



Promise scholarship programs as place-making policy: Evidence from school enrollment and housing prices[☆]



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ABSTRACT

Place-based “Promise” scholarship programs—which guarantee financial aid for qualifying graduates of a school district—have proliferated in recent years. Using data from multiple sites, we compare the evolution of school enrollment and residential real estate prices around program announcement dates within Promise-eligible and surrounding areas. While our estimates indicate that enrollment increased following Promise announcements, merit-based programs generated relative increases in white enrollment. Housing prices respond strongly in neighborhoods with better primary schools and in the upper half of the housing price distribution. We conclude that these programs have important and under-studied distributional considerations.

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In late 2005, the Kalamazoo Public School District announced a novel scholarship program. Generously funded by anonymous donors, the Kalamazoo Promise offers up to four years of tuition and mandatory fees to all high school graduates from the Kalamazoo Public Schools, provided that they both resided within the school district boundaries and attended public school continuously since at least 9th grade. The Kalamazoo Promise is intended to be a catalyst for development in a flagging region, encouraging human capital investment and offering incentives for households to remain in or relocate to the area (Miron and Evergreen, 2008a). In the first several years of the Kalamazoo Promise, researchers documented a number of encouraging results, including increased public school enrollment, increased academic achievement, reductions in behavioral issues, and increased rates of post-secondary attendance.¹

Encouraged by these early returns, many organizations have implemented similar programs in school districts across the U.S. Still, most programs do not adhere exactly to the Kalamazoo archetype. Each iteration of the place-based “Promise” model varies in its features, including the restrictiveness of eligibility requirements, the list of eligible colleges and universities, the amount of the scholarship award itself, and whether or not the aid is provided on a first- or last-dollar basis. While research on the Kalamazoo program has described its impact on various outcomes of interest, this extant work applies to one particular intervention. As a result, we still know very little about the impact that such programs have on their communities. With hundreds of millions of dollars being invested in these human capital development initiatives, understanding their true impact is an important task for policy research.

This paper broadens the scope of our understanding of Promise programs by evaluating the impact of a broad cross-section of Promise programs on two targeted development outcomes: K-12 public school enrollment and home prices. In addition to providing the first estimates from multiple Promise programs, we also begin to document the heterogeneity of Promise effects across different constellations of program features. One drawback of this broad, multi-program approach is the limits it places on the outcomes we can study. Educational outcomes—high school persistence, high school achievement, postsecondary attendance,

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¹ See Bartik et al. (2010), Bartik and Lachowska (2013), Miller-Adams and Timmeney (2013), Miron et al. (2011), Miller (2017), Andrews et al. (2010), Miller-Adams (2015), Miller-Adams (2009), Miller-Adams (2006),

Miron and Evergreen (2008a), Miron and Evergreen (2008b), Miron et al. (2008), Miron and Cullen (2008), Jones et al. (2008), Miron et al. (2009), Tornquist et al. (2010) for some evaluations of the impact of the Kalamazoo Promise.

and degree completion—would require the cooperation of many disparate school districts or colleges, as national survey samples are typically underpowered to identify effects in specific regions.² Some achievement data is available in the form of standardized test results, but comparing these outcomes across states and over time requires the combination and harmonization of data from dozens of sources. While these efforts are underway, however, we believe that providing estimates of regional development effects has independent value. Early research and media coverage of the Kalamazoo Promise suggests that it is first and foremost a place-making policy, meant to attract and retain high human capital individuals in order to boost the economy. In addition, including housing markets in the analysis allows us to speak to the valuation of this program across different groups by examining the variation in the capitalization effects across different neighborhoods and across the housing price distribution. Such patterns have important implications for the distribution of economic benefits from Promise programs.

We find that, on average, the announcement of a Promise program in a school district increases total public school enrollment by roughly 4%. In addition, this increase is driven almost entirely by primary school enrollment. Since it is common in Promise programs to offer escalating benefits for students first enrolling at earlier grade levels, this pattern lends credence to a causal interpretation of our results. Dividing programs along prominent differences in design, we find that the least restrictive programs—offering scholarships usable at a wide range of schools with no achievement requirements—provide the largest immediate boosts in total enrollment. In addition, certain features of Promise programs have differential effects across racial subgroups. We find that attaching merit requirements to a Promise scholarship yields increases in the percentage of white students and decreases in percentages of black and Hispanic students, potentially exacerbating existing racial inequality in educational attainment.

