DESIGNING
SUSTAINABLE FUNDING
for College Promise Initiatives

POLICY INFORMATION REPORT

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College Promise Campaign

This Policy Information Report was edited by:

Catherine Millett and written by William Elliott, Andrea Levere, Randy Boyd, Teresa Lubbers, Lezli Baskerville, Hugh Fitzpatrick, Sandy Baum, Bill Hansen, Gloria Gong, Steve Goldberg, Audrey Peek, Kevin James, and Miguel Palacios.

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RESEARCH REPORT

Designing Sustainable Funding for College Promise Initiatives

Catherine Millett, Editor

Educational Testing Service, Princeton, NJ

College promise programs are spreading throughout this United States. These programs fund tuition and/or fees for eligible students who are actively progressing toward earning postsecondary certificates and undergraduate degrees. While existing college promise programs have varying designs, each one appears to be seeking continuous and long-term financial sustainability. The existing programs appear to be aimed toward ensuring that the promise of college tuition and fees can be fulfilled for future generations of students. Towards that end, ETS and the College Promise Campaign convened the "Designing Sustainable Funding for College Promise Initiatives" conference on June 2 and 3, 2016, for the primary purpose of reviewing and refining five models. This report contains the five papers that the appointed design teams presented.

Keywords Access to higher education, college choice, college costs, tuition, higher education, student financial aid, postsecondary education, scholarships, Pell Grants, saving & investment, state aid, outcome based education, private financial support, federal aid, paying for college

Coordinating author: Catherine Millett (Ed.), E-mail: cmillett@ets.org

Foreword

To date, there are more than 190 identified college promise programs that are spread throughout the United States in the majority of states. These programs fund tuition and/or fees for eligible students who are actively progressing toward earning postsecondary certificates and undergraduate degrees. The college promise movement is being advanced by institutions, local communities, and states where growing numbers of people recognize the value of investing in their people attending and completing postsecondary education.

While existing college promise programs vary in design, each one shares the goal of achieving continuous and long-term financial sustainability and ensuring that the promise of funded college tuition and fees can be fulfilled for future generations of students.

Toward that end, Educational Testing Service (ETS) and the College Promise Campaign convened the Designing Sustainable Funding for College Promise Initiatives conference on June 2 and 3, 2016. We wanted to look inside and across communities, states, and the federal government for solutions. The primary purpose of the conference was to review and refine five funding models:

- children's savings account models
- state-funded models
- privately funded models
- federal financial aid redesign models
- outcomes-based financing models

One hundred key stakeholders—scholars, policymakers, business leaders, and executives representing institutions, communities, civic organizations, and states—participated in the day and a half convening at ETS in Princeton, New Jersey. (See Appendix A for the agenda.)
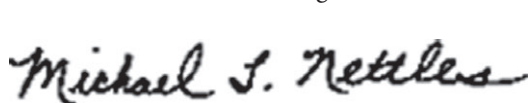
Developing and refining strategies to address college affordability with sustainable financing methodologies are critical to our nation's future. Prior to the conference, five design teams examined the unique characteristics of one of the five funding models (See Appendix B for the teams.). Team members brought a range of expertise and diverse perspectives from college and university faculty members, to state government officials to business executives.

We asked each team to make recommendations for how college promise programs can be made financially sustainable, affordable, and accessible to all Americans for the long-term. Each team presented the rationale for its model, including the following: mechanisms of sustainability, populations to be covered, the institutional types that could be expected to participate, legislative reforms that would be needed, costs and benefits, and data needed to both support and evaluate the model(s). The intended outcome was to produce and disseminate descriptions of five sustainable funding models for consideration and use by local communities, states, elected officials, and policymakers.

The centerpiece of the conference was the presentation of the designs of funding models that could be adopted and adapted by communities throughout the nation. In this report we present the five funding models.

We are grateful to each of the five design teams for the work they did on this significant topic for the United States. We view the models produced and the dialogue that the meeting participants had about the funding models as the first step toward a longer term agenda to tackle financial sustainability for college promise and complementary student financial aid programs. We hope these new ideas for sustainable funding will yield far greater results than we have available today.

We are committed to the work to help build aspirations and resources that college is an expectation, to expand college access, curb the drop-out rate, increase the number of students with college degrees and postsecondary certificates, and reduce student debt. We look forward to the work ahead. Our nation's students and the country's future will be the beneficiaries for this and future generations.

Michael T. Nettles
Educational Testing Service

Martha Kanter
College Promise Campaign

1. College Promise Models and College Savings Accounts: How College Savings Can Bolster the Early Financial Aid Commitment

William Elliott[1] & Andrea Levere[2]

[1]University of Michigan, Ann Arbor, MI
[2]Corporation for Enterprise Development, Washington, DC

In this paper, we examine two models to help underserved populations work toward funding postsecondary education: college promise programs and children's savings accounts (CSAs). While the models differ in the timing, level, and nature of their funding commitments, both models face the challenge of identifying and securing the funds necessary to meet their respective promises and helping children and their families overcome other obstacles to postsecondary educational attainment, including those related to academic preparation. We analyze the strengths and weaknesses of both models and then make the case for more effectively linking college promise programs and CSAs, explaining how the strengths of these respective models help to overcome the weaknesses of the other. Finally, we identify the disadvantages and advantages of linking these models, the policy reforms needed to make this happen, and opportunities for evaluating the success of the proposed integrated model.

Corresponding author: W. Elliott, E-mail: willelli@umich.edu

Over the last decade, college promise initiatives have emerged in states and cities throughout the United States. The primary goal of these initiatives is to expand access to postsecondary education, particularly to underserved populations, in order to meet the growing demand for a highly college-educated workforce. Some college promise initiatives also have a broader economic development purpose, seeking to help communities retain population and stem brain drain. Though diverse in many ways, these college promise models typically feature a promise of either free tuition or scholarships to cover all or part of tuition costs. The promise is usually for 1 or more years of postsecondary education — sometimes only at particular institutions — and is extended to students at some point during their primary or secondary schooling.

At roughly the same time, numerous children's savings account (CSA) initiatives have also emerged in cities and states across the country. These CSA initiatives seek to help low-income children and youth build tangible savings to use for future investment, often limited to postsecondary education or training. By building real savings in an actual account, these CSA initiatives also help to raise college-going aspirations and a college-bound mentality among disadvantaged young students and provide a tangible asset base and experience with mainstream financial institutions. They are also usually paired with some form of age-appropriate financial education designed to build financial capability for children, and often for their parents as well.

While college promise and CSA initiatives share a common goal of assuring underserved populations that postsecondary education can be attained, they differ in the timing, level and nature of their funding commitments. Both models also face the challenge of identifying and securing the funds necessary to meet their respective promises and helping children and their families overcome other obstacles to postsecondary educational attainment, including those related to academic preparation. In the paper that follows, we analyze the strengths and weaknesses of both models and then make the case for more effectively linking college promise models and CSAs. In fact, we explain how the strengths of these respective models help to overcome the weaknesses of the other. Finally, we identify the disadvantages and advantages of linking these models, the policy reforms needed to make this happen, and opportunities for evaluating the success of the proposed integrated model.

The College Promise Model

College promise models provide earlier notification of financial aid through early commitment of particular (often privately financed) grants or scholarships. For example, three states (Indiana, Oklahoma, and Washington) adopted broad

early commitment programs targeted to students from lower income families (e.g., Blanco, 2005; Harnisch, 2009). These programs seek to provide middle school and early high school students with the knowledge that college will be affordable if they do their part, generally defined as meeting a relatively modest GPA requirement in high school, staying out of significant trouble, and attending an in-state college or university while filing the Free Application for Federal Student Aid (FAFSA) each year. Research on the Indiana program indicates that the program may have induced greater numbers of students to enroll in college (St. John et al., 2004).

Dozens of cities and towns have adopted their own versions of promise programs to induce families to stay in or relocate to their community (Vaade, 2009). For example, the Kalamazoo Promise guarantees that students who live in the school district and attend public schools from elementary through high school will receive a grant equivalent to the cost of tuition and fees at in-state public institutions. Emerging evidence suggests that students who know they will receive a large scholarship to attend college because of the Kalamazoo Promise work harder in high school, and teachers expect more from them (Bartik & Lachowska, 2012; Jones, Miron, & Kelaher-Young, 2012). The availability of the scholarship may also be associated with encouraging students from low-income families to apply to more selective and expensive public universities in Michigan (Andrews, DesJardins, & Ranchhod, 2010), thereby potentially reducing undermatching (the effects of undermatching on the educational attainment of low-income, academically qualified students, see Hoxby & Avery, 2013).

Why College Promise Models Are Not Enough

While research shows some encouraging outcomes from college promise models, these initiatives are not without challenges. In addition to the larger issue of identifying and securing sufficient funds to sustain college promise programs, we have identified four specific challenges related to college promise models that may make them inadequate to make educational opportunity a truly equitable force for economic mobility, particularly in the lives of disadvantaged students:

1. *Differing effects among different populations*. While college promise models have the singular purpose of making college financially accessible to all, they fail to consider that middle-income and high-income students are considerably more likely to attend and graduate from college in the first place (see Bailey & Dynarski, 2011), which means they would benefit first and, perhaps, most from reductions in tuition prices. Many low-income children, on the other hand, never make it to the point of seriously contemplating tuition prices at all. Thus, these programs need to work more in concert with early education and engagement efforts to cultivate and sustain expectations and reduce the gaps in achievement so more children — including those currently disadvantaged — are prepared to attend college.

2. *Potential for undermatching for low-income students*. College promise models that make 2-year colleges free, as some states are pursuing, may exacerbate the existing two-tiered system. Low-income and minority students may be disproportionately steered into 2-year colleges because of their financial constraints, even though their academic efforts and abilities suggest they would be better served at more selective 4-year universities. This may intensify existing economic inequality because students who attend 2-year colleges are, on average, less likely to graduate from college and more likely to earn less than students who attend selective, 4-year institutions (Looney & Yannelis, 2015).

3. *Tuition is not the only cost*. While college promise models that focus on free 2-year college typically address tuition only, students face many other costs such as rent, transportation, fees, and food. As a result, college promise models may not even make much of a dent in student debt. For example, Ma and Baum (2016) found that, in the 2015–2016 school year, tuition and fees are only 20% of the estimated annual budget for community college students.

4. *College promise models need rigorous evaluations to demonstrate that they improve educational outcomes*. Many college promise models focus on increasing access to and completing a postsecondary education, especially for underserved populations. However, there is limited information about college completion outcomes. Research shows that low-income students and students of color experience a lower return on postsecondary education. For example, the Federal Reserve Bank of St. Louis found significantly lower median annual income and net worth amounts among Hispanic ($68,379 income/$49,606 net worth) and Black adults ($52,147 income/$32,780 net worth) with 4-year college degrees than among their White ($94,351 income/$359,928 net worth) and Asian ($92,931 income/$250,637 net worth) counterparts (Emmons & Noeth, 2015).[1] Other research indicates that college graduates who grow up in families with incomes below 185% of the poverty level earn less over the course of their lives than those who grow

up in families with incomes above 185% of the poverty level (Hershbein, 2016). This suggests that college promise strategies must focus not only on college affordability but must incorporate evidence-based college retention and persistence practices to achieve some of our most cherished aspirations for education as an equalizer that places prosperity within reach of all.

Children's Savings Accounts

CSAs are long-term, incentivized savings or investment accounts for postsecondary education established for children and youth (ages 0–18) and allowed to grow until children reach adulthood. Many CSA programs provide an initial seed deposit to start accounts, and savings are built by contributions from family, friends, and/or the children themselves, along with savings matches from public funds, community supporters, or philanthropic institutions. Some CSA programs deposit money in the accounts as a student achieves academic milestones identified in advance with counselors. While CSA programs serve a wide range of children, many programs place special emphasis on ensuring access for low-income children and families who do not benefit from tax incentives, such as those offered by 529 college savings plans.

   While CSA program models differ, the key characteristics of CSA programs are that they:

- Are intended for a long-term asset-building purpose, most often postsecondary education.
- Provide direct, monetary incentives to encourage family saving and child asset accumulation (e.g., initial deposits, savings matches, benchmark incentives, prize-linked incentives or refundable tax credits).[2]
- Restrict withdrawals from savings for nonqualified purposes (i.e., the funds must be used for an asset, usually post-secondary education).

   In addition to these characteristics, many programs also provide financial education, college preparation or academic supports, and other opportunities for children (and sometimes their parents) to build their financial capability.

Why Children's Savings Accounts Matter

CSAs are part of a broader asset-building movement that asserts that income alone cannot secure economic mobility and financial well-being for low- and moderate-income families. In this sense, CSAs are a tool that can work across a variety of dimensions in a child's life, as we describe below, from influencing future aspirations to increasing postsecondary success to providing a foundation of postcollege financial health. Viewed from this perspective, CSAs are not necessarily superior to other financial aid approaches for the sole purpose of paying for college, nor are CSAs the only way to address childhood poverty. Yet, when considered through a lens to look broadly at the ways in which assets shape the educational and life trajectories of American children, to account for the role of assets in helping children prepare for, engage with, and benefit from college—not just to access enrollment—there may be no other single policy lever as well-suited to these challenges as CSAs.

   We contend that CSAs may benefit children in at least five ways. Please note, however, that as a relatively new innovation—CSAs are long-range investments starting as early as a child's birth and come to fruition fully when a child reaches college age—experimental data are only available from Saving for Education, Entrepreneurship, and Downpayment (SEED) for Oklahoma Kids (SEED OK; Marks, Engelhardt, Rhodes, & Wallace, 2014). Because SEED OK started at birth in 2007, impact findings come from studies when children were about 4 years old. It will be many years before researchers can learn about the effects of CSAs on children's college enrollment, graduation, and postcollege outcomes. In the meantime, therefore, researchers have used as a proxy children who have mentally designated money for college in a bank savings account as a way to estimate the potential of CSA programs. Given this scenario, we indicate below when the evidence is based on experimental data from SEED OK or correlational secondary data.

Raising Educational Expectations

CSAs can raise both children's and their parents' expectations for their postsecondary academic achievement, which can eventually lead to increased college enrollment. Findings from the SEED OK research experiment, in which children were randomly selected from a state population and randomly assigned to receive $1,000 in a CSA at birth, indicate that having a CSA improves parents' college expectations for their children (Kim, Sherraden, Huang, & Clancy, 2015). Parents in the

treatment group had higher expectations for their children and their expectations were more likely to remain constant or increase during the time period studied than parents in the control group. College expectations are important because research has demonstrated a clear link between parents' and children's educational expectations and children's college enrollment, likely through multiple channels, including parental engagement in children's schooling (Singh et al., 1995).

Improving Academic Performance

CSA programs may improve elementary and secondary academic performance in participating children through multiple pathways. One pathway may be through increased college expectations. Education research consistently shows that higher college expectations lead to increased academic efforts and achievement (Cook, Church, Ajanaku, Shadish, & Kim, 1996; Marjoribanks, 1984; Mau, 1995; Mau & Bikos, 2000; Mickelson, 1990). Therefore, by raising college expectations, CSA programs may foster improved academic performance by participating children. However, while there is direct evidence that CSAs positively influence parent expectations (Kim et al., 2015), only correlational evidence using secondary data exists with regard to children's own expectations and saving (e.g., Elliott, 2009).

An alternative design for CSA programs results in deposits into the student's account, not to match a family's deposit, but to reward a student for meeting individualized academic milestones chosen in advance with a counselor. The Tacoma Housing Authority in Tacoma, Washington, in collaboration with the Corporation for Enterprise Development (CFED), Tacoma Public Schools, Heritage Bank and others, has recently launched such a program. For students from kindergarten through 5th grade, this program provides a traditional match for deposits from families. The match stops at the end of 5th grade. In 6th grade, the students and a counselor devise an individualized plan to take the student through high school graduation and enrollment into college. The plan sets milestones along the way. As the student meets each milestone, the program makes a further set deposit into the account. Such a program model seeks to address several challenges of traditional CSA programs. First, it allows the student to save even if the family is not able to contribute its own meaningful deposits. Second, it gives the student a stake in the deposits, supplementing the family's investments. Third, it encourages academic preparation that will allow students to get ready for college and to feel when they go that they belong there. (A description of the Tacoma Housing Authority program is included in Appendix C.)

Another pathway through which CSAs may improve academic performance is by strengthening the social and emotional skills children need to succeed academically. Research from the SEED OK experiment indicates that CSAs have a significant impact on children's social and emotional skills at age 4, particularly for children from relatively disadvantaged households. Mothers randomly assigned to the treatment group received CSAs for their children; as the research shows, 4-year-olds from households with incomes lower than 200% of the poverty line who receive the CSA intervention have significantly higher social-emotional skills than their counterparts who did not receive a CSA (Huang, Sherraden, Kim, & Clancy, 2014). Higher levels of social and emotional development has been linked with higher academic achievement (e.g., Durlak, Weissberg, Dymnicki, Taylor, & Schellinger, 2011). Thus, evidence indicates that CSAs help to equip young children with the social and emotional competencies that later on correspond with improved educational outcomes.

Increasing Postsecondary Education Enrollment

Correlational research from secondary data analysis on children's savings indicates that having savings may have a positive association with postsecondary enrollment. A sizable number of minority and low-income children who expect to attend college and have the academic ability to do so fail to transition to college after high school graduation or to succeed once enrolled—a phenomenon called *wilt*. CSAs may help address wilt by promoting a college-saver identity in participating children. Having a college-saver identity means that children not only expect to go to college, but also have identified saving as a strategy with which to confront the challenges associated with this goal.

- Students who are currently enrolled or who have graduated from college are defined as being on course, whereas children who are not currently enrolled and have not graduated from college are defined as being off course. One study found that 75% of children with their own savings are on course, compared to 45% of children without savings of their own (Elliott & Beverly, 2011).
- Findings indicate that only 35% of low- to moderate-income children are on course compared to 72% of high-income children. Regarding children's savings, 46% of low- to moderate-income children with school savings of

their own are on course; conversely, only 24% of low- to moderate-income children without savings are on course (Elliott, Constance-Huggins, & Song, 2013).

- Among Black students, only 37% are on course compared to 62% of White students. Controlling for similar factors as the previous two studies, findings suggest that both Black and White children who have savings are about twice as likely to be on course as their counterparts without savings of their own (Elliott & Nam, 2012).

Increasing Postsecondary Education Completion

Correlational research using secondary data analysis suggests that savings shows some potential for improving a student's chances of reaching graduation:

- In the aggregate, children who have a college-saver identity and $500 or more in school-designated savings are about two times more likely to graduate from college than children who have a college-bound identity only (Elliott, 2013).
- Children in low- and moderate-income households with college-saver identities and school-designated savings of $500 or less are about three times more likely to graduate college than children who have a college-bound identity only (Elliott, Song, & Nam, 2013).
- Further, Black children with college-saver identities and school-designated savings of $500 or more are about two and half times more likely to graduate from college than Black children with a college-bound identity only (Friedline, Elliott, & Nam, 2013).

Increasing Postcollege Asset Accumulation

CSAs may serve as a springboard for young adults to accumulate assets after completing postsecondary education. Emerging correlational research using secondary data analysis suggests that accruing savings as a child may be associated with increased likelihood of asset accumulation as a young adult. For example, Friedline and Elliott (2013) found that children between the ages of 15 and 19 who have savings are more likely to have a savings account, credit card, stocks, bonds, a vehicle, and a home at the age of 22 to 25 than if they did not have savings of their own between the ages of 15 and 19.

