of large companies, are not made quickly, and it will be a number of years before the full business impact of the Kalamazoo Promise emerges. But economic development officials are hopeful and point to plans announced in 2008 by several companies, both large and small, to expand within the region as a signal of its growing attractiveness to business.

Implicit in most discussions of the economic impact of the Kalamazoo Promise is its potential to reverse the self-perpetuating cycle of middle-class flight from the urban core and the problems it brings, including those in the schools. The president of the Kalamazoo-based W.E. Upjohn Institute for Employment Research, Randall W. Eberts, notes: “Research shows that you must first develop a city core to add economic vitality to a region. I believe the donor group . . . wants to grow Kalamazoo from the inside out” (Killian 2005b). The value of an economically diverse and vibrant central city has been underscored by a spate of recent scholarship, including Richard Florida’s (2005) work on how cities can attract and retain the “creative class,” and research by David Rusk (1995, 1999) and Myron Orfield (1997) on strategies for containing urban sprawl and minimizing its negative social consequences, including housing and school segregation. (These works and their relevance to the Kalamazoo Promise are discussed in Chapter 3.)

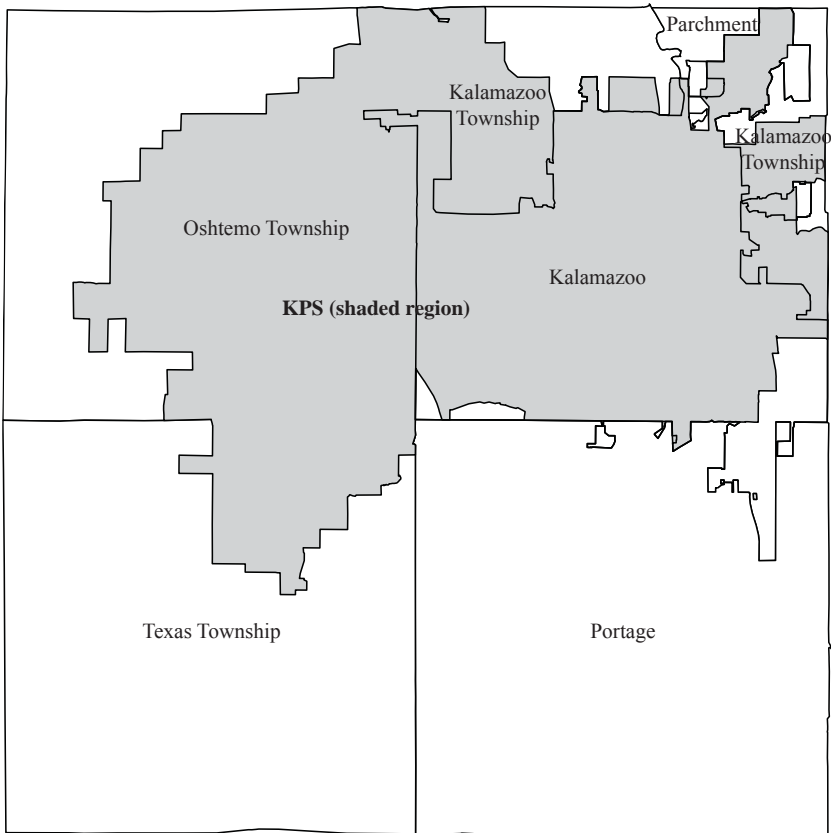
**Social assets.** It is no surprise that a gift of the magnitude of the Promise would have ramifications for the social fabric of the community. In one sense, the gift is itself a reflection of social capital, as it was connections among the individual donors, their personal ties to the school district and the city, and their philanthropic and economic commitment to the broader community that set the program in motion. But the Kalamazoo Promise also holds the potential to increase the community’s stock of social capital through multiple avenues, some more certain than others.

