

THE ARKANSAS PROMISE

Making Arkansas the unparalleled
leader in access to higher education

A plan to invest in
Arkansas's future by

BILL HALTER

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THE ARKANSAS PROMISE

My fellow Arkansans,

Arkansas is at a crossroads, and this next election will set our state's course for the next generation. The question is how do we prepare our people to compete and prosper in a rapidly changing global economy? Google, with over 32,000 employees and a market capitalization of \$270 billion is younger than today's 10th grade students. Facebook, with over one billion users, and valued at close to \$65 billion, didn't exist 10 years ago. The businesses that'll be changing the world 10 years from now may not even exist yet.

The critical ingredient in the success of leading companies is a well-educated, well-trained workforce. That is why I believe the single most important thing we can do to bring those kinds of businesses to Arkansas – and to help Arkansans find the best-paying jobs they can – is to improve access to higher education.

A young adult who receives a college degree today can expect to earn at least \$1 million more over the course of his or her working life than a similarly situated Arkansan who does not. But Arkansas currently ranks 49th out of 50 states in the percentage of our workforce with college degrees – behind Mississippi and ahead of only West Virginia. And we're not just competing with other states. Within two decades, China will have 200 million college graduates. That's more than the entire U.S. workforce. Within the next ten years, India will produce four times as many college graduates as the U.S. We must meet this challenge. It is time to give every Arkansas high school student the opportunity to attend college if they earn it.

I call it the Arkansas Promise.

Simply stated, if you go to high school in Arkansas, qualify for a lottery scholarship, maintain a 2.5 GPA, and plan to attend college in the state, we promise to pay your college tuition. The overall scholarship level would be set at the tuition level of the highest-cost, four-year public university in Arkansas. And we will pay for this investment without raising taxes, by combining the Lottery Scholarship, federal grant aid, additional private scholarships, and charitable support.

Several forward-looking communities have made promises of opportunity through higher education for their students. There are two here in Arkansas. The El Dorado Promise and the Arkadelphia Promise have provided hope for their communities. But no state in America has made this promise, and Arkansas should be the first.

The Arkansas Promise builds on the incredible success of the Arkansas Lottery Scholarship program I spearheaded as Lt. Governor. To date, we've put \$300 million in the scholarship fund and awarded nearly 100,000 scholarships. Many students who never considered college an option are now pursuing opportunities to achieve a better future for themselves and their families, while at the same time improving the economic prospects of their communities, and our entire state.

We are all shaped by our own experiences in life. I have spent over half of my career in the private sector working with highly innovative companies in information technology, telecommunications, biotechnology, medical devices, biofuels, and energy conservation that have created thousands of jobs. At every one of these companies, I've seen first-hand how essential higher education is in today's world, and I want every Arkansan to get the knowledge and skills they need to succeed.

The pages that follow spell out in detail how we can do it and how to pay for it. Some may find this too ambitious. But if you wouldn't hire a football coach who doesn't aspire to winning the national championship and have a plan to do so, then why would you hire a Chief Executive Officer of the state who doesn't aspire to help make Arkansas the best state in America and have a plan to make it happen?

When I was growing up in North Little Rock, we Arkansans called our state the "Land of Opportunity." Together, we can once again live up to that aspiration.

Thanks,

Bill Halter

INTRODUCTION

Never in human history has the global economy changed as rapidly as it is changing today. This presents both opportunity and peril as Arkansas and America navigate these changes. Knowledge and data are being generated at unprecedented and accelerating rates. Right now we create more information each year than we have in nearly all the previous years of human history combined.¹ Entire industries are being reinvented and reengineered with breathtaking speed. America's competitors are working to gain the upper hand in this data-driven, knowledge-based, and rapidly changing economy.

At the same time that competitive pressures are growing, unemployment is still far too high. Incomes for most folks are stagnant or worse. Our political system seems less able to function. Public confidence in our institutions has never been lower. While we hope for civil discussions and debate, too often we get shouting matches and 30-second sound bites. Gridlock and dysfunction in Washington remain even after an election only four months ago which should have spurred action rather than rancor and despite our common view that elections should help decide big issues and allow us to move forward.

As my wife Shanti and I talked about the enormous task of running for governor and the type of state that we would like our 4 and 6 year old daughters to grow older in, we resolved to do things differently. We want this campaign to be about ideas to advance Arkansas rather than labels and name-calling. We believe that Arkansas voters have earned the right to be treated as adults and to be presented with facts, especially when so much political debate now occurs in a "fact-free zone."

We are all shaped by our own experiences in life. I have spent over half of my career in the private sector working with highly innovative companies. The balance of my career so far has been spent working successfully to balance the federal budget on Capitol Hill and in the White House budget office, leading the Social Security Administration, and as Arkansas's Lieutenant Governor. I have sought to bring lessons from the private sector to these public sector organizations.

Much of my private sector experience has been serving on the boards of directors of ten high-technology companies. These companies in information technology, telecommunications, biotechnology, medical devices, biofuels, and energy conservation have created thousands of jobs, terrific technologies, and life-saving drugs.

In order to succeed, these companies must meet a bottom line, make the highest return investments, and build great products for their customers. In every case, a key to these companies success is how they respond to and approach the rapid and inevitable changes in their markets. The possible responses broadly fall into three categories: resist, ride, or shape. Those companies that resist the changes in the economy or technological possibilities and try to stubbornly hold on to past practices are almost in-

evitably doomed to failure either through going out of business or being bought by a stronger, nimbler competitor. Those companies that ride and respond ably to change can continue to operate profitably and maintain their market position. But for me, the most interesting companies are those that seize the possibilities brought about by changes in technology or markets and literally create the future (think of Google, Apple, and others).

The universal and critical ingredient for the success of these companies is having a talented, well-educated, well-trained workforce. The single most important thing we can do to incentivize businesses to locate and expand here in Arkansas – and to help Arkansans find the best-paying jobs – is to improve access to higher education. Even better, the greater the production of educated talent in Arkansas, the greater the chances of founding and building the next great companies here. A young adult who re-

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I believe that voters are entitled to know not only about a candidate's experiences and policy proposals but also about the values and ideals that underlie them. I believe that faith, community, opportunity, responsibility, efficiency, and fairness are among our core principles, ideals, and values in Arkansas and across America.

Arkansans value and have benefitted from a sense of community that spans generations and lies at the heart of who we are as a state. Whether in schools, at churches, in neighborhoods, or at ballparks we recognize our mutual obligations to one another. We

are among the most philanthropic of Americans and will spontaneously and massively help those in need. We respect teachers, coaches, nurses, and clergy, and we honor those vocations because they reflect both a desire and a commitment to be a part of something much bigger than our individual selves. We stand together to promote the futures of all our children - not just our individual families, but all those in the next generation of Arkansans.

Opportunity is so important to Arkansans that for decades we called our state the Land of Opportunity. We are willing to devote time, energy and resources to help ensure that Arkansans have the tools and skills necessary to succeed in the 21st Century. We're not going to guarantee results; we're not for giving a handout to the able-bodied. But we are for providing a hand up for everybody – making it possible for every Arkansan to succeed. In return we expect responsible behavior and hard work. Ideally, we provide members of our community with opportunities for success and expect them to work hard to take advantage of them.

Arkansans also have a deep sense of fairness. We believe that opportunities should be available to all, not just to those favored by birth or circumstance. We reject favoritism and hope for equal opportunity. And while we may not have achieved perfection in pursuit of this ideal yet, we are making progress.

We are a people of faith -- faith in God and faith in one another. In our best moments, we are inspired by beliefs that we hold in common while being respectful of our specific differences. In our best moments, we are mindful of our obligations to help all live up to the fullness of their God-given potential.

These facts, these ideals, and these beliefs are the foundation for the policy proposals to come in our campaign. The first of these proposals I call the Arkansas Promise.