The evidence suggests that CSAs may be a gateway not only to greater educational attainment, itself a conduit of economic mobility, but also to asset accumulation through a more diversified asset portfolio. For example, Friedline, Johnson, and Hughes (2014) found that while owning a savings account as a young adult only contributed $50 toward liquid assets, the added contribution of combined stock and retirement accounts—themselves products of savings account ownership—was $5,283.

By building a more diversified asset portfolio, CSAs may result in increased asset accumulation, which, in turn, may lead to higher odds of moving up the economic ladder. And, given the potential connection between initial asset levels and the subsequent ability for income to generate more assets and additional income (Elliott & Lewis, 2014), young adults who leave college with at least some asset ownership may initiate a trajectory of superior earning and asset accumulation.

In sum, with regard to early education, CSAs may improve children's social and emotional skills by giving parents new hope for their children's future educational attainment, which, in turn, may change how parents interact with these accounts. With regard to enrollment and graduation, CSAs may reduce wilt by helping students form a college-saver identity. Students who form a college-saver identity expect to go to college and have identified savings as a strategy to pay for it. However, it is perhaps in the postcollege period that CSAs rise highest above other forms of financial aid. Evidence suggests that CSAs may be a gateway not only to greater educational attainment, itself a conduit of economic mobility, but also a more diversified asset portfolio that may result in greater asset accumulation in other forms such as stocks, retirement accounts, and real estate. Contrast this to the strained financial fortunes of indebted recent college graduates in terms of lasting benefits.

Weaknesses of College Savings Accounts

Despite the potential for substantial benefits, CSAs are not without their own inherent weaknesses. In addition to the difficulty of securing financing to sustain programs for the long haul, CSAs face several challenges.

The Realities of Financial Products Can Make It Difficult for Some Families to Participate as Savers

The foundation of any CSA program is a financial product or account. Ideally, such a product would be simple to use, relatively low-cost, accessible to all children, allow for account growth, and provide restrictions that limit withdrawals to paying for postsecondary education. In practice, establishing successful partnerships with financial institutions willing to hold and manage accounts can be challenging. Moreover, once a partnership is formed with a financial institution and an account is identified—most typically a regular bank savings product or a 529 college savings account—several other barriers exist for some families. For example, undocumented families have difficulty opening accounts at most financial institutions, and in most states, a social security number is required to open a 529 account.

In addition, due to assets tests for various kinds of public benefits, such as cash welfare, the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Supplemental Security Income (SSI), families may be in danger of losing public benefits if they save above a relatively low threshold or may at least be discouraged from saving for fear of these limits. In some cases, policymakers have acted to minimize these disincentives to save. By federal law, 529 savings are exempted from counting against SNAP assets limits, and several states exclude 529 savings from determining Temporary Assistance to Needy Families eligibility. Finally, products like 529 accounts that would otherwise seem ideal for CSAs (due to their tax benefits and restrictions that limit withdrawals to paying for postsecondary costs) cannot receive cash deposits and require a transaction account or payroll deduction to fund an account. With almost 8% of households unbanked (Federal Deposit Insurance Corporation, 2014) and much higher rates among certain populations (i.e., almost 18% for Hispanic households), saving in a 529 account is a practical impossibility for certain households, which would be best served by obtaining a primary bank account and saving for short-term needs.

Saving Accumulation in Children's Savings Accounts Tends To Be Modest

While evidence indicates that families can save, they can only save small amounts, particularly if they have low incomes or are otherwise financially disadvantaged by high debt or other factors. Research from demonstration programs such as SEED suggested that, on average, families in CSA programs save approximately $10 per month (Mason, Nam, Clancy, Loke, & Kim, 2009). These small savings amounts do not mean that low-income families are exerting less effort or making less of a sacrifice than higher-income families who are able to save more. Indeed, there is evidence that low-income savers contribute, on average, a higher percentage of their incomes than higher income savers. For example, research shows that low-income families who save can save double the proportion of their income compared to middle- and high-income families (Sallie Mae, 2013) despite the fact that the tradeoff between saving and providing for their daily needs is sharper for low-income families. In other words, the cost of saving is higher for these families (Schreiner & Sherraden, 2007), yet they demonstrate considerable effort toward this aim, even though the gain from their sacrifices is modest in comparison to those who begin the task with greater advantages.

Savings Participation in Children's Savings Accounts Can Be Uneven

CSAs help address wilt by promoting a college-saver identity, yet engaging children and families in regular or periodic saving that builds account balances and reinforces their college saving strategy can sometimes be a challenge. In addition to the structural barriers noted above, including bank access and limited incomes, CSA programs generally face the challenge of altering family behaviors in the direction of regular or periodic saving. The methods and depth of engagement with children and families vary widely across CSA programs. Some efforts have shown remarkable engagement, such as the SEED demonstration, in which 57% of low-income savers made positive net contributions to their CSAs over a 3-year savings period (Mason et al., 2009). It should be noted that many of the savers in the SEED demonstration were encouraged with high-touch programmatic support and often self-selected into the community-level programs. Most CSA programs have experienced savings rates in the 15–20% range.

Linking the Two Models: Why Children's Savings Accounts and College Promise Programs Need Each Other

College promise models and CSAs both represent common-sense approaches to expanding access to postsecondary education for underserved populations, and there is a growing evidence base that points to their impact. Yet each has its own

Table 1.1 Demonstrated Impacts of College Promise Models and Children's Savings Accounts (CSAs)

Impact	College promise models	CSAs
Increased effort in school	Yes	No
Greater teacher expectations	Yes	No
Greater parental expectations	No	Yes
Greater student expectations	No	Yes
Strengthens social and emotional skills	No	Yes
Increased academic performance	No	Maybe
Promotes college-saver identity	No	Yes
Increased college enrollment	Yes	Yes
Reduced college undermatching	Depends	No
Pays significant cost of college	Yes	No
Covers nontuition costs	Rarely	Yes
Increases college completion	No	Yes
Positive impact on long-term financial health	No	Yes
Impact dependent on parental engagement	No	Yes

Notes. Some of these differences might be because neither the college promise model nor the CSA model has yet been tested on a particular outcome. For example, CSAs have not been tested with regard to increased effort in school or greater teacher expectations.
Source: This is a summary of findings from literature discussed and cited throughout this report.

challenges, as described above. Importantly, we believe that there are ways in which the relative strengths of each can help overcome some of the challenges of the other by linking college promise models and CSAs in new and promising ways. We summarize the relative pros and cons of both models in Table 1.1, followed by further description as to why these two models may fit together well.

Children's Savings Accounts Savers Need a Promise in Addition to Small Savings

In light of high and rising college costs, disadvantaged students need more than a positive future identity and their own savings to place their educational aspirations truly within reach. In order to fully change the bargaining power with which lower income children contemplate higher education, CSAs must also change the distribution of financial resources in the United States. Given the unequal distribution of wages today and the divergence of income and productivity (Mishel, 2012), this is unlikely to happen without a college promise program. Family saving contributions in CSAs matter, but will not allow children to pay the high costs of education. Given this financial reality, combining CSA and college promise models together may provide the best opportunity to not only reduce attainment gaps, but also to increase the return on a degree, and ultimately reduce wealth inequality in the United States.

College Promise Models Need Children's Savings Accounts to Fully Engage the Aspirations of Low-Income Students

Disadvantaged students also need more than a future promise to realize the opportunity of postsecondary education. One of the weaknesses of the college promise models is that, while a college promise is an effective way of reducing tuition costs, many low-income children never get to the point of seriously contemplating the cost of college. One of the unique features of CSAs is the ability to influence a college-bound identity through positive impacts on college expectations and by facilitating a tangible saving strategy to address, in real time, the challenges associated with covering college costs. What's more, since college promise models typically cover tuition costs only, CSAs help to round out a strategy of overcoming the financial hurdle of college by creating a source of funds to use for nontuition costs, such as an initial deposit for on-campus housing, which may not be particularly large, but can often trip up first-time college goers.

Making It Happen: A Children's Savings Account for Every College Promise Participant

Given the potential of a college savings strategy to strengthen college promise models in important ways with relatively modest costs, we propose that all college promise models consider either adding CSAs or working with existing CSA programs as an explicit part of their design. Perhaps the best example of this is the recently announced Oakland Promise

in Oakland, CA. Though still in development, the Oakland Promise plans to offer multiyear college scholarships coupled with robust college persistence supports for eligible graduates from its public high schools. At the same time, the design of the Oakland Promise also includes opening CSAs for a target group of babies from economically vulnerable families and for all incoming kindergarten students in the Oakland Unified School District. The latter component is modeled after the well-known San Francisco Kindergarten to College Program.[3] A description of this model, along with two other models that combine CSAs and college promise programs—Promise Indiana and the Tacoma Housing Authority's CSA Program—are included in Appendix C.

While it may be difficult for all college promise programs to immediately create CSAs for their participants, we suggest some practical strategies for linking CSAs and college promise models more closely in the short term, and also recommend policy strategies that could create greater opportunities to more fully integrate these two models in the long term:

Recommendation 1: Connect Promise Models With Existing Children's Savings Account Programs

In the short term, the easiest and most logical approach would be to identify where college promise models and CSA programs overlap and make sure all college promise participants in those communities have a CSA. This could include connecting citywide college promise models with CSA programs at the city or community level. In addition, this could also include linking statewide college promise models with state-level 529 college savings plans that offer some kind of savings incentives. Each state in the United States offers a 529 savings plan (named for the relevant section of the federal tax code), a state-sponsored, tax-preferred savings plan for qualified postsecondary education expenses. By themselves, 529 accounts do not meet our definition of a CSA (because in their basic design they do not provide any direct, monetary savings incentives). However, 14 states provide either a seed deposit or offer a matching grant into 529 accounts, and seven states have mechanisms in place to provide a universal seed deposit or match. For example, Tennessee, which has a statewide promise program, also provides a 4:1 match for all deposits to a state 529 account (with a minimum $25 deposit), up to $500 a year and $1,500 per lifetime. This benefit is currently limited to the first 2,000 applicants, but promise participants could be encouraged to participate.

Recommendation 2: Open Children's Savings Accounts for All College Promise Participants

Taking a further step, college promise programs could ensure that every promise participant has access to a CSA. This would include leveraging existing systems and resources where available, while also designing and funding CSAs for promise participants in cities and states without existing CSA programs.

Recommendation 3: Transform Scholarship Programs Into Early Commitment Asset-Building Programs

One recommendation in the College Board report *Rethinking Pell Grants* (2013) is that "the federal government should supplement the Pell Grant program by opening college accounts for 11- or 12-year-old children whose parents' financial circumstances would make them eligible for Pell" (p. 22). To enhance the impact of this investment by allowing more time for earnings growth and cultivation of effects associated with children's outcomes, we suggest that accounts should be opened at birth, even though the Pell Grant money would not be made available until ages 11 or 12. By these ages, one could determine more accurately whether children receiving the Pell Grant funds would remain poor through the time of college enrollment. Moreover, this could apply to federal, state, and foundation scholarships as well as to federal grants.

Recommendation 4: Open Children's Savings Accounts for All Children and Youth, Including College Promise Participants

In the long term, the simplest way to ensure that all promise participants have a CSA would be to enact legislation to fund CSAs for all Americans. Currently, there are two pieces of legislation in Congress that could accomplish this. First, the US Accounts Act, sponsored by Rep. Joseph Crowley (D-NY), would create universal CSAs for all minors in the United States. In addition, the Save for Success Act, recently introduced by Rep. Ben Ray Luján (D-NM), would modify the existing American Opportunity Tax Credit (AOTC) by allowing families to claim up to $250 of the AOTC every year they save for their child's future education. For example, a family that opens a 529 plan for a child and deposits $100 would qualify for a tax credit of $100 that year.

Future Steps: Sustainability, Infrastructure, and Evaluation

This paper proposes an innovative marriage between CSA programs and college promise models to achieve more universal access to and completion of postsecondary education. This approach is promoting a human capital and financial capability development strategy for the 21st century amidst profound demographic, economic, and technological change. The planning team recognizes that this strategy will require new methods to reach financial sustainability, which combine public policy and investment, philanthropic and private donations, and private sector engagement. In fact, the combination of CSAs and college promise programs may be structured in a way that could enhance the sustainability of each.

New infrastructure in each sector will be necessary to implement these programs. The efficient and effective delivery of CSAs will require new account platforms that will most likely be the result of a private–public partnership. Both CSA and college promise models will advance new approaches to building financial capability among students and their parents, expand college counseling services to younger and nontraditional candidates, and provide mentorship services to support persistence once students arrive on campus. Financing for these products and services are a necessary element of the sustainability strategy.

There is a need for programmatic assessment and evaluation for each of these initiatives individually as well as for the newly integrated programs. One issue to consider is how to structure and evaluate the appropriate timing of each — if the CSA programs start in kindergarten, when does a family get an offer to join a college promise program? If a community already has a promise program in place, at what age should they add the CSA? Working with the existing integrated programs offers a fertile opportunity to begin building the evidence of what works, as well as informing the most critical questions for further research. We look forward to exploring all these questions, as well as many others, with our colleagues and peers.

Suggested citation:

Elliott, W., & Levere, A. (2017). *College promise models and college savings accounts: How college savings can bolster the early financial aid commitment*. In C. Millett (Ed.), *Designing sustainable funding for college promise initiatives* (Research Report No. RR-17-39, pp. 4–12). Princeton, NJ: Educational Testing Service. https://doi.org/10.1002/ets2.12161

2. Designing Sustainable Funding for College Promise Initiatives: State-Funded Model Group

Randy Boyd[1] & Teresa Lubbers[2]

[1]TnAchieves, Knoxville, TN
[2]Indiana Commission for Higher Education, Indianapolis, IN

The national college promise movement, which seeks to positively impact the barriers to higher education, has intensified over the last few years. Several institutions, communities, and states have utilized these programs as instruments to achieve broader policy goals, and a rich knowledge base of experiences and best practices has begun to emerge. In this report, we examine state-funded program design and sustainability and provide Tennessee as a case study for consideration, with a deeper exploration of the mentoring components of the program.

Keywords Access to higher education; college choice; college costs; tuition; higher education; student financial aid; postsecondary education; scholarships; state aid; state policy; public colleges; state legislation

Corresponding author: R. Boyd, E-mail: rdb@petsafe.net

As more entities consider promise programs, it is prudent to involve numerous and varied stakeholders in these conversations and to consider all the trade-offs and potential consequences that these choices entail.

- What are the higher education/workforce goals for the state, and how does the proposed program support those goals?
- What is the promise you are making?
- Who is being made a promise? Traditional students, nontraditional students, or both?
- How is the promise funded?
- Who will provide the promise?
- What services will be included in the promise?
- What are the relevant success/outcome metrics, and how will they be measured?
- How will the program be diversified and sustained over time, financially, politically, and programmatically?
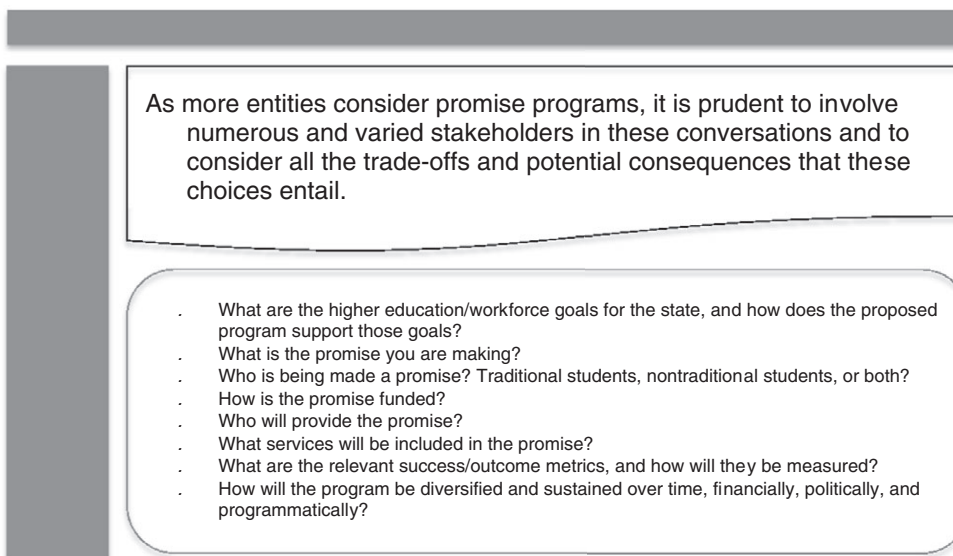
Figure 2.1 Guiding questions.

Linking a college promise program to broader state or local policy goals is critical for achieving comprehensive support, determining outcomes, and fostering sustainability. Per the guiding questions in Figure 2.1, it is crucial for entities considering a promise program to have a clear understanding of what promise is being made, to whom, for how long, under what conditions, and for what reasons. This will help ensure that a clear link exists between the program design and policy goals, while providing the underpinnings of an accountability and evaluation system. Strong accountability measures contribute to a program's sustainability by demonstrating its effectiveness to policy makers and the constituencies the program serves.

Financial Considerations

The financial aspects of the college promise program are among the most challenging considerations. Per the following section, there are many options for states to consider, each with positive and negative aspects. The viability of each is dependent upon the particular circumstances of the state or community. No matter what approach is taken, the long-term sustainability of the program is crucial to its design, strongly suggesting that a diversified funding stream is preferable and more likely to be durable across time and changes in political leadership. The financial considerations extend to ongoing institutional operating costs (resulting from enrollment increases) and institutional capacity. These must be reckoned with if the college promise program is to maximize chances of success. Many states or communities would also want to consider whether a "supplement, not supplant" approach to existing financial aid is appropriate. These and other options could include consideration of an endowment, a vessel into which many of these resources can be poured (see Figure 2.2).

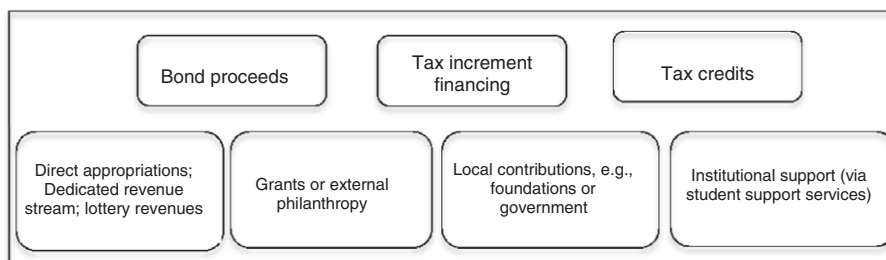| Bond proceeds	Tax increment financing	Tax credits	
Direct appropriations; Dedicated revenue stream; lottery revenues	Grants or external philanthropy	Local contributions, e.g., foundations or government	Institutional support (via student support services)

Figure 2.2 Funding options and considerations.

