TUITION AID GRANT STUDY COMMISSION

FINAL REPORT

OCTOBER 2022

PRESENTED TO:
Governor Phil Murphy
and
The New Jersey State Legislature

Respectfully submitted by:
Members of the Tuition Aid Grant Study Commission
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This report reflects the independent views of the TAG Study Commission members. On January 13, 2020, P.L. 2019, c.298 (the “Act”) was enacted establishing the Tuition Aid Grant (TAG) Study Commission for the purpose of examining and evaluating the TAG Program established pursuant to N.J.S.18A:71B-18 et seq. and administered by New Jersey Higher Education Student Assistance Authority (HESAA). The 10 members of the Commission include: five members appointed by the Governor to represent five sectors of New Jersey higher education (public research universities, State colleges and universities, county colleges, independent colleges and universities, and licensed degree-granting proprietary schools); four public members (two appointed by the President of the Senate and two appointed by the Speaker of the General Assembly); and the Executive Director of HESAA.

The Commission was charged with studying and considering issues related to the TAG program, including but not limited to the following:

a. the tuition aid grant amounts currently awarded to eligible students;
b. the percentage of higher education tuition costs covered by tuition aid grants;
c. adjustments in the level of tuition aid grant awards from one fiscal year to the next, including a review of the different formulas or methods used over different fiscal years to calculate the amount of a tuition aid grant;
d. the characteristics of students whose eligibility for a tuition aid grant differs from their eligibility for federal need-based aid, as calculated by the New Jersey Eligibility Index and the federal methodology for the Expected Family Contribution, respectively;
e. the graduation rates of tuition aid grant recipients;
f. the history of State appropriations made to support the Tuition Aid Grant Program; and
g. the sufficiency of the tuition aid grants awarded to eligible students in light of the original intent of the statute establishing the Tuition Aid Grant Program.
On July 10, 2020, the Secretary of State received formal notice of the appointment of the Commission’s full complement of 10 members. Governor Murphy appointed representatives of five higher education sectors: Phoebe Haddon, Esq. (Public Research Universities); Sue Henderson, Ph.D. (State Colleges and Universities); Margaret McMenamin, Ed.D. (County Colleges); Christopher Capuano, Ph.D. (Independent Colleges and Universities); and Kevin Luing (Degree-Granting Proprietary Schools). Senate President Sweeney appointed two public members: Rabbi Aaron Kotler and Michael Chando. Speaker Coughlin appointed two public members: Joseph Gasparro and Stephan Lally. HESAA Executive Director David Socolow served ex officio as the tenth member of the Commission.

The Commission convened on July 27, 2020 for its organizational meeting, at which the members elected Dr. Christopher Capuano as Chair of the Commission. The members also elected HESAA executive assistant Leslie Flanagan-Bryant to serve as Secretary to the Commission. Due to the public health emergency conditions during the Coronavirus pandemic, the Commission’s initial meeting and all subsequent meetings were conducted remotely on an online video conferencing platform. The Commission held meetings on the following dates:

- July 27, 2020
- September 14, 2020
- October 26, 2020
- January 11, 2021
- February 9, 2021
- March 4, 2021

The Commission requested and reviewed information from HESAA about the operations of the TAG program, including analyses of the dollar value of per-student TAG awards since program inception through the present, the percentage of published tuition rates covered by TAG awards, and the differences among per-student TAG award amounts at various institutions of higher education. During its deliberations, the Commission also received input from independent policy researchers at the RAND Corporation and the Urban Institute. Between 2019 and 2021, these two separate teams of economists and financial aid experts conducted independent studies of New Jersey’s TAG program, focusing on different research questions. The staff of HESAA supplied both sets of researchers with de-identified student data records, but did not fund or direct any aspect of their methodology or analyses.

