

Insight



Presidential Candidate Bloomberg's Higher Education Plan

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Democratic presidential candidate and former mayor of New York City Michael Bloomberg recently released his [plan](#) for higher education. His proposal largely focuses on addressing affordability of post-secondary education and building skills by increasing federal funding for existing government programs in addition to creating new avenues for federal spending. His plan focuses on important areas and includes some valuable ideas, but its overall bias is toward increasing government spending before establishing what works.

The details of his plan include:

- Double the maximum amount for Pell Grants, which would significantly increase government spending without addressing college affordability for all students, the stated goal of his plan;
- Create a new federal-state partnership to increase the federal government's role in the creation of short-degree programs by employers, industry groups, and higher-education institutions, an intervention that could crowd out similar efforts by states or place unnecessary regulations on innovative programs;
- Reform the student-loan system to move away from traditional fixed-payment plans and toward income-driven repayment plans, a move that would increase the already high costs the federal government incurs from the student loan system; and
- Pass the bipartisan College Transparency Act, which could increase available data on post-collegiate outcomes but also raises many student privacy

Double the Maximum Pell Grant Award

Bloomberg wants to make college more affordable for all students by doubling the size of Pell Grants. College affordability certainly is a growing challenge, but this strategy lacks details, particularly around Pell Grant eligibility, and thus it is not clear how this plan would achieve the stated goals of reducing higher-education costs for all students.

The federal Pell Grant program provides need-based grants to low-income undergraduate students. The cutoff is usually for students whose families make \$50,000. Unlike student loans, Pell Grants were designed to increase affordability without requiring repayment. The current maximum amount of a Pell Grant is \$6,095, while the average amount is about \$4,160. Thus, Bloomberg's plan would allow students to receive up to \$12,190. The federal government spent \$28.2 billion on Pell Grants in 2018-2019 academic year.¹ Under Bloomberg's plan this figure could rise to \$56.4 billion.

Below is a table containing the average tuition and total costs by type of college. The table also shows how much of the tuition and total costs are covered by the current Pell Grant maximum and average amount. In parentheses are the tuition and total costs covered if the average and maximum Pell Grant amounts are doubled,

as Bloomberg’s plan proposes.

Table 1: College Costs and Pell Grants^[1]

	Public two-year (in-district)	Public four-year (in-state)	Public four-year (out-of-state)	Private four-year
Tuition	\$3,570	\$9,970	\$25,620	\$34,740
Room and board	\$8,400	\$10,800	\$10,800	\$12,210
Other expenses*	\$5,610	\$4,520	\$4,520	\$3,950
Total cost	\$17,580	\$25,290	\$40,940	\$50,900
Tuition Covered by Max Pell	170.7% (341.5%)	61.1% (122.3%)	23.8% (47.6%)	17.5% (35.1%)
Total Cost Covered by Max Pell	34.7% (69.3%)	24.1% (48.2%)	14.9% (29.8%)	12.1% (23.6%)
Tuition Covered by Avg Pell	116.5% (233.1%)	41.7% (83.5%)	16.2% (32.5%)	11.9% (23.3%)
Total Cost Covered by Avg Pell	23.7% (47.3%)	16.4% (32.9%)	10.2% (20.3%)	8.2% (16.3%)
*Other Expenses include transportation, books and supplies, and more				

Under Bloomberg’s plan, students who are eligible for and receive Pell Grants would see their out-of-pocket costs decrease. Doubling the average Pell Grant would cover 83.5 percent of the tuition of a public four-year university, although when accounting for additional costs such as room and board, the coverage is closer to 33 percent.

Bloomberg’s plan does not mention extending Pell Grant eligibility to middle- and higher-income students, meaning a doubling of Pell Grant amounts does not make college more affordable for all. His plan only indicates the expansion of Pell Grants to incarcerated and Dreamer students, and for those in short-term training programs. In academic year 2018-2019, about 6.8 million undergraduate students received Pell Grants, out of a total of 19.9 million undergraduates.² Doubling the Pell Grant amount without extending eligibility would have no effect for 13.1 million of the 19.9 million undergrads.

Other candidates, such as Vice President Joe Biden, Senator Amy Klobuchar, and Mayor Pete Buttigieg, have also proposed doubling the maximum value of Pell Grants. These proposals contrast with those of Senators Bernie Sanders and Elizabeth Warren, who have proposed that federal taxpayers fully fund tuition for all public four-year colleges.

Create a Federal-State Partnership to Increase State Spending on Higher Education

Bloomberg has proposed creating a “2:1 federal-state program” to encourage states to spend more on higher education, but it is unclear whether this proposal would produce positive effects for students. His plan specifically mentions that states will receive federal funds through this partnership if they ensure institutions “limit tuition hikes, reverse disinvestments, and meet maintenance of effort requirements.” On its face, this language encourages states to regulate colleges more stringently to receive additional federal funds—nothing more. In addition, this language seems aimed to ensure that Pell Grant increases do not crowd out other forms of existing aid, such as merit-based scholarships.