In addition, within 3 years of the announcement of a Promise program residential properties within selected Promise-eligible areas experienced a 7–12% increase in average housing prices relative to the region immediately surrounding the Promise-eligible area, reflecting capitalization into housing prices of the scholarship and its associated effects on the community.³ This increase in real estate prices is primarily due to increases in the upper half of the housing quality distribution. These results suggest that the monetized value of Promise scholarship programs is greater for higher-income families while simultaneously suggesting that the welfare effects across the distribution are ambiguous. While higher-income households seem to place a higher value on access to these scholarships, they also appear to be paying a higher premium for housing as a result. Also, there will be changes in the peer composition and the property tax base in both the Promise district as well as the neighborhoods from which the higher-income, white households move. These may result in significant spillover effects on low-income and minority students in urban Promise districts. Whether such spillovers offset the corresponding adverse peer composition and property tax effects in the suburban districts is unknown; more research is needed to pin down the relative importance of these welfare effects.

Finally, for two Promise programs located in major metropolitan areas—Pittsburgh and Denver—we observe sufficient housing market transactions over the relevant time period to analyze the heterogeneity of housing market effects across schools within the

Promise-eligible school districts. After linking housing transactions data to school attendance boundaries, we compare capitalization effects across the distribution of school quality within each city. Appreciation in housing prices is concentrated in Pittsburgh and Denver neighborhoods that feed into high quality primary schools (as measured by state standardized test scores). Since the previous evidence suggests that the increased demand is driven by high-income households, it is not surprising that price effects are focused in areas with already high-achieving schools. This outcome could have the effect of contributing to further inequality in educational outcomes if the high-income households attracted by Promise programs are exclusively attending already high-quality schools, as well as contributing to segregation by income and/or race.

The following section describes the relevant literature as well as the general structure of the Promise programs being analyzed. Section 2 describes the data and the empirical methodology used to estimate the impact of the program on public school enrollment and housing prices. Section 3 is divided into three subsections, the first of which presents the results of the enrollment analysis on the entire sample of Promise programs. The remainder of Section 3 is devoted to housing market analysis, first using a pooled sample of local housing markets in the second subsection and subsequently focusing on two of the larger urban areas in the final subsection. Finally, Section 4 discusses the results and concludes.

1. Background

1.1. Related literature

In addition to informing policy, our findings contribute to two different strands of literature. First among these is the substantial body of work regarding the provision of financial aid. Dynarski (2002) reviews the recent quasi-experimental literature on the topic and concludes that financial aid significantly increases the likelihood that an individual attends college. Her estimates indicate that lowering the costs of college attendance by \$1000 increases attendance by roughly 4 percentage points. She also finds that existing estimates of the relationship between income and the impact of aid are evenly divided, with half indicating that the impact of aid rises with income. The studies she surveys focus exclusively on how financial aid affects the college attendance decision and choice of college. While our contribution will not address this question directly, we nevertheless provide important results on a recent development in the financial aid landscape. In particular, the implementation of Promise programs may either contribute to or mitigate inequality in educational attainment across racial groups, depending on the program design. We provide preliminary and indirect evidence that merit-based Promise scholarships in particular may favor white students in the distribution of benefits.

The second strand of literature to which we contribute concerns research into place-based policies. According to a review by Gottlieb and Glaeser (2008), these studies focus on outcomes such as regional employment, wages, population, and housing markets. The authors demonstrate significant agglomeration effects on these outcomes, suggesting the potential for policies aimed at redistributing population across space to have aggregate welfare implications. The caveat is that any place-based policy aiming to capitalize on agglomeration externalities must rely on nonlinearities in the externality, otherwise the gains from population increases in one place will simply be offset by the loss of population in another. We find that place-based Promise scholarship programs do in fact increase public school populations and housing prices, which is plausibly explained by the scholarship increasing the willingness to pay for housing in these areas. That said, while there may be some increased productivity due to increased educa-

² Many of these outcomes have been studied in the context of particular programs where the data requirements are less onerous. These results are surveyed in the following section.

³ Housing market data were not available for all Promise program locations. A sample of 8 Promise programs was utilized in this analysis.

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