This final report was approved by a unanimous vote of the Commission members.
EXECUTIVE SUMMARY

The Legislature tasked the Commission with studying New Jersey’s Tuition Aid Grant (TAG) program and developing recommendations for improvements to these need-based financial aid grants. The intent of the TAG program is to provide access to postsecondary education by affording every New Jersey student the opportunity to attend a New Jersey institution of higher education that best meets each student’s academic goals. The TAG program was created to support students who demonstrate financial need for help paying college tuition costs, by providing State grants that cover up to the full amount of tuition at a New Jersey public institution of higher education, or up to 50 percent of the average tuition at the independent institutions of higher education located within the state.

The Governor and Legislature have historically made generous appropriations for the TAG program, including more than $487 million in the Fiscal Year 2023 Appropriations Act. However, annual appropriations of approximately $630 million would be needed to fully fund the statutory maximum TAG awards for all eligible students with grants covering 100 percent of the in-state tuition rates at public institutions and 50 percent of the average independent institution tuition. This would require a funding increase of more than $140 million per year, 30 percent above current funding levels. The Commission’s deliberations focused on targeted reforms that would require more modest funding increases, with the goal of efficiently and effectively improving the TAG program by making higher education more affordable for a significant share of New Jersey’s neediest students.

The Commission also reviewed the variation in TAG award amounts for students with identical financial need levels at different schools in the same sector. The Commission studied the TAG program’s original design, in which per-student award amounts were determined as a percentage of the actual published tuition prices at public higher education institutions. In the 1970s and 1980s, the TAG schedules for students at each public college or university provided institution-specific per-student award amounts that were tied to those institutions’ varying tuition rates. However, over the past three decades the link between tuition and TAG award amounts was severed. As tuition rates escalated faster than TAG funding increased, the annual adjustments to each institution’s TAG schedule were insufficient to continue covering the same percentage of tuition at different schools within the same sector.

The Commission’s recommendations do not include the topic of variation in TAG award amounts at different institutions because it was separately addressed in July 2021 after the enactment of the Fiscal Year 2022 Appropriations Act, in which Governor Murphy and the Legislature provided an historic $35 million (8 percent) increase to funding for the TAG program. The HESAA Board deployed these additional funds to improve parity among the TAG award amounts provided to low- and moderate-income students at institutions in the State’s two public higher education sectors: State Colleges and Universities and Public Research Universities. The resulting changes to the dollar values of TAG awards at various public institutions redressed the disparity in the percentage of tuition covered by TAG award amounts for students with the same financial circumstances at different institutions in the same sector. For this reason, the Commission’s recommendations in this report are focused on other opportunities to improve the TAG program.
As discussed in detail in this report, the Commission members unanimously recommend the following reforms to improve TAG and make higher education more affordable in New Jersey:

1. Expand the TAG program to provide aid to students during enrollment in summer terms, by allowing students to receive one additional award in each fiscal year, for a total of up to three (3) TAG awards per student per year (increasing annual costs by $29-39 million);

2. Target additional State funding to increase the dollar value of TAG awards provided to the students with the most financial need (increasing annual costs by at least $25 million);

3. Increase students’ maximum lifetime number of semesters of TAG awards from nine (9) semesters to 10 (increasing annual costs by $10-15 million);

4. Increase the Income Protection Allowance used to calculate independent students’ financial need, in order to increase the value of TAG awards for working adult students (increasing annual costs by $5 million); and

5. Maintain the value of TAG awards for students whose families receive Earned Income Tax Credits (EITC), by continuing this year’s policy of not counting EITC as income in financial need calculations (no additional cost above current funding levels).

Separately, these individual recommendations would target resources to help students efficiently and equitably, with modest projected increases to TAG expenditures. Taken as a whole, for the State to implement this entire suite of improvements to the TAG program would require a funding increase of approximately $69 to $85 million (14 to 17 percent) above current appropriations.

The Commission respectfully submits the foregoing policy options to the Governor and the Legislature for their consideration in future State budgets, subject to available funding.
BACKGROUND

For more than 40 years, the Tuition Aid Grant (TAG) program has played a central role in New Jersey’s commitment to providing need-based financial aid, by helping low- and moderate-income students pay tuition to pursue a postsecondary undergraduate degree. The TAG program enables many students to attend college who otherwise would not be able to afford it.