Bloomberg also proposes using the federal-state partnership to fund programs seeking to boost graduation rates at four-year colleges. Boosting graduation rates is a worthy goal, but such efforts could prolong the time it takes students to attain a bachelor's degree, thus raising the cost of a degree. As an example of the sort of program Bloomberg wants to implement nationally, he cites the City University of New York Accelerated Study in Associate Programs (ASAP), which he funded during his time as mayor of New York City. ASAP features include individualized course schedules, required full-time study, and comprehensive and personalized advisement and career-development services. Bloomberg's program would facilitate the expansion of these practices to all universities around the country.

ASAP has better graduation rates and long-term outcomes compared to similar associate degree programs.^[2] But because of these extra features, ASAP often takes three years to complete instead of the traditional two-year span it takes to complete associate degree programs. If these practices were expanded to four-year universities, it could expand the time students need to finish four-year degrees, thereby increasing the costs students incur.

Spend More on Career Training Programs

Bloomberg proposes increasing federal spending to create credentialing career-training programs among employers, industry associations, and higher education institutions, but his plan does not provide many details on what exactly his administration would do. In addition, many types of private-public sector collaborations that Bloomberg proposes supporting and expanding already exist in communities around the country. These programs often do provide immediately applicable skills that allow individuals to join the labor force, and Bloomberg is right to want these programs to flourish. The best policy option, however, may be just to allow the groups and companies that run the programs to develop best practices without being constrained by the stringent requirements that can often come with additional federal funding.

Bloomberg has also proposed doubling funding for the Workforce Innovation and Opportunity Act (WIOA), but he does not address the need for better targeting of WIOA programs. WIOA authorizes federal funding to provide career services and training for adults and youths through both dedicated training programs and apprenticeships. In fiscal year 2018, the federal government spent about \$2 billion on WIOA career and training programs. Prior American Action Forum [analysis](#) has found that WIOA is currently effective at increasing employment and wage rates for participants, but in industries that are not slated to see much growth in the future. Bloomberg's plan does not provide more details on whether his administration would address these developments.

Focus on Income-Driven Repayments

Bloomberg proposes changing the structure of student-loan repayment plans, but this change could come at an increased cost to the federal government. His plan favors shifting the student loan system to one of income-driven repayments (IDRs). Under IDRs, students would pledge a portion of their monthly income instead of making pre-determined monthly payments regardless of their income. IDRs can therefore reduce the required monthly payments for students with low income or large balances. Specifically, his IDR plan would cap monthly payments at 5 percent of discretionary outcome, down from the current 10 percent, and would forgive remaining balances after 20 years. This proposal contrasts with those coming from candidates such as Senators Warren and Sanders, who have proposed canceling outright most or all outstanding student debt.

The Congressional Budget Office has found that for every dollar the federal government disburses through IDRs, it will lose on average about 16.9 cents (through balance forgiveness) compared to losing 12.8 cents

through the traditional fixed-payment plan.^[3] This means IDRs do come at an increased cost for the federal government.

Supports the Passage of the College Transparency Act

Bloomberg supports the passage of the College Transparency Act (CTA), a bipartisan bill that would create a new federal postsecondary data system. Senator Warren is a cosponsor of the bill. The system would include data on graduation rates, outstanding debt, job placement, starting salary, and much more by major and institution. The idea is to provide prospective students and the federal government more information about which colleges and programs are of the best value—an idea that has real merit. The Department of Education has already started the [process](#) of increasing transparency in higher education by revamping its College Scorecard system, an online tool for students to search data about colleges. The College Scorecard previously only provided outcome data at the institution level, which is not an effective tool for comparison, considering the variation between programs at an institution. Now it provides these figures about specific programs and majors at different universities. The CTA would build on this system by providing even more comprehensive and detailed information.

The challenge with the CTA is that it requires tracking individual students and collecting sensitive data about them for long periods of time. The bill currently has provisions about using modern security-enhancing techniques to safeguard student privacy, but little more information is provided about those techniques.

Conclusion

Michael Bloomberg, a relative newcomer to the race, is engaging with important aspects of education policy and attempting to improve affordability as well as outcomes, certainly worthwhile pursuits. Bloomberg's proposals, however, seemingly fall in line with those from many of the other candidates—increase spending on existing programs without accounting for effectiveness. Many of the education and workforce development proposals seem to put the cart before the horse by first drastically increasing funding before implementing evaluative measures, such as the CTA.

[1] <https://research.collegeboard.org/trends/student-aid/figures-tables/pell-grants-recipients-maximum-pell-and-average-pell>

[2] http://www1.cuny.edu/sites/asap/wp-content/uploads/sites/8/2017/03/ASAP_Program_Overview_Web.pdf

[3] https://www.cbo.gov/publication/55968?utm_source=feedblitz&utm_medium=FeedBlitzEmail&utm_content=812526&02-12_14%3a30%3a00