The Arkansas Promise can be stated simply: If you go to high school in Arkansas, qualify for a lottery scholarship, and plan to attend college in our state, your tuition will be paid for. By combining the Lottery Scholarship, federal grant aid, philanthropic support, and additional Arkansas scholarship funds we can cover the tuition costs of our students who achieve and maintain a 2.5 GPA. Like the El Dorado Promise and the Arkadelphia Promise, the overall scholarship level would be set at the tuition level of the highest-cost, four-year public university in Arkansas. And just as with the Lottery Scholarship, we will pay for this investment without raising taxes.

The Arkansas Promise reflects all the values discussed above. As a community we would commit to providing the opportunity for all Arkansans who work hard and behave responsibly to be provided the tools to compete in the 21st Century economy. We know from repeated experience that this investment in our people has among the highest returns available to us. We can provide the necessary resources without raising taxes. We can help our people who earn it the means to live up to their potential.

The pages that follow spell out how we can do it, where and why similar approaches have been successful, and how to pay for it. We can eliminate financial impediments to higher education, decrease the debt burden on our students, increase the number of our citizens who have degrees, improve attendance and performance in our public schools, and create more jobs and economic growth. Next up, two important lessons from our history.

OUR PAST AS A PROLOGUE FOR OUR FUTURE

Arkansas's Relative Economic Standing

A number of economic statistics highlight the challenge we face when it comes to Arkansas's economic standing relative to other states: unemployment rates, productivity of our work force, and state gross domestic product. But one measure is particularly telling: per capita personal income, which equals the total personal income of our state divided by our state population. In 2010 Arkansas ranked 48th out of the 50 states in per capita income.²

A look at the relative per capita income measure is enlightening. The graph below charts Arkansas's per capita income as a percentage of the United States average over time. If Arkansas per capita income were equal to the U.S. national average, that would be represented by 100 percent on the graph. By contrast, if Arkansas's per capita income stood at half the national average, that would be represented by 50 percent on the graph.

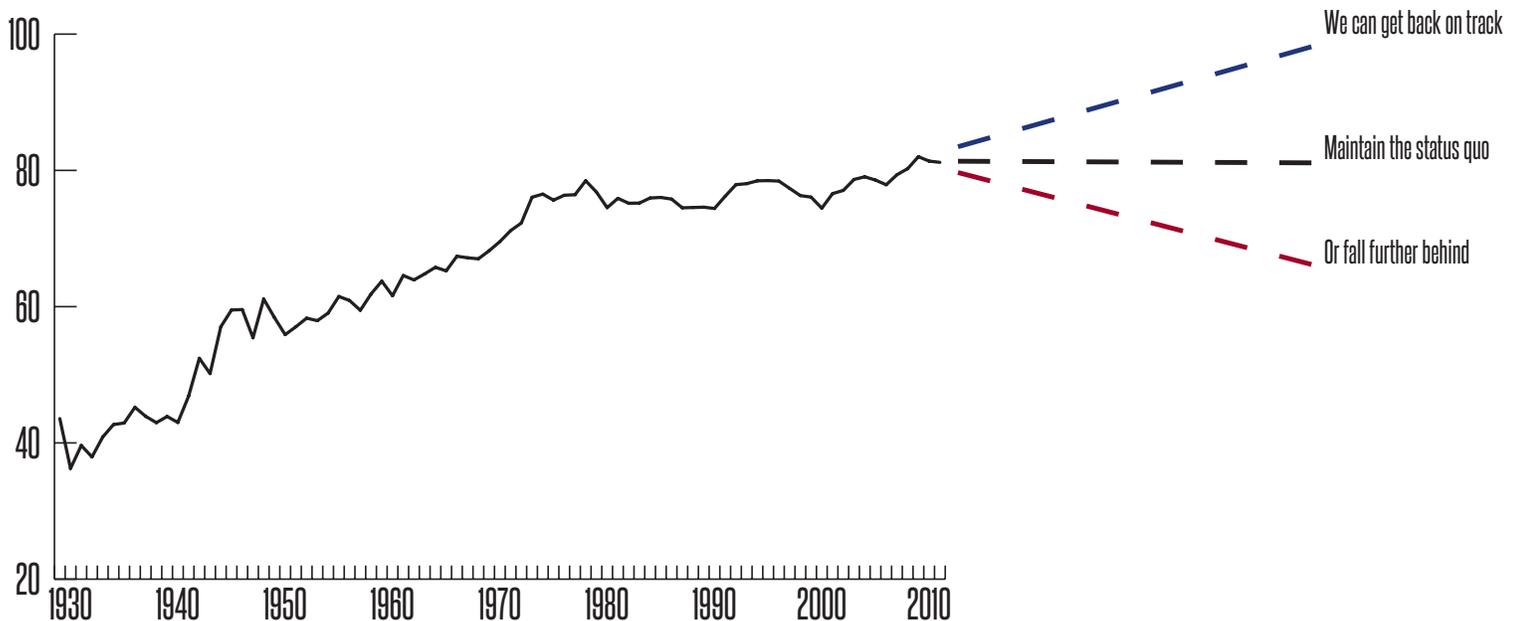
The data graphed below span the last 80 years of economic history. In the 1930s, per capita income in Arkansas was approximately 40 percent of the national average. Stated another way, in the 1930s the average American had an income two and a half times that of the average Arkansan. Fortunately, in the following decades, incomes in Arkansas steadily closed the gap with the national average. This progress was even more remarkable when we consider that, during this period, the average national income was also steadily increasing; Arkansas was making rapid gains on a moving target because we were growing even faster than the national average.

By the early 1970s, per capita incomes in Arkansas reached approximately 75 percent of the national average. Since that time, however, progress in narrowing the gap with the national average has been painfully slow. Today, forty years later, while national average incomes have stagnated, so have Arkansas's gains. Per capita income in Arkansas stands at around 80 percent of the national average. That means right now the average American has an income one-quarter higher than that of the average Arkansan. Bringing Arkansas to the national average would be the equivalent of giving every working person in our state a permanent, 25 percent increase in annual income.

Going forward, Arkansas has three distinct economic paths from which to choose. We can either:

1. Get back on the trajectory we were once on – closing the income gap that separates us from the rest of the country;
2. Accept the status quo, and try just to maintain the relative economic gains we have made in the last 80 years; or

FIGURE ONE: Arkansans' per capita personal income (as a percentage of U.S. average)



Source: U.S. Department of Commerce ³

3. Give up completely on trying to compete in a 21st Century economy, forfeit the progress we have made, and fall even further behind the rest of the country.

We should choose the first path to grow an economy that increases opportunity and prosperity for future generations of Arkansans while recognizing that significant changes will be required to achieve it.

A Lesson from History -- The GI Bill

At the end of World War II, our American soldiers were returning home at a rate of nearly one million per month. Each veteran received a few things upon their arrival including a physical exam, \$50 in cash, and a white piece of paper that said that their service to their country was over. One chaplain at Fort Dix in New Jersey told our returning men and women, who had served so valiantly, “Take it easy. Have confidence in God. Help build a better America.”⁴ And that’s exactly what they did.

One reason they were able to build a better America was because the United States government made a promise to those veterans. In addition to a \$50 bill and a physical, the government said, “We’re going to make sure you get a good education because we owe it to you.”

The GI Bill of Rights, also known as The Servicemen’s Readjustment Act of 1944, was signed into law by President Franklin D. Roosevelt. The bill gave veterans financial support like unemployment insurance and easier access to home and business loans, but it also gave them a chance at a better education. The GI Bill was a promise. If you served your country in the armed forces, the government would pay for you to go to any school in the country.⁵

Historian Milton Greenberg, who wrote “The GI Bill: The Law that Changed America,” says one of the main accomplishments of the bill was the establishment of the idea that higher education can and should be available to all.