College education continues to be an important route to economic mobility. Earning a college degree is associated with significantly higher individual wages. Earnings data for 2020 compiled by the Bureau of Labor Statistics found that bachelor’s degree holders earned median annual wages of $67,850, compared to a median of $40,612 for individuals with only a high school diploma. This wage premium adds up over a lifetime. Individuals in New Jersey with a bachelor’s degree earn a median of more than $2.8 million during the course of their working years and New Jersey workers holding an associate’s degree have lifetime median earnings of more than $2.1 million – 87 percent and 47 percent more, respectively, than the $1.5 million in median lifetime earnings for New Jerseyans with no more than a high school diploma. It is important to note, however, that “despite the average economic benefits of a college education, there are significant racial inequities in the employment and income outcomes of college graduates. In 2018, white workers had higher incomes than Latino/a and Black workers at every level of educational attainment.”

In addition to providing benefits to individuals, State funding for the TAG program is also an investment in New Jersey’s prosperity as a whole, driving economic growth by attracting and retaining enterprises and employers who value the Garden State’s college-educated workforce. The overall economic value of postsecondary education was highlighted in “Where Opportunity Meets Innovation,” New Jersey’s 2019 State Plan for Higher Education, which noted that a student’s attainment of a high-quality credential or degree not only assists that individual student but also strengthens New Jersey’s economy by “opening doors of opportunity for hundreds of thousands of New Jerseyans and providing an expanded pool of high value workers to thousands of employers.”

The State Plan sets a goal for 65 percent of working-age New Jersey residents to hold a high-quality credential or degree by 2025 and outlines three policy areas of focus to achieve this “65 x 25” attainment goal: (1) increasing college enrollment among high school students; (2) increasing the number of working-age adults attending college, including by re-engaging those who completed some college credits but did not earn a degree; and (3) increasing degree completion by increasing students’ graduation rates, including efforts to remedy the lower rates of completion among Black and Latino students.

As a key part of New Jersey’s college affordability investment strategy, the TAG program plays a critical role in achieving these three policy aims, because students cannot enroll in college and attain a degree if they cannot afford tuition.

The TAG program accounts for more than 90 percent of the State’s appropriations of over $500 million for postsecondary student assistance. The TAG program is the foundation for the State’s other programs offering financial aid grants and scholarships to students, including the Community College Opportunity Grant, Educational Opportunity Fund (EOF) program, the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS), and the Governor’s Urban Scholarship.

As noted in the funding section later in this report, the annual appropriations for student aid should be considered in the broader context of total State expenditures on higher education, including direct operating aid to institutions. Students are directly affected when State institutional operating aid funding policies lead to tuition increases, as financial aid award amounts may not keep pace with higher tuition rates.
Since its inception, the TAG program has made an open-ended commitment to provide aid to all students who are found eligible by virtue of their financial need. Unlike college aid programs in other States that operate on a first-come, first-served basis and cut off financial aid once the annual budget limit has been reached, the TAG law provides that all eligible applicants should be awarded funding and in the case that the appropriated funds run out, award values should be reduced equitably amongst students.\(^1\)

Once funding is enacted through each year’s Appropriations Act, the HESAA Board annually approves a schedule of TAG award amounts for the upcoming academic year, based on projected numbers of eligible students at each level of financial need. Due to the difficulty of predicting the precise number of students who will both enroll and have levels of financial need that qualify for TAG, historically the annual Appropriations Act has included a contingency provision authorizing supplemental appropriations to respond flexibly to unanticipated shifts in enrollment of TAG-eligible students.

