College Promise Programs: Additive to Student Loan Debt Cancellation

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Abstract

Obtaining a college degree is positively correlated with gains in socioeconomic mobility. However, college is expensive. Given the importance of college in increasing social mobility, lawmakers have proposed eliminating student debt. Joe Biden, for example, has incorporated eliminating student debt into his presidential campaign promise. While eliminating student debt is long overdue, there need to be additives to eliminating student loan debt to make college affordable for all current and future students. By going through the literature on college promise programs, I argue that college promise programs can be one method to sustain efforts to make college affordable.

Research has shown the significance of socioeconomic mobility and its intersection with obtaining a college degree. College yields substantial economic returns, especially for students coming from marginalized communities (Hoxby & Turner, 2015; Mountjoy & Hickman, 2020). For example, those with a bachelor's degree earn $600,000 more than those with a high school diploma and $300,000 more than those with an associate's degree (Schanzenbach et al., 2017). Unfortunately, the costs of college are an increasing problem for families. For example, close to 44 million Americans owe more than 1.5 trillion dollars in student loan debt, and roughly 20% of Americans default (Li & Kelchen, 2021; The Pew Charitable Trusts, 2020). One response to the increasing financial burden of student loans on families has been calls for loan forgiveness. In 2009, Roger Applebaum, founder of the Student Debt Crisis, claimed that it was not enough to alter the current student loan repayment system (Blumenstyk, 2015).

More recently, the calls for student loan forgiveness have seeped into politics, with Senator Elizabeth Warren championing an aggressive student loan where she, and her colleagues, called for eliminating $50,000 in federal student loan debt through presidential executive action (Gravely, 2021). While not as ambitious as Senator Warren, President Biden also promised to eliminate some student loan debt during his presidential campaign; his plan calls for at least $10,000 for those borrowers making less than $125,000 (Reilly, 2022). Ambitiousness aside, a more nuanced discussion is needed to understand the impact student loan debt has on future generations of college-goers who will not benefit from Biden's loan forgiveness plan, which only covers those who have already accumulated debt and only benefits a select few. If there were no income restrictions, the plan only covers roughly 20% of borrowers—leaving 80% uncovered (Miller et al., 2019). The number of borrowers who benefited would certainly decrease if income restrictions were implemented. Pointing to future coverage, the plan is that it is not perpetual; Biden has yet to indicate that he is open to forgiving loans for those who wish to go to college in the future but have yet to do so. This would further limit the benefits of the college loan forgiveness plan.

While eliminating student loan debt should be applauded, it is important to keep in mind that it is just one step to resolving the student debt crisis and that any solution has to consider current and future college-goers, not just those who have graduated and accumulated debt. The strategic implementation of college promise programs across the United States could be a long-term solution to resolving the student loan debt crisis. Some states, such as Tennessee, and localized communities, such as the city of Kalamazoo in Michigan, have implemented their programs to help ease this issue and bring increased economic returns to their states or local communities (Perna & Smith, 2020; Miller-Adams, 2015). In fact, as of 2020, there are 300 such programs instituted nationally (Smith Jaggars, 2020). Research from Miller-Adams (2015) demonstrates that these programs generally increase access and certificate/degree attainment.

What Are Promise Programs?

Promise programs can be categorized as "free college" schemes that promote education attainment by providing financial aid to students (Perna et al., 2020). Unlike Pell Grants, another form of student financial aid, many promise programs are place-based. In other words, promise programs are scholarships that help students from a selected area attend college (Perna & Smith, 2020). In addition to demonstrating financial need, students who qualify for certain promise programs must live in designated areas, attend certain K-12 schools, and/or meet state or local requirements (Perna & Smith, 2020). Furthermore, it is important to note that there is a great deal of variability between promise programs. For example, specific promise programs might target a specific higher education institution, while other programs have no such parameter.

For example, Odle et al. (2021) note that Tennessee Promise, a state-based program, specifically targets those who wish to attend community/technical college. Contrastingly, Page et al. (2019) describe that the Pittsburg Promise Program, a localized promise program, also targets eligible students who wish to attend 4-year institutions. Lastly, another variability to consider is how these programs interact with other forms of financial aid students might have. Some promise programs, such as the Kalamazoo Promise Program, one of the earliest and the most well-known programs, are what is considered first-dollar programs where the maximum allotted funds are provided to students first before another grant aid is added (Perna et al., 2020; Collier & McMullen, 2021). However, as Perna et al. (2020) also note, other programs, such as the Tennessee Promise Program, are last-dollar programs where the financial reward is reduced by other financial aid.