- The promise program must be linked to state goals.
- States decide what option or combination (e.g., student population served) is financially and politically possible.
- Any program must have a rationing mechanism to account for budget shortfalls.
- Program outcomes, design parameters, and funding are all linked.
- Accountability must be built into the system.
- A more diversified funding stream is preferable to a single option.
- A "supplement, not supplant" philosophy and language may be important to some states.
- States should thoroughly contemplate the financial aid tradeoffs inherent in the design of a promise program (i.e., financial need, merit, and other factors).
- First, do not harm; beware of unintended consequences.
- Mentoring, wrap-around services are important elements to program design.
- Two important issues for program operation and sustainability are ongoing operating costs (resulting from enrollment increases) and institutional capacity.

Figure 2.3 Key considerations.

Sustainability

Sustainability is not only a financial consideration but also a programmatic and political one. These programs tend to be high profile, and they resonate deeply with those who championed them and who are served by them. The policy trade-offs and choices states or localities have to make, and the resulting programmatic elements, must be carefully considered, evaluated over time, and then adjusted when necessary. Because those choices and dynamics are often idiosyncratic, the particulars of the program design and funding options are best left to the state or community in which the program operates. Such autonomy will enhance buy-in and sustainability if it leads to a more nuanced program that fits the profile and specific policy goals of the institution, community, or state (see Figure 2.3).

Case Study: Tennessee

Background

In 2012, the Georgetown University Center on Education and the Workforce released *A Decade Behind: Breaking Out of the Low-Skill Trap in the Southern Economy*, a report highlighting the detrimental effects of brain drain in southern states (Carnevale & Smith, 2012). This report projected that 55% of all jobs in Tennessee in the year 2020 will require some level of postsecondary education. The following year, Governor Bill Haslam announced the Drive to 55 initiative, challenging the state to reach 55% educational attainment among working-age adults (ages 25–64 years) by the year 2025.

One of the foundational programs to help Tennessee reach this goal is Tennessee College Promise. Tennessee Promise is modeled after knoxAchieves, a county-level program that began in Knox County, Tennessee, during the 2008–2009 academic year. This program provided last-dollar scholarships[4] and mentoring to high school seniors in Knox County who enrolled in one of the state's public community colleges or colleges of applied technology. Subsequent research on this program has determined that knoxAchieves students were 24.2% more likely to attend college than their peers in areas without a comparable program (Carruthers & Fox, 2016). Following the successes of knoxAchieves, the program was expanded to 27 counties statewide and was renamed tnAchieves.

In 2014, following continued success, the Tennessee General Assembly expanded this initiative to all of Tennessee's 95 counties, renaming the program Tennessee Promise. It is worth noting that tnAchieves works in tandem with the scaled-up Tennessee Promise program, providing some programmatic infrastructure to operate the program effectively throughout the state. Tennessee became the first state to announce and implement such a program statewide (tnAchieves, 2015).

Tennessee Promise

As described previously, Tennessee Promise is a scholarship and mentorship program focused on increasing college-going among recent high school graduates in Tennessee. It provides students with a last-dollar scholarship to cover tuition and fees not covered by the Pell Grant, Tennessee Education Lottery Scholarship (TELS) awards, or the state's need-based grant

program. Students may use the scholarship at any of the state's 13 community colleges, 27 colleges of applied technology, or eligible 4-year institutions offering associate's degree programs.

Beyond removing the financial burden, a critical component of Tennessee Promise is the individual guidance each participant receives from a mentor. Mentors assist the students as they navigate the college and financial aid application processes. This is accomplished primarily via mandatory meetings that students must attend to remain eligible for the program, in addition to regular communication with the students to remind them of deadlines or to answer questions. Per the Tennessee Promise Scholarship Act of 2014, Tennessee Promise participants must also complete 8 hours of community service per term enrolled and maintain satisfactory academic progress (2.0 GPA, grade point average) at their institutions.

Administration of Tennessee Promise

The Tennessee Student Assistance Corporation (TSAC), Tennessee's state financial aid agency, administers the Tennessee Promise program, working with local, nonprofit partnering organizations to coordinate the mentoring and community service program components. Once a student applies to the Tennessee Promise program, the respective partnering organization coordinates program requirements and mentorship connections and determines if a student remains eligible for the program. According to the Tennessee Promise Scholarship Act of 2014, there are three partnering organizations in Tennessee: tnAchieves, the Ayers Foundation, and the Regional Economic Development Initiative.

Sustainability

The Tennessee Promise relies upon and is sustained by several financial assumptions that, in combination, may be unique to Tennessee. The following narrative and the table found in Appendix D outline Tennessee Promise's sustainability model through the 2019–2020 academic year. There are three main components of Tennessee Promise's sustainability model.

Reserve and Endowment Spending (Tennessee Education Lottery Scholarship)

In 2014, legislation creating Tennessee Promise also established an irrevocable trust consisting of the Tennessee Promise endowment account and the Tennessee Promise special reserve account.

According to the Tennessee Promise Scholarship Act of 2014, funding for the endowment came from two sources: (a) total unexpended lottery scholarship revenues from the previous 10 years had accumulated to more than $400 million (from these reserves, approximately $312 million was transferred to the endowment) and (b) a transfer of $47 million was made from TSAC's student loan guaranty operating reserve. These two deposits brought the initial endowment balance to approximately $360 million. Investment of the endowment is administered by the treasurer of the state of Tennessee. The Tennessee Promise sustainability model included long-term endowment earnings of 4%, yielding approximately $7.2 million on an annual basis.

Funding for the special reserve is derived from the following sources: (a) interest earnings from the Tennessee Promise endowment, (b) total annual net lottery proceeds (i.e., lottery revenues in excess of expenditures on scholarships and TELS administration), and (c) interest earnings on the special reserve. The special reserve is invested in similar long-term instruments as the endowment, thus yielding a similar rate as the endowment. Annual interest earnings on the special reserve will fluctuate, however, depending on the current balance.

In Year 1 of the Tennessee Promise program, the total cost to the state of Tennessee was approximately $15 million. Program costs are projected to grow over the next 5 years, as the program expands and tuition and fees increase (Tennessee Higher Education Commission, 2016).

Tennessee Education Lottery Scholarship Modifications

To reduce the direct cost of the Tennessee Promise program to the state, modifications were made to TELS award amounts beginning in fall 2015. HOPE Scholarship awards for students enrolling at community colleges increased from $2,000 to $3,000, incentivizing enrollment at community colleges and decreasing the Tennessee Promise award amount for HOPE recipients (as Tennessee Promise is a last-dollar scholarship program). Further offsetting Tennessee Promise costs, the HOPE Scholarship award, which was $4,000 annually for a student enrolled full-time at a 4-year college or university,

was decreased to $3,500 for the student's first 2 years and increased to $4,500 for the second 2 years (see the statute Postsecondary Financial Assistance From Net Lottery Proceeds for Students with Intellectual Disabilities: Eligibility for STEP UP Scholarship, 2015). This change will result in a cost savings to the TELS program, as 40% of TELS award recipients do not retain their scholarship(s) past Year 1. These surplus funds, as discussed earlier, are transferred to fund Tennessee Promise.

Federal Financial Aid

Because Tennessee Promise is a last-dollar scholarship, much of a student's tuition and fees to attend a community or technical college may be covered by federal student financial aid in the form of Pell Grants (up to $5,815 per year), greatly reducing the program's cost to cover a student's tuition and fees. During the first year of Tennessee Promise (AY 2015–2016), average tuition and fees at community colleges in Tennessee were approximately $4,100 and, at technical colleges, approximately $3,500 (Tennessee Higher Education Commission, 2016).

Average Award and Early Outcomes

In fall 2015, 16,291 students enrolled in Tennessee's 13 community colleges (85%), 27 colleges of applied technology (13%), and eligible 4-year institutions (2%) as a Tennessee Promise student. The average award was approximately $1,000 for the academic year.

With this relatively small investment, it is estimated that Tennessee added approximately 4,000 students into postsecondary education and improved its college-going rate (the percentage of high school seniors who enroll in college immediately following graduation) by 5–6 percentage points. Comparing fall 2014 (prior to Tennessee Promise) to fall 2015 (after implementation), first-time freshman enrollment increased 24.7% at community colleges, 20% at colleges of applied technology, and 10.1% overall across Tennessee's public higher education sector (Tennessee Higher Education Commission, 2016).

Higher Education in Tennessee

The population of Tennessee is approximately 6.6 million people. The annual college-going rate is approximately 58%, and statewide educational attainment (percentage of working-age adults with at least a 2-year degree) is 33%.

Higher education in Tennessee comprises 9 public universities, 13 community colleges, and 27 colleges of applied technology. There are 34 private institutions affiliated with Tennessee's independent college association. Approximately 380,000 students from in and out of the state enroll in higher education in Tennessee annually, with 64% enrolled in public technical, 2-, and 4-year institutions. The remaining 36% attend a private, not-for-profit college or university or a for-profit institution. Tennessee's public institutions award approximately 57,500 undergraduate degrees (bachelor's, associate's, certificates, and diplomas) each year (Tennessee Higher Education Commission, 2016).

Case Study of tnAchieves

Since 2008, tnAchieves has supported the bold idea that every student, regardless of family income, ZIP code, and even academic preparedness, deserves the opportunity to receive a postsecondary education.

With the mission of eliminating the barriers associated with entering the postsecondary pipeline, tnAchieves launched as a universal last-dollar community and technical college scholarship that paired students with volunteer mentors and required the students to complete at least 8 hours of community service. With the expansion of the tnAchieves program to a statewide initiative, tnAchieves continues to operate as a privately funded agency, with an annual budget of $1.5 million, and works in close collaboration with Tennessee Promise to provide mentoring services to participating students.

From 2008 to 2014, as it grew from a single-county into a 35-county initiative and then was transformed into the larger statewide Tennessee Promise program, tnAchieves supported more than 10,000 students in entering a community or technical college with privately raised last-dollar scholarships. Statistics indicate that students are retaining at a rate 50% greater than the state average and graduating at a rate three times the state average (National Student Clearinghouse Research Center, 2016; see Figure 2.4). This is particularly important when one considers that 65% of tnAchieves students
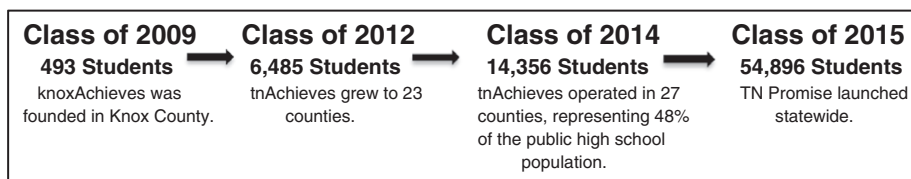
Class of 2009	Class of 2012	Class of 2014	Class of 2015
493 Students	**6,485 Students**	**14,356 Students**	**54,896 Students**
knoxAchieves was founded in Knox County.	tnAchieves grew to 23 counties.	tnAchieves operated in 27 counties, representing 48% of the public high school population.	TN Promise launched statewide.

Figure 2.4 Growth of tnAchieves program, 2009–2015.

are first-generation college attendees and that 70% come from families who earn less than $50,000 annually (tnAchieves, 2015).

Understanding this success, but faced with the reality that only 37.4% of Tennesseans held a postsecondary degree, the state launched the Drive to 55 campaign, which seeks to comprehensively improve its higher education policies by achieving 55% postsecondary attainment by 2025 (Tennessee Higher Education Commission, 2016).

The mission is to provide all Tennesseans with accessible and affordable postsecondary degree or credential opportunities that align with projected workforce demands. Tennessee understands that to achieve this mission, the state must increase access to postsecondary opportunities.

Tennessee seeks to reach the students who are left to enter the workforce with only a high school diploma. Much like tnAchieves, Tennessee Promise ensures that no student will be inhibited from pursuing a college degree because of socioeconomic status, zip code, or background.

Tennessee Promise provides last-dollar funding for community or technical college to every Tennessee high school student. Ultimately, Tennessee Promise eliminates the financial burden associated with postsecondary attainment for students directly following high school graduation.

While the funding is obviously important to increased access, the program also includes mandatory support programs. The program requires students to complete the FAFSA by an established deadline, maintain full-time status at a postsecondary institution for a maximum of five semesters (eight trimesters for technical colleges), and, most importantly, work in a structured environment with a mentor.

The tnAchieves currently serves as the partnering organization to Tennessee Promise in 85 counties. Relying on a collective impact model, the program established 85 county-based advisory councils comprising local higher education, secondary education, and business leaders as well as public officials to ensure local ownership and sustainability. Annually, tnAchieves recruits 9,000 volunteers, training nearly 7,500 of these individuals to serve as mentors to more than 59,000 Tennessee Promise applicants as they transition from high school to college.

Recently, the University of Tennessee's Center for Business and Economic Research found that a strong mentoring program coupled with a last-dollar scholarship increased a student's likelihood of attending college by more than 500% (Carruthers & Fox, 2016).

Statistics and Strategies

Under the Drive to 55 umbrella, Tennessee launched Tennessee Promise, which provides last-dollar community and technical college scholarships with mentor guidance to all high school seniors with a focus on increasing the number of students entering the postsecondary pipeline and ultimately earning a credential.

In the initial year, more than 58,000 students applied for the Tennessee Promise program. Students were paired with nearly 7,500 volunteer mentors from their communities. The mentor served as a resource and encourager to eliminate the barriers associated with college access and success. More than 66% of original applicants met the Tennessee Promise February 15 FAFSA filing deadline, with Tennessee leading the nation in FAFSA filing. In fact, the state had the highest year over year gain in percentage of students who filed FAFSA and accounted for more than 40% of FAFSA completions across the entire country (Office of Federal Student Aid, n.d.).

Moreover, the program resulted in nearly 320,000 community service hours completed between January and May 2015. In fact, since 2008, students have given back more than 775,000 community service hours.

To increase the number of Tennessee Promise students who entered postsecondary education more academically and socially college ready, the program hosted 13 summer bridge programs. With nearly 500 students who required
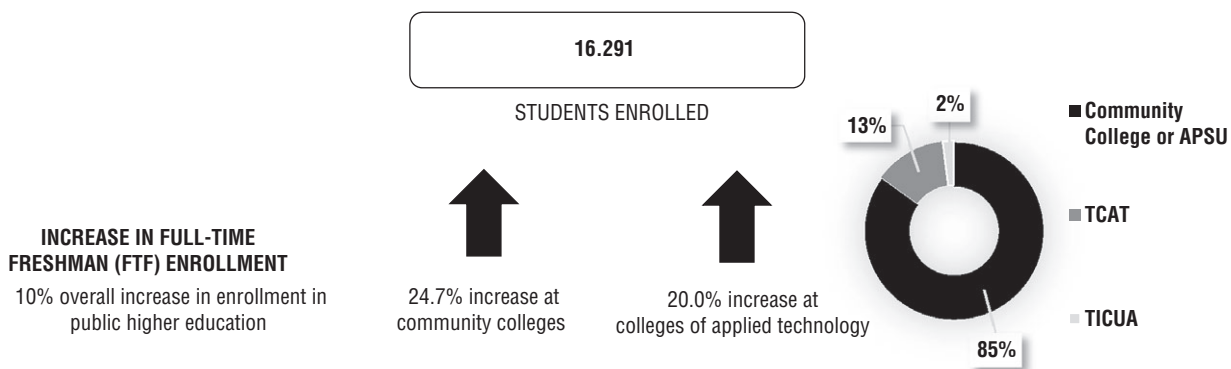
16.291

STUDENTS ENROLLED

INCREASE IN FULL-TIME
FRESHMAN (FTF) ENROLLMENT
10% overall increase in enrollment in
public higher education

24.7% increase at
community colleges

20.0% increase at
colleges of applied technology

2%

13%

■ Community
College or APSU

■ TCAT

■ TICUA

85%

Figure 2.5 Breakdown of tnAchieves. APSU = Austin Peay State University, TCAT = Tennessee College of Applied Technology, TICUA = Tennessee Independent Colleges and Universities Association.

remediation completing, the program had a 93% success rate, with students either testing out of or improving their entry scores. To date, tnAchieves has supported nearly 800 students through a summer bridge program with similar results.

With 16,291 students from the class of 2015 attending an eligible institution as a part of Tennessee Promise, the community colleges experienced a 24% increase in full-time students, while technical college enrollment increased more than 20%. This led to a 4.6% increase in the state's college-going rate, which exceeds the rate of increase over the last 7 years combined (Tennessee Higher Education Commission, 2016; see Figures 2.5 and 2.6).

Understanding that increased postsecondary attainment is essential, Tennessee Promise launched an intentional student communication plan. This success strategy places students into cohorts based on previous academic performance and household income to provide targeted communication to meet students' needs. The tnAchieves employs e-mails, responsive texts, surveys, and an online student portal to provide guidance as well as collect feedback for interventions. These also serve as mechanisms for cultivating student voices.

Mentors

Tennessee Promise provides the opportunity for every Tennessee high school student to earn a community or technical college credential by offering a last-dollar scholarship with mentor guidance. While Tennessee Promise is available to all students regardless of socioeconomic status, partnering organizations, like tnAchieves, work with high school counselors to specifically target at-risk students who would otherwise not pursue any education beyond high school.

While the incentive of funding may be a critical component of increasing college-going rates, providing access does not guarantee student success. To help ensure that students enter college, persist, and attain a college degree, tnAchieves uses a holistic student support structure that includes pairing students with volunteer mentors from their communities.
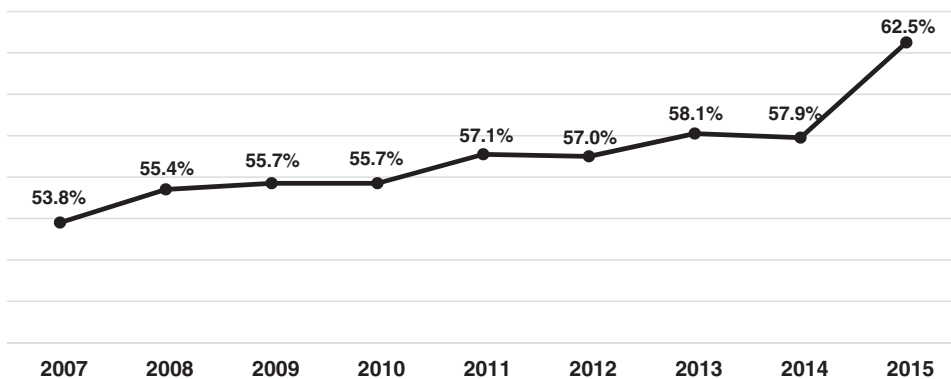

	2007	2008	2009	2010	2011	2012	2013	2014	2015
	53.8%	55.4%	55.7%	55.7%	57.1%	57.0%	58.1%	57.9%	62.5%

Figure 2.6 Rate of Tennessee high school graduates going to college, 2007–2015.

May–November: Statewide mentor recruitment

November: Mentor information sessions held at the community and technical colleges

Mid-November: Mentor application deadline

November–February: Mentor training sessions held in each county

March: Mentors receive student information

March–April: High school team meetings

June–July: Community service days for mentors and students

October: College team meetings

Figure 2.7 Class of 2016 timeline mentor.

Each applicant is assigned a mentor, who assists the student in overcoming the barriers associated with postsecondary access and success. The tnAchieves mentors support the students through helping with admission and financial aid paperwork, motivating the students to meet deadlines, and, perhaps most importantly, encouraging students to reach their potential (see Figure 2.7). By providing participating students with mentors, tnAchieves hopes to prevent vulnerable students from slipping through the proverbial cracks associated with the transition from high school to a postsecondary institution.