**History of the TAG Program**

A review of the program’s origins helps to illuminate how TAG currently addresses the financial needs of today’s students enrolled at postsecondary institutions in New Jersey. Established through legislation signed by Governor Brendan Byrne on January 26, 1978, TAG was designed to expand access to college for low- and moderate-income students by reducing their net cost of tuition. The law requires the TAG program to provide need-based grants to eligible undergraduate students based on the tuition they are charged, with the amount of the grant declining and phasing out for students with relatively less financial need. The TAG statute provides that “[t]he amount of grant to be paid for each semester or its equivalent shall be based on the financial need for the grant, as determined by standards and procedures established by the authority, and subject to the amount of appropriations therefor.”\(^12\) The principle that TAG award amounts should cover greater shares of tuition for students as their financial need increases is codified in HESAA regulations at N.J.A.C. 9A:9-3.2(b), which provide that “[t]he value of the [tuition aid] grant shall be related to the tuition charges... and the student’s ability to pay for educational costs.”\(^13\)

When the TAG program was enacted in the late 1970s, one of the primary goals of the program was providing low-income students a meaningful choice to attend independent institutions of higher education that charged higher tuition than public institutions. Public institutions charged students much more affordable tuition rates in the 1970s and early 1980s, when direct State appropriations for operational aid covered most of the budgets of public colleges and universities, and a far smaller share of these institutions’ operating costs were funded by tuition revenue. For instance, in 1980, the “student share,” defined as the “proportion of total education revenues at public institutions coming from net tuition revenue,” was 20 percent in New Jersey.

Four decades later, tuition payments from students and their families accounted for 49 percent of the revenue of the state’s public colleges and universities in 2021.\(^14\) Thus, in the TAG program’s early years, direct operating aid appropriations from the State and other non-student revenues combined to cover 80 percent of the budgets at New Jersey’s public institutions, enabling them to charge lower tuition rates to in-state resident students. In 1979, in-state tuition at New Jersey’s public colleges and universities ranged between $700 to $800 per year. By contrast, the state’s public mission independent institutions charged annual tuitions of $4,000 to $5,000 – five times the prices paid by students in the public sector.\(^15\) At its inception, TAG mitigated the significant difference between the published tuition rates at public and private institutions by offering financial aid grants to reduce financial barriers for low-income students, giving them the option of attending independent colleges and universities. Between 1978 and 1990, the dollar amount of each student’s TAG award was directly tied to the published tuition price at the institution the student attended. In the first dozen years of the program, TAG awards covered 100 percent of the relatively modest annual tuitions at public institutions for students with the greatest financial...
need. At the same time, the value of the TAG awards for students at private institutions was calculated each year to cover 50 percent of the average tuition at the independent colleges located in New Jersey. Thus, at the outset of the program, the dollar value of TAG awards for students at private colleges was more than double the award amount provided to State college and university students with the same level of economic need.\(^\text{16}\)

College tuition prices skyrocketed, increasing nearly 1,100 percent overall in the past four decades alone, including increases of more than 1,200 percent at public four-year institutions and 1,000 percent at independent colleges and universities.\(^\text{17}\) Tuition costs rose far faster than other costs in the U.S. economy, as the Consumer Price Index increased by just 329 percent over the same timeframe.\(^\text{18}\) While TAG appropriations increased significantly during this time period, State funding was insufficient for TAG award amounts to keep pace with the inflation in published tuition rates at both public and private institutions of higher education.

Compared with 40 years ago, students today pay for a larger share of college tuition through student loan debt. This places a particular burden on lowest-income students, students who are the first generation in their family to attend college, and students of color. The average of unmet financial need for dependent full-time undergraduates in the lowest family income quartile was 2.4 times higher in 2016 than in 1990 in constant 2020 dollars ($9,859 vs. $4,064).\(^\text{19}\) One part of this trend is the relative decline in the percentage of tuition covered for low-income students by need-based aid programs like the TAG program. As tuition rates have risen, New Jersey TAG awards have amounted to a smaller share of tuition for students with financial need. Starting in 1990, HESAA reduced the percentage of tuition covered by TAG awards each year to fit within the available appropriations; since then, TAG awards have never fully covered the statutory maximum levels of 100 percent of public institution tuition and 50 percent of the average tuition at the independent institutions.

