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The Power of a Promise

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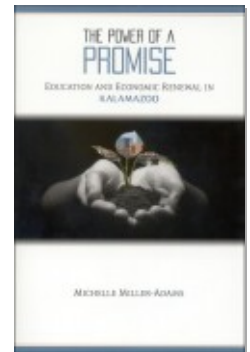
Published by W.E. Upjohn Institute

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

First ed. W.E. Upjohn Institute, 2009.

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The Kalamazoo Promise in Context

When the Kalamazoo Promise was announced, it was widely heralded as the only program of its kind. Skeptics have asked if this is indeed the case, noting a mind-boggling array of scholarship programs, from the \$1 billion Gates Millennium Scholars program for minority students to statewide merit scholarship programs, such as the Georgia HOPE Scholarship Program, to scholarships for recipients with specific characteristics, such as athletic or artistic talent or a particular ethnic background.

Indeed, the Kalamazoo Promise is unique in terms of its scope and cost, but its place-based, economic development-oriented model has at least one forerunner. In 1959, in the small town of Philomath, Oregon, members of a wealthy timber family set up a foundation to pay for college for all graduates of the local high school.¹ The donors, Rex and Ethel Clemens, were motivated by concern about the economic future of Philomath and jobs for its residents in light of the decline of the timber industry already on the horizon. The scholarship would cover the full amount of tuition for four years at Oregon State University, although students could use the money to attend any institution, public or private. Initially, to qualify for the scholarship one needed only to graduate from the local high school and be admitted to college.

With the stimulus provided by the scholarship money, the college attendance rate for students at Philomath High School rose from almost zero in 1959 to its current level of about 70 percent. In 1993, with the area growing rapidly, the foundation introduced a residency requirement of eight years to ensure that the scholarship would benefit only long-term residents. Other requirements added along the way included full-time college attendance and random drug testing.

The design of the Kalamazoo Promise resembles the Clemens Foundation program in several important respects. The scholarships will help the community adapt to a changing economic environment, they are available to all graduates of the school district regardless of financial need or academic achievement (as the Philomath program was

until recently), and they are limited to relatively long-term residents of a geographically bounded area. But there is an important difference. The donors who created the Kalamazoo Promise chose to remain anonymous, while the donors in Philomath were anything but. Allied to the area's logging industry, their interests were at odds with the cultural and political currents that emerged in the Pacific Northwest beginning in the 1970s, especially the growing influence of the environmental movement. Tension between the timber industry and environmentalists has divided communities in many of the region's small towns ever since, and not surprisingly the schools became one of the arenas in which this struggle has played out.²

In 2002, troubled by what they saw as antitimber bias in the Philomath High School curriculum (especially the teaching of environmental science), the foundation's board members, led by descendants of the Clemens family, asked the district to fire the school board, the high school principal, and the superintendent, who had recently come to the district from Chicago. The district refused and the foundation suspended the scholarship program. Soon after, both the superintendent and principal resigned. The scholarships were then reinstated with the proviso that students must apply for the program and have either a family background in the timber industry or be involved in clubs or school programs that reflect "American values," such as 4-H or Boy Scouts. "We are not going to use timber dollars to send the professors' kids, the physicians' kids, the teachers' kids to school, because they are the ones helping to shut down the timber industry, with environmental donations to Greenpeace. They support those people who are killing us," said Steve Lowther, a board member and nephew of the original donors (Associated Press 2002).

In practice, most students still receive the scholarships; in 2005, for example, the Clemens Foundation granted \$1.6 million in scholarships to 600 graduates—almost the entire senior class of Philomath High School. However, new controversies have emerged, and in 2006, the foundation prevented scholarship recipients from using their money to attend Oregon State University because of concerns over the university's participation in a regional environmental sustainability program and what was seen as lax discipline of university athletes.

The Philomath story is a powerful reminder of the benefits and limitations of private philanthropy. Since its inception, the Clemens Foun-

dation has paid for the college tuition of thousands of local residents, fundamentally altering their future opportunities and the nature of the community. But when the trustees of a private foundation decide to change its rules, as they did in Philomath, they are well within their rights, regardless of how others may feel.³

The Kalamazoo Promise, too, originated as a private gift, and as such its funds are ultimately controlled by the donors. While the donors have issued no public statements about their intentions, the structure of the program signals the essential elements of their thinking. A long-term, open-ended investment in the human capital of Kalamazoo's youth will help prepare students for the twenty-first century economy while making the region more attractive to businesses and residents that value education. With this intervention, a virtuous circle of higher educational attainment and job creation could be set in motion, positioning the Greater Kalamazoo region and its urban core for success in an increasingly competitive economic environment. The simplicity and power of this vision, as well as the essentially unlimited pool of money that backs it up, are widely recognized as the chief strengths of the program, but donor anonymity has proven advantageous as well for reasons discussed in Chapter 4.

A REVOLUTIONARY IDEA

The Kalamazoo Promise arrived on the scene at an auspicious moment. For decades, policymakers at the federal, state, and local levels have experimented with diverse approaches to stimulating local economic development and increasing access to higher education. At the turn of the twenty-first century, both challenges seemed more pressing than ever. Cities, especially those in the industrial regions of the Northeast and Midwest, have struggled to maintain their economic vitality in the face of job loss, population decline, and the hollowing out of the urban core. At the same time, the changing nature of employment in the United States and increased global competition has led many to conclude that higher education is essential in today's economy. The Kalamazoo Promise represents an unprecedented joining of these two agendas and suggests that the best strategies for increasing educational

attainment and promoting economic development may be one and the same.

In *The World Is Flat*, one of the best-selling books of 2005 and 2006, Thomas Friedman (2005) argues that barriers to international competition have been virtually obliterated. The “flat” world of the twenty-first century is one in which manufacturing will continue to move offshore (to countries like China), and large portions of the service sector will be outsourced to English-speaking developing countries (like India). While wealth in this hyperglobal economy will expand thanks to trade and technology, it will shift toward those with high skills, leaving low-skilled workers behind. Among the guidance Friedman offers policymakers seeking to respond to this challenge is to make postsecondary education compulsory and increase government funding for it—a strategy that would benefit the United States in two ways: “One is that it produces more people with the skills to claim higher-value-added work in the new niches. And two, it shrinks the pool of people able to do lower-skilled work, from road maintenance to home repair to Starbucks. By shrinking the pool of lower-skilled workers, we help to stabilize their wages (provided we control immigration), because there are fewer people available to do those jobs” (p. 289).

The American middle class was formed in the first half of the twentieth century through a similar strategy: expanded access to higher education and employment opportunities that paid decent wages to workers without a college degree. In the economy of the twenty-first century, however, only those with access to higher education will get their slice of the pie, while Americans without such access will get less and less.

Former U.S. Senator and 2008 presidential candidate John Edwards agrees: “We decided as a nation that we’re going to make public education K-12 available to all kids . . . Well, in today’s world, that’s just not enough. Higher education is absolutely crucial to being successful, and not just important for the individual kids involved and their families. It’s important for America, because . . . colleges are the places where we ensure that America is competitive” (Selingo 2006).

While there is broad agreement on the need to train a larger proportion of Americans for high-wage, high-value-added work, it is less clear how to do so. Some advocate public funding for pre-K through 16 education, but this may be unrealistic in the near term. Tuition costs are rising, financial aid is failing to keep pace, and racial and income gaps in

college attendance and completion rates persist. Even if postsecondary education were more accessible financially, not everyone would benefit because the nation's K-12 system, despite the lofty goals of "No Child Left Behind," does indeed leave many behind. Gaps between middle-class and poor children in grade-to-grade progress, dropout rates, and high school graduation continue even in the face of national standards and a plethora of school reform experiments.

The economic decline of many urban areas adds to the challenge of educating Americans for the twenty-first century workforce. As jobs and workers exit (whether due to layoffs, transfers, or a move to the suburbs), inner-city school districts are left with high concentrations of poor children, many with needs that extend well beyond the classroom. Urban centers and older suburbs have become depopulated and poorer, with residential and commercial energy shifting to the ever-expanding margin, bringing with it problems of sprawl and congestion.

In the face of these trends, cities have pursued economic development strategies centered on the revitalization of downtown districts, the attraction of businesses through subsidies and tax rebates, and public investment in amenities such as sports arenas or commercial complexes. But these policies are expensive, and they often involve cutbacks in other areas of public spending, including education.

The Kalamazoo Promise offers a welcome change from this landscape of trade-offs and hard choices. If the goals of educational attainment and economic development are indeed linked, perhaps they can be solved with the same set of tools. The tool being demonstrated in Kalamazoo is a large, private, and long-term investment in the educational attainment of local youth. This investment can be likened to a pebble thrown into a pond whose ripples spread outward to encompass the entire surface (the size and duration of the donors' commitment may make a boulder a better analogy). The availability of full college scholarships for a sizeable proportion of the community's young people over a several-decade period has ramifications for both the educational and the economic spheres. These may include population growth in the school district (including the attraction and retention of middle-class families), greater socioeconomic integration in neighborhoods and schools, more financial resources and a cultural change in the schools, growing demand for quality-of-life amenities in the urban core, the stabilization of the real estate market, new residents drawn to a community that val-

ues education, and employers attracted by the availability of a skilled workforce.