“High school graduation was a rare achievement prior to World War II,” Greenberg wrote. “Millions of members of the armed forces had not even graduated from grammar school and many young Americans did not go beyond the 10th grade. In the 1940s, only 23 percent of the military had a high school diploma and about three percent had college degrees. By making it possible for the sons of farmhands and laborers to get a better education than they had ever dreamed of, the GI Bill gave widespread and permanent credence to the idea that education is the pathway to a better job and a better life.”⁶

Because of the GI bill, the American economy grew at an unparalleled clip, into the strongest, most innovative in the world. Historian Ed Hume says the bill provided an education for some of America’s future success stories who returned from World War II. “The GI Bill provided the education for 14 Nobel Prize winners, three Supreme Court justices, three presidents, a dozen senators, [and] two dozen Pulitzer Prize winners... The scientists and engineers and teachers and thinkers who brought in the information age, who took us to the moon, who waged the cold war, you name it - all those men and women were educated through the GI Bill.”⁷

The percentage of American men graduating from college doubled from 10 percent to 20 percent over the period from 1945 to 1965 (for American women, the increase in college graduation rate over this period was more modest through the early 1960s, but later the rate of increase among women exceeded

PERHAPS THE BIGGEST LESSON THE GI BILL TAUGHT US IS THAT A MASSIVE AND WELL-STRUCTURED INVESTMENT IN EDUCATION IS ONE OF THE SMARTEST A SOCIETY CAN MAKE.

that of men). As a result, economic growth and technological progress in the United States over this period was the most rapid in our history.

And this all happened because our political leaders understood the importance of education and kept their promise to those men and women who had served their country. Perhaps the biggest lesson that the GI Bill taught us is that a comprehensive and well-structured investment in education is one of the smartest a society can make.

As with our nation as a whole, the surest initiative to move Arkansas forward is to dramatically improve the educational outcomes for our people. That is it. Nothing else comes close. The 21st Century economy is a competitive one. We're not just competing against neighboring states. We're competing against foreign countries like China and India. The best thing we can do to improve the lives and opportunities of students in Helena-West Helena or Jonesboro or El Dorado is to train and strengthen what's between their ears. Arkansas can become the unparalleled, nationwide leader in access to higher education. We can give every hard-working Arkansas student the opportunity to go to college and prepare for the accelerating changes they'll face in their careers.

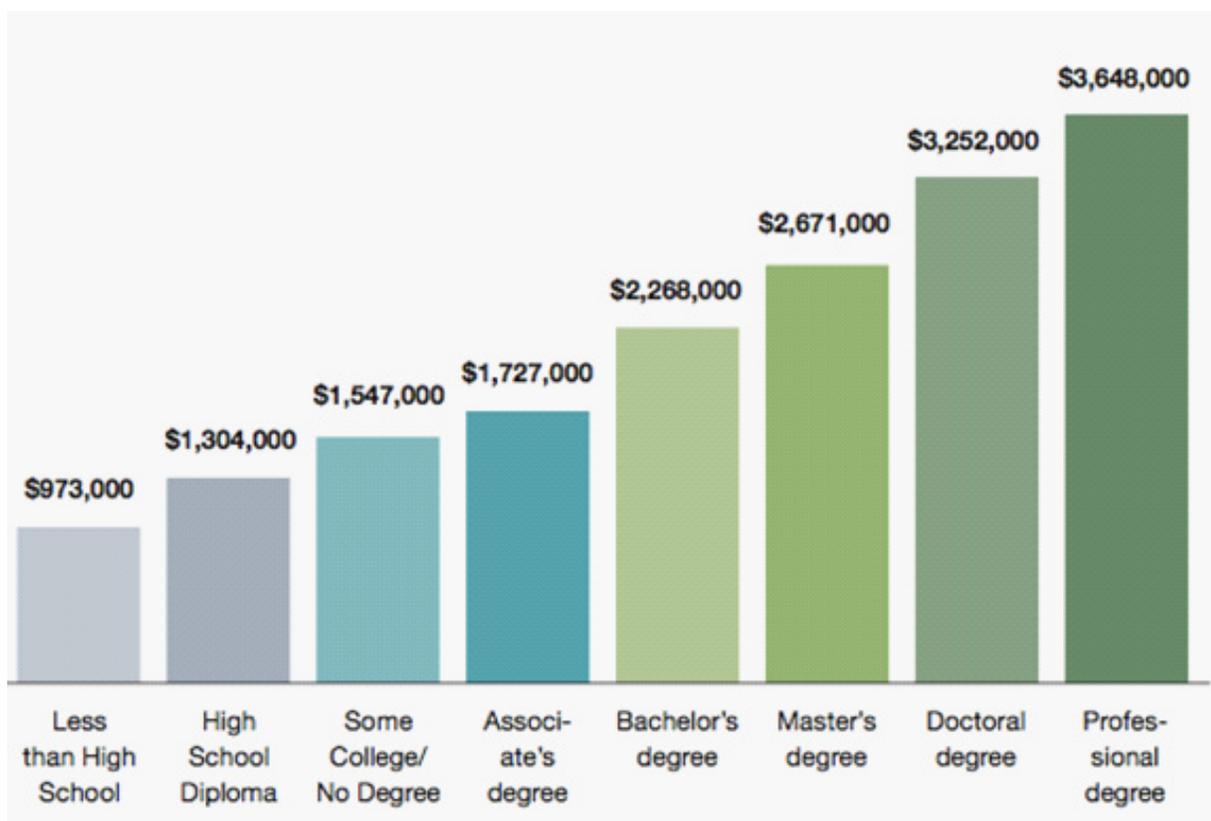
The simple truth is that if we don't make it easier for Arkansas students to go on to college, to have that sense of upward mobility, ambition, aspiration, and hope, we're essentially denying them part of the American Dream. An essential part of the American dream is the idea that tomorrow can be better than today, that the future we leave to our children should and will be better than what we had when we were growing up.

The sad fact is that most people are losing faith in the American Dream. According to a recent Gallup Poll, nearly six in 10 Americans do not believe that the next generation will live better than their parents. According to Gallup, "The idea of America as a place where citizens can rise above their economic position at birth depends partly on an economic system that rewards people based on effort and merit – not race, class, title, or other social barriers – and partly on Americans' willingness to make a serious effort to succeed. Americans themselves currently have doubts about both aspects of that equation."⁸

The Pew Charitable Trusts Economic Mobility Project released a study on the American Dream last year. At the heart of the study was the concept of upward mobility and the "ideal that all Americans have equality of opportunity regardless of their economic status at birth" and that this is the "crux of the American Dream and a defining element of our national psyche." And the results of their study show just how fundamental a component education is to achieving that dream. Pew found that someone with a college degree was three times as likely to rise from the bottom of family income rankings to the top as someone without one. They also found that those who do not earn a degree are more likely to fall down the income ladder than those who go on to complete college.⁹

All these polls and all these studies use a lot of ink to spell out one basic, and troubling, theme – a pervasive diminishment of hope for the future that we cannot allow to continue. An earned but certain shot at a good education can help change that. We need to make sure our students believe in the promise of tomorrow. It's that sense of hope that is going to push this state, our children, and our future forward. In order to make it happen, we must make smart investments in our people.