Too often, students are not assured that college is within their reach. There is no incentive to persist post–high school because they cannot envision the possibility of walking onto a college campus, assuming the life of a college student, and being the first in their families to graduate college. The theory of change for tnAchieves is that providing an advocate who believes in a student's potential, eliminating the financial barrier, and embracing the idea of college access and success on a community level will result in student success. In addition to the broader aims of tnAchieves, a short-term goal of this model is that mentors and the mentorship process will positively influence students' perceptions about postsecondary life and, ultimately, about themselves.

Although several factors may be responsible for students' success in the program, there are some early indicators that participating in tnAchieves is having a positive impact. Specifically, the retention and completion rates for students in tnAchieves are well above the state averages for Tennessee, with 77% fall-to-fall retention and 31% completion (tnAchieves, 2015).

Mentor Recruitment

To ensure that every Tennessee Promise applicant is paired with a mentor, tnAchieves recruits more than 9,000 volunteers annually to successfully train and pair 7,500 of these volunteers with students. Each community is unique in its ability to supply mentors, but tnAchieves relies heavily on its local advisory councils to provide guidance on the best place to recruit mentors in each community. In addition to assisting students through the Tennessee Promise process, tnAchieves is building advocates for education through the mentoring program.

To engage employees to serve as mentors, tnAchieves forms partnerships with the business community, particularly in metropolitan areas. In 2015, 35% of mentors came from business/industry. It is logical for this sector to participate with and support tnAchieves, as the ultimate goal is to provide the state's business and industry with a more qualified workforce.

The tnAchieves program also visits many civic clubs and professional/trade associations to recruit mentors. Many civic organizations (e.g., Rotary, Kiwanis, Lions Club) have a focus on giving back and, more specifically, on education. The program also finds that many active retirees in these organizations want to remain involved and have time to devote to mentorship. Retired teachers associations, engineering societies, hospitality associations, and like organizations' memberships are often large, diverse, and active in their respective communities.
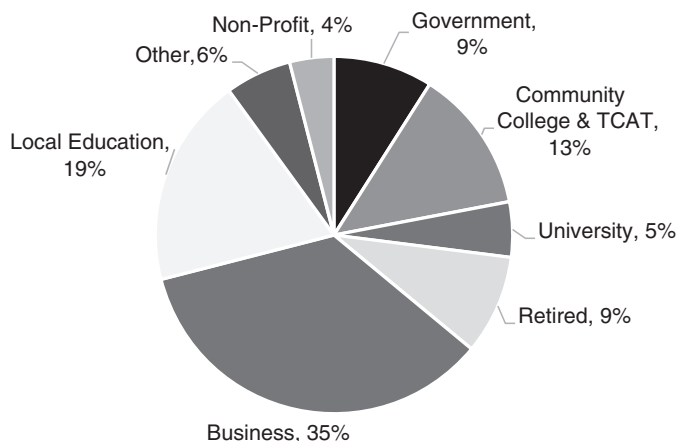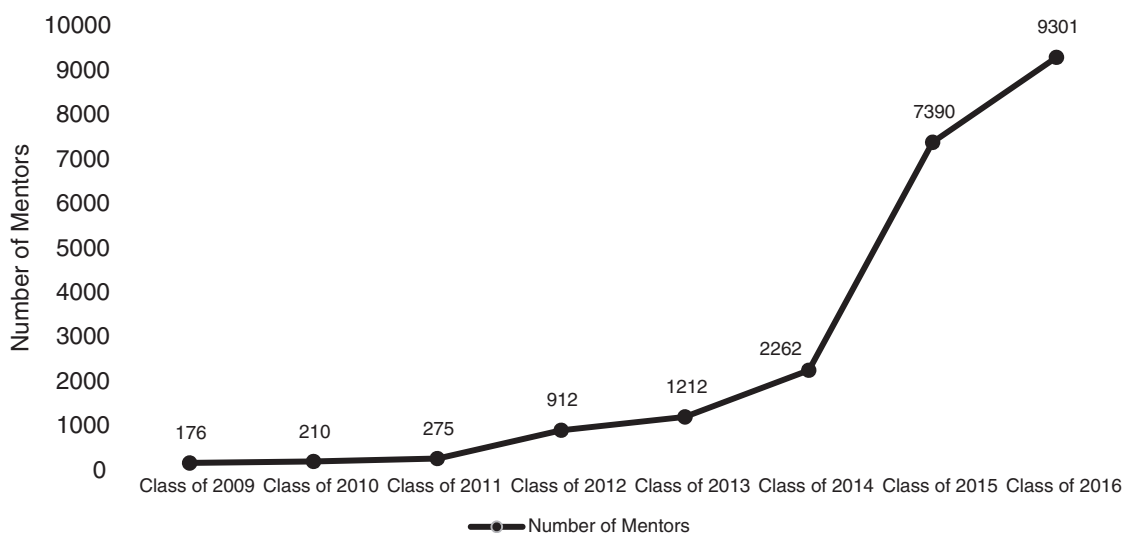
Figure 2.8 Mentors by sector.

Figure 2.9 Mentor growth, 2009–2016.

Finally, tnAchieves recruits many current educators and education administrators. The postsecondary community and local education agencies provide many volunteers who are already invested in student success. These volunteer mentors are familiar with the process and are comfortable working with students. The postsecondary institution mentors also provide a familiar face on campus during the critical first months of college (tnAchieves, 2015; see Figures 2.8 and 2.9).

One student stated,

> Without tnAchieves and my mentor through the program, I would never have accomplished gaining my associate degree, being in the college honor society, and then continuing on to the University of Tennessee where I'm achieving my lifelong dream of being a college graduate with a bachelor's in anthropology. I feel that tnAchieves gives the opportunity of not only college but achieving dreams that most people from my community could only dream of. (student from Blount County)

Throughout the mentor recruitment process, tnAchieves updates its various stakeholders at least biweekly. This ensures that all students from rural to urban communities have a mentor but also lays the foundation for community competitions. For example, the local advisory council members, college presidents, state commissioners, and chamber of commerce CEOs participate in friendly competitions with incentives for winners. Mentor recruitment begins in June and continues through November, with hundreds of events scheduled to share the opportunity.

Mentor Training

The tnAchieves program begins training mentors in late October. Trainings focus on the Tennessee Promise process as well as student eligibility requirements. Mentors receive high-level information about filing the FAFSA, completing the postsecondary admissions process, and all other Tennessee Promise requirements and deadlines.

Second, mentor training prepares mentors to work with Tennessee Promise's target population. Mentors serve three roles: resource, task master, and encourager. The tnAchieves frames mentor training with these roles in mind, explaining that the majority of students are the first in their families to attend college. This provides the context for engaging with the target Tennessee Promise student. The tnAchieves program explains that often acronyms like FAFSA or EFC (expected family contribution) can be real deterrents for many students. The role of the mentor is to be a trusted resource when the student has questions and/or encounters a barrier to postsecondary entry. As indicated, the role of task master is also incredibly important as the program seeks to ease the transition from high school to college. Ensuring that students understand the critical nature of deadlines is essential to the mentor's role. Finally, students often face difficulties as they attempt to break family cycles. The role of encourager is invaluable to student success.

It is important to note that each mentor is also provided a 50-page handbook at the 1-hour training session. The handbook outlines the process and provides insight on working with the target population. The mentor handbook includes the same information students receive in their student handbooks but is supplemented with additional information to help mentors assist students through the process. For example, the handbook includes a specific outline for the biweekly communication strategy to ease the mentors' burden.

Mentor–Student Interaction

Tennessee Promise mentors are asked for a 1-year commitment of 10 hours, working with 5–10 students from the high school of their choice. Mentors and students work together from March of a student's senior year of high school through the student's first semester of college. Mentors and students attend two structured meetings and communicate at least twice per month. If mentors and students build a stronger bond, they may choose to continue working together throughout the student's college career.

The first mentor meeting is in the spring of the students' final semester of high school. The meeting topics include the admissions process, community service, FAFSA, and the summer bridge program. At this meeting, mentors and students work on a goal-setting activity. Each student's goal for this activity is the same: college completion. Mentors work with students to create short-term goals and identify opportunities and obstacles that they may face in the process of achieving their goals.

The second meeting occurs in October of the students' first semester of college. The meeting focuses on being a successful college student, available resources, college requirements, transferring, and graduating. At this meeting, mentors and students work on a time management activity, mapping out their schedules and intentionally discussing more school/study time. Both meetings are led by tnAchieves staff with specific breakout times for mentor engagement.

Communication between students and mentors can be challenging. The tnAchieves program helps mentors understand successful methods of reaching students. Mentors are advised that many of the students prefer text messages to phone calls or e-mails and are encouraged to establish their method of contact early in the process. The tnAchieves program also encourages mentors to contact the students' parents or guardians to introduce themselves and explain the role they will be playing. Often, the mentor becomes a resource for parents and guardians as they collectively assist the student in navigating the process.

The tnAchieves program asks mentors to communicate with students every 2 weeks to build a relationship and ensure that students know that a consistent voice is invested in their future. The tnAchieves program explains that each student is unique in terms of motivation and why he or she chose to apply for Tennessee Promise. While providing the structure for multiple face-to-face interactions, tnAchieves urges mentors to find additional time to meet in a public space. This allows for a richer experience for both mentors and students.

A component of Tennessee Promise eligibility is completing community service hours prior to each semester. The tnAchieves program asks mentors to play a role in this requirement by serving alongside students, specifically in the

summer between high school and college. This not only enhances the relationship but also heightens student awareness of opportunities within their communities to give back.

Mentors receive a weekly e-mail from tnAchieves every Monday, outlining details and deadlines to share with students. The program wants to ensure that mentors remember to regularly communicate with students but also that the information provided is accurate. Monday mentor e-mails also include inspiring student stories as well as tips from other mentors. Mentors serve as a conduit between the program and students.

The tnAchieves Program's Support for Mentors

The tnAchieves staff is always available to support mentors in any possible way. Every mentor has staff cell phone numbers and e-mail addresses. Mentors are encouraged to reach out to tnAchieves with any questions or concerns. Mentors are not expected to be experts in the fields of college access and success.

Mentors are placed into teams of four to six and receive one another's contact information from tnAchieves for additional support. Mentor teams are seated together at the meetings with their students to work together through the activities, assist each other in answering student questions, and ensure that students are on track to succeed. Mentor teammates serve as backups if mentors have unexpected circumstances that cause them to miss a meeting. Mentors also communicate with each other to exchange ideas and best practices. Teams consist of a combination of new and experienced mentors.

Mentors are invited to a breakfast at a local community college in the fall prior to working with their assigned students. The colleges provide information on the admissions and financial aid processes before mentors begin working with their students. In addition, the mentor breakfasts feature a keynote speaker from an education or business sector that supports the Drive to 55 initiative.

With a nearly 50% mentor retention rate and many mentors serving since its inception in 2008, tnAchieves has a Mentor Recognition Program that celebrates mentors who contribute outside of their roles.

Conclusion

As outlined in this report, college promise programs seek to positively impact the barriers preventing students from both entering the postsecondary pipeline and completing a college degree. This report provides a framework for how college promise programs can effect change, paying close attention to financial considerations, sustainability of programs, and how to holistically serve students in the community. This report also offers a case study, featuring best practices of tnAchieves and the partnering organization of Tennessee Promise, which provides an opportunity for every Tennessee student to attend community and technical college tuition free with mentor guidance. With an emphasis on student support services, the Tennessee Promise program serves as one of many examples of promise programs throughout the United States positively impacting college-going, retention, and graduation rates. An educated workforce is critical to ensuring economic and social prosperity in local, state, and national communities. Exploring college promise programs is a viable option for states and/or communities to address broader policy goals.

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3. Privately Funded Models and Public–Private Partnerships to Promote College Promise Initiatives

Lezli Baskerville[1] & Hugh Fitzpatrick[2]

[1]National Association for Equal Opportunity in Higher Education, Washington, DC
[2]Princeton Capital Management, Princeton, NJ

In this report, we provide an overview of college promise programs and related initiatives, in particular those funded by private monies, and then delve into promising practices for the funding and sustainability of promise programs. We conclude with a discussion of the importance of focusing college access and financing efforts like college promise programs on reducing academic achievement gaps.

Corresponding author: L. Baskerville, E-mail: lbaskerville@nafeo.org

Postsecondary education has come to assume an increasingly central role in American life. Nearly 66% of high school graduates enroll in college within 12 months of high school graduation (Snyder, de Brey, & Dillow, 2016), while millions of adults attend college classes to complete a certificate or degree program, retool their job skills, prepare for new careers, or expand their cultural and intellectual horizons (Snyder et al., 2016). However, degree completion falls short of what is needed for the United States to reclaim its place as the world's most educated nation (Organisation for Economic Co-operation and Development, 2016). The Obama administration is seeking to ensure that by 2020, roughly 60% of Americans will earn a 2- or 4-year degree (White House, 2009), while students, families, policy makers, and businesspeople across the nation clamor for colleges and universities to contain costs, expand access, and increase success, especially in growth, critical-, and high-need disciplines (U.S. Department of the Treasury, 2012).

The United States finds itself in an increasingly competitive global economic environment in which the need for an educated workforce is paramount (National Research Council Committee on Comparative National Innovation Policies, 2012). However, the cost of postsecondary education has grown at a rate that makes postsecondary education an improbability for too many and strains our ability to remain competitive. According to data collected by the National Center for Education Statistics, between 2003–2004 and 2013–2014, the cost of undergraduate tuition, fees, room, and board rose 34% at public institutions and 25% at private nonprofit institutions of higher education (Snyder et al., 2016). These large increases in the cost of higher education pose real challenges to the lives of everyday Americans, given the ample evidence that individuals gain economic and personal benefits from every extra year of education (Pew Research Center, 2014).

College promise programs were created in many local communities across the United States to increase access to a college education and enhance college degree attainment levels, in particular among qualified individuals with lower incomes. Although they differ in size and scope, as well as in their funding sources and goals, college promise programs across the United States tend to share the goals of increasing access to college, building a college-going culture in the school district and local community, and supporting local community and economic development (Miller-Adams, 2015). In this report, we provide an overview of college promise programs and related initiatives, in particular those funded by private monies, and then delve into promising practices for the funding and sustainability of promise programs. We conclude with a discussion of the importance of focusing college access and financing efforts like college promise programs on reducing academic achievement gaps.

Background

As the nation grapples with questions of how to expand educational access and increase college and career success, especially for low-income students and families, there is growing evidence that the majority of states, facing significant budget constraints, are dramatically under-funding higher education (Pew Charitable Trusts, 2015). Paradoxically, this

has occurred even as states are seeking to prepare a greater percentage of their residents for the existing and projected workforce, and to lure new industry with the promise of an educated workforce prepared to meet their employment needs (Berger & Fisher, 2013). College promise programs may address some of these challenges, particularly for those without the financial means to pay for a college degree. Most college promise programs are place-based scholarship programs designed to increase access to postsecondary education and build college-going cultures in local communities (Miller-Adams, 2015). They may help qualified students, or all students in a specific locality, depending on their requirements, to cover some or all of the costs of a two or four-year college degree.

A related effort, the Obama administration's call for 2 free years of community college, was outlined in the America's College Promise Act of 2015 (ACP; Executive Office of the President, 2015). ACP is intended to make 2 years of community or technical college tuition free for students who attend school at least part time, maintain a 2.5 GPA or above, and demonstrate sufficient progress toward completion, if their states make significant reforms to their community college system. The College Promise Campaign (CPC) was launched in 2015 to advocate for the passage of the ACP by working "to build broad public support for investments in community colleges and career and technical institutes" (Civic Nation, 2016, para. 1). The success of the CPC will be gauged primarily by the number of students who enter and complete a quality community college education as a result of college promise programs.

Although college promise programs have recently received a large amount of attention as a result of the APC and CPC, they are not new. Programs with the *promise* label have been developed at the local, state, and federal levels over the past decade, and especially in the past few years (Perna, 2016). Although promise programs vary in their scope and requirements, they tend to go beyond traditional financial aid practices by targeting funding to students who live in specific locations, meet local or state eligibility criteria, and/or attend specific schools. One prominent example is the Kalamazoo Promise of Kalamazoo, Michigan, which has inspired the development of similar programs in other low-income communities (Miller-Adams, 2015).

One hundred eighty-eight college promise programs already exist in local communities, and 31 more have been proposed, which would bring the total number or programs to 219 across 40 states (University of Pennsylvania Alliance for Higher Education and Democracy, 2016). These include statewide "free community college" programs recently authorized by Tennessee, Oregon, and Minnesota and proposed by legislatures in 11 other states (Perna, 2016). All of these programs share the goal of increasing the percentage of local or state residents who attain a college certificate or degree. College promise programs are not just about money; rather, they often seek to strategically pair the awarding of scholarship funds with mentoring to assist in increasing student postsecondary education information, preparation, aspirations, applications, timely completion of the FAFSA, enrollment, persistence, completion, and community service and engagement (Miller-Adams, 2015).

Research on the impacts of promise programs is still nascent, but there is a fast-growing body of knowledge on the student outcomes, enabling the identification of important promise program practices. A recent review of research into the impact of place-based scholarship programs suggests that high-impact programs will have identified a critical need for their community around which the community can align, created a promise program that sets incentives to meet this need, and ensured the necessary funding to sustain the promise made as well as any needed support services (if included in the purview of the promise funders) for current and future students over the life of the program (Miller-Adams, 2015).

In this report, we summarize the merits and potential challenges of the place-based scholarship model used by the majority of the existing college promise programs. We also presents several promising practices for consideration by policy makers and practitioners engaged in the development and/or implementation of college promise programs. We focus specifically on privately funded college promise programs or those funded with a blend of public and private monies. Such programs may be supported by foundations; corporations; alumni associations; celebrities; communities of faith; social, fraternal, and Greek letter associations; other affinity groups; or individuals (Miller-Adams, 2015).

The Place-Based Scholarship Model

The majority of the college promise programs currently providing tuition support to students is locally based and privately funded (Miller-Adams, 2015). Programs are locally or place based if they focus on the needs of a specific community or locality. While some place-based programs are funded by local revenues, resources for most of these programs come

from private sources, such as local foundations, corporations, individuals, or some combination of these. Examples of place-based scholarship programs, and their private funding sources, include the following:

- the Kalamazoo Promise,[5] funded in perpetuity by a group of anonymous local donors
- the New Haven Promise,[6] funded by Yale University, the Community Foundation for Greater New Haven, Yale–New Haven Hospital, and Wells Fargo
- the El Dorado Promise,[7] funded by Murphy Oil Corporation
- the Say Yes to Education model,[8] now operating in five communities and funded by a range of private donors and participating colleges
- the Richmond (CA) Promise,[9] funded with money from Chevron Oil Company
- the Denver Scholarship Foundation,[10] started with a $50 million pledge from Tim and Bernadette Marquez in the form of a challenge grant
- the Pittsburgh Promise,[11] whose founding partner is the University of Pittsburgh Medical Center
- the Peoria Promise,[12] which is 100% donor supported

In some college promise programs, private money is blended with other forms of funding. Many community colleges have used their own foundations (sustained through private giving) to provide tuition support through a promise program to students in their service areas. Other promise programs combine public and private funding. For example, the Arkadelphia Promise[13] augments the Arkansas Lottery Scholarship with private dollars, and the Michigan Promise Zones[14] are funded by private donations and public funds provided by an increase in the State Education Tax (Miller-Adams, 2015).