The power of this vision, as well as the scope of the donors' gesture, sparked a level of media exposure that Kalamazoo had never before experienced and a level of scrutiny that raises the stakes for success. Feature articles in all of the nation's major newspapers, a segment on the *CBS Evening News*, coverage on the *Today Show* and *Good Morning America*—nothing in the city's history had attracted such widespread attention. Even more telling was the response of other communities. One year after the program was announced a dozen communities had launched or were planning programs modeled on the Kalamazoo Promise. By its second anniversary, that number had doubled, and in the spring of 2008, new programs were being announced almost weekly. In June 2008, more than 200 representatives of about 80 communities attended the inaugural conference of PromiseNet, a national network devoted to sharing experiences and information among communities that are establishing Promise-type programs.

The Kalamazoo Promise also attracted the attention of philanthropic organizations, such as the W.K. Kellogg Foundation, which provided a grant to support data collection and community mobilization efforts, and national research organizations, including the U.S. Department of Education, which funded an early evaluation of the program.⁴ Academics, too, paid attention, developing research projects to assess varied aspects of the program.

One of the most revealing of these academic endeavors came in a session devoted to the Kalamazoo Promise at the annual Association for the Study of Higher Education (ASHE) in November 2006. Most scholars on the ASHE panel were deeply critical of the program. Their comments reflect a basic misunderstanding of the Kalamazoo Promise—and, by extension, programs modeled on it—but also insight into the differences between the Kalamazoo Promise and most scholarship programs.

In a paper prepared for the panel, Alicia Dowd of the University of Southern California argues that the Kalamazoo Promise emphasizes economic development over principles of equal access to higher education (Dowd 2008). This is a fair assessment, but one that the panelists in their meeting seemed not to accept as legitimate. One concern expressed was that the Kalamazoo Promise would benefit middle-class

students more than low-income students since the former are more likely to go to four-year-colleges that cost more and the latter already have access to need-based aid. According to Robert Shireman of the Project on Student Debt, “Any time you have a program that takes a universal approach to tuition assistance you’re going to provide three times as much benefit to rich students as to low-income students” (Mack 2006d). In a similar vein, Michael Olivas of the University of Houston argued that while the program is technically race-neutral, in reality it is biased against black residents since one of its presumed goals is to keep white families from leaving the district (Mack 2006d).

Timothy J. Bartik, a senior economist at the W.E. Upjohn Institute, takes issue with both of those points, noting that the question of whether the program is sufficiently targeted toward the poor or minorities can be raised about any program with universal access, including free public high school or kindergarten (arguments such as these were, in fact, made against these innovations at the time). Similar charges have been leveled at other universal programs like Social Security. “What the critics miss is that from a political and social point of view programs targeted only for the poor tend to lack sufficient political support to ever be well funded, or to ever be sufficiently attended so that the quality is maintained,” writes Bartik.⁵ At the same time, there is ample documentation that the availability of financial aid nationally has shifted away from low-income students (who rely mainly on grant aid) and toward middle-income families that can benefit from tax breaks and have enough income to pay off student loans. In choosing to focus their philanthropy on KPS, the donors ensured that the low-income students who make up 65 percent of the district’s enrollment, many of them minorities, would have the opportunity to attend college for free without having to meet any academic merit threshold. Another important element of the Kalamazoo Promise, and one not noted by the panelists, is that it can be utilized by undocumented immigrants, unlike most scholarships and virtually every source of public financial aid.

A second concern voiced by the ASHE panelists was that the Kalamazoo Promise would contribute to gentrification, increasing housing values to the point where low-income residents are priced out of the housing market. This argument revealed a profound lack of awareness of the realities of the housing market in Kalamazoo and many other older cities throughout the Northeast, Midwest, and South. The problem in

these locales is not that housing prices are too high but that they are too low. When housing values are depressed and there is no opportunity for appreciation, residents lack the incentive to maintain or improve their homes, and outsiders have no reason to locate in or near the urban core. Neighborhoods slip into disrepair and the cycle of downward pressure on value continues. While concerns about gentrification are legitimate, especially in the nation's largest cities, where housing is barely affordable for the middle class (and, perhaps not coincidentally, where most of the panelists live), there are communities in every state that would benefit from a program that puts some upward pressure on housing values. Also, as Bartik puts it, "The argument about the Promise pricing people out of the housing market could be made against any policy that improves the quality of life in Kalamazoo. If we want to lower rents for poor people in Kalamazoo, I know a surefire way to do it: allow crime to increase and school quality to deteriorate" (Mack 2006e). The panelists also worried about rising property taxes forcing poor people out the city, seemingly unaware that property taxes in Michigan have been capped through a variety of legislative actions and that the schools receive their operating funds from the state, not through property tax assessments.

A third concern in the ASHE session was related to the nature of the gift itself, with panelists questioning whether the Kalamazoo Promise had undermined democratic participation in the public schools. Alicia Dowd's argument, that the program "usurps the democratic process" is difficult to understand. The scholarship funds are quite clearly a private philanthropic gesture, similar to thousands of other scholarship programs and subject to the same regulations imposed by the Internal Revenue Service for the awarding of 501(c)(3) tax-exempt status. Kalamazoo Public Schools and the broader community could have chosen to reject it, but the idea that the donors should have engaged the community in debate about "how to allocate the available funds among students according to various definitions of need and merit" (Dowd 2006, p. 10) misses the point. It is in fact the unexpected, anonymous, and unrestricted nature of the Kalamazoo Promise that has made it such a powerful catalyst for change within the community.

THE KALAMAZOO PROMISE AS A SCHOLARSHIP PROGRAM

The college aid universe has changed greatly over the past several decades in response to four broad trends. First, the cost of college tuition has risen across the board at rates that far outpace inflation. In 2007–2008, the average cost of tuition and fees at public, four-year U.S. institutions rose 6.6 percent over the previous year, compared to an annual inflation rate of 1.5 percent. The cost of attending a public two-year institution increased by 4.2 percent over the same period, while average tuition at private four-year colleges rose by 6.3 percent.⁶ Over the previous decade, published tuition and fees rose at an average rate of 4.4 percent per year after inflation at public four-year colleges, 1.5 percent per year at public two-year colleges, and 2.9 percent per year at private four-year colleges (College Board 2007a).

Second, financial aid has failed to keep pace with the rising cost of tuition. Financial aid makes an important contribution to college affordability, with the actual price paid by students averaging well below the “sticker price.” (Full-time students receive on average about \$3,600 of aid per year in the form of grants and tax benefits at public four-year colleges, \$2,040 at public two-year colleges, and \$9,300 at private four-year colleges [College Board 2007a].) In addition, tuition and fees represent only a portion of education-related expenses; at the University of Michigan, for example, tuition and fees for 2008–2009 cost \$11,037 for in-state freshmen and sophomores, while room and board cost \$8,590 and books cost approximately \$1,048 per year (University of Michigan n.d.). Federal grants in particular have lagged the rise in costs. The federal Pell Grant is still an important source of aid, but even the maximum covers a much smaller proportion of total college costs than it did in the past—32 percent at a public four-year college in 2006–2007, down from 52 percent in 1986–1987 (College Board 2007b, p. 2). While Pell Grant funding in 2006–2007 was 73 percent higher in real terms than it was a decade earlier, the maximum amount provided to an individual student was unchanged between 2003 and 2007, and the average Pell Grant for 2006–2007 was \$2,494—the lowest level since 2000–2001. (The higher expenditures reflect an increase in the number of students receiving Pell Grants—5.2 million in 2006–2007 compared to 3.7 million in 1996–1997 [College Board 2007b].)

Third, loans account for an increasing proportion of college financing relative to grant aid. Total undergraduate funding in 2006–2007 was divided almost evenly between grants (46 percent) and loans (49 percent)—a marked shift from the predominance of grant aid prior to the 1990s. Nearly two-thirds of college graduates now leave school with some debt, up from less than half in 1993, and among those with loans the average debt has jumped from \$9,250 in 1993 to roughly \$21,100 in 2006, a 58 percent increase after adjusting for inflation. Pell Grant recipients (an indicator of modest family income) are more likely to have student loans and to borrow more than other students.⁷ The average amount borrowed (in real terms) has increased for students at every income level since 1992–1993 (College Board 2007b, p. 13). Parents, too, have increased their indebtedness on behalf of dependent children, with the number of parents taking PLUS loans increasing 92 percent between 1996 and 2006, and the average loan size increasing 39 percent in real terms (College Board 2007b, p. 11).

Fourth, there has been a shift in emphasis from aid based on financial need to that awarded for merit, especially at the institutional and state levels. Between 1995–1996 and 2003–2004, merit-based aid granted by colleges and universities grew by 212 percent while need-based aid rose by 47 percent. Merit grants awarded by colleges constituted 54 percent of all aid in 2003–2004, up from 35 percent just eight years earlier. Public spending has moved in the same direction. During the 1980s and into the early 1990s, state funds awarded without regard to financial need amounted to less than 10 percent of total state aid but, beginning in 1994, this proportion rose steadily to the point where today one in four state dollars is awarded without regard to need (Heller 2006b).