FIGURE TWO: LIFETIME EARNINGS ACCORDING TO EDUCATIONAL ATTAINMENT



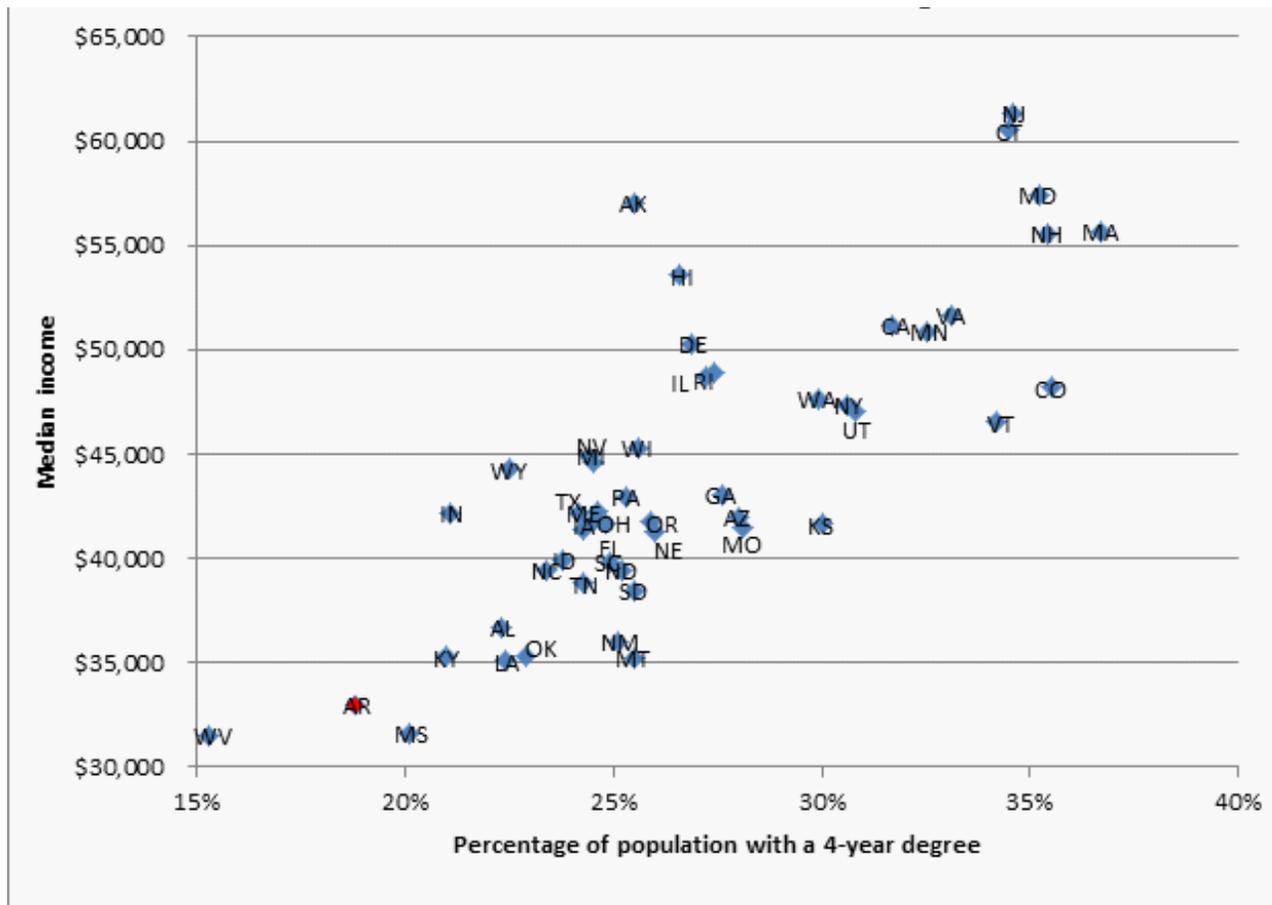
AN INVESTMENT IN HIGHER EDUCATION – RETURNS FOR INDIVIDUALS

Despite the clear lessons of our own history, some still doubt that education is the key ingredient of success for individuals, Arkansas, and America. Let's look at what we know.

First, the facts could not be clearer: A good education leads to a better quality of life. The average worker with a bachelor's degree will earn \$1 million more over the course of his or her lifetime than the average worker with a high school diploma.¹⁰ You read that correctly: \$1 million. When you look at those kinds of numbers from an investment standpoint, that means if we can invest \$50,000 to make sure one student has the opportunity to go to and complete college, we can count on that investment to yield \$1 million for that student. That's \$20 in higher income for every dollar we invest. As a businessman, I know a lot of investors who would take a 20:1 payoff on their investment any day of the week. As a state, Arkansas should too. Figure Two, above, shows the differences in income level according to education.

The relationship between per capita income and educational attainment has only become stronger over time. In 1980, the correlation between these two indicators, statistically, was .64, or what statisticians would call a strong correlation. In 2008, that measure had increased to .80. To put that into perspective, it means that where education was once an *important* indicator of a person's income, now it's *the* indicator of how much, or how little, a person can be expected to make.¹¹

FIGURE THREE: Educational Attainment and Median Income Among the 50 States



RETURN ON INVESTMENT FOR THE ENTIRE STATE

While it's easy to see how one person can benefit from higher education, this is about much more than any one individual. This is about all Arkansans. Education is not a zero-sum game. When someone “wins” by graduating from a two-year or four-year institution, no one loses. In fact, we all win. Economically, if our neighbors have higher incomes, then local businesses do better and their incomes rise as well. Technologically, if a scientist or engineer invents a new product and establishes a company, then new jobs can be created and consumers enjoy better products. Educationally, when Arkansas colleges produce a new, well-trained teacher, then our young students get a better foundation. Medically, when a new doctor or nurse enters the health profession, we all benefit.

Of course, these examples are just common sense. However, the available data from 50 states and across decades overwhelmingly demonstrates that the overall educational level in a state drives the income levels of that state. As Figure Three illustrates, median income levels in states are tightly tied to the percentage of the adult population with a college degree and the income differences are large. In states with higher percentages of bachelor degrees – like New Jersey, Maryland, New Hampshire, Connecticut, and Maine – median income hovers between \$55,000 and \$62,000 per year. When you look at the other end of the spectrum, it's a different story entirely. Only 15 percent of West Virginians have college degrees and their median income is just above \$30,000.

In addition, we know that the benefits of a college education stretch far beyond just higher incomes.

WE NEED TO DO MUCH BETTER WHEN IT COMES TO MAKING SURE ARKANSANS GRADUATE FROM COLLEGE.

People who graduate from college report better health outcomes, and this stretches from 25-year-olds to seniors. They're also less likely to end up on public assistance.¹² A study by College Board, a non-profit that aims to make sure more students go to college, outlined the societal benefits of higher education. Among their findings:

- Higher levels of education lead to lower unemployment and poverty rates.
- The earnings of all workers are increased by the presence of college graduates in the workforce.
- College graduates have more positive perceptions of personal health and lead healthier lives.
- Higher levels of education lead to more civic participation, including voting and blood donation.¹³

Higher education levels can also help state budgets. Just look at incarceration rates according to education level. Nationally, one out of every ten high school dropouts ends up being incarcerated at some point in time. Compare that to one out of every 35 high school graduates and only one out of every 100 college graduates.¹⁴ If you think that doesn't have a significant impact on Arkansas's budget, think again. The average annual cost per inmate in Arkansas in 2010 was \$24,391.¹⁵ The average annual cost of college tuition at a four-year institution in this state for that same year was \$5,788.¹⁶ Again, if you're looking at this from an economic point of view, higher education couldn't be a better investment for our young people.

We need to do much better when it comes to making sure Arkansans graduate from college. According to a report by the Lumina Foundation, a private foundation committed to expanding access to higher education, 28 percent of adults in Arkansas have a college degree. That's 10 points behind the national average and plants us firmly at number 49 of the 50 states in the country, ranking just ahead of West Virginia and behind Mississippi. While college attainment in our state is gradually increasing, the rate of increase has been slow.

Why is this so critically important? Jobs, jobs, jobs. According to a 2011 survey of corporate executives, availability of skilled labor was one of the most important factors when it came to decisions on where to locate businesses. Availability of skilled labor ranked above state corporate tax rate, state and local incentives, construction costs, and government regulations. The study's author concluded, "whether from renewed optimism in the economy, or a realization that talent cannot be ignored long-term, decision-makers have again elevated human capital above many cost factors."¹⁷ One thing is certain, 21st Century jobs are going to require 21st Century educations. We have to prepare our current and future work force to meet the demands of the new economy.