First is what Robert Putnam, the nation’s leading authority on social capital, calls the “winning the pennant” effect. The announcement of the Kalamazoo Promise put a spring in the step of many residents, akin to what happens when a local sports team wins a championship. The sense of optimism and excitement that permeated public discussion in the days and weeks after the announcement was especially welcome in

a town where bad economic news had become the norm. Second is the substantial impact that higher levels of education have on an individual's and a community's store of social capital. Putnam and John Helliwell have written that, "Education is one of the most important predictors—usually, in fact, the most important predictor—of many forms of political and social engagement—from voting to chairing a local committee to hosting a dinner party to trusting others" (Helliwell and Putnam 1999). Simply by increasing the average level of education of area residents, the Kalamazoo Promise could increase the degree of social engagement. A more difficult question is whether this engagement will build bridges between individuals of different backgrounds—an especially important concern in a community with pronounced divisions by race and class.

Third, the success of the Kalamazoo Promise in meeting its educational and economic objectives depends in large part on the social forces it sets in motion. To date, the Promise has catalyzed an ever-expanding number of groups, initiatives, and networks (both formal and informal), all of them expressions of community support for these objectives. From church-based mentoring and after-school credit recovery programs, to outreach by the local community college, to pro bono services offered by businesses, media companies, and others, the community has mobilized around the Kalamazoo Promise. This process of mobilization has been facilitated by the many networks already in place in Kalamazoo and by the donors' decision to remain anonymous. Without direction from above, the community's leaders and many of its citizens are acutely aware that the success of the Kalamazoo Promise depends on their actions. Anonymity has created a power vacuum that many organizations and individuals are seeking to fill, and it has meant that the process of grappling with the Kalamazoo Promise is a community-wide endeavor with room for many players. However, these efforts thus far have been coordinated only loosely if at all, and many observers believe that a higher degree of cooperation and collaboration is essential.

The asset-building potential of the Kalamazoo Promise, which extends across all three categories of assets, is indeed vast. But formidable challenges are embedded within it as well. The purpose of this book is not just to chronicle the origins and initial response to the program, but to uncover and examine some of these risks and challenges.

**Figure 1.1 Map of KPS Boundaries and Surrounding Community**

## REVITALIZING THE URBAN CORE

The availability of scholarships to every KPS graduate complicates the task of urban revitalization—something that many observers assume is one of the underlying goals of the Kalamazoo Promise. Geographically, slightly over one-half of the school district lies outside the boundaries of the city of Kalamazoo (see Figure 1.1) and, because of limited space for new development in the central city, most of the investment generated by the Kalamazoo Promise is likely to occur in the newer,

less dense, and more suburban-like townships that comprise just over half the school district's land and one-quarter of its population. Further complicating matters is a fragmented system of local governance that prevents the city of Kalamazoo from capturing any revenue generated by expansion outside its borders. In addition, two amendments to the Michigan state constitution interact in such a way as to prevent any revenue gains even if property values within the city do appreciate.<sup>32</sup> At the same time, a larger regional population could place an added burden on some city services. All of these factors could deepen rather than alleviate the fiscal crisis already brewing for the city of Kalamazoo.

## OVERCOMING DIVISIONS

Compared to neighboring municipalities and Kalamazoo County overall, the city of Kalamazoo has a high concentration of minority and low-income residents, most of them clustered in a few inner-city neighborhoods characterized by limited commercial activity, relatively high crime rates, and decaying housing stock. Despite several decades of desegregation efforts, first through cross-district busing and then through the creation of magnet schools, the district's elementary schools continue to reflect this dual segregation by class and race. As noted earlier, research suggests that socioeconomic integration is among the most powerful tools for raising student achievement. While the Kalamazoo Promise is likely to increase the economic diversity of KPS, it is not clear whether any influx of middle-class families will be robust enough to bring about a truly mixed-income environment—that is, one with a low-income population of less than 50 percent. Also critical is whether socioeconomic integration at the district level will translate into greater diversity within individual elementary schools, or whether it will exacerbate the division between low-income and mixed-income schools that already exists.

There are other divisions that could also be affected by the Promise, including an urban-suburban-rural split, and a lack of integration of the large college student population into the fabric of the city. Even among the city's low-income communities, some are richer in resources than others and are able to organize more effectively to help local

youth. And KPS has struggled for years to balance the needs of its less-advantaged youth with those of students capable of accelerated learning. All of these factors raise important distributional questions about who will benefit from the Promise in both relative and absolute terms, and pose a challenge to the community to ensure that the Promise leads to greater unity rather than disunity.