Scholarship programs can be categorized in a number of ways, two of the most important of which are the source of funds and the program's goals. Traditionally, grants from the federal government intended to make higher education more affordable have been the chief source of financial aid for low-income students. Federal involvement in broadening college access has an illustrious history. The GI Bill of 1944 paid for vocational training for 8 million World War II veterans and sent 2 million more to college. The program was generous, including monthly stipends as well as full tuition coverage. The GI Bill democratized America's system of higher education, which had previously been

restricted to the elite or the exceptionally talented, and helped set off an economic boom when millions of educated veterans entered the workforce. Today's main federal program, the Pell Grant, has its roots in the Higher Education Act of 1965, an important element of the War on Poverty initiated by the administration of President Lyndon B. Johnson. This legislation established federal scholarships for needy undergraduates and government insurance of private loans to students. Through amendments to the act in 1972, the Basic Opportunity Grant was created to provide a "floor" for an undergraduate's financial aid package to which other aid would be added. The Basic Grant also introduced the concept of "portability," offering low-income students funding that could be used at any institution as opposed to a grant from a particular college or university. In 1980, the Basic Grant was renamed the Pell Grant in honor of Rhode Island's senior senator at the time, Claiborne Pell.

During the 1970s, both funding and eligibility expanded, but the Reagan-era deficits and cutbacks in social spending of the 1980s led to tightened requirements and stagnant funding. (When President Ronald Reagan took office in 1980, the maximum Pell Grant covered 69 percent of the cost of attendance at a four-year public institution; when he left office eight years later, the proportion had declined to 47 percent [King 2000, p. 8, Table 1]). Ongoing budgetary pressures and the rising cost of the Pell Grant program due to increased eligibility led to a further decline in its value, while federal policy increasingly emphasized aid to middle-income students delivered mainly through tax benefits and subsidized student loans.

While federal aid has shrunk, statewide merit programs have proliferated (although they still account for a much smaller proportion of total grants than those based on need). Between 1990 and 2006, 14 states introduced broad merit scholarship programs available to all residents who meet certain criteria, usually involving a minimum grade point average (GPA) requirement of 3.0 in high school and sometimes a minimum score on a college-entrance exam. A minimum college GPA is also required for scholarship renewal. The scholarships, which are awarded to students regardless of family income, are paid for out of general funds, lottery revenue, or in some cases money from tobacco litigation settlements. States have identified three main policy objectives for such programs: increasing college access and attainment, rewarding

or encouraging academic achievement in high school and college, and keeping the best students from attending college out of state.⁸

In a series of papers on the impact of merit-based aid programs, Susan Dynarski of Harvard University finds that such programs substantially increase the college attendance rate while shifting students from two-year programs toward four-year colleges. She also finds that by reducing costs, merit-based programs improve college completion rates, especially for women (Dynarski 1999, 2000, 2002, 2005). Studies of the Georgia HOPE Scholarship Program, one of the nation's oldest and most thoroughly evaluated programs, suggest that the HOPE scholarship has affected where students choose to go to college, with more Georgia students opting to remain in state, but that the scholarship funds have gone mainly to students who would have enrolled in college anyway (Cornwell et al. 2006). Other research shows that, depending on the eligibility criteria, merit aid programs can disproportionately benefit middle-income students over low-income students, and white over minority students. For example, a study of the John and Abigail Adams Scholarship program in Massachusetts, eligibility for which is based solely on student performance in the statewide 10th grade English and math tests, shows that there has been little benefit to poor or minority students in the state (Heller 2006a). Another study of the Adams Scholarship finds that the increase in the public college attendance rate brought about by the program was due almost entirely to students already bound for college opting to attend public rather than private schools (Goodman 2007).

On the other hand, merit programs can be an important tool for broadening college access depending on how they are structured. Oklahoma's Higher Learning and Access Program operates the statewide Oklahoma Promise scholarship program. Its relatively low high school GPA cutoff (2.5, as opposed to the more typical 3.0) and high-income cutoff (families with incomes of up to \$100,000 at the time the student starts college are now eligible) means that it has the potential to enroll a greater proportion of the state's high school students than other merit-based programs.⁹ An early commitment process in which students are recruited for the program in 7th and 8th grade and must sign up for it no later than 10th grade provides an incentive for students to complete high school. Students enrolled in the program tend to have above-average GPAs, ACT scores, college-going rates, college persistence,

and degree completion rates, although questions remain about whether these achievements are the result of participation in the program or whether it is the higher-achieving students who are enrolling (as is the case in other statewide merit programs). The motivation for the program, which cost taxpayers \$33.8 million in 2006–2007, is to boost college graduation rates in a state where only one in five residents has a college degree. In 2006–2007, the program passed the \$100 million mark in terms of scholarships awarded, and Oklahoma has improved from 47th to 42nd place among the 50 states in terms of its six-year college graduation rate (National Center for Higher Education Management Systems n.d.).

Michigan, too, has a merit scholarship program, although the criteria for qualifying are much more stringent than in Oklahoma. The original Michigan Merit Award program, in place for the high school graduating classes of 2000 to 2006, was based on a student's performance on a series of standardized tests. Renamed the Michigan Promise Scholarship in 2006, the program now offers more funding (up to \$4,000 instead of \$3,000) and is available to all students who have taken the Michigan Merit Exam while in high school, have completed two years of postsecondary education, and have a cumulative college GPA of 2.5. Coming two years into a student's postsecondary education, the award is designed as an incentive for additional years of schooling. This is an important consideration in light of Michigan's low rates of college attendance and completion and the state's current economic challenges, but it does nothing to address the needs of students who do not have the resources (monetary or otherwise) to attend college in the first place.

Another important source of financial assistance is institutional aid granted by colleges and universities, whether public or private, out of their own resources. These funds come either from donations or tuition revenue designated for scholarship purposes, and are used to create a more diverse student body or recruit students with specific attributes, such as athletic or academic talent.¹⁰ Institutional aid is usually comprised of some combination of private and public funding, but the privately funded scholarship field extends well beyond that provided by colleges themselves. In 2003–2004, 1,276,000 undergraduates received private scholarships (excluding aid from the government, employers, and colleges) amounting to a total of \$2.53 billion (U.S. Department of Education 2005). FastWeb, one of the many scholarship search engines

available on the Internet, includes in its database 1.3 million scholarships worth over \$3 billion. Some of these are small, contributing only a fraction of a student's overall costs, while others provide a full ride. The largest privately funded effort is the Bill & Melinda Gates Foundation's Millennium Scholars program, designed to increase access to higher education for talented minority students. The foundation has committed \$1 billion to support 20,000 scholarships over a 20-year period; low-income students of color with high GPAs and demonstrated leadership skills apply for the scholarship when they reach the 12th grade.

Other programs that seek to increase college access for disadvantaged groups have taken a different approach, enlisting students at an earlier age and providing them with various types of support before high school graduation to ensure that they are prepared for success in college. One example is the Kauffman Scholars program, established in 2003 with a \$70 million endowment from the Kansas City-based Ewing Marion Kauffman Foundation and serving 200 students per year from the Kansas City area. Participants enroll in the program in 7th grade and receive academic support, life coaching, college and career planning, and ultimately scholarship assistance. Programs such as this one differ from traditional competitive scholarship programs in that they identify potential recipients before they reach high school, and participation is based on potential success rather than past achievement. The Legacy Scholars program in Battle Creek, Michigan, funded through a \$4 million endowment contributed by the W.K. Kellogg Foundation in honor of its 75th anniversary in 2005, is modeled along similar lines. Originally structured to serve 500 6th grade students each year based on nominations by teachers, parents, pastors, and other community members, the program was expanded in 2006 to cover every 6th grade student in the two local public school districts. (This change was motivated in part by a reluctance to participate by families who resisted the "at-risk" designation that the Legacy Scholars program was initially designed to address.) The program provides multifaceted support services to youth and families throughout their middle- and high school years, as well as last-dollar scholarships for students to attend the local community college.

Still other initiatives begin even earlier. Under the "I Have a Dream" model, an individual sponsor adopts a single early elementary class or grade level and works with that cohort of children and their families

through high school with the support of a project coordinator. The long-term commitment of mentoring, tutoring, enrichment, and tuition assistance is designed to motivate and empower children from low-income communities to set high educational and career goals. The premise is that if children grow up knowing they will have the resources to attend college and are surrounded by a group of peers and adults who expect them to do so, they will plan accordingly.¹¹ (The expectation of a cultural change in the schools as a result of the Kalamazoo Promise is based on a similar premise.) Early intervention programs such as this one draw on a substantial body of research showing that investments in an individual's human capital generate the highest returns when they occur at a young age. Among those to make this argument most forcefully is James J. Heckman, the University of Chicago professor and Nobel Prize-winning economist, who has quantified the economic and social benefits of early investments in children's cognitive and noncognitive skills (Heckman and Masterov 2007). In 2007, Brookings Institution scholars Jens Ludwig and Isabel Sawhill released a proposal for helping every child achieve success in school by age 10 (Sawhill and Ludwig 2007), and evidence for the long-term economic benefits of universal, high-quality preschool continues to mount.¹²

One of the criticisms leveled at the Kalamazoo Promise is that it neglects this critical element of student support by channeling all the donors' resources into the scholarships themselves. A local resident may have overstated the case when she wrote, "I would think that the visionaries of this golden egg would instead invest their money in providing the foundation for the college-bound student instead of the prize at the end of a rocky and subpar journey" (McLeod [2005]), but it is true that the Kalamazoo Promise in and of itself does nothing to increase the resources needed to ensure student success. As a result, some community members voiced concern early on that in a district where large numbers of low-income and minority students fail to graduate from high school, the scholarship program would be most likely to benefit those students planning to attend college in any case.