This has huge implications for the economic future of our state. A Georgetown University study found that by 2018, more than half of Arkansas jobs will require an education beyond a high school diploma – whether a four-year degree, a two-year degree, or a career certification.¹⁸ In the decade between 2008

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HOW WE CHOOSE TO FACE THIS CHALLENGE, AS ARKANSANS, AND AMERICANS, WILL LIKELY DETERMINE THE ECONOMIC TRAJECTORY OF OUR STATE, AND OUR COUNTRY, FOR GENERATIONS TO COME.

and 2018, Arkansas is projected to generate about 419,000 job opportunities – the result of creating new jobs, worker retirements, and other factors. Of these jobs, 217,000 will require more than a high school education. If Arkansas does not have a workforce that is prepared to fill these new jobs, the jobs will simply go somewhere else.

Globalization, the subject of bestsellers like *The World is Flat* or *The Clash of Civilizations*, is more than just a trendy buzzword, it's a reality for industry after industry. Arkansas is not only competing with Texas, Mississippi, and Tennessee for new opportunities but with countries like India and China, too. Our students deserve the best chance to compete, but the U.S. is falling behind. U.S. students rank poorly on domestic and international math exams.¹⁹ Only six percent of U.S. students performed at the advanced level on an international

exam administered in 56 countries in 2006. That's compared to 28 percent of Taiwanese students and at least 20 percent of students in Hong Kong, Korea, and Finland.²⁰

Arkansas is not alone in our need to take serious steps to close this achievement gap; how we choose to face this challenge, as Arkansans and Americans, will likely determine the economic trajectory of our state, and our country, for generations to come. As a country, we've underinvested in education, and disinvested in higher education, while competition for opportunities to work and prosper grows steadily stronger. America's share of the degreed global workforce is declining, while in China and India – just two of our many global competitors – these shares are growing. Between 1978 and 2006, China increased spending on social investments including education by a staggering 5,800% – from less than \$2 billion to \$117 billion. In 2007, for the first time in history, there were more Chinese graduates with degrees in the fields of science, technology, engineering and math than American graduates.

As of 2008, India had quadrupled its investment in education over the late 1980s, and the number of Indian university graduates with science and math degrees has tripled in the last seven years.²¹ The most successful emerging economies have already determined that an all-in approach to higher education investment is the open secret to bringing skilled, high-paying jobs, and prosperity to their countries. And it is working for them: From 2010 to 2015 it is projected that the size of the middle class in China and India will more than quadruple.²²

Today, the pace of technological change is faster than it has ever been in history. Knowledge and data are being generated at unprecedented and accelerating rates. This should be great news for our country. For generations, rapid innovations in science, engineering, and cutting-edge technologies have been America's bread and butter, our uncontested strength. But today, China and South Korea – just two examples – are granting engineering degrees at five times the rate of the U.S., and producing university research that in some cases is more advanced than our own.

America's competitors are working to gain the upper hand in this data-driven, knowledge-based new economy, while in the U.S. it is only getting more difficult for young people to pursue higher education. High unemployment, stagnant incomes, and a shrinking middle class are not reasons to pull back on our investments in higher education – rather, they are signs that we need to make it a top priority.

WHAT'S HOLDING US BACK?

One of the major impediments to college attendance is tuition costs. As Figures Four and Five show, for the last 50 years, tuition has climbed faster than the rate of inflation and faster than the annual income of middle-class families. At the same time, general revenue support for higher education from state governments has gone down, placing more costs on students.

FIGURE FOUR²³

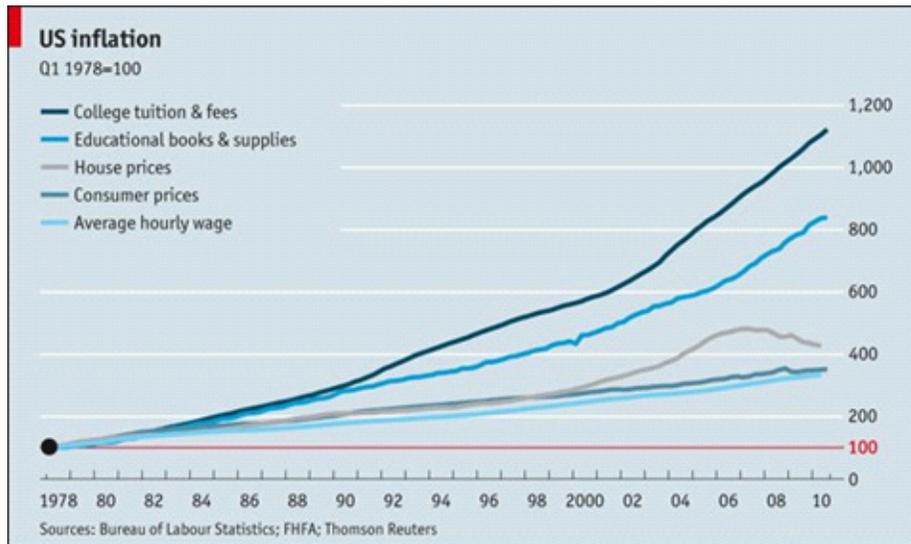
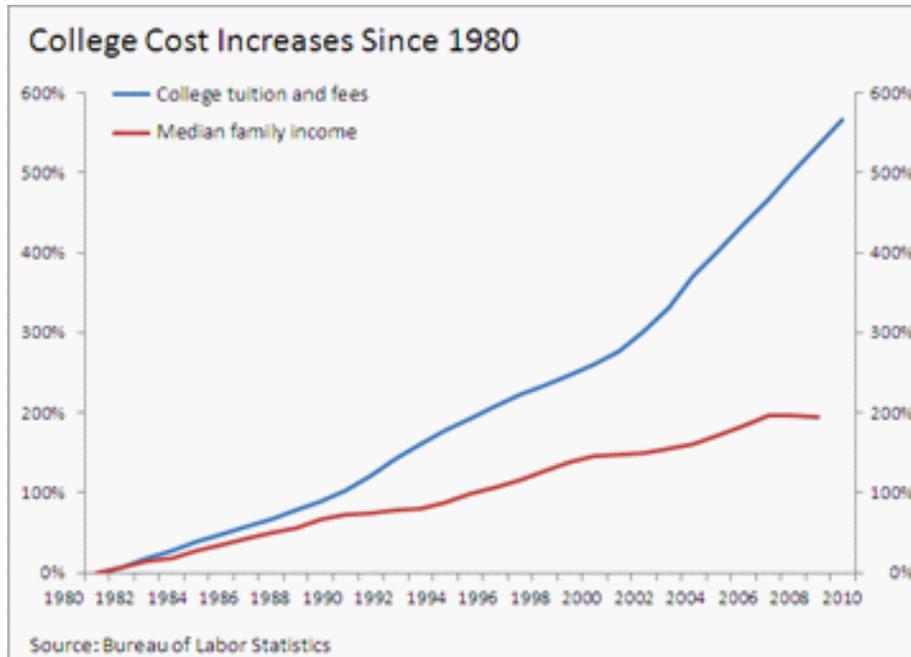


FIGURE FIVE²⁴



According to a report from the Arkansas Bureau of Legislative Research, average tuition and fees for four-year institutions in Arkansas rose 87 percent between the 2000-2001 and 2009-2010 school years (from \$3,088 to \$5,788). The increase at two-year institutions during the same time period was 91 percent. (See Figure Six.) Since 2001, the balance between what the state pays higher education institutions and what students pay in tuition has shifted. The share of state funding has gone from 66 percent to 60, while the share made up by tuition has gone from 34 percent to 40.²⁶ (See Figure Seven.)