Whether they are funded solely by private donations or by a mix of public and private funds, as place-based scholarship programs, college promise programs are largely supported by local assets. They also tend to be targeted to local needs, as a result of their design and development by local actors; the promise programs model could be described as a grassroots-level movement in this regard (Miller-Adams, 2015). The advantage of this model is a broad sense of buy-in throughout the community that ensures stronger alignment with community goals and input from multiple players in support of the goals of the scholarship.

In many cases, the impacts of promise programs on local communities are seen not just through the addition of new scholarship dollars but also through the programs' positive influences on student outcomes in the school district, on the allocation of resources for new out-of-school supports for students, and in a more aligned relationship between the K–12 system and local postsecondary institutions and area employers. In other words, promise programs, especially those at the local level, can be powerful catalysts for place-based change and collaboration (Miller-Adams, 2015).

College Promise Program Design Principles

The current population of place-based scholarships is very heterogeneous. Because these programs were developed locally, they differ in the details, but they usually share the common goals of increasing access to and success in postsecondary education, usually for traditionally underserved populations (most place-based scholarship programs are located in low-income communities, although only a few serve exclusively low-income students); transforming K–12 school districts to create a college-going culture so all students can succeed in higher education; and serving as a catalyst for community and economic development (Miller-Adams, 2015).

The various types of promise programs can be categorized along three dimensions: (a) how they determine student eligibility, (b) participating postsecondary institutions, and (c) funding. The following sections detail the different choices made by programs in each area.

Student Eligibility

Place-based scholarships are usually contingent on long-term enrollment and residency within a given school district (Miller-Adams, 2015). Some of these programs have merit considerations, such as GPA and test score cutoffs, whereas others are open to all students based on length of enrollment in a school district. Decisions on whether to make a program targeted to students achieving at a certain level or to make it universally available to all students in a given area are informed by beliefs around who will be successful in college; in other words, they are based on a debate between college access versus college success (Miller-Adams, 2015). Only a few promise programs are based on financial need; it is important to note

that many of programs are open to all qualifying students without regard to ability to pay. Research has not yet addressed the extent to which impacts vary by student socioeconomic background; future studies should seek to answer this question to inform the design of current and future promise programs.

Participating Postsecondary Institutions

Some place-based scholarship programs limit attendance to a single local institution or small group of institutions, such as public universities in the state, whereas others allow students to choose from a broad array of options. The most flexible promise scholarship, provided by the El Dorado Promise, allows recipients to use their scholarships at any accredited postsecondary institution in the United States. Some college promise programs limit their scholarships to 2-year colleges, whereas others cover 4-year options as well (Perna, 2016).

Funding

Programs vary in their provision of support on a first- or last-dollar basis[15] and by whether scholarship amounts are fixed or variable (Miller-Adams, 2015). Many promise programs are designed as last-dollar programs to extend the programs' funding to reach the greatest number of students. Some promise programs, such as the Long Beach College Promise, cover only one semester at a specific community college, whereas others, such as the Kalamazoo Promise, cover 4 years of tuition worth over $100,000.

Promise Program Sustainability

The field of place-based scholarship programs is relatively new (within the past decade), so it is difficult to talk about long-term sustainability. Guarantees of funding sustainability vary widely across the many programs now in existence; some programs have no long-term funding, whereas others have large endowments or are funded in perpetuity by a private donor (Miller-Adams, 2015). Examples of place-based scholarship programs with secure private funding streams include the Kalamazoo Promise, the New Haven Promise, the El Dorado Promise, the Say Yes to Education, and the Richmond (CA) Promise. The Kalamazoo Promise donors have pledged to support their program in perpetuity but have not set up an endowment fund; instead, their pledge is embodied in a legal guarantee that the program will be continued and, if ever discontinued, long-term notification provided (Kalamazoo Promise, 2016). In El Dorado, the size of the promise donor's commitment is sufficient to sustain the program over the long term (El Dorado Promise, 2016). The Michigan Promise Zones have raised sufficient local funding for at least the first 2 years of operation and will then benefit from receiving a portion of the increase in the State Education Tax, an example of a private–public blended funding stream (Miller-Adams, 2015).

    Many factors can affect the sustainability of college promise programs. The cost of the program is of course paramount. Some place-based scholarship programs are very inexpensive—for example, a last-dollar program that covers the costs of community college remaining after other grant aid is applied may result in limited costs to donors, because students' Pell Grants and other need-based aid cover the lion's share of the tuition and fees (Miller-Adams, 2015). One such example is the Detroit Promise, formerly the Detroit Scholarship Fund (Detroit College Promise, 2016); other promise programs like these that fund 2-year degrees are easier to sustain financially than those that provide a 4-year scholarship option. The time frame of the program's development, too, can have an effect on sustainability. In some cases, endowment funds are being built before scholarship outlays begin. The Challenge Scholars in Grand Rapids, for example, has built an endowment fund of more than $30 million from private funding through the local community foundation (Challenge Scholars, 2016). College readiness and other support programs have been launched in the participating schools, but no scholarships will be awarded until 2020, allowing the fund time to grow. Other programs that need to raise funds to support their implementation may find that a sophisticated fund development effort is required, and stakeholders need to ensure that funding is provided for these efforts.

    The effectiveness of place-based scholarships and, accordingly, their sustainability depends not just on funding for college expenses but also on funding to support the academic interventions and support services provided by some promise programs (Miller-Adams, 2015). Some promise programs must raise funds to sustain these activities. One such example is the Future Centers, which are college and career development support services centers located in high schools and funded

by the promise programs in Denver (Colorado), La Crosse (Wisconsin), and Richmond (Virginia); they provide one-stop shops for college access and enable students to seek outside scholarships beyond the promise program funds (Denver Scholarship Foundation, 2016; La Crosse Promise, 2016; Richmond Public Schools Education Foundation, 2016).

Strategies for Improving Sustainability

Communities considering or currently implementing place-based scholarship programs should consider several strategies to increase program sustainability. These include (a) identifying and aligning with local needs, (b) estimating program costs, (c) securing funding commitments early, (d) piggybacking on existing financial aid options, (e) starting small, and (f) designing simple programs (Miller-Adams, 2015).

Identifying and Aligning With Local Needs

Programs should be developed to address the specific needs of the local community, such as the need for the revitalization of neighborhoods addressed by the La Crosse Promise (2016) in Wisconsin. Alignment to local needs can help generate funding by driving the development of partnerships among local organizations and funders committed to improving outcomes for local populations.

Cost Estimates

One simple strategy for ensuring sustainability is to obtain a solid cost estimate before launching a program. Cost estimates should be long term and include all relevant assumptions, such as those regarding changing enrollment in the K–12 district, changing patterns of postsecondary attendance, and likely trends in college tuition and federal financial aid levels. They should also include the costs of student support services.

Early Funding Commitments

It is best to launch fund development before a scholarship becomes operational, as the Challenge Scholars and other early commitment programs have done. Even with scholarships announced for a future date, a program may begin immediately providing support services to build college awareness and access. The announcement itself has also proven to be effective for inspiring low-income families and students to prepare for college with the understanding that, if they do, college will be possible (Ash & Ritter, 2014; Bartik & Lachowska, 2012; Miron, Jones, & Kelaher-Young, 2009).

Collect Baseline and Outcome Data

Program developers need to collect baseline data on student characteristics to enable the tracking and analysis of participant outcomes to inform future program planning and revisions as well as to document successes and challenges and help support requests for program funding. Resources such as the Promise Monitoring and Evaluation Framework (Iriti & Miller-Adams, 2016) provide indicators to enable the tracking and analysis of outcomes. Program developers may want to explore ways to obtain funding to hire independent researchers and evaluators to assess program success. It is essential to track the impact of the program at the K–12, postsecondary, and community levels to make possible adjustments that will improve impact and demonstrate effectiveness to funders.

Utilization of Other Funding Sources

Middle- or last-dollar programs that make use of existing aid sources (especially Pell Grants) are much less expensive than first-dollar programs. First-dollar programs bring more new money to the table, however, and, in some cases, promote greater equity in funding patterns. Program designers must ensure that effective strategies are in place so that every student in middle- and last-dollar programs can access available financial aid. These include strong FAFSA prep activities, resources to find and apply for other scholarships, and/or the creation of a single portal for community scholarships (which could be accomplished through a partnership with a local community foundation). Promise program designers

must also work with higher education institutions to ensure that new promise funding is adding to and not replacing institutional aid; this may require a memorandum of understanding with an institution.

Start Small

It is critical that scholarship programs avoid overpromising and underdelivering. It is better to begin with a less generous scholarship, track its results, demonstrate effectiveness, and grow from there. Cost estimates are useful for keeping program scopes realistic.

Keep It Simple and Avoid Frequent Program Changes

Complex programs can create confusion and uncertainty. Program changes (unless simple and moving in a more generous direction) can increase suspicion about the sustainability of a program and undermine the impacts of the promise program.

Other College Promise Funding Options

In this section, we address four potential models for leveraging private funding to support college promise programs. These include (a) the Community Link Foundation's (CLF) Ferdinand Promise Fund, (b) the Historically Black College and University (HBCU) College Promise Fund and Campaign, (c) income share agreements (ISAs), and (d) the Give Something Back Foundation's Need-Based College Access Promise Program.

The Community Link Foundation Ferdinand Promise

The CLF,[16] a private foundation located in Ann Arbor, Michigan, launched the Ferdinand Promise Fund as an innovative charitable financing system that is conceptually wholly sustainable (Community Link Foundation, 2016). The goal is to provide a dependable, long-term revenue source to participating nonprofit organizations so they can give greater service to their communities. This is to be accomplished through an innovative credit/debit card program that is designed to support the development of new partnerships for giving between individual consumers, merchants, nonprofits, and banks. In this model, consumers receive rebates or rewards for using their credit or debit cards that can be donated to a charity of their choice. The rebate comes from a percentage of the transaction fee the issuing bank earns on every credit card purchase. The bank commits to making contributions in each donor's name. Consumers in communities with college promise programs could choose to support these programs, and retailers could choose to offer a percentage of their sales to the promise programs from CLF loyalty card users on the expectation of increasing sales volume when CLF loyalty card users shop at their store instead of a competitor's. By capturing a percentage of local consumer and business purchasing dollars, CLF and its partner communities are able to provide sustained investment and financial independence for philanthropic causes.

College promise programs would benefit from an expanded, sustainable, and predictable source of funds, which may enable program staff to focus more of their time on their core mission of working with students and their families. Furthermore, their fund-raising efforts could be reduced and simplified by the simple process for collecting donations. Ideally, program revenues would increase as more and more consumers participate in a model that enables them to support charities as they make their regular purchases.

The Historically Black College and University College Promise Fund and Campaign

The HBCU College Promise Fund and Campaign is a social entrepreneurship and impact investment fund[17] and campaign designed to grow a $1 billion endowed sustainable fund for HBCUs. The campaign aims to entice the African American community, which comprises 13.8% of the total U.S. population, to invest one-tenth of 1% of their substantial annual buying power, estimated to reach $1.3 trillion in 2017 (Nielsen & National Newspaper Publishers Association, 2013), into an endowed foundation to support HBCUs. The initiative is designed to include a national social marketing campaign to educate potential donors about the important role and impacts of HBCUs and predominantly Black institutions (PBIs) on the nation to harness the substantial purchasing power of the Black community and its allies. The campaign could

benefit from the fact that African American donors give a higher percentages of their incomes than White donors; in fact, nearly two-thirds of Black households made charitable donations totaling approximately $11 billion (W. K. Kellogg Foundation, 2012). However, it will also have to address the challenge that African Americans give substantially less to their alma maters, especially HBCUs (W. K. Kellogg Foundation, 2012).

HBCUs and PBIs presently do have the capacity to make a college promise to perspective students. The HBCU College Promise Fund and Campaign would give them the capacity to secure the funds needed to support a college promise to selected communities with HBCUs or PBIs. These would most likely be disadvantaged communities that would in turn develop criteria for student eligibility for the program.

Income Share Agreements

Although ISAs are seen as an emerging innovative approach to address skyrocketing student loan debt rates, the idea was developed by Milton Friedman in the 1950s (Friedman, 1955). These funds are designed to leverage the willingness of private investors to expand higher education access and success by investing in students, generally in exchange for a contract for a percentage of the students' future earnings once they attain a base annual income. An analysis of ISAs versus privately financed loans suggests both the potential benefits and potential pitfalls of ISAs. ISAs are viewed as a better option than student debt (Purdue Research Foundation, 2016). Payments are adjusted according to income levels, and there is a minimum income threshold for payments to be required and a maximum payment cap. One potential risk is that students who earn a relative high income after graduation may have larger monthly payments than they might have through traditional student loans (Purdue Research Foundation, 2016). Purdue University is offering students ISAs through its "Back a Boiler" ISA Fund, supported by the Purdue University research foundation and private investors.

At the national level, ISAs are under exploration and interest is growing. A bill is pending in Congress (Investing in Student Success Acts of 2017) that would establish a regulatory framework for ISAs. College promise program leaders and developers may want to keep tabs on developments in the ISA field and consider the ways in which ISAs could help promise scholarship recipients cover their college costs. ISAs have great potential given that they offer a cost-efficient manner for low-income students to meet college funding gaps and offer philanthropists who believe in the transformative value of higher education another way of making charitable investments in students' futures.

The Give Something Back Foundation

The Give Something Back Foundation (2016) has made a commitment to offer financial support for college education at an earlier time than most existing promise programs—it identifies its scholarship recipients in the ninth grade. It then provides them with resources and supports, including mentoring, to ensure their success in high school and college. It also "prepays" for scholarships to fill the gap left by financial aid packages and to prevent its scholars from taking on student loan debt. Reported student outcomes include a 90% college graduation rate and 100% employment rate (Give Something Back Foundation, 2016).

Early commitment programs such as Give Something Back offer the proverbial carrot—the opportunity to attend college with established scholarship funding and a greater prospect of graduating debt free—at the start of high school instead of the more traditional approach of offering funding to students when they apply as high school seniors. Research based on programs that focus on early awareness strategies has found that metrics such as matriculation at college; performance on standardized tests; and family knowledge of course taking, the college selection process, and how to pay for college give an indication that the earlier the engagement with students and the more support provided throughout the education experience leading up to college entry, the greater the success rate (Glaser & Warick, 2016).

Conclusions and Recommendations

Although they are not always targeted solely at low-income individuals, college promise programs and similar programs and initiatives are often motivated by a desire to increase college access and success among qualified students from socioeconomically limited backgrounds. Many in the college promise community, at the local, state, and national levels, believe that these programs should be primarily focused on expanding access to and success in postsecondary education and closing achievement and college attainment gaps. While some progress has been made, closing access, achievement, and

attainment gaps between students from low- and high-income families and between students of color and White students remains a significant challenge for the nation. According to recent national data, only 22% of African Americans and 16% of Latinos over age 25 years have earned a bachelor's degree or higher, compared with 36% of Whites and 54% of Asians in the same age group (Ryan & Bauman, 2016). Only about 9% of young adults from families in the bottom income quartile earn a college degree by age 24 years, compared with about 77% of young adults in the highest income quartile (Pell Institute, & University of Pennsylvania's Alliance for Higher Education and Democracy's, 2016). Clearly there remains much work to be done to close gaps in college access and degree attainment by race and socioeconomic status.

A college degree is an essential economic mobility pathway for millions of Americans to escape poverty and ascend into the middle class. Without a college certificate or degree, children in families in the bottom income quartile have a 45% chance of remaining there as adults. With a college degree, they have less than a 20% chance of staying in the bottom income quintile (Haskins, Holzer, & Lerman, 2009).

Addressing this challenge is even more critical given that low-income students and students from historically racial and ethnic minority backgrounds will represent the majority of the traditional college degree–seeking population in the years ahead, and many of these students will be the first in their families to attend college. The U.S. Census Bureau (2012) has projected that minorities, now 37% of the U.S. population, will compose 57% of the population by 2060, with the total minority population more than doubling, from 116.2 million to 241.3 million, during the same period.

Given these statistics, there is a dire need for private investments and partnerships that expand college affordability for students for whom a college certificate or degree would not be within their grasp without scholarships and support services. The CPC is designed to make 2 years of quality higher education universally available in the same way that elementary and secondary education is afforded to all. The privately funded college promise initiatives presented in this report offer promising approaches for progress toward greater equity in college access and higher degree attainment. Some programs have yielded lessons for the field in terms of promising practices and strategies to improve success and sustainability. Some of the newest funding mechanisms and strategies we present here hold the promise of enhancing program size and sustainability, although they have yet to be tested on a large scale.

In addition to the promising practices outlined earlier, we present several recommendations for ways to enhance efforts to improve college access and affordability and increase educational attainment. First, efforts could be made at the national level, and particularly by the U.S. Congress, to incentivize greater private investment in college promise programs, perhaps through their inclusion in the next version of the Higher Education Act, in addition to promoting innovative approaches for helping students to fund college expenses. Congressional lawmakers could help increase college access and educational attainment by demonstrating their support for college promise initiatives and incentivizing them to produce and implement sustainable funding models. The federal government could leverage the power of the federal purse to incentivize states to support college promise and other promising state and privately funded programs designed to establish sustainable efforts for expanding college access and increasing student success in college.[18] National-level support for these programs could do much to enhance the development of successful college promise programs and initiatives at the state and local levels and, most importantly, improve college access and success and enhance the earning potential of individuals and the employment rates of localities across the United States.

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4. The Federal Government's Role in Promoting Promise Programs and Their Goals

Sandy Baum[1] & Bill Hansen[2]

[1]The Urban Institute, Washington, DC
[2]Strada Education Network, Indianapolis, IN

The term *promise program* has come to refer to a variety of local, state, and national programs that promise students that they will not have to pay tuition at community colleges. This report examines the possibility of the federal government taking an active role in supporting state and local efforts of this type and considers the relationship between promise programs and the federal government's goals for increasing educational opportunity and attainment. We conclude that the federal government should strengthen its own efforts to achieve its national goals rather than develop strategies to promote particular state and local programs.

Corresponding author: S. Baum, E-mail: sbaum@urban.org

Promise programs vary quite a bit in scope and structure. If the federal government were to provide any sort of incentives for states or localities to implement promise programs, it would have to determine what characteristics it wanted to promote. A central issue is that some programs eliminate tuition altogether, at least for some specified groups of students, whereas others rely on existing federal and state grant aid and are last-dollar programs, filling the gaps between other funds and tuition prices. Some programs have a merit component, requiring a minimum high school GPA. Some programs apply only to students who go directly to college after high school. Some programs combine free tuition with mentoring or other forms of guidance in an effort to increase college success, not just access. Some programs include only students who are Pell eligible or whose families meet other income criteria. The members of the group contributing to this report agree that it is inadvisable for the federal government to attempt to design local and regional programs.