## **MOBILIZING AND ORGANIZING RESOURCES**

The Kalamazoo Promise does not provide any new resources for the schools themselves beyond the increases in state funding that accompany higher enrollment. Former KPS Superintendent Janice Brown repeatedly charged the community to help make real her mantra that “every child is college material.” For his part, current superintendent Dr. Michael Rice has vowed that every child will graduate from KPS “college ready.” However, the barriers faced by many of the district’s students extend well beyond the purview of the schools and include a lack of parental support, an absence of desirable role models, and the punishing effects of poverty. Support services ranging from nutrition programs to mental health services to mentoring are crucial. Even with a considerable outpouring of volunteer energy and a large network of social service agencies, the task of delivering these services in a coordinated manner and raising the money to pay for them remains an overriding priority and one of the community’s most daunting tasks.

## **GROWTH WITHOUT JOBS?**

Implicit in the Kalamazoo Promise is the idea that an increase in the supply of educated workers will stimulate a matching response on the demand side, enticing employers to expand or relocate to the community. However, such an increase in demand may not materialize automatically, 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 remain in or move to the



community. If the impact of the Kalamazoo Promise is merely a shift of middle-class families from outlying areas into the district, the results 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; nevertheless, 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.

## MANAGING EXPECTATIONS

The Kalamazoo Promise is a long-term approach to community revitalization, yet many are eager for quick results. If the short-term benefits of the program are oversold, popular enthusiasm and support within Kalamazoo could wane when they fail to materialize. Outside the region, the dangers of raised expectations are even more acute. Cities considering their own programs modeled on the Promise are looking to Kalamazoo for evidence of success; in the absence of a clear understanding of the long-term nature of such an investment, support for the creation of new programs could fall short. To minimize these risks, it is essential that the broader public understands the long-term strategy behind the Kalamazoo Promise and can assess its impact realistically and over time. A balanced account of the potential results of the Promise is a fundamental first step (and one of the goals of this book), and should be followed by unbiased monitoring and the wide dissemination of results.

As other cities grapple with the task of designing programs modeled on the Kalamazoo Promise, they will undoubtedly face some of these challenges as well as others specific to their communities. But two additional issues deserve attention up front. The first is the political challenge of building support—financial and otherwise—for a program when funding is not provided by anonymous sources. The anonymity of

the Kalamazoo Promise donors has minimized debate over the structure of the program and helped catalyze a broad community response. Other communities are unlikely to enjoy the luxury of open-ended funding in perpetuity from donors who have specified the terms of the program and cannot be petitioned to change them. Generating the political will and financial resources necessary for a transformative investment along the lines of the Kalamazoo Promise is a far more complex task when it unfolds under public scrutiny and with the participation of many stakeholders. The second issue is a question that will undoubtedly arise during the planning process: Is the direction of resources toward a scholarship-based economic development program the best use of available funds, or are there alternatives—such as investments in universal prekindergarten education or an integrated system of community support for youth, to name just two—that might have a larger impact on the community?

There will be other challenges that cannot be foreseen today, but a clear understanding of the Kalamazoo Promise concept and the community's initial response to it will help equip Kalamazoo and other communities pursuing similar initiatives to deal with these challenges as they arise.

## Notes

1. Dr. Janice Brown, former KPS superintendent, speaking at a school board meeting on November 10, 2005.
2. In-state tuition for 2006–2007 ranged from \$1,500 a year for a full-time student at Kalamazoo Valley Community College, to approximately \$10,000 a year at the University of Michigan, meaning that the benefit to members of the class of 2006—the first students eligible for the program—is worth as much as \$40,000 per child. (Ferris State University's Kendall College of Art and Design was the most expensive option for Promise recipients; its \$12,660 annual tuition cost ranked as the highest in-state rate in the nation.)
3. For details of the scholarship program, see <http://www.kalamazoopromise.com>.
4. As of May 2008, approximately 25 communities in 12 states were at some stage in the process of developing a program modeled on the Kalamazoo Promise. Some communities, including Pittsburgh, Pennsylvania; Denver, Colorado; and El Dorado, Arkansas, had programs up and running, while those in the planning state ranged from industrial towns like Akron, Ohio, and Hammond, Indiana, to rural or resource-based communities like Peoria, Illinois, and Orange, Texas.
5. Author's interview with Robert Jorth, Kalamazoo Promise administrator, July 18, 2006.
6. Two of those on the 2008 Forbes list—Ronda Stryker and her brother Jon Stryker—