But the Kalamazoo Promise has something going for it that almost no other scholarship program does: it is available to all high school graduates in the district, regardless of academic performance, income, race, or any other criteria. The universal availability of scholarships (provided KPS graduates have met the four-year attendance and resi-

gency requirement) is critical to understanding the potential of the Kalamazoo Promise as a catalyst for community transformation. Among the vast array of college scholarship programs, scholarships like this are exceedingly rare. Apart from the Philomath example cited earlier, there are two other universal-access programs that warrant mention. The first is an unusual federally funded program in Washington, D.C. that expands higher education choices for college-bound residents of the district. The DC Tuition Assistance Grant (DC TAG) is available to all high school graduates residing in the District of Columbia regardless of financial need or merit, and covers the difference between in-state and out-of-state tuition and fees at any public college or university in the nation. The program's main purpose is to expand the range of choices for college-bound residents of the district, but it has also helped to retain the district's middle-income population, something that many hope the Kalamazoo Promise will do as well. Since DC TAG was launched in the 2000–2001 school year, the college enrollment rate of District of Columbia's Public Schools graduates has doubled (although the graduation rate remains lower than the national average for low-income, minority districts). Eleanor Holmes Norton, the District of Columbia's delegate in the House of Representatives, has underscored DC TAG's wide appeal, saying, "It's hard to find a program that is more popular in the District among all groups of people. It has gotten the same reception in our wealthy neighborhoods as in our poorest" (Files 2006). In this case, the availability of generous scholarship funding with few strings attached seems to have increased substantially not only the choice of where, but also of whether to go to college on the part of many district youth (Kane 2007), while its universality has secured broad public support.

A second example of a universal-access program that has had a positive impact on college attendance rates is one initiated by former Senator John Edwards in Greene County, North Carolina, a rural area in which only 8 percent of the population has a bachelor's degree or higher, compared to the U.S. average of 24 percent (U.S. Census Bureau 2000). Beginning with the class of 2006, the program, funded by a foundation established by Senator Edwards, provides all graduates of Greene Central High School with scholarships covering in-state tuition, fees, and books for the first year of college at any of the state's 16 public universities or 58 community colleges.¹³ Any high school graduate who

has resided in North Carolina for at least three years is eligible, provided he or she maintains a 2.0 GPA in college and commits at least 10 hours a week either to a work-study job or community service. Despite providing only a single year of last-dollar funding, the program has had striking results. In a setting where historically only 25 percent of high school graduates have gone on to postsecondary education, more than 80 percent of graduating seniors from the Greene Central class of 2006 applied to college, with 86 students ultimately receiving more than \$300,000 in aid. Of these, 72 students completed their freshman year. The program was extended to the class of 2007, with 105 students attending college as of fall 2007 and another \$300,000 in scholarships scheduled to be disbursed.¹⁴

The College for Everyone story suggests that while money is important, it is far from the only—or even the primary—barrier to postsecondary education for many individuals, especially those from homes where college attendance is not the norm. Two factors, apart from the scholarship funds, seem to account for the early positive results of this program. The first is a cultural change within Greene County High School that predated the introduction of College for Everyone and was in fact the reason it was selected as a pilot site for the program. The community's educational and civic leaders, recognizing the importance of postsecondary education in a radically transformed economy, had aligned their activities around this goal, actively encouraging local students to consider college and receiving a major federal grant in support of this effort. The second element is a comprehensive college preparation program provided to every senior at Greene Central High School. The nationally known college preparation firm College Summit was hired to train teachers and advisers to provide students with the information they need to successfully navigate the high school-to-college transition. About one-third of the incoming senior class in 2006 attended summer programs at two state universities where they wrote their college application essays and began work on their financial aid application forms. In the first week of class, these students served as peer leaders who, along with their teachers, helped other seniors begin these same activities. Every senior is enrolled in a class called "Senior Navigator"; as an incentive for completing their college preparation tasks, those seniors who are up to date with their work are taken on a college tour with all expenses paid by the school. In a demonstration

of the power of peers, in October 2006, only 10 students were eligible for the tour. By December, 30 students participated, and by March, 55 students had joined the group. Over the summer, students from the class of 2006 who attended college (whether successfully or not) returned to the community to share their experiences and insights with a new crop of seniors.

The early results of the College for Everyone program provide powerful ammunition for the idea that it is not just about the money—that the college-going support and cultural change that permeates Greene County High School is at least as important as the promise of a single year of funding. And what happens after that first year? The conclusion of those involved with the program and outside observers is that once students understand the college application process and availability of financial aid, once they have had success in applying to and being accepted to college, and once they have made the transition and spent a year as a college student, the barriers to continued attendance come down, even in the absence of full scholarships.¹⁵

Apart from these few examples of place-based, universal scholarship programs, the Kalamazoo Promise has few precursors and none of a similar scope. Many more such programs are on the horizon today because of the powerful demonstration effect provided by the Kalamazoo Promise on communities around the nation. Closer to home, the program had an impact on state policy, with Governor Jennifer Granholm proposing a plan for replicating the program throughout Michigan. The legislation would establish “Promise Zones,” public/private partnerships that tap future state revenue to fund scholarships in high-poverty communities, provided matching local resources are invested as well.¹⁶ In unveiling her plan, the governor underscored the linkage between education and economic development, saying that “economists and experts across the country agree that education is the single most effective strategy for stoking a state’s economic growth.” And she charged the legislature to invest more in the state’s educational infrastructure, quoting Bill Gates as saying that twenty-first-century businesses are far more sensitive to the quality of talent in a given location than they are to tax incentives. “These twenty-first-century CEOs will tell you,” Granholm continued, “no business wants to come to a state that is making deep cuts in schools when their future business success depends on having access to skilled workers” (Granholm 2007). While Michi-

gan Promise Zones were billed mainly as a program to increase student access to higher education, their structure and the current state of the Michigan economy leave little doubt that their ultimate purpose is local economic development.

THE KALAMAZOO PROMISE AS AN ECONOMIC DEVELOPMENT STRATEGY

Place-based economic development is nothing new. For half a century, cities, regions, and states have pursued strategies to increase the number of jobs available for residents, expand the tax base, and improve the quality of life. Since their large-scale adoption in the 1960s, local economic development policies have passed through three stages: Until the early 1980s, the focus was on strengthening a community's infrastructure to increase its appeal to outside investors. From the 1980s to the mid-1990s, the emphasis was on customized aid for specific businesses and industries, including the creation of business incubators, start-up support, and technical assistance. Beginning in the late 1990s, communities began to adopt more holistic approaches intended to make the entire business environment more hospitable. Greater support for the development of business clusters, an emphasis on workforce development and education, the creation of public/private partnerships, and attention to quality of life indicators are elements of this effort (World Bank n.d.). As shown in Chapter 2, Kalamazoo's economic development efforts broadly followed this trajectory, from the construction of the downtown pedestrian mall in 1959 to the comprehensive, cluster-based strategy advocated 50 years later.

The World Bank has categorized local economic development efforts as follows, with communities choosing to pursue some or all of these elements:

- ensuring that the local investment climate is functional for local businesses
- supporting small and medium-sized enterprises
- encouraging the formation of new enterprises
- attracting external investment

- investing in physical (“hard”) infrastructure
- investing in soft infrastructure (educational and workforce development, institutional support systems, and regulatory issues)
- supporting the growth of particular clusters of businesses
- targeting particular parts of the city for regeneration or growth
- supporting informal and newly emerging businesses
- targeting certain disadvantaged groups (World Bank n.d.).

Kalamazoo’s economic development efforts encompass the entire list and are carried out by multiple entities, some with overlapping responsibilities. These include:

- Southwest Michigan First, a nonprofit organization that receives both public and private funding. Southwest Michigan First focuses on business recruitment and retention at the regional level. Its creation in 1999 marked an important shift from economic development being the responsibility of local governmental agencies to a regional and private sector–led approach (Johnson 2005).
- Southwest Michigan Innovation Center (SMIC), an incubator and business accelerator that provides start-up assistance to bio-science companies. Located in the WMU Business Technology and Research Park, SMIC’s tenants have access to state-of-the-art, advanced lab facilities, as well as the opportunity to share essential business services with other firms.
- The Kalamazoo County Chamber of Commerce, a membership organization that offers a variety of programs and partnerships to assist businesses and the Kalamazoo County Convention and Visitor’s Bureau, with responsibility for marketing the community as a conference venue and tourist destination.
- The city of Kalamazoo and city of Portage each with its own economic development department charged with promoting growth within the cities’ boundaries. In Kalamazoo, these efforts have focused on brownfield redevelopment, the downtown district, and neighborhood revitalization.

- Downtown Kalamazoo Inc. (DKI), the development agency for the downtown area, founded in 1989 and funded in part by revenues from a tax increment financing district.
- KVCC, offering vocational education and associate's degrees in a wide range of fields and operating the Michigan Technical Education Center (M-TEC), a training center built with state and private funding. M-TEC works in partnership with local and state economic development agencies to offer employer-driven, customized training to support the workforce needs of companies in the region.
- Neighborhood organizations, such as the Northside Association for Community Development and the Vine Neighborhood Association, which focus on the commercial and residential revitalization of low-income neighborhoods.

As is the case for other issue areas, this multiplicity of organizations reflects a wealth of institutional assets at the same time that it poses a challenge for coordination and integration.