Potential Improvement to Promise Programs

Expenses

A potential problem with promise programs is that, especially if they are last-dollar programs, they eliminate tuition but do not help students cover their living expenses while they are in school. The reality is that most low-income students already get enough financial aid to cover tuition and fees, but many still struggle financially, because while they are in school, they do not have the earnings necessary to cover their other expenses.

This issue creates an argument for first-dollar promise programs. For example, the Obama administration's proposals for ACP would cover tuition at community colleges for all eligible students but allow low-income students to keep their Pell Grants to help cover other expenses (White House Office of the Press Secretary, 2015). Oregon Promise (n.d.) tries to address the issue by providing a $1,000 scholarship to students whose tuition is paid by other means. Unfortunately, without additional resources, state budget constraints appear to dictate against this program design.

Services

If the goal is to increase college success, not just college enrollment, just making community college free, without providing institutions with the resources they need to guide and support students or supplementing the pricing element of the program with mentoring or other services, is likely to be ineffective. Boston recently announced a well-targeted promise program that applies only to Pell-eligible students. Rather than funding *all* students, the program is designed to increase the very low completion rate of students from the city's schools who do enroll in community colleges. It will involve support services, bridge programs, dual enrollments, remedial classes, resources for connecting students with employment opportunities, career navigation services, and financial aid for completing postsecondary education (City of Boston

Mayor's Office's, 2016). A very real question is whether the federal government could reasonably support programs like this one without also supporting variations that do not seem to meet the same standards.

Students

Promise programs tend to focus on recent high school graduates and on full-time enrollment. This excludes many community college students who are returning to school after spending time in the military, participating in the labor force, or raising children. This limitation diminishes the potential of these programs to contribute to national goals of increasing educational attainment.

Institutions

State promise programs focus only on community college tuition. The relatively low tuition at these institutions already provides an incentive for low-income students to choose this sector instead of enrolling in 4-year colleges and universities. Although community college is the best option for many students, there is strong evidence that beginning in this sector reduces the chances that students will ever earn bachelor's degrees. Federal incentives for states to increase the price differential between the 4-year sector and the 2-year sector could have a negative impact on educational attainment, unless the serious completion and transfer problems facing community college students are resolved first.

The Free Factor

There are strong differences of opinion about whether it would really be desirable for college (or any public college or community colleges) to be tuition free. Some members of our group consider this an important goal. Some would argue that, largely because of the distributional implications, it would be good policy only in a society with a much higher and more progressive tax structure than the United States has or is likely to have in the foreseeable future. Others argue that it is worth paying something for a credential that you are likely to finish and that delivers a decent rate of return, so in an equitable and efficient system, students should pay some portion of the cost of their own education rather than spreading it across taxpayers. A reasonable question is whether it is possible to make tuition more transparent and predictable without making it free.

If the federal government were to take steps to support promise programs, it could actively support any program that promises free college to groups or students, or it could support only programs that meet certain specified criteria. For example, there could be subsidies for first-dollar programs that provide additional funding to all students, but not for last-dollar programs, which provide incremental funds only to students whose incomes are too high to qualify them for need-based federal and state aid that would cover tuition charges. Perhaps federal subsidies could require some form of intervention designed to promote student success, rely on student success metrics, and/or include provisions to ensure that any federal funds augment state funding rather than substituting for it.

But it is difficult to imagine the federal government micromanaging these programs. The federal government cannot and should not dictate how states and localities design their college access programs. Accordingly, most of our group concludes that the federal government should not develop incentives for any of the specific "free college" efforts now under way. Rather, it should consider carefully the goals of its own student aid programs and of promise programs and reform its efforts to better achieve those goals. A new federal program could potentially supplement existing financial aid and be directed to institutions based on performance metrics designed to increase the enrollment and success of low-income students.

Goals

A first step to envisioning any modification of the federal student aid system — or more broadly of the federal role in financing college education — is to articulate goals and consider how promise programs might promote those goals. These goals likely fit into one of two broad categories:

1. *Lowering the price of college.* The goal may simply be to reduce the amount students pay for college, or for community colleges in particular. This could be a goal because people have a sense that college has become too expensive.

2.   *Changing behavior.* Alternatively, the real goal may be changing the behaviors of students, institutions, communities, or states. In this case, it is necessary to determine which behaviors are desirable and which tools can effectively spur change.

We believe that both reforms in the federal system itself and any federal efforts to support local, state, or institutional innovations should aim not only at lowering prices but also at generating behaviors that will lead to increases in educational opportunities and improved outcomes.

Desirable behaviors might include (a) maintenance of or increases in state funding for higher education; (b) increases in college enrollment; and (c) increases in student success and degree attainment, including progression from 2-year to 4-year institutions.

It is useful to think of the actors whose behaviors might be influenced, including middle school students and parents, high school students, adults seeking additional skills, K–12 teachers and school systems, colleges, states, and communities. There is broad consensus that if young students assume that college is in their future and that money will not be a significant barrier, they will, with parental encouragement, work hard in school (Perna, 2006). This potential behavioral change is a central motivation for policies designed to assure students far in advance that funding will be available when they go to college.

The hope is that schools and school systems, seeing that students *will* be able to afford postsecondary education, will support this direction for them. Students will make informed college application decisions, states will provide adequate and reliable funding, and institutional pricing and aid policies will support and be consistent with the messages students had been getting over the years before they were ready to enroll.

Making college tuition free for low-income students might or might not be an important component of such a system. But eliminating tuition for all students without providing significant extra resources to low-income students or their institutions is not, in our view, a strategy the federal government should encourage.

Characteristics of Promise Programs

Since these goals of increasing preparation for, access to, and enrollment in college are common to many financial aid programs and other public subsidies for higher education, it is useful to ask what characteristics of promise programs generate optimism that they will be particularly effective in achieving these goals. Despite their differences, promise programs share three characteristics likely to increase college enrollment: (a) early notification of the availability of assistance in paying for college, (b) simple messages about college being "free," and (c) reduction of uncertainty about not only available aid but the actual price of college. There is considerable evidence that the complexity and lack of transparency in the Pell Grant program and other forms of existing financial aid interfere with their effectiveness. On the other hand, both simpler and more transparent aid programs and certainty about tuition levels do affect enrollment and persistence decisions (Bettinger, Long, Oreopoulos, & Sanbonmatsu, 2012; Dynarski & Scott-Clayton, 2006). Moreover, there is broad consensus that if, while they are in grade school, children believe that finances will not prevent them from going to college, they will be more likely to prepare academically (Destin & Oyserman, 2009; Oreopoulos & Dunn, 2013; Oyserman, 2013).

One significant weakness of the current system is the unpredictability of aid and net price from one year to the next. Most promise programs operate on the assumption that, conditional on meeting requirements, students are guaranteed a tuition price for a fixed number of years. For example, the Kalamazoo Promise pays tuition and fees for up to 4 years (Kalamazoo Promise, n.d.). The Tennessee Promise requires that students attend meetings while they are applying to college and perform community service (Tennessee Promise, 2016). In theory, the certainty these programs provide should encourage debt-averse students to enroll and reduce the likelihood of dropout due to unexpected fluctuations in out-of-pocket costs.

In other words, the messaging component of promise programs may be more valuable than the actual funding. This is particularly likely for last-dollar programs, which award most of their incremental funds to students who do not qualify for need-based aid because they can actually afford to pay without this assistance.

Federal, State, and Local Contexts

Local and state priorities behind some of the promise programs may differ from federal priorities. For example, a number of cities that have implemented these programs view them as economic development efforts (Miller-Adams, 2015). They

are interested not only in improving the educational attainment of their citizens but in attracting more residents who value education and whose children are likely to go to college. This makes sense for communities, but the federal government does not have a strong interest in inducing citizens to move from one location to another because of the incentive of free college.

Not only priorities but also circumstances may differ both across states and localities and for the nation as a whole. In places where college-going rates are very low and a high percentage of the population is disadvantaged, free for everyone can make sense. There is room for a free for everyone message to have a significant impact on college going and not much risk of providing large subsidies to people whose behavior will not be affected. A similar program could be counterproductive in a more affluent area with more of a college-going culture. Consider the lesson from Massachusetts, where the state merit aid program induced students to attend less well-resourced institutions that have lower graduation rates than those they would have qualified for and otherwise attended. The government subsidy appears to have unintentionally lowered the total investment in the students' future (Cohodes & Goodman, 2014).

Recommendation: The Federal Role

The federal government should not take explicit action to support promise programs. In particular, despite the obvious constraints of state budgets, programs that fill the gap between federal and state aid and cover all students regardless of their family income levels direct funds away from students with significant financial need and toward those who could pay for their own education.

Most members of our group believe that the federal government should not be in the business of attempting to design local efforts or favoring some communities over others; rather, the focus should be on how the federal government can support and/or incentivize state efforts to adequately support colleges and their students. The federal government might design incentives to encourage states to stabilize their postsecondary funding to facilitate smoother tuition growth over time. Federal funding that subsidizes higher education more generally could be an avenue toward countering the reductions in per-student state funding that have led to rapid tuition increases in recent years (Ma, Baum, Pender, & Bell, 2015).

If the federal government supports the idea of eliminating tuition at community colleges—an idea supported by a minority of the members of our group—it should design and implement a program that would treat students across the country equitably and include quality controls and the resources to support that quality. It should focus on college success and completion, not just on encouraging enrollment. The tuition guarantee should be in addition to existing need-based student aid, not a replacement for it. The Obama administration's ACP proposal takes this approach.

Though the message of *free for everyone* has appeal in its simplicity, the reality is that virtually none of the existing or proposed programs actually apply to all students. Either to save money or to encourage productive precollege behavior, they require a minimum GPA, study in specified fields, attendance at colleges meeting specified requirements, full-time attendance, enrollment immediately after high school, or other criteria limiting their reach. In other words *free for all* is true only until you read the fine print.

We acknowledge that universal access programs tend to have more lasting public support than many targeted programs. But Social Security, a widely cited example of this phenomenon, does provide higher returns on dollars contributed by low-income than by high-income participants (Brown, Coronado, & Fullerton, 2009). In contrast, college enrollment rates are positively correlated with incomes, and higher income students tend to stay in college for a longer time (National Center for Education Statistics, 2009). Moreover, if the price of universal coverage is that the approach is last dollar, virtually all of the funding goes to relatively affluent students, because low-income students generally receive enough federal and state need-based grant aid to cover their tuition and fees at community colleges (Ma et al., 2015).

Basic principles should underlie federal efforts to support states and institutions in increasing meaningful educational opportunities. From our perspective,

- the federal student aid system should reduce the gap between the resources available to low-income students and the resources available to those from more affluent backgrounds,
- simple, predictable financial aid programs are most effective,
- the federal student aid system should be designed to leverage additional targeted funding from other sources, and
- the federal student aid system should support both access and success.

We propose that the federal government develop a new program of subsidies for institutions that take actions consistent with the goal of increasing college attainment among low-income students and reform the existing student aid system to promote early assurance of funding, simplicity, and predictability.

New Federal Subsidies

Most members of our group argue that, rather than trying to force all states, or all schools in one category, into a single pricing regime, a more productive option may be to create a new level of eligibility for federal aid that schools can earn if they commit to a set of criteria (say, not charging the lowest income students more than a certain net price of attendance). The new federal program could supplement existing financial aid and be directed to institutions rather than individual students. Institutions would have flexibility to spend the money as they wish, but the funds would be allocated based on performance metrics designed to increase the enrollment and success of low-income students.

In a world where students receive their Pell funding up front (e.g., in a promise account or line of credit), students who attended schools in this special class might be allowed to spend more of their lifetime Pell allotment up front than they are now.

Rather than a price control, a program more like a competitive grant process would allow organizations to win access to additional monies (or more flexible monies) by making particular assurances. Any model like this would have to ensure that students were completing credentials and finding success in the labor market, not just being charged low tuition.

Institutions could use the money in a variety of ways. One option would be to support transportation, book vouchers, or prepaid food cards that would have to be redeemed via a meeting with an adviser or student success coach—or the institution could use the money to support more intensive one-on-one student advising and coaching.

Net prices charged to low-income students would be one qualifying component, but student outcomes would also contribute. The program should be designed to accommodate fluctuations in available state revenues. The program would work by making it financially rewarding for institutions to enroll and support low-income students. It might be based on the original Basic Educational Opportunity Grant special allowances for institutions enrolling low-income students that were never funded.

This program would not dictate a specific pricing model to institutions, but they might be required to meet net price requirements for students receiving need-based federal student aid and to limit loan amounts.

Recommendation: Alternative Federal Aid Strategies—Program of College Accounts

It may be possible to modify the federal student aid system so that it carries a more effective message, incorporating the advantages of the promise programs' simple messages with the targeting of the federal student aid system. We propose a new program of federal college accounts for low- and moderate-income children, as follows.

Congress could redesign the Pell Grant program along the lines of a children's education account that would award funds to children every year from age 5 or age 12 based on their parents' incomes that year. Money would accumulate in these accounts over time, with children in families who are consistently in poverty accumulating more than those in families that are temporarily in poverty. This would make the federal grant allotment to high school graduates a function of long-term income rather than income for 1 year. Models for this type of account sometimes suggest using it to complement the Pell program (Baum et al., 2013; Rethinking Student Aid Study Group, 2008). However, if, as proposed by Jeb Bush's campaign, this system replaced the Pell program, it could provide low-income children early on the same kind of promise incorporated in the typical promise programs—and the guarantee would not be limited to community colleges.

While this program would provide additional certainty over available scholarship aid, unlike promise programs, it would not provide certainty over the price students pay. The program would have to be implemented gradually with rigorous evaluation to ensure that it actually affects students' behavior, leading to greater college enrollment and success. As is the case with most existing promise programs, other solutions would be necessary to address the issues adult students face.

Recommendation: Other Potential Federal Approaches

Other constructive approaches to improving the federal student aid system to promote the fundamental goals of promise programs might include the following:

- Simplify the formula for eligibility so that a look-up table could inform students and parents early on of the aid for which they would likely qualify.
- Award Pell Grants to students before they reach the senior year of high school and promise that they will receive the funding even if their family's financial circumstances improve somewhat (possibly automatically, without requiring an application process).
- Redirect the expenditures associated with federal education tax credits to the Pell Grant program. Proposals for integrating the federal tax credit and Pell Grant systems fall into this category (Dynarski, Scott-Clayton, & Wiederspan, 2013).
- If the tax credits are maintained, modify them so they cover living expenses. This would prevent promise program participants—as well as Pell Grant recipients—from losing eligibility because they are not paying tuition. (The system should allow a fixed dollar amount of living expenses rather than having students report how much they have spent on food, housing, and other expenses.)
- Modify the federal income-driven student loan repayment plans to allow students to borrow the entire tuition up front—making college free at the time of enrollment—but expect students to repay through the tax system after they graduate. The graduate tax would replace tuition payments.

Recommendation: Other Potential Federal Involvement

Additional suggestions for federal include

- a new federal funding mechanism supporting innovations at the state or institutional level leading to increases in educational attainment for low-income students,
- revival of a program like Leveraging Educational Assistance Partnership (LEAP) that incentivizes states to increase their need-based grant aid, and
- development of an effective maintenance of effort mechanism to reward states for increasing their funding of higher education and of low-income students. This could involve efforts to direct more state funding toward institutions—including community colleges—that enroll and graduate large numbers of low-income students.

Recommendation: Local Promise Programs

We do not see an active role for the federal government in incentivizing localities to develop free community college programs. The issue is not whether these programs are desirable but whether it makes sense for the federal government to get involved, to create a bureaucracy surrounding these programs, or to subsidize students who live in promise districts more heavily than it subsidizes other students with similar financial need.

If the federal government wants to encourage more local promise activity, a good approach might be the tax credit scholarship model in K–12, through which citizens and corporations who donate money to third-party organizations that provide scholarships to low-income students are entitled to a credit on their state taxes (usually up to some cap).

Conclusion

We consider the simplicity and transparency of promise programs their most valuable characteristics. The federal government should provide incentives for states and institutions to make college less expensive for low-income students, with effective communication a critical—if not the most critical—aspect of the policy. Most important is that the federal government modify its own strategies to further these goals.

The federal government should follow the lead of the states and localities that have developed programs that send a message to low-income students that college will be within their means. It should do this through a combination of reforming federal student aid programs to provide notification and assurance of funding earlier and developing a new federal fund that would encourage the enrollment of low-income students and supports that would increase their probability of succeeding in college. Our preferred approaches involve transforming the Pell Grant program to create accounts for low-income children that would grow as they approach college age and creating a supplementary fund for institutions that successfully educate significant numbers of low-income students.

Although some members of our group support a federal promise program leading to free tuition for community colleges, the majority do not believe the federal government should focus only on community colleges or specify precise pricing policies. What is most critical is that the federal government use its resources both to diminish the financial strains of postsecondary education on low- and moderate-income students and to improve the quality of their college experiences so that more of them complete credentials with strong labor-market value.

Acknowledgments

Suggested citation:

5. Designing Sustainable Funding for College Promise Initiatives: Outcomes-Based Financing Models

Gloria Gong,[1] Steve Goldberg,[2] Audrey Peek,[3] Kevin James,[4] & Miguel Palacios[5]

[1]Harvard Kennedy School Government Performance Lab, Cambridge, MA
[2]Caffeinated Capital, LLC, Boston, MA
[3]American Institutes for Research, Washington, DC
[4]Better Future Forward, Washington, DC
[5]Vanderbilt University, Nashville, TN

This paper investigates the use of social impact bonds (SIBs), also referred to as *pay for success* (PFS) programs, and income share agreements as they relate to helping college promise initiatives achieve financial sustainability. Both financing models are defined and compared, with emphasis placed on their shared goals and logic. Then, we consider the research on PFS models, followed by commentary on the ways these models may expand. The perspectives presented here identify the benefits and drawbacks of these two outcomes-based financing models.

Keywords Social impact bonds; pay for success models; income share agreements; college tuition; outcomes-based financing; higher education; outcome based education; private financial support; paying for college

Corresponding author: G. Gong, E-mail: gloria_gong@hks.harvard.edu

Can outcomes-based financing models, such as social impact bonds (SIBs; also referred to as *pay for success* [PFS]) and income share agreements (ISAs), help college promise initiatives achieve financial sustainability? Both of these models are fairly new to the higher education field. In this paper, we discuss the benefits and drawbacks of using these models to help fund the 130 local and state college promise initiatives now underway. We begin by defining and comparing these financing models, with an emphasis on their shared goals and logic. Next, we consider the research on PFS models, followed by a commentary on the ways these models may expand. The final part of this paper presents an overview of ISAs, followed by a commentary on opportunities for implementation. In this paper, we bring together many perspectives to illustrate the lively debate on outcomes-based financing models.

SIB and PFS models are tools that encourage governments to explore new solutions, invest in prevention, sustain multiyear collaborations, and improve real-time management of programs. In these models, the government contracts with a private entity to offer a social service. The government pays for the services rendered based on the program's success

as measured by a rigorous evaluation. To cover up-front costs, the social service provider or its intermediary receives a loan from investors who will later receive a share of the government's payout of the performance contract should the intervention be proven successful.