- are the grandchildren of Stryker Corp.'s founder, while the third—John Brown (no relation to Janice Brown) is the company's former CEO (Forbes.com 2008). For speculation on the donors' identities, see Boudette (2006) and Jones (2005).
7. Private communication with the author from community leader, January 31, 2006.
  8. Author's interview with Dr. Janice Brown, March 25, 2008.
  9. Michael Scriven, consultant, The Evaluation Center, Western Michigan University, public comment, June 8, 2006.
  10. Tuition, fees, and room-and-board rates can be found at <http://www.wmich.edu> (accessed March 3, 2009).
  11. Peter McFarlane, then superintendent of Portage Public Schools, quoted in Chourey (2005).
  12. Author's notes from forum with Kalamazoo Homeless Action Network members at Kalamazoo College, November 15, 2005.
  13. E-mail message from Arlene Washington, editor of *Community Voices*, to Mayor Hannah McKinney, November 14, 2005.
  14. The Lt. Governor's Commission on Higher Education & Economic Growth (the Cherry Commission) reported that only 29 percent of Michigan adults have an associate's or higher degree, while only 22 percent have a bachelor's degree or higher, both rates below the national average and well behind those of leading states. (Cherry Commission 2004)
  15. The Cherry Commission concluded that a 5 percent increase in the share of college-educated adults would boost overall economic growth by 2.5 percent over 10 years, and the real wages of all Michigan residents by 5.5 percent (Cherry Commission 2004).
  16. Exchange posted on a forum at <http://www.woodtv.com>, November 12, 2005.
  17. Comment posted on a forum at <http://www.woodtv.com>, November 11, 2005.
  18. Exchange posted on a forum at <http://www.woodtv.com>, November 26, 2005.
  19. Comment posted on [m.live.com](http://m.live.com), November 14, 2005.
  20. Comment posted on WoodTV forum, November 16, 2005.
  21. Author's interview with Carrie Pickett-Erway, Kalamazoo Community Foundation, February 16, 2006.
  22. The definitive work on social capital is Putnam (2000). For stories of specific social capital-building efforts, see Putnam and Feldstein (2003).
  23. For a review of this literature, see Haveman and Wolfe (1995).
  24. For a review of this literature, see Page-Adams and Sherraden (1996).
  25. Fall 2007 data provided by Kalamazoo Public Schools.
  26. On the benefits of socioeconomic school integration, see work by Richard Kahlenberg and others at <http://www.equaleducation.org>.
  27. Kalamazoo Promise Web site FAQ, accessed through <https://www.kalamazoopromise.com>.
  28. Comments by former KPS Superintendent Janice Brown at Kalamazoo Communities In Schools (KCIS) Community Partners Meeting, February 8, 2006.
  29. Author's interview with Linda Van Dis, KPS parent, February 9, 2006.

30. The Center for Economic and Policy Research reports that nearly two-thirds of students attending a four-year public college or university take on student loans while they are in school, and that the average indebted graduating senior in 2004 was \$17,600 in debt on graduation day. See Boushey (2005).
31. Author's interview with Ron Kitchens, chief executive officer, Southwest Michigan First, March 29, 2006.
32. The Headlee Amendment, ratified in 1978, limited the growth of property tax revenue by controlling how a local government's maximum authorized millage rate is calculated. When growth on existing property in a community appreciates at a rate faster than inflation, the local government must "roll back" its maximum authorized millage rate so that the increase in property tax revenue does not exceed inflation. In March 1994, Proposal A created a new methodology to determine property values for tax purposes with the introduction of taxable value. Taxable value on an individual property cannot increase by more than the lesser of inflation or 5 percent annually until a property is sold or transferred regardless of how quickly existing property values may be growing. The interaction of these two laws has severely constrained any upside growth in local tax revenues. For more information, see Audia and Buckley (2003).