The Kalamazoo Promise provides a common goal and vision in this fragmented landscape and one in keeping with the latest thinking in economic development that emphasizes human capital and quality of life as critical factors in keeping businesses connected to a community. Firms have become more footloose in recent years thanks to lower costs of transportation and communication and the shift from manufacturing to service provision; as a result, recruitment and retention efforts are easiest in a city that is home to the kind of workers businesses value. As Adam Smith put it 200 years ago, “a man is of all sorts of luggage the most difficult to be transported” (Smith 1776).¹⁷

A Michigan-based consultant writing shortly after the Kalamazoo Promise was announced recognized this important shift from past economic development approaches to a human capital-centered strategy:

Communities facing hard times have traditionally focused on such things as new public buildings, business parks, and the like as a means of enticing new employers and new residents to a community. Temporary tax breaks and incentives have also been tried frequently. Success has been limited. The Promise is different. The enticement of new residents to the community to take advantage of funding of their children's college educations is a strong one. Giv-

en tight labor markets across the nation, new companies are also likely to consider Kalamazoo as a place to do business as they see a rising population. The lure of more and more college graduates in the local labor force in coming years is also a powerful incentive to locate a business in Kalamazoo. (Thredgold 2007)

By situating education at the center of the community's economic development strategy, the Kalamazoo Promise emphasizes the value of human capital and provides a tangible incentive for its creation.

Education, Productivity, and Economic Growth

Assuming that economic development is the underlying goal of the Kalamazoo Promise (a reasonable assumption given its structure and likely outcomes), why are college scholarships the cornerstone of the program? The short answer is that education is possibly the most important factor in a community's economic success. The longer answer rests on the premise, found throughout the economics literature, that education has the very real potential to increase an individual's productivity and that productivity is in turn the key to economic growth. In Chapter 1, the Kalamazoo Promise is characterized as an initiative with the potential to increase the economic, social, and human capital of the Greater Kalamazoo region. Human capital can be defined as "the stock of skills that people are endowed with or acquire through investment in training and education, and which renders them more productive in their work" (Johnes 2006). Most economists believe that the greater an individual's human capital, the more productive he or she will be as a worker. This is what underpins the wider range of job choice and higher earnings of the skilled or educated worker.

But the benefits of education do not accrue only to the individual. The logic of capitalism requires that businesses seek to maximize productivity. One of the chief mechanisms for doing this is to assemble a well-trained and productive workforce. Because access to such a workforce is critical to business success, cities or regions rich in workers with high human capital are among the most appealing places for businesses to locate.

Edward L. Glaeser of Harvard University and Albert Saiz of the University of Pennsylvania are among the many economists who have explored the connection between workers' skills and regional economic

growth (Glaeser and Saiz 2003). They find that, apart from climate, (which, along with immigration, is the most important driver of metropolitan population growth in the United States), “skill composition may be the most powerful predictor of urban growth. This is both a boon to the skilled cities that have done spectacularly over the past two decades and a curse to the cities with less skilled workers that have suffered an almost unstoppable urban decline” (p. 42). Glaeser and Saiz argue that human capital matters most in potentially declining places. Skills are most valuable in these settings because they help cities adapt and change in response to negative economic shocks. This finding has clear implications for urban policy: “City growth can be promoted with strategies that increase the level of local human capital” (p. 43), including the provision of quality public schools. A high-quality educational system plays two roles, attracting educated workers to a community while producing more of them through graduation and access to higher education.

The Kalamazoo Promise and programs modeled on it are good examples of this dual dynamic. The availability of scholarships creates an incentive for workers and businesses who value education to move to or remain within the community. At the same time, it increases pressure on the public school district to educate and graduate students who are prepared to pursue some kind of postsecondary education. Over time, these two paths should converge to yield a more highly skilled local workforce.

Elaborating on the education-economy connection, Glaeser and Christopher R. Berry of the University of Chicago show that regions with skilled workforces (“smart” regions) experience higher rates of population and income growth than those without these assets (Glaeser and Berry 2006). Their research finds that regions where more than 25 percent of the population had college degrees in 1980 saw their population surge by 45 percent on average over the subsequent 20 years, while low-skilled metropolitan areas (those where fewer than 10 percent of adults had college degrees in 1980) grew on average by just 13 percent. In addition, even unskilled workers located in the “smart cities” earned significantly more than their counterparts in metropolitan areas with lower levels of educational attainment. And the gap in educational attainment between skilled and less-skilled areas has accelerated. One possible reason for the widening gap is that entrepreneurs of the past

tended to hire large numbers of unskilled workers (think Henry Ford), whereas today's most successful businesses rely on highly educated workers (think Bill Gates). In a virtuous circle in which smart places are getting smarter, regions with an initial advantage in human capital are better able to attract employers who provide jobs for workers with high levels of skills and education.

Other research has shown that an increase in a metropolitan area's concentration of college-educated residents has a positive effect on employment growth (Shapiro 2006), while cross-national comparisons suggest that the educational level of the population is an important factor in a country's competitiveness in the global economy. Within a community, the presence of institutions of higher education can also contribute to economic growth. Even if the direct impact on growth is debatable (Federal Reserve Bank of Chicago 2007), universities play a critical role in workforce development and as a resource for businesses seeking to develop or apply new technologies. Kalamazoo's Business Technology and Research Park, which shares a campus with WMU's College of Engineering and Applied Sciences, is an example of the kind of collaboration that can emerge in a community that is home to a research university. Higher education institutions also serve as an amenity for those who live near them. College sports, cultural events, recreational facilities, and continuing education are among the benefits provided by such institutions. In Kalamazoo, for example, one of the community's two major fine arts facilities is located on the campus of WMU, while WMU, Kalamazoo College, and Kalamazoo Valley Community College (KVCC) offer programming for adults and youth that ranges from traveling Broadway shows and hockey lessons to evening language classes and dance performances.

The Demand Side: Strategies for Job Creation

The research summarized in the previous section focuses on how the existence of an educated workforce is connected to better economic performance. But educated workers do not move to or remain in a region if they can't find jobs. Turning from the supply to the demand side of the equation, how have local economic development authorities sought to attract and retain those employers with an interest in hiring

educated workers? In other words, where will the jobs for these more productive workers come from?

In the Greater Kalamazoo region, the business recruitment and retention function falls largely to Southwest Michigan First. With the longtime presence of the Upjohn Company and Western Michigan University, Kalamazoo has long fit the profile of a smart city as Glaeser and Berry (2006) define it; residents of Kalamazoo and Portage, the county's two largest municipalities, far outpace both the state of Michigan and the nation in terms of the percentage of the population with at least four years of college (see Table 3.1). The gap is even larger at the master's and doctorate levels.

In an effort to retain the region's intellectual and financial capital in the aftermath of corporate downsizing (especially the loss of the Upjohn/Pharmacia/Pfizer headquarters and research divisions), Southwest Michigan First has pursued a regional cluster strategy that focuses on the life sciences. The identification and pursuit of this strategy, which dates from the late 1990s, reflected the conviction that Kalamazoo's 125-year legacy of life science innovation represented an asset that could translate into long-term economic growth.

Industry clusters are geographic concentrations of interconnected firms that share common markets, technologies, and labor pools, and that are often linked by buyer-seller relationships (Citizens Research Council 2007b, p. 6).¹⁸ The role of clusters in economic development has received growing attention in recent years as a way for regions to build on their unique strengths rather than trying to imitate the paths of other successful communities. A cluster strategy also brings economies of scale, allowing economic development authorities to focus

Table 3.1 Educational Attainment—Residents with Four Years or More of College (%)

	1970	1980	1990	2000
City of Kalamazoo	17.0	26.8	29.8	32.8
City of Portage	16.9	25.5	31.3	36.9
State of Michigan	9.4	7.2	17.3	21.8
United States	11.0	17.0	21.3	26.0

NOTE: All numbers are for population age 25 and above.

SOURCE: U.S. Census Bureau.

their resources not on individual firms but on groups of firms and the support they need in terms of skills, technology, financing, training, infrastructure, communications, and the regulatory climate (Economic Development Administration 1997). Cluster-based economic development activities include facilitating consortiums and research of value to an industry, developing and providing customized training, providing physical infrastructure, and offering incentives to attract and grow firms in the cluster.

Cluster strategies are often conceived of at the regional level. In west Michigan, for example, Southwest Michigan First has joined forces with the economic development authority of Grand Rapids, 50 miles away, to pursue the life science field together. The leaders of this effort envision a “mega-metropolitan area” encompassing much of west and southwest Michigan, akin to North Carolina’s “research triangle”—a stellar example of a successful cluster strategy. Already, close to 200 pharmaceutical, medical device, biomedical, and health service companies are listed on the Web sites of both organizations under the heading Western Michigan Life Science Companies.¹⁹

A crucial aspect of regional economic development is connecting businesses to sources of capital. In Kalamazoo, the Bank Consortium for Innovation brings together local financial institutions to provide information and financial coaching to companies, expand the capital market for entrepreneurs and firms that are diversifying, and serve as a link between traditional lending and growing venture capital activity. There are also several venture capital funds that are devoted to providing resources for local companies with promising discoveries in the life sciences field, as well as an “angel network” that provides investments of between \$250,000 and \$1 million and mentoring to start-up businesses.