FIGURE SIX: College Tuition Increases in Arkansas²⁷

Institution	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
UAF	3,867	4,158	4,456	4,768	5,135	5,495	5,808	6,038	6,399	6,459
ASUJ	3,046	4,270	4,480	4,810	5,155	5,440	5,710	6,010	6,370	6,370
UALR	3,660	3,893	4,208	4,598	4,957	5,243	5,511	5,740	6,121	6,331
UCA	3,402	3,738	3,990	4,505	5,053	5,755	6,010	6,215	6,505	6,698
ATU	2,768	2,966	3,256	3,820	4,468	4,700	4,880	5,120	5,430	5,610
HSU	2,795	3,029	3,252	3,851	4,168	4,645	5,210	5,689	6,024	6,204
SAUM	2,484	2,706	3,054	3,550	3,858	4,290	4,890	5,224	5,646	6,066
UAFS*			2,100	2,220	2,430	2,830	3,340	4,060	4,410	4,600
UAM	2,680	2,935	3,175	3,385	3,625	3,910	4,150	4,300	4,600	4,750
UAPB	3,090	3,209	3,458	3,687	4,043	4,254	4,454	4,499	4,676	4,796
Average	3,088	3,434	3,543	3,919	4,289	4,656	4,996	5,290	5,618	5,788
	7.96%	11.20%	3.18%	10.63%	9.44%	8.56%	7.30%	5.87%	6.21%	3.03%

FIGURE SEVEN: Comparison of the Proportion of Per Student Costs and Actual Funding Levels²⁸

	State Share of Per Student Costs		Tuition/Fee Share of Per Student Costs	
	2000-01	2007-08	2000-01	2007-08
Four-Year Institutions				
SREB States	66%	56%	34%	44%
Arkansas	66%	60%	34%	40%
Two-Year Institutions				
SREB States	73%	67%	27%	33%
Arkansas	78%	66%	22%	34%

	State Appropriations		Tuition and Fee Revenue	
	2000-01	2007-08	2000-01	2007-08
Four-Year Institutions				
SREB States	\$6,951	\$7,888	\$3,559	\$6,175
Arkansas	\$6,855	\$7,732	\$3,503	\$5,187
Two-Year Institutions				
SREB States	\$4,102	\$4,808	\$1,499	\$2,362
Arkansas	\$4,975	\$5,142	\$1,434	\$2,612

Source: SREB, Dr. Joe Marks

That same report concluded: “Increasing the number of baccalaureate degree holders will require making college affordable. The lottery scholarships and expansion of other existing scholarship programs are important first steps in reaching that goal. Care should be taken to ensure that rising tuition costs do not negate the advantage the scholarships create for low- and middle-income students.”²⁹

A college education is not something that should be so far out of reach financially for our students. A November 2012 poll by Gallup and the Lumina Foundation found that 72 percent of Americans believe that having a certificate or degree beyond high school was very important. Over 65 percent said an education beyond high school was an important factor in getting a good job and making more money. Those are about the results you would expect to see. However, 74 percent of those surveyed said that they did not believe higher education was affordable for everyone who needs it. Nearly three quarters of Americans think a college education is out of reach. That number is way too high.³⁰

The rising cost of higher education is a problem all over the country, but it’s an especially critical problem for Arkansas as we strive to rapidly advance. As costs continue to grow, the ability of Arkansas families to pay for college diminishes. Arkansas ranks 49 out of 51 (that’s every state plus Washington D.C.) in median household income and the state ranks fifth in the number of people living below the federal poverty level (just over \$23,000 for a family of four). A college education is simply financially out of the question for many of our high school graduates without assistance. We have to make sure more of our students have the opportunity to get a higher education and we can’t continue to let our young people take out huge amounts of student loans to do it.

In Arkansas, 56 percent of our students leave college with an average of \$23,000 in student loan debt.³¹ According to a recent report by the Federal Reserve Bank of New York, in the third quarter of last year, the US added \$23 billion in new student loan debt (See Figures Eight and Nine). What’s worse is that the 90-day delinquency rate on those

FIGURE EIGHT: Student Debt (in billions) 1977 - 2010³²

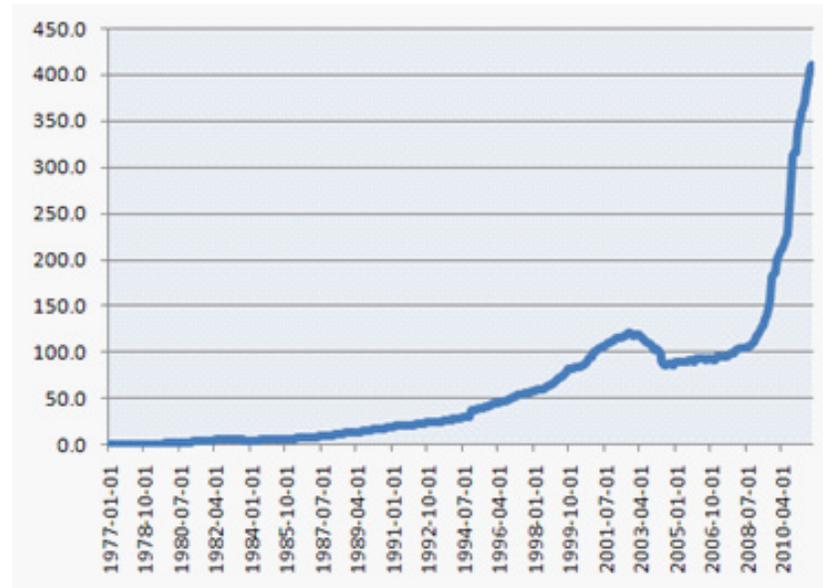
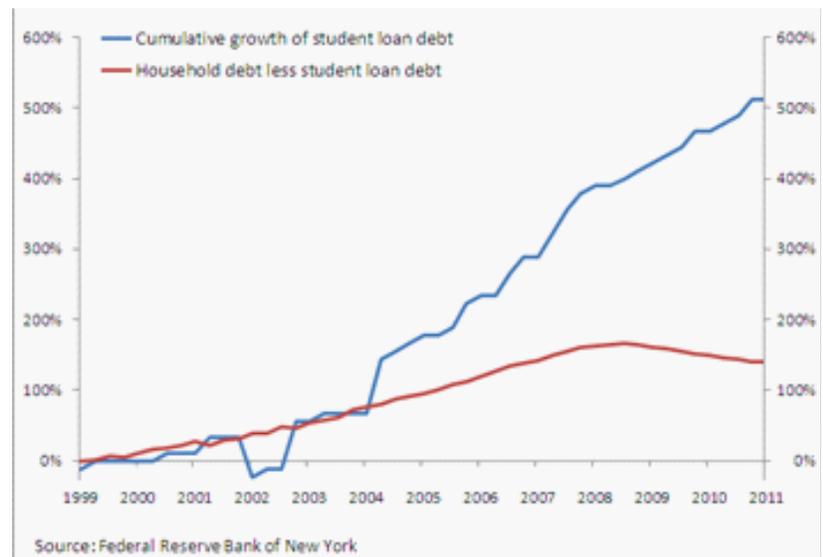


FIGURE NINE: Student Debt Growth Since 1999³³



THERE WERE PEOPLE WHO SAID IT COULDN'T BE DONE, BUT IN 2009, ARKANSAS BECAME THE FIRST STATE WITH A LOTTERY WHERE A FULL 100 PERCENT OF THE NET PROCEEDS WERE DEDICATED TO FUNDING SCHOLARSHIPS FOR ARKANSANS.

loans rose to 11 percent while delinquency rates on other types of loans went down. This kind of debt doesn't affect just recent grads but also other parts of the economy, as well. Students who can barely make their payments often put off other activities like "buying a car or house, getting married and having kids. High unemployment also adds to the problem by keeping young workers on the sidelines even as their debts continue to accrue interest."³⁴

WHAT HAVE WE DONE?