ISAs are somewhat similar to PFS models. With an ISA, a funder provides students with the funds required to pay for college and, in return, the students promise to pay a percentage of their income for a number of years after leaving school. In this model, the postsecondary institution is the service provider, the student is the payer, and the ISA funder is the investor. ISAs are fairly new in higher education finance. Income-driven payment models have been applied to federal student loans, but ISAs apply this model to private sources of financing, both nonprofit and for-profit.

Comparison of Outcomes-Based Financing Models

Both models share the goal of increasing the impacts of social programs through innovative financing. In particular, outcomes-based financing models aim to supplement public resources to expand access to or improve particular programs. They do so by shifting the risk of up-front investments in social services from public to private entities. These models assume that private entities have greater risk tolerance than the government and thus can take risks when testing or scaling interventions to improve social service programs.

Advocates for these financing models also see an overlap in their benefits, such as improving program outcomes, increasing efficiency, and recognizing the potential for large-scale impacts. However, practitioners and researchers have cautioned that both models must take precautions to protect the target population and hold leaders accountable for project outcomes (American Institutes for Research, 2015; James & Holt, 2015; Kelly, Palacios, & DeSorrento, 2014). These models rely on clearly articulated protocols, processes, and impact assessments to make sure that project outcomes are achieved and to ensure that all involved parties are treated equitably.

Designing Sustainable Funding for College Promise Initiatives—Pay for Success

Gloria Gong, Harvard Kennedy School Government Performance Lab

As of March 2016, 11 PFS projects have been launched in the United States (see Figure 5.1). These projects tackle issues in homelessness, criminal recidivism, early childhood education, maternal and infant health, child welfare system reform, and substance abuse treatment.

PFS is a tool that encourages governments to explore new solutions, invest in prevention, sustain multiyear collaborations, and improve real-time management of programs. Although it is tempting to think of PFS as a tool for transferring risk or solving liquidity problems, most governments actually set aside funding up front to cover the cost of the intervention, performance payments to the investors, and the transaction costs of setting up the contract.
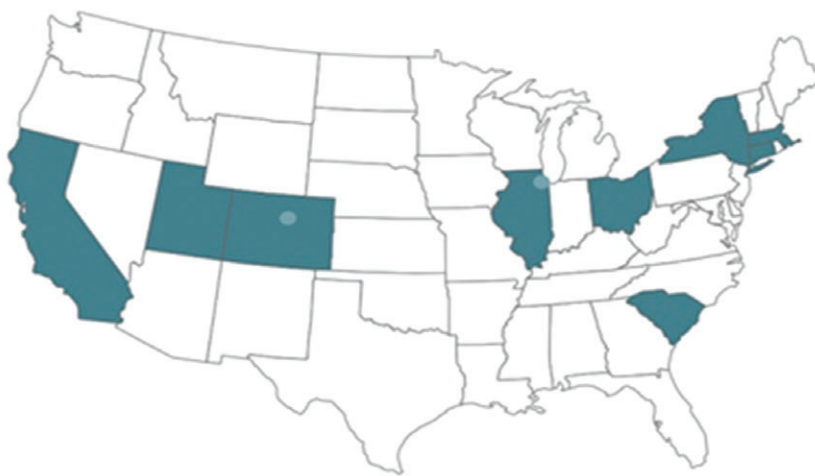

Figure 5.1 Launched pay for success (PFS) projects in the United States as of May 2016.

Pay for Success Contracting Combines Two Tools—A Performance Contract and an Operating Loan

Performance Contract

Under the performance contract, the government contracts for social services for a specific target population. Payment is predicated in whole or in part on the proven success of the intervention as measured by a rigorous evaluation. In most cases, performance is measured by comparing the outcomes of individuals referred to the service provider relative to the outcomes of a comparison or control group that is not offered the services—so the payment is based on the impact of the intervention.

Operating Loan/Social Impact Bond

An SIB is not a bond but rather a loan from private funders. Most social service providers do not have the financial capacity to deliver services, wait several years for performance to be assessed, and only then receive repayment for the services that were delivered. Because of this, most PFS projects include an operating loan from private funders who provide up-front capital in exchange for the lion's share of the payments that become available if the performance targets are met.

Promise of Pay for Success

PFS projects have the potential to overcome barriers to social innovation and improve the delivery of social services. They do this by reducing the political risk to governments of investing in preventive services and by focusing attention on program performance.

While PFS projects are not a fix-all for every jurisdiction or social issue, they are able to address the following tasks:

- *Test promising interventions and invest in prevention.* PFS projects allow governments to test promising interventions without the risk that ineffective programs will become immortalized as budget line items. PFS projects are funded and evaluated for a defined period of time after which the government can make a decision about whether or not the outcomes merit maintaining the services. This structure allows governments to redirect budget resources away from the remediation costs associated with poor social outcomes and toward prevention.
- *Enable collaboration.* PFS contracts bind together government agencies, service providers, philanthropic donors, and other stakeholders in a multiyear outcomes-focused partnership to implement the systems changes necessary to make significant progress on hard social problems. PFS projects can break down silos between stakeholders accustomed to acting in isolation. This type of sustained collaboration around performance improvement is unusual in a system traditionally driven by the short cycles of government budgeting and crisis-driven management.
- *Improve service delivery through active contract management and focus on outcomes.* PFS projects lead to active contract management and the re-engineering of broken systems. Due to the intense focus on outcomes, PFS projects often allow for real-time management of programs in order to increase effectiveness. As part of the operating loan structure, PFS projects inherently shift the focus of social service contracts from compliance to performance.

College Promise and Pay for Success: Key Considerations

Should college promise initiatives use PFS? For the purpose of this paper, college promise is understood to mean either (a) funding in whole or part the cost of college tuition for students who meet certain academic and financial need requirements, or (b) funding support services that help students prepare for and succeed at college.

In the context of college promise initiatives, the most pressing factors to review when considering PFS include what the desired benefits are, where and when they will accrue, how certain they are, and who might be willing and able to pay for them.

Identifying and Paying for Benefits Generated by College Promise

In order to create a viable college promise PFS project, a government (or possibly a philanthropy) would need to commit funding to pay for the success payments if success is achieved. These payments would need to cover both the cost of the intervention and the returns to investors above and beyond the service costs. Success payments are usually determined by calculating the cost savings as well as the noncost social benefits generated from achieving the performance targets.

In the case of college promise programs, if the vast majority of the benefits of a college education accrues to the individual student earning the college degree in the form of higher wages, then the most concentrated benefits generated

outside of the higher lifetime earnings of the individual served are likely to accrue to the federal government in the form of increased federal tax revenue and reduced federal spending on means-tested income-transfer programs. Other benefits may include increased state and local tax revenue and reduced spending on social services, improvement in the quality of the workforce, and/or positive residual effects to the community.

Because the benefits of the intervention need to equal or exceed the cost of the intervention, a successful PFS project would need to either identify sufficient cost savings or other benefits generated by the intervention accruing to a single beneficiary or bring together multiple beneficiaries as payers—for example, reductions in Medicaid spending would be shared by federal and state governments—so both levels of governments might need to act together as payers. While creating agreements between multiple payers is not an insurmountable challenge, it makes a PFS project more difficult to establish. More critically, it is unclear whether payers would be willing to pay for total social benefits including the greater earnings received by program participants or whether payments would need to be based on the broader benefits such as greater tax revenue. It will be difficult to find an intervention whose benefits exceed costs if the private benefits from higher earnings are excluded.

The longer the timeframe on the outcomes of interest, the more necessary to substitute short-term metrics for long-term ones, since most investors are not willing to wait for 25 years to be fully repaid. College promise initiatives have both short- and long-term benefits. Paying based on short-term benefits (degree attainment) rather than long-term benefits (higher earnings) would be one way for payers to work around the issues created by long time frames. However, payers would need to be convinced that there was strong evidence linking the shorter term outcomes to the longer term outcomes. If, as in many evaluations of job training and workforce development programs, initial improvement in outcomes such as income and employment from college promise initiatives show convergence over time between the control group and the treatment group, using early metrics to proxy for long-term outcomes of interest might result in overpayment.

In addition, the longer the period is between service delivery and payment, the more difficult it is to justify using PFS as a tool, because the government is compensating investors for the time value of the investors' money at an interest rate that is typically higher than the government's borrowing cost.

Risk Associated With Benefits Sought

With successful PFS projects, payers will be on the line for more than the up-front service cost. Payers must compensate investors for the time value of the investors' money and the risk of nonrepayment.

If a project is too risky, investors will refuse to undertake it or will demand to be compensated for bearing a high level of risk. If project outcomes are very certain, it makes more sense to pay for an intervention directly rather than pay a premium to investors to shoulder the risk of nonperformance. The most viable PFS projects fall in the middle of this spectrum, where the effect of the intervention still needs to be proven but is certain enough that investors will not charge too much.

It is worth considering where college promise initiatives fall on this spectrum. This is difficult to assess given the wide range of interventions that fall under the college promise label. If, like many programs designed to increase earnings, college promise is perceived to run the risk of disappointing results when subjected to rigorous evaluations, investors may require significant risk premiums as part of their payments. The higher the premium paid to the investor, the more it makes sense to fund a program directly rather than through PFS.

Opportunities to Improve Service Delivery

In most PFS projects, the focus is not simply on funding programs that work but on using the performance-related payments as a catalyst to improve service delivery. It is not obvious that this benefit of the PFS model applies in the college promise context. Will public community colleges improve teaching and student support services because investors are being repaid based on the future earnings of students? The PFS model might fit better in college promise initiatives in which the service provider is a private entity.

College Promise and Pay for Success

The primary reasons to engage in PFS are to test promising interventions, reorient budgets toward prevention, and enable multiyear collaborations that improve service delivery. College promise initiatives are preventive investments that could benefit from more rigorous evaluations and therefore might be a fit for the PFS model. But because of their high ratio of

private benefits to total social benefits, the diffuse set of beneficiaries, and the long-term nature of the benefits, a college promise PFS project would likely be quite challenging to set up.

In addition, the case for PFS is much stronger when there is the prospect for a major improvement in service delivery from the focus on achieving outcome targets. For this reason, the PFS model is likely to be most effective in testing and improving supplemental services that provide support to high-risk students rather than in financing core educational services. These supplemental services might include programs to increase student retention, increase the number of credit-bearing classes for students, decrease the overall time until graduation per student, and increase the chance of the students' degree completion and postgraduation employment.

Commentary on Gong's "Designing Sustainable Funding for College Promise Initiatives—Pay for Success"

Steve Goldberg, Caffeinated Capital, LLC

Gong's discussion paper provides a useful overview of the PFS model, its existing applications across the United States, and the important challenges of adapting the model to college promise initiatives. These include the "high ratio of private benefits to total social benefits, the diffuse set of beneficiaries, and the long-term nature of the benefits" (see the College Promise and Pay for Success: Key Considerations section in this report). This commentary suggests that those challenges may be attributable to certain design features of the current PFS model and identifies potential areas for further consideration by the conference attendees.

Gong noted that the promise of PFS is "to overcome barriers to social innovation and improve the delivery of social services" (see the Promise of Pay for Success section in this report). In both the United States and the United Kingdom (where SIBs were first developed), government takes the lead on selecting target populations and innovative services and offers performance-based contracting opportunities to private investors.

This government-centric approach contributes to several of the challenges Gong identified:

- Much of the target student population doesn't receive services delivered by public-sector providers, and much of the funding for higher education doesn't come from government budgets.
- The direct and near-term benefits of college promise programs accrue primarily to students and only indirectly affect government resources over an attenuated period.
- Successful college promise programs do not produce monetizable savings' that can be used to repay investors.
- Government appropriations for higher education (and most other discretionary funding) are declining, making it difficult to "set aside funding up front to cover the cost of the intervention, performance payments to the investors and the transaction costs of setting up the contract" (see "Designing Sustainable Funding for College Promise Initiatives—Pay for Success").
- Government might consider the risk and time-value premiums necessary to attract private investment too high for innovative, but unproven student support services.
- A market-centric approach might be more closely aligned with broad college promise policy objectives. If college promise's mission relates to economic inequality, social mobility, global competitiveness, workforce skill levels, and the like, the challenge is not rooted primarily in the delivery of government services but in the allocation of capital to maximize labor-market participation and economic output.

We may be looking for a modern-day GI Bill that would be financed by private investment. It would follow that financing innovation should focus on the creation and capture of wide-spectrum value along the lines of infrastructure investment and economic development projects. For additional thoughts on a market-centric approach, see recent articles in the *Harvard Business Review* (Michel, 2014), the *New York Times* (Fitzsimmons, 2016), Brookings blog posts (Castelman & Sullivan, 2016; Hershbein, 2016), and Social Finance Israel (n.d.).

Income Share Agreements Overview

Audrey Peek, American Institutes for Research, and Kevin James, Better Future Forward
Description

ISAs are fairly new in higher education finance. Income-driven payment models have been applied to federal student loans, but ISAs apply this model to private sources of financing, both nonprofit and for-profit. With an ISA, a funder

provides students with the funds required to pay for college and, in return, the students promise to pay a percentage of their income for a number of years after leaving school.

Thus, ISAs are similar to income-driven loan repayment in that they link students' payments to their future income. Unlike student loans, however, ISAs have no principal balance and carry no interest. Recipients could end up paying more or less than they originally receive, depending on how well they do after college. ISAs terms vary: Some do not require payments before the recipient meets a minimum income threshold, and some include a cap on total payments.

Examples

Although still new and relatively small in scale, a number of different funders[19] have started ISA projects, as follows:

- In April 2016, Purdue University announced the creation of the Back a Boiler ISA fund, an income-based alternative to private loans and federal Parent PLUS loans. Currently juniors and seniors from all majors are eligible to receive funding through the program for tuition and other expenses. The terms of the agreements vary, but the length can run from roughly 7 to 9 years and the percentage of income, per $10,000 received by the student, ranges from roughly 2% to 5%. Students are not required to pay anything in years where they earn below $20,000, and there is a cap on total payments set at 2.5 times the amount initially received.
- Lumni is a company that has financed nearly 7,000 students using the ISA model, predominantly low-income students in Colombia, Chile, Peru, and Mexico. Lumni has also conducted a small pilot program in the United States. In addition, Lumni has established funds that involve for-profit investors as well as social impact funds used by investors.
- Several nontraditional institutions in the United States have adopted an ISA model in lieu of charging tuition. Two examples include Holberton School, a 2-year software engineering program, and App Academy, a coding boot camp. Both institutions only require that students pay a percentage of their salary for a set period once they have found a job.
- 13th Avenue Funding is a nonprofit that has conducted a small ISA pilot with low-income, low-wealth students in Santa Maria, California. The group is now working to establish larger ISA funds for other low-income and first-generation students.

Potential Benefits for College Promise Programs

ISAs could help college promise programs overcome the challenge of scale and sustainability. In particular, as part of drawing money from a fund, students could be asked to pay a percentage of their income for a set time after school — and only in years when they earn above a certain amount. As a result, students who benefit from the fund would reseed it for future students. This structure could enable a college promise program to serve many more students for the same level of public or philanthropic commitment.

Furthermore, a fund arranged in this manner could also facilitate greater investment per student without increasing the percentage of income contribution asked of students. For example, assume a community college creates a program that is more expensive per student than traditional programs — because it offers additional support services, for example — but that also yields significant improvements in student outcomes. If the gains to students outweigh the additional costs, it is possible to finance those costs with little to no change in the after-school payment (percentage of income) required of students. In fact, if the gains are big enough, the student contribution as a percentage of income could be reduced even though the initial outlays on the student's behalf are larger.

Potential Drawbacks for College Promise Programs

There are several challenges to consider with respect to ISAs and college promise programs:

- Traditional college promise programs are free in that students are not required to pay anything back. However, a program built around ISAs requires students to pay a percentage of their income that, on average, is designed to repay funds given to them. Furthermore, where ISAs are used to fund additional student support services, tuition and/or fees would have to increase in order for higher education institutions to capture the additional revenue

needed to support those services. Price is a key component of affordability, particularly for students from a price-sensitive low-income environment. Even in cases in which the gains in student outcomes would enable the fund to cover those additional costs (without an increase in the percentage of income asked of students), we don't know if the price increases could dissuade some students from enrolling.

- Establishing an ISA fund requires some estimation of what students are likely to earn in the future, and these models can obviously turn out to be wrong. As with student receptiveness, we don't have enough examples yet to understand how these funds will perform financially over time. New data about students' postcollege earnings could help underwriters determine how to improve ISA terms.

- The legal and regulatory treatment of ISAs is not well established, though there have been legislative proposals at both the state and federal levels to try to offer more clarity for these types of agreements. Some of the issues that require clarification include treatment for financial aid packaging purposes, tax treatment, the appropriate consumer disclosures, credit reporting implications, and bankruptcy treatment, among other items. Absent clarification, those pursuing ISA models must be careful to operate in a way that's consistent with the spirit of existing laws and regulations and the best available guidance as to how ISAs can comply with them.

Commentary on Peek's and James's "Income Share Agreements Overview"

Miguel Palacios, Vanderbilt University

Peek and James briefly describe ISAs, posit increased available capital as an ISA potential benefit for college promise programs, and describe three potential drawbacks to ISAs. Below I comment on those benefits and drawbacks. I conclude with what I think are key ideas that should frame the discussion over ISAs in the context of the college promise program.

Peek and James argue that the main potential benefit of ISAs for college promise programs is an increase in funding to reach a larger number of students in a sustainable way. I would only emphasize here that the increase would not be marginal, but of orders of magnitude. This benefit, however, results only from asking graduates to contribute to their training. Is this acceptable?

In answering that question I find helpful discerning between two different goals frequently mentioned in the context of college promise. One goal is to make community college free the way we understand free, with no associated payment at any point in time. This goal is extremely ambitious and not likely to be achieved in the U.S. context of constrained budget spending.[20] A second goal is to make community college free at the point of use but not necessarily throughout an individual's lifetime. This second goal is much more feasible, as it does not rule out that graduates contribute in some way to their education, particularly if they are successful after their training. ISAs can be instrumental in fulfilling this second goal but would be ruled out by the first goal.

Peek and James also point to three potential drawbacks for college promise programs related to ISAs: (a) a potential decrease in the number of students who choose to enroll due to an increase in price (tuition, other services), even when the increase in price corresponds to the provision of valuable services for students; (b) large financial uncertainty due to lack of ISAs' track record; and (c) uncertainty due to lack of an explicit regulatory treatment for ISAs.

The only real drawback of the ones described above is the potential decrease in the number of students who choose to enroll. The other two drawbacks—the legal uncertainty that currently surrounds ISAs and the uncertainty around the financial performance of ISA funds—may make an ISA fund less efficient than it otherwise might be; however, a college promise program built around ISAs would still leverage fund dollars more effectively than providing resources without any contribution from the student. Most importantly, these two drawbacks are temporary and will be resolved over time.

On the real drawback that the number of students who choose to enroll might fall, one should stress that it is almost certainly true per dollar available for funding; that is, given some funding for college promise, the number of students who would apply for it could fall. Demand for a free good is larger than demand for the same good sold at some positive price. However, in the current state, demand is constrained by the available funding. Thus, the central question should be whether the total number of enrolled students, given the amount of dollars made available for funding, increases with ISAs. The answer depends on how large the deterrent of future payments is for students relative to the increase in capital made available by ISAs. The potential drawback from ISAs is that, even though more capital is available, fewer students choose to enroll. This outcome is unlikely considering that, unlike debt instruments, contributions with ISAs are conditional on success. Yet, this is ultimately an empirical question.