Many of the economic development resources in the Kalamazoo region have gone into retaining those scientists who lost their jobs in the pharmaceuticals industry in the 1990s and attracting investment in related fields. But overreliance on an industry cluster can have its dangers, as the decline of the Detroit-based automotive industry has shown, and some question whether the life science field is the best choice for the region given the many other areas around the country pursuing a similar goal. In the case of Kalamazoo, the region’s relatively diverse industrial base seems to have shielded it from the kind of sharp down-

turn experienced in single-industry towns, such as Flint, or even the Detroit area. Accordingly, efforts are also in place to preserve that diversity by building on past success in manufacturing; attracting new kinds of businesses, such as call centers, to the region; and developing a supportive environment for entrepreneurship of all kinds.

Strengthening the Urban Core

The economic development strategies outlined above are critical in attracting high value-added employers to a region, but the Kalamazoo Promise scholarship program is offered specifically to students in the urban school district that lies at the region's core. Accordingly, community leaders included both regional economic development and the revitalization of the core city among the four strategic priorities they devised when thinking about how to leverage the Kalamazoo Promise most effectively (see Chapter 4).

Why did the donors select as the target of their generosity a shrinking urban school district that serves a student body made up mainly of low-income and minority children? Most likely, this choice reflects a growing understanding that a region is only as strong as its core. As Dreier, Mollenkopf, and Swanstrom (2001, p. 25) write, "Regional economies are integrated wholes, with different parts of the metropolitan area specializing in different economic functions . . . Older central cities continue to provide large pools of private assets, accumulated knowledge, sophisticated skills, cultural resources, and social networks." There is also a new recognition of the economic and environmental costs of urban sprawl, which is arguably more expensive than other, more compact forms of development (Burchell et al. 2005).

While a few of the nation's largest cities have remained vital, most urban areas lost population, wealth, and influence during the past several decades. In his insightful account of the decline of Detroit, University of Pennsylvania historian and sociologist Thomas J. Sugrue identifies three forces that he argues accounted for the urban crisis in metropolitan areas across the nation: the flight of jobs, especially the unionized manufacturing jobs that characterized the post-World War II urban economy; the persistence of workplace discrimination; and racial segregation in housing that led to an uneven distribution of power and resources in metropolitan areas. It is worth quoting from Sugrue (1996,

pp. xvii–xviii) at some length about the current state of the urban American landscape and particularly the role of race in shaping it:

Despite more than half a century of civil rights activism and changing racial attitudes, American cities (particularly the old industrial centers of the Northeast and Midwest) remain deeply divided by race. Poverty rates among people of color in major American cities are staggeringly high. Vast tracts of urban land lie pockmarked with boarded-up buildings, abandoned houses, and rubble-strewn lots. At the same time, hundreds of thousands of acres of marshland, meadow, farm, and forest on the periphery of major metropolitan areas get gobbled up each year for vast tracts of new housing, shopping malls, and office parks. City governments struggle with shrinking tax bases and ever-increasing demands on public services, while wealthy suburban municipalities enjoy strong property tax revenues, excellent public services, and superb schools.

Others have shown in more detail how this landscape emerged. In *Metropolitics*, Myron Orfield (1997, p. 16) traces the decline of once vibrant, middle-class neighborhoods in the urban center into tracts of concentrated poverty through what he calls the “vacancy chain”:

A household move to a new unit at the periphery creates a vacancy at the old address, to be filled by another household, which leaves a vacancy at its old address, and so on. Building new housing at the periphery sets in motion vacancy chains reaching far back into the city’s central core. Thus the more rapid peripheral growth of middle-class sectors leaves excess housing and low demand at the center of its vacancy chain. As demand declines, so too does price, opening up opportunities for the region’s poor people . . . As these [central] neighborhoods grow poor, social and economic decline accelerate, pushing the middle class out while the vacancy chain simultaneously pulls these residents outward . . . Ironically, as the various economic classes leave central-city areas, all the social and economic changes that occur in the core of their sectoral housing markets eventually follow them through the vacancy chains out into the suburbs.

With unemployment, racial segregation, and single-parent homes coming to dominate the older, poorer neighborhoods, residents grow increasingly isolated from middle-class society and the private economy. “Individuals, particularly children, are deprived of local successful role

models and connections to opportunity outside the neighborhood” (Orfield 1997, p. 18). Crime is the last resort in such communities.

Theoretically, public schools work against this dynamic, providing equal opportunity to all and serving as a way out for children from distressed homes and communities. In reality, however, schools take on the characteristics of the neighborhoods that surround them and perpetuate the cycle of decline. “It is the rapid increase of poor children in local schools . . . that sounds the first warning of imminent middle-class flight” (Orfield 1997, p. 38). David Rusk, the former mayor of Albuquerque and an authority on urban affairs, has demonstrated in a variety of studies that housing segregation almost always equates with school segregation. The concentrated poverty found in most urban school districts, which maps closely with race, is a mirror of the segregated neighborhoods created by middle-class flight. These neighborhoods are home to high-poverty schools that struggle to retain quality teachers, grapple with their students’ poverty-related behavioral problems, and almost always earn low scores on standardized tests. The reverse side of this neighborhood-school dynamic is that when neighborhoods become more diverse in terms of family income, so do their schools, with benefits for all students (see “Socioeconomic Integration in the Schools”).

Another challenge for urban areas and one that is especially pressing in Kalamazoo is the high degree of local government fragmentation discussed in Chapter 2. Rusk and Orfield both advocate regional integration as a way of overcoming the inefficiencies that result from multiple governing jurisdictions in a single geographic area. The chief remedy for the linked problems of declining core cities, deindustrialization and urban sprawl, according to Rusk, is for a city’s boundaries to be flexible enough for it to capture the growth in population and tax base that occurs in the suburbs. “For a city’s population to grow, the city must be ‘elastic,’ and if a city is not growing it is shrinking,” writes Rusk (1995, p. 9). Michigan is a state where local governments hold a relatively high degree of power, and Kalamazoo County is very much a “little box” system where multiple jurisdictions bump up against each other on all sides. These factors make it difficult to envision the solutions proposed by Rusk and Orfield, such as annexation of neighboring municipalities, consolidation of government functions, or even joint planning on a regional scale.

Socioeconomic Integration in the Schools

This section draws on extensive research on socioeconomic school integration carried out by Richard D. Kahlenberg of The Century Foundation. See, in particular, Kahlenberg (2006b). For a complete list of Century Foundation publications on the topic, see <http://www.equaleducation.org>.

Greater socioeconomic diversity in the Kalamazoo Public Schools is one of the most important potential outcomes of the Kalamazoo Promise. Since the 1970s, a combination of middle-class flight and structural economic change has led to a steady increase in the proportion of low-income children enrolled in the Kalamazoo Public Schools. The Kalamazoo Promise provides new incentives for middle-class families to move into the district and is also expected to stem the outward movement of the district's existing middle-class population. There is solid evidence to suggest that if these trends lead to the creation of mixed-income schools, student achievement across the board will rise.

The literature on socioeconomic school integration defines a school as mixed-income, or middle class, when fewer than 50 percent of its students qualify for the federally subsidized lunch program. When the Kalamazoo Promise was announced, the percentage of low-income students in KPS overall was 62 percent, with the low-income population at individual elementary schools ranging from 94 percent to 25 percent (the middle and high schools are already relatively integrated because there are fewer of them). With a relatively modest enrollment gain of middle-class students, KPS could become a mixed-income school district in only a few years.

What are the benefits of attending a school that includes students from diverse economic backgrounds? "While money matters a great deal in education, people matter more," writes Richard Kahlenberg (2007) of the Century Foundation, one of the leading experts on socioeconomic school integration. Myron Orfield, an expert in the decline of metropolitan regions, concurs: "Schools are not just instruction and textbooks but a complex web of social networks that reinforce student success or failure . . . Socioeconomically mixed schools improve poor children's academic achievement, high school graduation rates, and (most significantly) their access to further technical training, higher education, good jobs, and many other middle-class benefits" (Orfield 1997, p. 39). Parents, students, and teachers all play a role in this dynamic.

Parents. “It is an advantage to attend a school where parents are actively involved, volunteer in the classroom, and hold school officials accountable” (Kahlenberg 2007, p. 7). The reality of poverty means that low-income parents are less likely to be involved in their children’s schools than are middle-income parents. Research shows that parents in middle-class schools are four times more likely than those in high-poverty schools to be members of the Parent-Teacher Association. Middle-income parents are also more likely to volunteer in the classroom, particularly during the elementary years, and are in a better position to provide financial support, whether through fundraising drives or the donation of supplies and services. High levels of parental involvement are good for schools as a whole, not just for the particular child whose parents are involved, meaning that the benefits extend across the learning environment.

Students. The sociological literature on peer effects shows that students learn from each other as well as from their teachers. Children from middle-income families arrive at school with larger vocabularies than children from low-income families, and the vocabularies of students at all income levels benefit from such a mixed-income environment. Students also learn behavior from their peers. Most parents would like to send their child to a school where his or her peers are academically engaged, don’t skip class, and expect to graduate and go on to higher education. For a variety of reasons, these behaviors are found more often in middle-income than in low-income schools. If these behaviors dominate the learning environment, there is pressure on students from all socioeconomic backgrounds to conform to them.

Teachers. As a matter of public policy, it might make sense for the best teachers to be assigned to teach at the lowest-income schools, but in practice the opposite is true. Teachers in middle-class schools are more likely to be licensed, to be teaching in their fields of expertise, to have more teaching experience, and to have more formal education. They are also likely to have higher expectations of their students. For the most part, teachers consider it a promotion to move from a high-poverty to a middle-class school, simply because it is easier and often more satisfying to do one’s job in an environment where there are fewer behavior problems.