Effectiveness: Benefits and Concerns of Promise Programs

Promise programs are beneficial because it not only increases college enrollment and reduces debt among those who have enrolled as a result of the program. Furthermore, future collegegoers can take advantage of promise programs. For example, The Kalamazoo Promise program [KPromise], founded 16 years ago in 2005, has awarded over $165 million in scholarships through the summer of 2021 and has promised to award more scholarships to qualifying students in the future (The Kalamazoo Promise, 2022). Similarly, the Tennessee Promise, founded in 2014, just passed its 7th cohort, with the number of applicants increasing with each cohort (Tennesse Higher Education Commission, 2021, p. 13). Despite its benefits, there are still concerns; however, these concerns can be strategically addressed. College promise programs can effectively add to Biden's loan forgiveness plan once the concerns are strategically addressed, and corrective measures are implemented.

Benefits of Promise Programs

Before the launch of the Kalamazoo Promise program [KPromise], only 36 percent of eligible students earned a credential within six years after high school. However, that number increased by 33% to 48% after the program was enacted (Bartik et al., 2017). Bartik et al. (2017) also noted that a similar trend existed for KPromise-eligible students who pursue bachelor's degrees, with 30 percent of eligible students finishing within six years before KPromise and 40% finishing during the same time frame after KPromise. More recently, Collier and McMullen's (2021) research showed that students who used KPromise were more likely than the institutional average to persist from year one to year two. For example, the retention rate was 57% among students who used KPromise at Kalamazoo Valley Community College, compared to a 48% institutional retention rate (Collier & McMullen, 2021).

Similarly, the Tennessee Promise Program led to increased college enrollment within a year from graduating high school by a little over 6% between 2011 and 2015, with a big spike between 2014-2015 (Carruthers, 2019). First-time, full-time enrollment increased, especially at community/technical colleges, after the program was created (Carruthers, 2019). The Pittsburg Promise program also produced positive results. Page et al. (2019) found that Pittsburg Public School graduates are roughly five percentage points more likely to enroll in college and 4 to 7 percentage points more likely to enroll and persist into the second year of college. Most importantly, Odle et al. (2019) found that the Tennessee Promise Program was a viable alternative to traditional student loans, which needed to be repaid more often than not. For example, the Tennessee Promise reduced first-time borrowing for first-time borrowers by 40% among full-time students and reduced the average community college loan by roughly 32% (Odle et al., 2021).

Concerns about Promise Programs

Despite clear gains in college enrollment and reductions in first-time borrowing and community college loans, critics claim that marginalized students are still left behind. One major impediment to the successful implementation of college promise programs is its non-uniform eligibility requirements. College promise programs have increased college enrollment, early retention, and completion rates, but more needs to be done to increase college access and success. In 2018, only 37% of Black 18 to 24-year-olds and 36% of Hispanic students of the same age enrolled in a college compared to 42% of their White counterparts (National Center for Educational Statistics, 2020). While there are many reasons why marginalized students are still left behind, one possible reason is that promise programs have a notable pitfall that prevents the ideal implementation of the programs. Some college promise programs have broad eligibility requirements rather than targeted eligibility requirements, which in turn may cause barriers to accessing the benefits of college promise programs. While free college programs in Maryland limit eligibility exclusively to low-income students, programs in other states, such as Delaware, do not (Jones & Berger, 2018).

Unsurprisingly, data from states that do not restrict eligibility by income show that middle and upper-class rather than low-income students benefit most from free college programs. In addition to income inequities, non-uniform income eligibility requirements also can perpetuate racial inequality. While college promise programs do not target racial inequities directly, Jones & Berger (2018) found that Black students participated in college promise programs at far lower rates than their White counterparts in the states without an income eligibility requirement. This indicates that income can be a proxy for race concerning promise programs. There are three ways to rectify inequity. First, there should be an income eligibility requirement for all promise programs. Second, promise programs should switch to a first-dollar model; Lastly, promise programs should also cover fees along with tuition, such as living expenses.