During my campaign for lieutenant governor in 2006, I made a commitment to the people of Arkansas that they would have the opportunity to vote on a constitutional amendment

to authorize a state lottery dedicated to scholarships for Arkansas residents. There were people who said it couldn't be done, but in 2009, Arkansas became the first state with a lottery where a full 100 percent of the net proceeds were dedicated to funding scholarships for Arkansans who enroll in public and private two-year and four-year colleges and universities in our state.

Recipients included both recent high school graduates and "non-traditional" students returning to finish their degrees. To date, the Arkansas Scholarship Lottery has raised over \$300 million toward the scholarship fund, and awarded nearly 100,000 scholarships. The scholarship program has exceeded expectations. Many students who never considered college an option are now pursuing opportunities to achieve a better future for themselves and their families, while at the same time improving the economic prospects of their communities and our entire state.

One day a couple years ago I was in Sheridan at a convenience store gassing up the truck. A young man, probably in his early 30s, was there with his son, who looked to be 5 or 6 years old. As I walked into the gas station he introduced himself and said "thank you for the scholarship program." And I said, "Well it's \$20,000 for your son to go to college." He smiled and said, "you don't understand, I've got six kids. That's \$120,000 for my family."

As I drove home, I thought about that man and his family. I would be willing to bet that he, and a lot of other hard-working families, would find it difficult to save enough money to send one child to college, much less six. But all of the sudden, it was a possibility for his family. His children now had the hope of going to college.

The scholarship program has been an unambiguous success. In the first year of the lottery scholarship, freshman enrollment of Arkansas students at the University of Arkansas at Fayetteville increased by 33 percent. Two years in, freshman enrollment of Arkansas students at the University of Arkansas at Fayetteville had increased by 50 percent from the pre-lottery scholarship period.

The Lottery Scholarship has been so successful that the actual student demand for the scholarship has exceeded the initial estimates made by the Legislature. Because existing resources are being utilized to fund a larger number of scholarships than predicted, the dollar amounts of the scholarship for each individual student have been reduced.

**WE KNOW THAT AN INVESTMENT
IN SENDING A YOUNG PERSON TO
COLLEGE WILL PRODUCE A 20:1
RETURN ON THAT INVESTMENT.**

Now, I happen to think that's the wrong approach – from a business perspective. Most businesspeople I know will tell you that when a high-return investment is working, you should put more resources to work, not less. We know that an investment in sending a young person to college will produce a 20:1 return on that investment, raising their lifetime incomes by \$1 million, helping them stay here and make it in Arkansas, and attracting companies with high-paying jobs for others, as well. We know that every Arkansas student who can take advantage of this opportunity is applying him- or herself to doing so, and, as a result, we're seeing increased demand for this investment. Given all that, why would we possibly cut back on this great economic investment? Instead, we should finish the job and eliminate the cost impediment to college for all our students.

We can make Arkansas the undisputed leader in access to higher education in America if we decide to make a bold investment. We can – and we should - give every Arkansas high school student the opportunity to attend college if they earn it.

WHAT'S WORKING – TWO ARKANSAS EXAMPLES

We know this kind of investment will pay off. In fact, it's already making a significant impact for two communities in Arkansas that have taken bold efforts to make a college education a reality for their young people. Business and community leaders in El Dorado and Arkadelphia are demonstrating what happens when we invest in the education of our young people. Because of the El Dorado Promise and the Arkadelphia Promise, more high school students from these communities have the opportunity to make the most of their God-given talents. The reason they decided to make that investment? They know what's at stake. They know the economy is becoming more competitive and the only way to compete is to improve the education and skill-level of their respective workforces.³⁵

The El Dorado Promise

In El Dorado, a \$50 million dollar investment by Fortune-500 Company Murphy Oil established the El Dorado Promise Scholarship in 2007. The El Dorado Promise is a commitment to cover all tuition for graduating seniors of the El Dorado school district to attend an accredited institution of higher education – with a goal of 90 percent participation.³⁶ In the years since it was introduced, El Dorado has seen positive trends in enrollment, test scores, drop-out rates, and graduation rates. In the very first year alone, 205 out of 260 graduating seniors (79 percent) signed up for the Promise scholarship program, an 18 percent increase in college-bound seniors over the prior year.³⁷ Ninety one percent of Promise-eligible graduates from the class of 2012 attended college and 91 percent of those students completed at least one year.³⁸

More children are attending El Dorado public schools. Enrollment increased by 140 students (three percent) for the 2007-2008 school year, reversing a 20-year downward trend in the school system.³⁹ Kindergarten enrollment for the 2007-2008 school year increased nearly 12 percent.⁴⁰ Students are trying harder, becoming more and more focused on college. Since the promise was made, there has been a steady increase in the number of students who score a passing grade or above on Advanced Placement (AP) tests.⁴¹ The school district has also shown that seventh and eighth grade students are scoring higher than their peers in math and literacy on the Arkansas Benchmark Exams.⁴²

The El Dorado Promise is having an impact on the entire community. A fifth of the students who go to college as a result of this program are staying in El Dorado to attend SouthArk Community College.⁴³ The housing market has also improved. Home sales in the county went up four percent – in contrast with a statewide decrease – and the value of El Dorado homes surpassed the statewide average.⁴⁴ Families are moving to El Dorado from all over the country, 31 states in fact. Families have also come from 13 foreign countries to attend the school.⁴⁵

The percentage of El Dorado high school graduates who go on to college has increased more than 20 percent since 2007.⁴⁶ The number of high school graduates who enroll in college exceeds both the state and national rates. What's more, the scholarship is changing lives and building futures: almost a quarter of recipients are first-generation college students. Those are incredible statistics. All of this has happened because one company put \$2.5 million a year to work for 20 years and as a result they're accomplishing more in the way of economic development for that community than you could have accomplished by spending \$50 million in any other way.⁴⁷

[THE ARKADELPHIA PROMISE] HAS LED TO AN INCREASE IN STANDARDS AND EXPECTATIONS AT THE HIGH SCHOOL.

The Arkadelphia Promise

The Arkadelphia Promise was launched in 2010 with funding from local foundations and guarantees to pay the difference, or gap, between the dollar amount of the Lottery Scholarship and the amount of the highest tuition and fees charged by an Arkansas public college or university. The scholarship can be used for tuition at any accredited two-year or four-year public or private college or university in Arkansas.⁴⁸ By filling the gap in financing above the Lottery Scholarship with federal grants and a supplementary scholarship funded by the Arkadelphia foundations, the Arkadelphia Promise ensures that students who earn

the grades can attend college with their full tuition paid.

After the first semester of the Promise's existence, 90 percent of the students met the requirements to keep it. In the first year, 74 percent (or 91 out of 123) Arkadelphia High School graduates attended college. That was an increase of 12 percent from the year before. In the fall of 2012, 63 of those original 90 students returned for their sophomore year, a retention rate of 70 percent.⁴⁹ By way of comparison, the retention rate for all Arkansas students from freshman to sophomore year is 61 percent (the national

rate is 67 percent).⁵⁰ Like El Dorado, Arkadelphia High School also saw an increase in enrollment after the program's launch. Enrollment for fall of 2011 edged up almost two percent after having dropped 18 percent over the previous 15 years.

Arkadelphia Superintendent Donnie Whitten says the scholarship has done more than help students go on to college. It has led to an increase in standards and expectations at the high school. "Our goal is to produce students who have every tool, and are prepared in every way possible, to be successful in life after high school," Whitten said. "For those graduates who pursue a college degree, the things they need most are academic fortitude to make the grades and financial assistance to pay the bills. We are one of very few districts that do both."⁵¹

Even for students receiving financial aid, the unfunded "gap" now covered by the Arkadelphia Promise was often too great of a burden for students and their families to bear while attempting to pursue a full-time course of education. Relieving that burden and, for many, the uncertainty of whether and how they will pay for next semester's tuition, is enabling more students to see their educational goals through to completion.