In conclusion, the discussion of ISAs revolves around two key ideas: First, should college promise be free at the point of use or just free? ISAs are only a potential solution if the goal is to make college free at the point of use. Second, could ISAs hamper enrollment? The answer depends on whether the increase in the number of students a fund can serve is outweighed by the students who are deterred from enrolling by the prospect that they will have to make a contribution back to the fund in the event they are successful. My experience and research leads me to believe that a solution built around ISAs can facilitate far greater access than one that asks for no contributions from successful graduates.

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Notes

1 This source of data is presented for illustrative purposes and the authors of this report recognize the importance of disaggregated data among various communities that reveal divergent statistical results. For instance, Asian data varies widely when looking at South East Asians and also Native Hawaiian Pacific Islanders, and this report acknowledges findings from the National Commission on Asian American and Pacific Islander Research in Education and the Asian and Pacific Islander American Scholarship Fund (2011) that highlight tremendous educational disparities with Southeast Asians and Native Hawaiians and Pacific Islander having higher school and postsecondary achievement. This report is about inclusion of all the communities.

2 This definition does not include programs that offer tax deductions only, since such tax-based incentives may not be accessible for low-income families with no or limited tax liability.

3 http://sfgov.org/ofe/k2c

4 Last-dollar funding is awarded after all other aid and will be reduced if the student receives additional financial aid later, such as a private scholarship (Edvisors, 2016).

5 For additional information, see https://www.kalamazoopromise.com/

6 For additional information, see http://newhavenpromise.org/about/

7 For additional information, see http://www.eldoradopromise.com/

8 For additional information, see http://sayyestoeducation.org/about/

9 For additional information, see http://www.richmondpromise.org/

10 For additional information, see http://www.denverscholarship.org/

11 For additional information, see http://www.pittsburghpromise.org/

12 For additional information, see http://www.peoriapromise.org/

13 For additional information, see http://arkadelphiapromise.com/

14 For additional information, see http://www.freecollegenow.org/mi_promise

15 First-dollar funding is awarded before all other aid and is not reduced when the student receives other financial aid funding. Last-dollar funding is awarded after all other aid and will be reduced if the student receives additional financial aid later, such as a private scholarship (Edvisors, 2016).

16 ETS wishes to acknowledge that Michael T. Nettles, ETS Senior Vice President of Policy Evaluation and Research, serves on the CLF board.

17 Social entrepreneurship and impact investing are terms used to describe innovative efforts to raise funds to improve outcomes for historically disadvantaged individuals and populations (Martin & Osberg, 2007).

18 The federal government has used this approach to incentivizing state and private actions in many areas of public/private interest and to promote the general public welfare. In calling on Congress to pass legislation establishing America's College Promise, President Obama proposed a program whereby the states would receive a 3:1 federal funding match to support making the first 2 years of college free, but only in states that ceased disinvesting and disengaging in higher education and took specific steps to strengthen their public higher education systems.

19 Please refer to http://www.backaboiler.com, http://www.lumni.net, https://www.holbertonschool.com/, https://www
     .appacademy.io/, or http://www.13thavenuefunding.org/

20 Its fairness is debatable as well, but I will not delve into that here.

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Appendix A

Agenda for Designing Sustainable Funding for College Promise Initiatives Seminar

Designing Sustainable Funding for College Promise Initiatives
June 2–3, 2016
Chauncey Conference Center at ETS in Princeton, New Jersey

Day 1, Thursday, June 2 – Stony Brook Room

10–10:30 a.m.	**Welcome & Overview** Walt MacDonald, ETS Michael Nettles, ETS Martha Kanter, College Promise Campaign
10:30–11:15 a.m.	**Growth, Scope & Impact of the College Promise Movement** Jennifer Iriti, University of Pittsburgh Michelle Miller-Adams, W.E. Upjohn Institute Elaine Leigh, University of Pennsylvania Laura Perna, University of Pennsylvania
11:15–11:30 a.m.	**Break**
11:30 a.m.–12:30 p.m.	**Children's Savings Account Models** William Elliott, University of Kansas Andrea Levere, Corporation for Enterprise Development
12:30–2 p.m.	**Lunch** "The College Promise: A Look Back and A Look Ahead" Cecilia Rouse, Woodrow Wilson School of Public & International Affairs, Princeton University "Seizing the Moment" James Kvaal, University of Michigan
2–3 p.m.	**State Funded Models** Randy Boyd, Tennessee Dept. of Economic and Community Development Teresa Lubbers, State Higher Education Executive Officer Assoc., Indiana
3–4 p.m.	**Privately Funded Models** Lezli Baskerville, National Assoc. for Equal Opportunity in Higher Ed Hugh Fitzpatrick, Princeton Capital Management
4–4:15 p.m.	**Break**
4:15–5:15 p.m.	**Federal Financial Aid Redesign Models** Sandy Baum, Urban Institute William Hansen, USA Funds
5:15–6:15 p.m.	**Outcomes-Based Financing Models** Steve Goldberg, Caffeinated Capital, LLC Gloria Gong, Kennedy School, Harvard University Karen Gross, Widmeyer Communications Kevin James, Jain Family Institute Audrey Peek, American Institutes for Research
6:15-8 p.m.	**Dinner in the Solomon Dining Room**

Designing Sustainable Funding for College Promise Initiatives
June 2–3, 2016
Chauncey Conference Center at ETS in Princeton, New Jersey

Day 2, Friday, June 3 – Stony Brook Room

8–9 a.m.	***Informal Issue-Based Breakfast Roundtables*** *Solomon Dining Room*
9–9:30 a.m.	***Review of June 2 and Outlook for June 3*** Michael Nettles, ETS Martha Kanter, College Promise Campaign
9:30–11 a.m.	***Roundtable Discussions with Design Teams*** The Design Team Chairs will lead a more in-depth discussion of the funding models. Participants will provide feedback for the models and develop recommendations.
11 a.m.–Noon	***What Have We Learned? A Conversation with the Design Team Chairs*** Michael Nettles and Martha Kanter will lead a conversation with the Design Team Chairs.
Noon–1:45 p.m.	***Box Lunch & Next Steps to Advance Policy, Research and Practice*** Design team Chairs meet with teams and develop 3 recommendations. Chairs present the recommendations to the group.
1:45–2 p.m.	***Closing Comments*** Michael Nettles, ETS Martha Kanter, College Promise Campaign

Appendix B

Designing Sustainable Funding for College Promise Initiatives Teams June 2016

Children's Savings Account Models

Co-Chairs

- William Elliott, University of Kansas
- Andrea Levere, Corporation for Enterprise Development

Team Members

- Robert Ballard, Scholarship America
- Sarah Bauder, The Bill and Melinda Gates Foundation
- Al Berkeley, Princeton Capital Management
- Margaret Clancy, Washington University in St. Louis
- Amanda Feinstein, College Savings Initiatives
- Neil Horikoshi, Asian and Pacific Islander American Scholarship Fund
- Michael Mirra, Tacoma Housing Authority

State-Funded Models

Co-Chairs

- Randy Boyd, Tennessee Department of Economic and Community Development
- Teresa Lubbers, Indiana Commission for Higher Education

Team Members

- Julie Bell, National Conference of State Legislatures
- Ben Cannon, Oregon Higher Education Coordinating Committee
- Russ Deaton, Tennessee Higher Education Commission
- Brian Fitzgerald, Business Higher Education Forum
- George Pernsteiner, State Higher Education Executive Officers
- David Sciarra, Education Law Center
- Zakiya Smith, Lumina Foundation
- Chuck Wilbur, Public Policy Associates

Privately Funded Models

Co-Chairs

- Lezli Baskerville, National Association for Equal Opportunity in Higher Education
- Hugh Fitzpatrick, Princeton Capital Management

Team Members

- Rodney Andrews, University of Texas at Dallas
- Bob Holland, Northeast STEM Starter Academy at Mt. Vernon
- Michelle Miller-Adams, W.E.Upjohn Institute
- Rivka Tadjer, Give Something Back Foundation
- David Woodrow, Community Link Foundation

Federal Financial Aid Redesign Models

Co-Chairs

- Sandy Baum, Urban Institute
- William Hansen, USA Funds

Team Members

- David Baime, American Association of Community Colleges
- Andrew Kelly, American Enterprise Institute
- James Kvaal, University of Michigan
- Michael McPherson, Spencer Foundation
- Barmak Nassirian, American Association of State Colleges and Universities
- Judy Scott-Clayton, Teachers College, Columbia University
- Bob Shireman, The Century Foundation
- William Taggart, Morehouse College

Outcomes-Based Financing Models

Co-Chairs

- Steve Goldberg, Caffeinated Capital, LLC
- Gloria Gong, Kennedy School, Harvard University
- Karen Gross, Widmeyer Communications
- Kevin James, Jain Family Institute
- Audrey Peek, American Institutes for Research

Team Members

- Elizabeth Akers, Center on Children and Families, Brookings
- Douglas Harris, Tulane University
- Miguel Palacios, Vanderbilt University

Appendix C

Children's Savings Account—College Promise Program Examples

Oakland Promise: Multifaceted and Cradle-to-Career

The Oakland Promise program (http://www.oaklandpromise.org/) helps parents and children plan and save for college and career success at every stage of a child's life. This cradle-to-career initiative is being led by the City of Oakland Mayor's Office, in partnership with the Oakland Unified School District, the East Bay College Fund, and the Oakland Public Education Fund. The Oakland Promise weaves together and amplifies a number of educational initiatives already in place and is augmenting those with four core programs focused on inspiring our children and families to pursue higher education and building the resources to afford that opportunity.

Brilliant Baby

Through a two-generational approach, babies born into poverty in Oakland will have a college savings account of $500 opened in their names—setting an expectation for college from birth. A 3-year Brilliant Baby demonstration project, engaging 1,500 families will begin in early 2017. A formal evaluation will assess the impact of this approach on the early development of babies and the economic well-being of their families.

Kindergarten to College (K2C)

By 2019, all Oakland students entering kindergarten will have college savings accounts opened in their names. Accounts will initially be funded with $100. To encourage families to save for their children's college educations, K2C will match their contributions up to $200 per family. K2C will encourage parent participation through regular communications, age-appropriate financial education, and community events. K2C will be piloted in 18 public elementary schools in the 2016–2017 school year and expand to all schools and 4,800 new kindergarteners annually within three years.

Future Centers

The Oakland Promise will establish school-based advising centers in Oakland public high schools and large middle schools to support college and career planning for all students. Staff at these Future Centers will ensure that all students develop career and college plans, including financial aid, scholarships, and internships; all students will be assisted to complete the FAFSA and college applications.

College Scholarships and Completion

Expanding a highly successful program of the East Bay College Fund, eligible low-income students receive multiyear scholarships and persistence supports. Students accepted to 2-year and technical colleges are eligible for scholarships of up to $1,000 per year, while students at 4-year colleges will receive up to $4,000 per year. Scholarship recipients participate in summer transition programs, attend on-campus peer support groups, and have a mentor who supports them throughout their college experience. Formal partnerships with local colleges, nonprofits, and other scholarship providers offer additional resources to ensure students graduate ready for success in a career of their choice.

Promise Indiana: Children's Savings Accounts and Early Commitment Scholarship Investments

At its core, Promise Indiana's model (http://www.promiseindiana.org/) assumes that communities can be activated and resources leveraged to empower families to plan, prepare, and at least partially pay for their children's future education. The model further advances the idea that supporting children in the development of an early college-bound identity is not the sole responsibility of parents, but that each child in a community deserves and can benefit from the mobilization of champions who provide financial resources and social encouragement of children's educational aspirations. Promise Indiana was spearheaded by the Wabash County YMCA to harness existing institutions, innovate new engagement strategies, and permeate messages about higher education and children's futures in order to change communities' understanding of the timeline of college preparation—starting at or close to kindergarten, rather than in high school—and the universe of children to be considered destined for postsecondary education—including at least most, if not all, young people, rather than a select few. As they learned more about the evidence base supporting Children's savings accounts' effects on children's opportunities and achievement, Promise Indiana architects began to formulate what a holistic model of academic readiness, college and career discovery, and educational savings would look like and how it could impact families. Thus, the Wabash County Promise was born.

Today, Promise Indiana consists of four primary components:

- Facilitated enrollment in state 529 college savings plans, usually through kindergarten enrollment in the public schools in counties activated as Promise Indiana communities.
  A partnership with Indiana's 529 college savings plan provider, Ascensus, and the Indiana Education Savings Authority allowed Promise Indiana to streamline the 529 enrollment process and make the 529 vehicle more suitable for the children's savings account initiative. Promise staff and school personnel help families open accounts and answer questions, thereby bridging access to the otherwise unfamiliar financial product.
- Initial seed deposits, savings matches, and champion contributions, mostly funded by partnering organizations in Promise Indiana communities.
  Initial seed deposits cover the costs of opening the 529 account and, evidence from qualitative research suggests, serve to make college saving a more immediately salient objective for these young families. Community organizations and individuals are engaged as champions to make contributions to individual students' accounts and/or to provide incentives for particular school- or community-specific initiatives; many within Promise Indiana receive matches for their family savings effort, for example.
- College- and career-readiness activities, designed by classroom teachers with assistance and materials from Promise Indiana staff, including the college visit days at local higher educational institutions organized for elementary students, known as Walk into My Future, and other activities associated with Indiana College Go Week, including events in which teachers bring items from their alma maters and career talks in which local professionals describe their own higher educational paths.
  In Promise Indiana communities, preparation for higher education begins at kindergarten, and students in kindergarten through third grade engage in career discovery and college exploration to an extent uncommon in many settings. Early qualitative research suggests that many children are building college-saver identities, seeing their Promise Indiana accounts as an aid to their expectations of higher educational attainment.
- Early scholarship support through an initiative of the Community Foundation of Wabash County, with support from the Charles S. Mott Foundation.

A $430,000 investment from the Mott Foundation makes cash scholarship awards to local students in grades four through eight, based on academic accomplishments and milestones in family savings and postsecondary planning. In

addition to providing financial resources to augment family savings and reduce the difficulty of paying for college, the infusions of early scholarship dollars aim to activate families in preparing for college at an earlier age and make scholarships more beneficial to students who struggle with preparedness and financial disadvantages than are scholarships awarded at the point of high school completion.

The layering of savings accounts, community resources, and activities designed to cultivate college-saver identities reflects Promise Indiana's comprehensive approach to catalyzing improved educational outcomes. From conception, Promise Indiana has sought not only to provide children and families with accounts and the concrete financial resources with which to pay for college but also the college-saver identities that accrue through the account ownership experience and, then, serve to improve educational outcomes, even separate from actual balance growth. This framework, emphasizing access to savings vehicles, support for durable college-bound identities, and cultivation of financial behaviors associated with later economic well-being, informs the measures by which Promise Indiana's success is gauged. Along these lines, emerging evaluation of the Promise Indiana model has found substantial savings engagement, with more than 4,600 529 accounts opened to date, 44% of which have seen family/champion deposits, and more than $226,000 in deposits from Wabash County families alone, along with significant evidence of college-saver identity development, increased parental expectations for college, and rapid program replication.

Tacoma Housing Authority Children's Savings Account Program

In the fall of 2015, Tacoma Housing Authority (THA) launched a children's savings account (CSA) program for the children of its Salishan community (http://www.tacomahousing.org). Starting at a young age, THA seeks to help Salishan children and their families aspire to college, prepare for it, pay for it, and feel they belong when they go. It seeks to get unbanked families banked. It also seeks to unite the region's most diverse community by eliciting and enlisting its common expectation and hope that its children will succeed. THA does this in partnership with the Tacoma Public Schools, the CFED, Heritage Bank, the YMCA of Pierce County, and financial sponsors. The Urban Institute is the third-party evaluator.

THA's CSA program will have the following five elements:

- *Elementary School Stage:* When a Salishan student enrolls in kindergarten, THA will offer a savings account in that student's name. THA will remain the account custodian. THA will make an initial $50 deposit. THA will match the family's deposit up to $400 per year, through 5th grade.
- *Middle School Through High School Stage:* In 6th grade, the student and a counselor will devise a plan with academic milestones from then until graduation and enrollment in college. Upon the student reaching each milestone, THA will deposit more money into the account, up to $700 per year.
- *Completing the Journey*: If a student and family participate fully, the student will graduate from high school with at least $9,700. THA's contribution to this balance will be available if and when the student completes the journey and then only for education or training purposes after high school. Most CSA programs do not have a plausible chance of paying for college. The College Bound Scholarship Program of Washington, however, will pay for tuition. Yet even with tuition covered, low-income students struggle in other ways: (a) paying for the nontuition costs of attending college, primarily housing and (b) their lack of preparation for college and their feeling that when they go they do not belong. THA's CSA program will help meet these challenges.
- *Financial Literacy*: The program will offer a financial literacy curriculum in class and to parents.
- *Third-Party Evaluation:* The Urban Institute will be the evaluator tracking various outcomes:
    - Midterm outcomes: Savings rates, reading scores, grade point average, families getting banked
    - Long-term outcomes: High school graduation rates, college enrollment rates, college graduation rates

The CSA program is part of THA's Education Project, which seeks ways to spend housing dollars not only to house needy families, but also to help their children succeed in school and to promote the success of schools serving low-income students.

Appendix D

Tennessee Promise Scholarship Sustainability Model

TELS Lottery for Education Account	Actual 2014–2015	Projected 2015–2016	Projected 2016–2017	Projected 2017–2018	Projected 2018–2019	Projected 2019–2020
Revenues[a,b]	$338.7	$348.1	$360.3	$359.8	$365.8	$371.8
Expenditures[a]	$313.6	$322.0	$323.8	$327.0	$330.2	$333.4
TELS surplus/(deficit)[a]	**$25.1**	**$26.1**	**$36.5**	**$32.8**	**$35.6**	**$38.4**
Tennessee Promise Cash Flow Endowment	$361,381,300	$361,381,300	$361,381,300	$361,381,300	$361,381,300	$361,381,300
Revenues						
Net lottery proceeds surplus/(deficit)	–	25,100,000	26,100,000	36,500,000	32,800,000	35,600,000
Endowment interest	6,200,000	14,455,252	14,455,252	14,455,252	14,455,252	14,455,252
Special reserve interest	–	248,000	1,691,258	2,426,885	3,364,194	4,135,955
Total revenues	**$6,200,000**	**$39,803,252**	**$42,246,510**	**$53,382,137**	**$50,619,446**	**$54,191,207**
Less: Total program net cost	**$–**	**$13,721,800**	**$23,855,830**	**$29,949,419**	**$31,325,423**	**$32,757,034**
TN Promise surplus/(deficit)	**$6,200,000**	**$26,081,452**	**$18,390,680**	**$23,432,718**	**$19,294,023**	**$21,434,173**
Balance forward/special reserve	**$6,200,000**	**$42,281,452[c]**	**$ 60,672,132**	**$84,104,850**	**$103,398,873**	**$124,833,046**

[a]In thousands of dollars.

[b]Includes savings resulting from reduction in HOPE Scholarship award amounts from $4,000 to $3,500 for freshman and sophomore years.

[c]Includes one-time transfer of $10 million from the Tennessee Student Assistance Corporation reserves.

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