Addressing Concerns & Strategic Implementation

Most importantly, promise programs must have an income eligibility requirement across the board. Unsurprisingly, data from states that do not restrict eligibility by income show that middle and upper-class rather than low-income students benefit most from free college programs. Jones & Berger (2018) show that 82% of those in Delaware who utilized the college promise program were middle to upper-income students. While college programs do not target racial inequities, Black students participated in college promise programs at far lower rates than their White counterparts in the states without an income eligibility requirement.

The converse is true in states where income is a requirement for eligibility. Data from Tennessee, a state that does not limit eligibility by income, show that 71 percent of White students took advantage of the program, compared to 46 percent of Black students (Jones & Berger, 2018). Contrastingly, data from Maryland's promise program, where income is a requirement for eligibility, shows that while less than a third of the state's population is Black, over half of the free college recipients are Black (Jones & Berger, 2018). Therefore, having an income requirement would give applicants who would benefit most from the program, such as low-income students of color, the funding they need to complete their college endeavors.

The first dollar model posits that students are provided the maximum amount of funds before other grant funding is applied; KPromise operates under the first dollar model (Perna et al., 2020; Collier & McMullen, 2021). Unlike the last dollar model, where the financial reward is reduced by other financial aid, the first dollar model would be a feasible solution because the primary goal of successful implementation of promise programs is to give applicants who would benefit most from the program the most amount of money without restrictions (Perna et al., 2020; Jones & Berger, 2018). Promise programs must cover non-tuition fees in addition to tuition fees. This solution would help applicants apply to last-dollar programs like Tennessee Promise.

Covering non-tuition expenses ensures that students would not see a decrease in award levels due to receiving other grant aid. Furthermore, according to Jones & Berger (2018), tuition fees account for 20 percent of the cost of attending college; the vast majority [80%] of the costs of attendance are non-tuition expenses. Therefore, covering non-tuition fees would cover the rest of the cost of attendance; covering non-tuition fees would also cover the unexpected "hidden" costs of college, which can derail low-income students from pursuing their college goals (Jones & Berger, 2018).

Conclusion

The need and benefit of having a college degree are more important than ever, especially for students coming from marginalized communities (Hoxby & Turner, 2015; Mountjoy & Hickman, 2020). Bachelor's degree holders earn $600,000 more than those with a high school diploma and $300,000 more than associate's degree holders (Schanzenbach et al., 2017). However, college costs have also been skyrocketing; close to 44 million Americans owe more than 1.5 trillion dollars in student loan debt (Li & Kelchen, 2021).

More recently, education policy advocates and politicians have been pushing for concrete legislative and executive actions to make college affordable. One such proposal is to eliminate student loans for those who have accumulated debt. President Biden, for example, has promised to eliminate some student loan debt of at least $10,000 for borrowers making less than $125,000 (Reilly, 2022). Senator Warren has called for a more ambitious plan to eliminate $50,000 in federal student loan debt through presidential executive action (Gravely, 2021). While executive action of student loan forgiveness is long overdue, additives are needed to build a better system for future college students. Despite concerns over the effective rollout of college promise programs, the proliferation of promise programs across the United States can be a long-term solution to resolving the student loan debt crisis if the concerns are strategically addressed and implement corrective measures.

Promise programs are an effective addition to student loan forgiveness because they increase college enrollment, reduce debt, and, most importantly, benefit future collegegoers. Tennessee Promise Program, currently in its 7th cohort, led to increased college enrollment within a year from graduating high school by a little over 6% between 2011 and 2015, with a big spike between 2014-2015 (Carruthers, 2019; Tennessee Higher Education Commission, 2021, p. 13). KPromise, founded in 2005, and Pittsburgh Promise, founded in 2007, produced similar results (Collier & McMullen, 2021; Page et al., 2019). Highlighting promise programs' success at reducing debt, Tennessee Promise reduced first-time borrowing for first-time borrowers by 40% among full-time students (Odle et al., 2021). Despite the benefits of promise programs, concerns were raised; data from some promise programs showed that non-uniform income eligibility requirements also could perpetuate income and racial inequities (Jones & Berger, 2018).

There are three methods to, directly and indirectly, combat these income and racial inequalities and realize the full potential of what promise programs can offer to students. A direct way to combat these inequities is to institute an income eligibility requirement across the board. Indirectly, promise programs should switch to a first-dollar model. Similarly, promise programs should cover fees, tuition, and living expenses. If these three solutions are implemented, promise programs can effectively help applicants who would benefit most from the program by giving them the most money to finish college.

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