Integrating a few middle-class children into a high-poverty environment can be detrimental to their academic achievement, but as long

as there is a critical mass of middle-class students in a school, their achievement does not decline with the presence of low-income students. In other words, integration is not a zero-sum game in which gains for low-income children are offset by a reduction in the achievement of middle-class students.

Historically, school integration efforts have focused on achieving racial diversity in the interest of raising achievement levels among minority children and creating greater tolerance and understanding among children of all races. The U.S. Supreme Court ruling in 2007 that struck down school integration plans relying on race as a factor in student assignment was yet another blow to school districts hoping to integrate by race. But there is broad agreement that race-neutral alternatives, including family income, are perfectly legal bases for school assignment. And the overlap between race and economic status in the United States thus makes socioeconomic integration an effective, if indirect, path toward racial integration.

These multiple advantages have led approximately 40 school districts nationwide, educating 2.5 million students, to begin using socioeconomic status as a basis for school assignment, and many more are likely to do so in the wake of the Supreme Court decision. While the Kalamazoo Promise will almost certainly create greater income diversity within KPS, one of the big questions is whether socioeconomic integration will extend to individual elementary schools. One scenario is that the district integrates but the middle-income population clusters in certain schools, as is currently the case. If the middle-income population can ultimately be drawn into schools in poorer neighborhoods through the use of magnet schools and parental choice, Kahlenberg is hopeful about the impact of socioeconomic integration on student achievement in KPS: “*If* the college scholarship draws middle-class families into the district and, *if*, also, there is some effort at promoting equity within the school system—that is to say you don’t have one part of the district that is overwhelmingly middle class and another part that is poor (in other words, *if* you get economic school integration)—that will be far more important than any of the traditional approaches of spending money on high-poverty schools.”²⁰

What can an urban community do if its boundaries are not elastic? According to Rusk, the municipalities within the region can move toward regional land use planning to help control sprawl, ensure that all suburbs have their fair share of low- and moderate-income housing to help dissolve concentrations of poverty, and implement regional revenue sharing to help reduce fiscal disparities (Rusk 1999, p. 11). (In the 1990s, Rusk was hired to develop such a plan in Kalamazoo only to have it shot down by surrounding municipalities intent on retaining their autonomy and ill-disposed toward joining forces with the city of Kalamazoo, home to most of the region's poor and minority residents.)²¹ Another strategy for inelastic communities is to increase population density and the socioeconomic diversity of the urban core by enticing middle-class families to move into rather than out of the central city. This is one of the goals implicit in the Kalamazoo Promise and also a cornerstone of other efforts to revitalize cities.

The Creative Class and a Vibrant Downtown

The concept of the “creative class” developed by Richard Florida links the two strategies discussed above: worker productivity as a source of growth and the benefits of strengthening the urban core. Research by Nobel Prize-winning economist Robert Lucas has shown that denser urban areas enjoy an advantage in productivity because they combine people's creative energies in one locale. Building on this insight, Florida claims that the value of cities lies in their ability to centralize and thereby augment human capital: “Since places with more human capital grow more rapidly than those with less, urbanization (and the density that accompanies it) is a key element of innovation and productivity growth” (Florida 2005, p. 38).

Florida's arguments rest on the premise that place matters. Unlike those who believe that people make location decisions based on opportunities in the labor force, Florida maintains that many individuals, especially young people, choose a location first and then look for a job there. (A 2006 poll commissioned by CEOs for Cities offered some support for this claim, finding that two-thirds of college-educated 25- to 34-year-olds polled said that they will make the decision of where they live first then look for a job within that area [The Segmentation Company 2006].) University of Chicago sociologist Terry Clark has found

that it is not the natural amenities of sunshine and temperatures that draw high human-capital individuals to cities, but “constructed amenities” from arts and culture to high-quality restaurants (Clark 2003). For Florida, it is the Three T’s of technology, talent, and tolerance that “unleash the creative energy of lots of different groups trying lots of different things, some of which will make little difference and some of which will be successful” (Florida 2005, p. 54). In this he draws on James Surowiecki’s powerful insight about the “wisdom of crowds” in coming up with aggregate solutions to complex problems: “They don’t do so by all toeing the same moderate line, but rather by making independent and diversified guesses that can then be in some sense compiled. The natural variation that different human beings with different needs and desires bring to the table may, in this respect, be the most powerful tool we have for improving communities, regions, and nations” (Florida 2005, p. 54).

While investments in urban amenities targeted toward the creative class may help draw an increasing number of educated, skilled, and talented people to city centers, scholars such as Thomas Sugrue are skeptical about the ability of these trends to improve living conditions for most residents of urban areas. Writing about the cities of the rustbelt, Sugrue maintains that “there has been very little ‘trickle down’ from downtown revitalization and neighborhood gentrification to the long-term poor, the urban working class, and minorities. An influx of coffee shops, bistros, art galleries, and upscale boutiques have made parts of many cities increasingly appealing for the privileged, but they have not, in any significant way, altered the everyday misery and impoverishment that characterize many urban neighborhoods” (Sugrue 1996, p. xxv).

Regardless of where one comes down on this debate, cities may have little choice, according to Bruce Katz, vice president and director of the Metropolitan Policy Program of the Brookings Institution. Katz argues that drawing a critical mass of residents downtown is the key to urban revival and, ultimately, global competitiveness. “At a time of profound economic restructuring and demographic change, bringing residents downtown would have seismic implications. The critical massing of people would attract amenities that lure businesses and jobs for downtown and metro-area residents, shoppers and tourists and help stem the exodus of young workers” (Katz 2006a). Policies that support greater density in the urban core, rather than continued urban sprawl,

are also favored by the environmental and land use movements, and they have gained new traction with oil prices that make public transportation increasingly desirable and cost-effective.

Like Florida, Katz is an optimist about the future of cities, arguing that the demographic, economic, and cultural shifts under way in the U.S. economy have given cities their best chance in decades to compete for new residents, their jobs, and their spending power (Katz 2006b). In the 1990s, the nation's largest cities have actually seen population growth that outpaces the previous decade, and growth has continued since 2000 (Katz 2006c). Katz and his colleagues have proposed a set of new federal urban policy initiatives to support this uneven but potentially important urban resurgence. One of these strategies is to invest in the growth of the middle class through investments in education. "The key to growing an urban middle class is simple: education," writes Katz (2006c, p. 15). "With residential choice dependent on school quality, cities need to ensure that their schools can attract and retain families with broader options."

Paths to Success—the Interrelationship of Education and the Economy

This chapter has addressed sequentially the policy areas of educational access and economic development, but the two issues are interrelated. On the Kalamazoo Promise Web site, the reasons given for offering college scholarships to KPS students are phrased simply but touch on both elements:

- 1) Education is an important key to financial well being.
- 2) It allows KPS to differentiate itself from other public and private school systems.
- 3) It provides a real meaningful and tangible opportunity for *all* students.
- 4) The Kalamazoo Promise will create opportunities for individuals who attend KPS 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.

The program is designed to provide maximum benefit to long-term attendees of the district—reinforcement of the “stickiness” described above: “A desired outcome of the program will be to encourage families to make early decisions to enroll their students in Kalamazoo Public Schools, and to maintain that enrollment through graduation.”²²

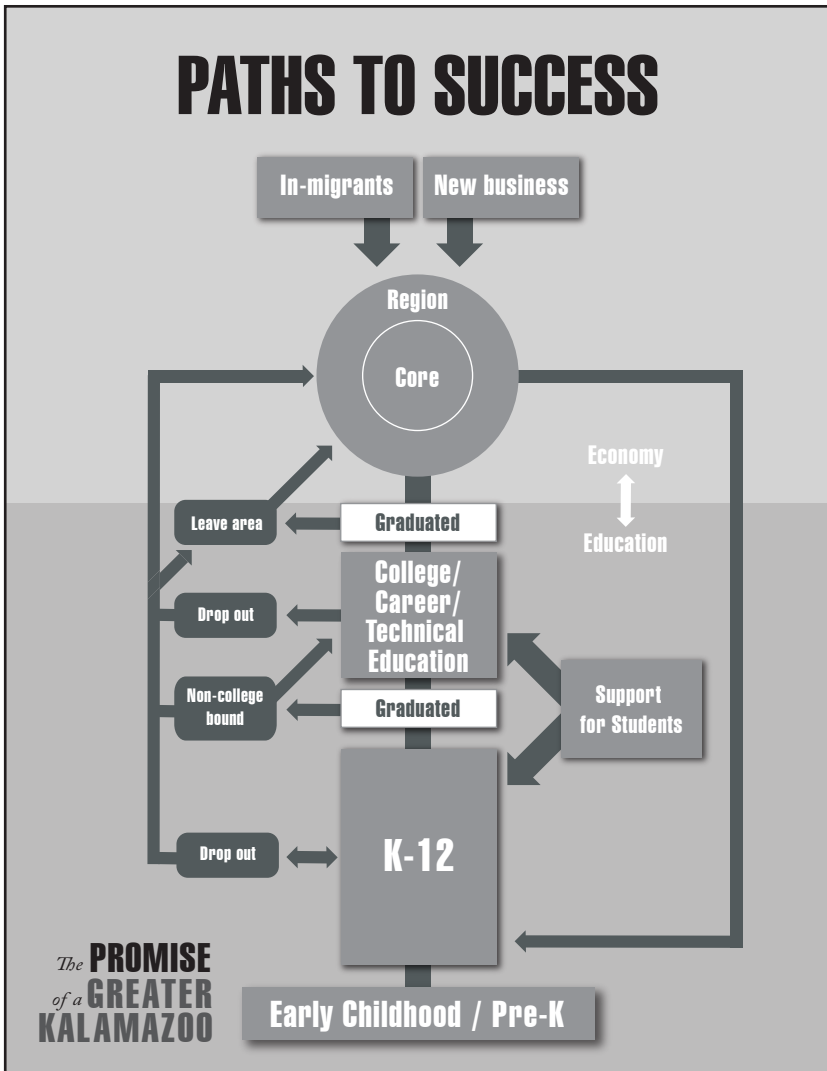
This emphasis on long-term enrollment and the strictly enforced residency requirement lend credence to the idea that there is more to the Kalamazoo Promise than simply increasing educational opportunities for local students. As recounted in Chapter 2, Kalamazoo is in many ways a microcosm of the nation’s older urban areas, a smaller and less acute case of the urban crisis described by Sugrue: a core city characterized by declining population, an increased percentage of low-income and minority residents, the deterioration of infrastructure, housing that is segregated by race and income, school attendance that corresponds largely to these segregated housing patterns, and higher crime rates than in surrounding suburbs. A climate such as this requires a powerful intervention to reverse negative trends long under way.