**Current State Funding Levels for TAG**

Today, the TAG program helps pay a portion of college tuition for nearly one-third of all full-time undergraduate students enrolled in New Jersey institutions.\(^\text{20}\) The most recent survey from the National Association of State Student Grant and Aid Programs reported that New Jersey awarded more need-based grant dollars per enrolled undergraduate student than any other state in the country.\(^\text{21}\)

Over the decade following the Great Recession that started in Fiscal Year 2008, direct State operating appropriations for public higher education institutions declined in inflation-adjusted terms and in terms of dollars per student, failing to keep pace with the number of graduates from these institutions.\(^\text{22}\) State funding for direct operating aid to higher education institutions increased each year from Fiscal Year 2021 to Fiscal Year 2023, as Governor Murphy and the Legislature expanded annual operating appropriations for Senior Public institutions by $334 million (23 percent) and increased the annual funding for direct operating aid to the state’s 18 community colleges by nearly $34 million (20 percent). The State also partially restored the prior levels of operating support for 14 public-mission, non-profit, independent institutions of higher education. After independent institutions’ operating aid of $20 million in 2008 was eliminated in 2013 and funded at between $1 and $2 million in subsequent years, the State provided the independent institutions $7.5 and $10.5 million in 2022 and 2023, respectively.
Higher Education Operating Funding Mostly Flat Over Past 15 Years

State Operating Funding, Sr. Public Institutions
Fiscal Year 2008-2023

State Operating Funding, Community Colleges
Fiscal Year 2008-2023
By contrast, while the State’s public higher education institutions received flat levels of direct operating aid that was only recently restored, since 2008 New Jersey policymakers have also greatly increased the annual funding levels for the TAG program. This tracks with the national trend over this time period, when nearly all states reduced operating aid for public higher education institutions while increasing financial aid to students. As noted in the latest national report by the State Higher Education Executive Officers (SHEEO) association: “on a per-student basis, general operating appropriations are 11.8 percent lower than in fiscal year 2008 when the Great Recession began, while financial aid allocations per student are 30 percent greater.”

HESAA provided 59,200 full-year equivalent TAG awards to full-time students totaling $229.5 million in Academic Year (AY) 2007-08. New Jersey full-time students received 60,406 full-year equivalent TAG awards amounting to a cumulative total of $441 million in AY 2021-2022. Over that 14-year period, the State’s appropriations for the TAG program increased by 105 percent, and average TAG award amounts increased by 88 percent (from $3,877 per full-year equivalent award in 2007-08 to $7,302 per full-year equivalent award in 2021-2022).

However, despite substantial increases to TAG appropriations every year, the program did not fully cover the maximum award for the students with the greatest financial need (100 percent of tuition at public institutions or 50 percent of the average tuition charged at independent institutions). In Academic Year 2004-2005, HESAA began setting TAG award amounts for the neediest students based on each institution’s tuition charges from the prior year (referred to as a one-year “lag to tuition”), while award dollar values for other TAG recipients were based on a three-year lag to tuition. A few years later, as the rate of TAG funding increases did not match that of rising tuition rates, HESAA started determining TAG award amounts through two-year and four-year lags to tuition, respectively.

By 2014, with TAG funding falling further behind the inflation in tuition rates, New Jersey abandoned the “lag to tuition” methodology for setting the dollar value of per-student TAG awards. Instead, the TAG award amounts for students at each level of need at each institution were fixed at their 2013 levels, and the HESAA Board then applied annual across-the-board (“base plus”) percentage increases to these amounts, with the magnitude of the increase dictated by the amount of funding available from the annual Appropriations Act. This new policy delinked TAG award amounts from actual tuition rates.

