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January 17, 2007

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"Promise(d)" Land

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As they grow older, many extremely wealthy Americans tend to give vast sums to American universities. At the same time, almost all universities are engaged full-time in active programs to boost their level of endowment funds.

A donation of \$10 million or \$50 million or \$100 million to Harvard (with its current \$29.2 billion endowment fund) does little to make a difference. The same is true for other high-brow universities with multi-billion dollar endowment funds. However, those funds can make a real difference when used in other ways...

For example...

In Decline

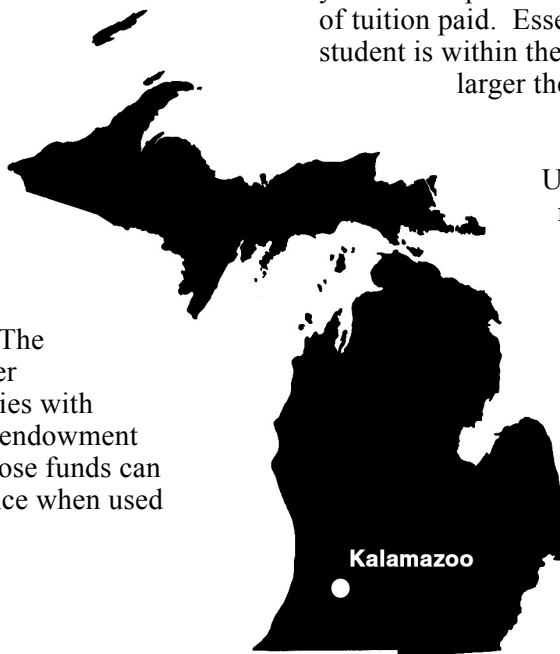
Wealthy individuals in Kalamazoo, Michigan sat down together a few years ago to review the large-scale demise of their community. This formerly prosperous industrial center had fallen on extremely hard times as more and more manufacturing plants had closed.

A population of 75,000 had declined by 10% over the past 35 years. Economic and business optimism was in short supply. Unemployment had risen sharply. The poverty rate had soared. New home construction in the city proper had essentially ceased.

The "Kalamazoo Promise"

This group of individuals developed a plan...one that is now being studied by numerous other communities around the nation. The group announced in late 2005 that beginning in 2006, any student who enters the Kalamazoo school system (and that of nearby Oshtemo Township) by the ninth grade would have their Michigan-based public university or community college tuition paid for them, regardless of income or need.

Students who go from kindergarten through graduation will have 100% of their tuition paid for up to four years. Room and board is not covered. Those who complete only their four high school years in the public system will have 65% of tuition paid. Essentially, the longer a student is within the public system, the larger the ultimate aid.



Tuition at the University of Michigan runs approximately \$9,000 annually, while community college tuition begins near \$2,000 each year. The Promise could be worth more than \$36,000 per child for four years of university schooling. A large family with five children could ultimately gain a

value approaching \$200,000.

While in college, students must maintain a 2.0 grade average and complete a minimum of 12 credit hours per semester to receive the tuition payments. Payments are then made directly from the local school board to the college or university.

Any Impact?

Yes indeed. Homebuilders who had been building limited numbers of new homes in the suburbs saw a rising demand for new homes within the "Promise(d)" land, with potentially hundreds of new homes to be built. Numerous out-of-town companies have inquired about opportunities to do business there.



Many students who had no plan to attend college, or no means of paying for it, are suddenly excited about their rising prospects for success. The high school dropout rate has nosedived. At the same time, parents of high-school-age students are actively engaged in the same planning process, and putting pressure on their kids to stay in school...and take it seriously.

**the Promise is a
great idea...with
people of means
making a difference**

Various families that would have seen their finances stretched to meet tuition payments for children are now excited about being able to save more for other purposes, including retirement. Families that needed two working parents to meet college costs for a child or children can now explore the idea of one staying home with the younger children.

The Buzz

Will the Promise bring new jobs to Kalamazoo? While it is somewhat early to tell, prospects seem encouraging. Aggressive companies that look to expand their operations to new locations focus in part on the likely cost of living for any transferred executives, as well as for those already within the community.

The ability to tap into the Promise will be an attractive feature for executives and workers looking at possibly living and working in Kalamazoo, especially those with children. Local real estate agents and school officials have been inundated with phone calls and e-mails from people around the country, asking about the community, the schools, and the Promise.

Any impact on the school age population? You bet! Enrollment in the city's school system had been in decline for a number of years. However, in February 2006, 277 youngsters registered to start kindergarten the following September...up from 193 the prior year. Roughly 450 new students entered schools last fall, the largest increase in years.

Promise Cost (or Investment)?

The Promise will run for a minimum of 13 years, with school administrators suggesting it will run indefinitely if it

is successful. Costs in the first year are likely to reach \$3.5 million, with costs reaching \$12 million or more annually over the next few years.

The U.S. is certainly not lacking when it comes to me-first, chest-pounding self-promoters...think the Donald. To their

credit, the donor (or donors) funding the Promise insist(s) on anonymity.

Economic Development?

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. Given 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.

As noted, other communities are looking at similar programs, although most are to be funded with tax dollars or borrowed funds. It's just not the same.

The Promise is a great idea...with people of means making a difference

Sources: *The Wall Street Journal*,
ABC News, and *The South End*

"TEA"ser

I don't know anything about music. In my line, you don't have to.

—Elvis Presley



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