The Kalamazoo Promise is clearly meant as such a transformative investment—one that changes the incentives for diverse actors with attendant benefits for both educational attainment and the local economy. The W.E. Upjohn Institute developed Figure 3.1 to show the linkages between the educational and economic systems, as well as the critical decision points students and the community face on the path to success.

Pre-K through 12th grade education

The Kalamazoo Promise and programs modeled on it begin with the individual student enrolled in the public school district (some programs outside Kalamazoo also cover parochial schools situated in the urban core). The availability of full college scholarships to long-term residents creates an incentive for families with school-age (or younger) children to remain in or move into the district. Likely outcomes include increased public school enrollment, higher graduation rates, and a greater likelihood of high school graduates going on to some kind of postsecondary institution. Strong incentives are also created for the school district and community support organizations to provide the resources necessary for all students to take advantage of the available scholarships. This includes not just efforts to ensure that lower-achieving

Figure 3.1 Paths to Success



SOURCE: W.E. Upjohn Institute for Employment Research.

students are able to pursue and succeed in a postsecondary program, but also initiatives to keep higher-achieving students challenged and engaged. A related component is the need for effective, high-quality preschool and early childhood programs to ensure that all children start school prepared for success. Critical to all of these efforts are school- and community-based strategies to support parents and families, and to create a culture of college-going for youth of all backgrounds.

College, career, and technical education

Depending on the availability of local higher education options, students may choose to pursue their postsecondary studies or training within or outside the region. (In the case of the Kalamazoo Promise, students who decide not to continue their education immediately after graduation have the option of doing so at a later date because their scholarships can be used anytime within 10 years of graduation.) High rates of local college attendance have been seen with the first two classes of Kalamazoo Promise students—a pattern that strengthens the enrollment of local colleges and universities and keeps scholarship dollars within the region. Students who go away for college may choose to return to the community; conversely, students who attend a local postsecondary institution may move away after they graduate. In the aggregate, however, increased rates of high school graduation and postsecondary attainment for local youth should over time create a better-educated local workforce. Here, too, there is a strong incentive for postsecondary institutions to provide the support necessary for students—many of them first-generation college-goers—to succeed in their college or career/technical programs. The new opportunities provided by the scholarships also can serve as a catalyst for closer integration of postsecondary institutions and K-12 schools, as well as deeper engagement of area businesses in helping students define their career paths.

Workforce and economic development

The scholarship program offers short- and long-term advantages to businesses in both the urban core and the broader region. Companies in either locale can use the program as an incentive to recruit or retain employees, since workers can opt to live within the school district's boundaries where their children will qualify for the scholarships. The

scholarship is also an enticement for entrepreneurs, freeing up college savings for business investment purposes. For businesses outside the region, the scholarship program provides the same tangible incentives, as well as an intangible but powerful signal that the community is one that values and invests in education. (The quality of the public schools is a critical factor in business location and expansion decisions.) As businesses relocate to or expand within the region, jobs and economic activity (such as home purchases and discretionary spending) will be created that benefit both existing and new residents. College graduates who left the area to attend school or work in a larger city may choose to return, especially when they are ready to buy a home or start a family. Increased regional economic vitality, together with the scholarship program, will support population growth, which will in turn contribute to increased enrollment in the public schools.

By targeting its scholarships toward students in the region's urban core, the Kalamazoo Promise overnight increased the attractiveness of the city to existing residents and created a magnet to draw in new residents and businesses. Many individuals without children also consider it a plus to live in a community that embraces education as the centerpiece of its economic development strategy. While these incentives are important, the extent to which the scholarship program can serve as a catalyst for broader economic and social transformation depends on several factors. Some of these, such as the condition of the state or regional economy, are largely beyond local control. Other incentives, however, are up to the community. Chief among the community's challenges are to ensure that the connection between education and economic vitality is broadly understood and that the potential regional benefits of the scholarship program are recognized.

Notes

1. For more information about the Clemens Foundation and Philomath, see Sabo (2002a) and Associated Press (2005). Filmmaker Peter Richardson, a graduate of Philomath High School, documented the dispute in a full-length documentary, "Clear Cut: The Story of Philomath, Oregon," which was shown at the Sundance Film Festival in 2006.
2. For the story of one such town, see Miller-Adams (2002, Chapter 3).
3. The IRS and state authorities approved the changes made to the scholarship

- program based on the fact that the Clemens Foundation was incorporated as a charitable foundation with general grant-making powers, rather than specifically a scholarship-granting organization (Sabo 2002a,b).
4. The W.E. Upjohn Institute for Employment Research, the local think tank that is supporting the research and publication of this book, is also carrying out a multiyear net impact evaluation of the Kalamazoo Promise. Updates will be posted regularly on the Promise Web site: <http://www.upjohninstitute.org/promise/index.htm>.
 5. E-mail message from Timothy Bartik, senior economist at the W.E. Upjohn Institute, to Julie Mack, November 8, 2006.
 6. In 2008–2009, the average annual cost of tuition and fees at public, four-year institutions in the United States was \$6,585; the average cost of public two-year institutions was \$2,402, and the cost of private four-year colleges averaged \$25,143. (College Board 2008).
 7. Of Pell recipients who received their bachelor’s degrees in 2004, 88.5 percent had student loans, compared to 51.7 percent of non-Pell recipients (Project on Student Debt 2007, p. 1).
 8. For more on merit aid, see Heller and Marin (2004) and Heller (2006b).
 9. Students with a household income of up to \$50,000 at the time of application qualify; new rules introduced in 2007 impose an income limit of \$100,000 at the time the student begins college for recipients beginning in 2009–2010. See the Oklahoma Higher Education Web site: <http://www.okhighered.org/okpromise/legislative-changes2007.shtml>.
 10. In November 2006, Michigan voters approved Proposal 2, which amends the Michigan constitution to ban public institutions from discriminating against or giving preferential treatment to groups of individuals based on their race, gender, color, ethnicity, or national origin, thereby making illegal the admissions practices of some of the state’s leading educational institutions. Socioeconomic status is still allowable as a criterion for admission.
 11. For more information, see the “I Have a Dream” Foundation Web site: <http://www.ihad.org>.
 12. See, for example, Committee for Economic Development (2006), Bartik (2006), and Dickens, Sawhill, and Tebbs (2006).
 13. In the first year of the program, participating colleges and universities were limited to those surrounding Greene County, but the list of college options was expanded to the entire state in 2006.
 14. According to College for Everyone director Pamela Hampton-Garland, class of 2007 students received more than \$1 million in outside scholarships, so the original \$300,000 scholarship fund was sufficient to cover their needs.
 15. Information on the College for Everyone program was provided by Pamela Hampton-Garland in communication with the author, as well as McConkey (2005), Abernethy (2006), and Wayne (2007).
 16. Promise Zones were initially called for in Governor Granholm’s State of the State address in February 2007. Legislation introduced later in the year was passed by

- the State House of Representatives in fall 2007 and as of spring 2008 was awaiting action in the Senate.
17. Thanks to Timothy Bartik of the W.E. Upjohn Institute for directing me toward this quotation and contributing his thoughts to this section of the chapter.
 18. Alternatively, an industry cluster can be defined as “a group of firms and related economic actors and institutions, that are located near one another and that draw productive advantage from their mutual proximity and connections” (Cortright 2006).
 19. See <http://www.southwestmichiganfirst.com/wmlifesciencecompanies.cfm>.
 20. Author’s interview with Richard D. Kahlenberg, The Century Foundation, January 24, 2006.
 21. See Rusk (1998). In a report commissioned by the City of Portage in response to Rusk’s proposal, two other consultants opposed such a compact, stating, “There is a strong argument to be made that the Kalamazoo region’s existing form of government—one which features many, relatively small political jurisdictions—may actually contribute to the relative prosperity which the region currently enjoys” (Husock and Cox 1999).
 22. The Kalamazoo Promise: Questions and Answers (Web site: <https://www.kalamazoopromise.com>).