The goal of the Arkadelphia Promise scholarship was to "increase the college-going rate for local students, reduce the number of students dropping out of college for financial reasons, and provide for a more educated workforce."⁵² Community leaders say it's working, and leaders in other parts of the state have visited Arkadelphia with hopes of replicating the program. Forty of the 63 students who returned to college for their sophomore years are going to schools in or close to Arkadelphia, like Henderson State University, Ouachita Baptist University, UACC-Hope, and College of the Ouachitas in Malvern.⁵³ A large, college-educated workforce will make Arkadelphia a more attractive community in which to locate a thriving business.

Both the El Dorado Promise and the Arkadelphia Promise have demonstrated that if you offer tangible hope, if you offer somebody the chance at a better life, it actually transforms not just that student and his or her family, but it also can improve entire communities.

IF YOU OFFER SOMEBODY THE CHANCE AT A BETTER LIFE, IT ACTUALLY TRANSFORMS NOT JUST THAT STUDENT AND HIS OR HER FAMILY, BUT IT ALSO CAN IMPROVE ENTIRE COMMUNITIES.

A PROMISE FOR ARKANSAS

Imagine what Arkansans could achieve if hard work and perseverance – not insurmountable costs and strangling debt – were the only things standing between our students and a college degree. We need more students in the pipeline from high school to college to meet the demands of a global economy. We know how to do it and we even have a blueprint. The El Dorado Promise and the Arkadelphia Promise have worked for those communities. El Dorado and Arkadelphia have demonstrated that the promise of education beyond high school is a promise that can be kept – with tremendous benefits, for not only for their young people, but for their entire communities.

When something works, do more of it. We can make a promise to all Arkansas students, regardless of their family's ability to pay.

Simply stated, if you go to high school in Arkansas, qualify for a lottery scholarship, maintain a 2.5 GPA and plan to attend college in the state, we promise to pay your college tuition. The overall scholarship level would be set at the tuition level of the highest cost four-year public university in Arkansas. And we will pay for this investment without raising taxes, by combining the Lottery Scholarship, federal grant aid, philanthropic support, and additional Arkansas scholarship funds. In order to keep the implementation simple, the eligibility requirements will mirror those of the Lottery Scholarship.

A SMART INVESTMENT

FIGURE TEN

College Going Rates for Arkansas Public School Graduates, 2010 Fall Term First-Time Enrollment		
	Number First Time College Students	Percent
Four-Year Universities (AR)	9,107	31.2%
Two-Year Universities (AR)	5,003	17.3%
Private Institutions (AR)	942	3.3%
All Arkansas Institutions	14,962	51.7%
Not Attending College in AR	13,977	48.3%
Total Arkansas High School Graduates	28,939	

The Arkansas Promise will cost the state approximately \$50 to \$75 million per year when fully phased-in. As major initiatives go, this is a minor expense compared to the benefits it will create for our state. Just to give you an idea of the size of investment we're talking about, state general fund spending is nearly \$5 billion (total state funding is even higher), so this program represents roughly one percent of spending.

As a candidate for Governor in 2006, Governor Mike Beebe promised to eliminate the sales tax on groceries. He has been able to reduce the tax over time to 1.5 percent. The total cost of this change in state revenue has been approximately \$120 million a year – roughly double the cost of funding the Arkansas Promise. Gov. Beebe has been able to pay for this through normal revenue growth. We can do the same with the Arkansas Promise. This funding dedicated to sending our students to college is an investment

in our own people that will lead to further economic and revenue growth down the road.

In 2011, nearly 52 percent of the 28,939 Arkansas high school graduates went directly to college the next academic term – 31 percent enrolled at public four-year universities in Arkansas and 17 percent at two-year colleges in Arkansas. (See Figure Ten.)

In 2011, annual tuition for full-time enrollment at public universities in Arkansas ranged from \$1,872 to \$7,554.⁵⁴ Tuition at two-year or community colleges ranged from \$1,416 to \$2,752. The average tuition paid by Arkansas college students in 2011 was \$4,080.

The Arkadelphia Promise uses a cost projection model based on assumptions about how much aid students already qualify to receive (through Pell Grants and the existing Lottery Scholarship). Their cost projection model also takes into consideration predicted annual growth in class size, and student attrition rates.

Using those same assumptions, a statewide Arkansas Promise would ramp up to additional scholarship spending of approximately \$50 million per year after being fully phased in year 5 at current in-state college enrollment levels and current distribution between two- and four-year colleges.

Realistically, however, we can expect and want the availability of the Promise Scholarship to result in higher college enrollment percentages. Since the introduction of the El Dorado Promise in 2007, the percentage of high school graduates who go on to college has increased more than 20 percent. Projecting a 20 percent increase in attendance with the model yields an annual increase of less than \$75 million in additional scholarship funding required.

Normal general revenue growth alone should more than cover the cost of the Arkansas Promise. However, in the highly unlikely event that revenue growth is insufficient there are other ways to pay for this investment without raising taxes. Let me make clear: I believe the answer to our challenges is not increasing aggregate spending; rather, it is shifting our spending priorities to the highest return investments that pay dividends to our state over the long-term. Increasing the numbers of Arkansans who can go on to higher education is a high-return investment. Not only can we afford to make this investment, if we want to improve our competitiveness in the global economy we can't afford not to make it.

THE TIME IS NOW

Arkansas can make unprecedented strides in education. We know how to do it. We know what works. We just have to invest. The choice is straightforward. We can choose to remain 49th, or slip back into 50th, or we can choose to move forward rapidly and compete even more effectively in a global economy. We can choose to let events dictate outcomes to us or we can prepare our people to adapt to rapid change by leading the way in access to higher education in America.

We have, as a country, long believed that this is the land where everybody gets a shot, no matter where you come from. We believe that in America, more than any other country in the world, if you work hard you can achieve a better life. That's an aspiration, a part of the American dream. But if we are to realize that dream, we have to understand that access to a high-quality education will determine whether or not Arkansas will be competitive in a global economy. Access to higher education will determine whether or not our children live up to their God-given potential.

I believe that we ought to be a society where everyone has the chance to live up to that potential. We can't guarantee that everyone will succeed, but we can guarantee that everyone will have an opportunity to succeed if they work hard and they're responsible. The Arkansas Promise tells every family and every child in Arkansas that if you work hard, if you study, if you make the grades, this opportunity will be there for you. Every Arkansas child's future will be less dependent on the income level of their parents and more dependent upon their own will and determination. We hear politicians talk all the time about the importance of education. Well, let's do more than just talk about it.

Giving every Arkansas student the chance to go to college is a lofty goal, but an attainable one. It's also exactly the kind of dramatic investment we have to make to improve the quality of life for our citizens. Of course, this isn't free and it won't be easy. I'm convinced this is one of the best investments we can make as a state. We've already made a substantial down payment on this investment thanks to the Lottery Scholarship. The additional cost can be met without raising taxes.

Let's make an investment. Let's make a promise to all of our children that we will do everything we can to make sure the world we give them is better than the one we had. Let's give them the promise of the American Dream.

NOTES

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- ² For latest numbers (2010), see <http://www.infoplease.com/ipa/A0104652.html>. And see THE STATISTICAL ABSTRACT OF THE UNITED STATES 2008, <http://www.census.gov/compendia/statab/2011/ranks/rank29.html>
- ³ Bureau of Economic Analysis. Last updated September 2012.
- ⁴ From The Century, by Peter Jennings and Todd Brewster.
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- ²² Middle Class in India and China is measured here as the number of households with incomes of at least US\$10,000. Economist Intelligence Unit; Citi Investment Research and Analysis. cf. <http://www.milkeninstitute.org/presentations/slides/SingaporeAsiaCenter2012-Asian%20Capital%20Markets.pdf>.
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