In the face of escalating tuition rates, neither the lag-to-tuition model nor the base-plus model had sufficient funding to maintain the original intent of the program to cover full tuition at the public schools and 50 percent of the average tuition charged at independent schools. Fully funding the TAG program at these statutory maximum levels would cost approximately $630 million, based on current projections for current numbers of awards to eligible students at each level of financial need. This would require a 30 percent increase in the funding appropriated for the TAG program in Fiscal Year 2023. As a result, after years of differential tuition pricing strategies at various participating colleges and universities, the dollar value of students’ TAG awards is only slightly related to the cost of tuition at the institution at which they enroll.
TAG Funding More Than Doubled Since 2008…

State Appropriations for Full-Time TAG
Fiscal Year 2008-2023

…But TAG Award Values Did Not Keep Up With Tuition Increases

Percent of Tuition Covered by Maximum TAG Award
by Sector Average

County Colleges
Senior Public Institutions
Independent Institutions
TAG Eligibility: Need Calculations Determine Individual Student Award Amounts

Students must demonstrate “financial need for the tuition aid” to qualify for TAG. As a need-based financial aid program, the dollar amount of TAG awards vary in proportion to students’ financial need. HESAA calculates financial need using income, asset, and household information received from students’ applications submitted via the Free Application for Federal Student Aid (FAFSA) or the New Jersey Alternative Financial Aid Application. Financial eligibility for the TAG program is determined by a State-specific need analysis methodology that takes into account factors such as family income, assets, household size, and how many of the family’s dependent children are attending college at the same time. Through this analysis, each student is assigned a New Jersey Eligibility Index (NJEI) score. Students with a higher NJEI score are determined to have financial resources that enable them to pay more toward the costs of college.

Displayed below is a high-level summary of the annual TAG Award Table, showing average full-year award values by higher education sector. Each row groups together students in a range of NJEI scores. Students in the top row have the lowest NJEI scores, indicating that they have the greatest need and the lowest ability to pay tuition. As the rows descend, the award amounts decline in proportion to students’ reduced financial need.

### Tuition Aid Grant Award Table for Academic Year 2022-23

<table>
<thead>
<tr>
<th>NJ Eligibility Index (NJEI)</th>
<th>New Jersey Colleges and Universities</th>
<th>New Jersey County Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-Time Tuition Aid Grant</td>
<td>Part-Time Tuition Aid Grant</td>
</tr>
<tr>
<td></td>
<td>COUNTY COLLEGES(^2)</td>
<td>STATE COLLEGES(^3)</td>
</tr>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>Under 1500</td>
<td>$2,924</td>
<td>$8,960</td>
</tr>
<tr>
<td>1500-2499</td>
<td>2,546</td>
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<td>2500-3499</td>
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<td>4500-5499</td>
<td>1,280</td>
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<tr>
<td>6500-7499</td>
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<td>2,616</td>
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<td>7500-8499</td>
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<td>8500-9499</td>
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<td>2,176</td>
</tr>
<tr>
<td>Over 10499</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Approximate annual award values at higher education institutions licensed and approved for participation in the TAG Program as of September 1, 2009. In accordance with State law, the value of a student’s grant depends on appropriated funds, actual tuition charges, cost of attendance, and the student’s financial need as calculated by the New Jersey Eligibility Index.

\(^2\) For county college sector, this table displays average award values across the 18 colleges in the sector. The award values at a given county college may be higher or lower, based on tuition charged by the institution.

\(^3\) For state college and public research sectors, this table displays standardized award values for the institutions in each sector. The award values for students at a given institution may not exceed tuition, but may be different from these standardized values based on tuition charged by the institution.

\(^4\) Proprietary institution awards limited to approved programs of study at Berkeley College, DeVry University, Eastern International College, and Eastwick College.
In 2021-2022, approximately 47 percent of all TAG recipients qualified for a maximum award. Students with lower levels of financial need receive reduced TAG award amounts that correspond to their higher NJEI scores in subsequent cells. There is no income ceiling because the NJEI need analysis factors not only income but also assets, family size, and number of dependent children in college. Therefore, student eligibility can vary considerably depending on their family circumstances. For example, while the vast majority of TAG recipients have incomes below $50,000, it is possible for students from large families with incomes above that threshold to qualify for TAG benefits.

TAG’s Impact on Low-Income Students’ Outcomes and Access to College

Recent independent research has assessed the TAG program’s efficacy by measuring its positive impacts on the persistence and graduation rates of students receiving TAG awards. The Commission considered two separate independent research studies published in 2021, one from the RAND Corporation and the other from the Urban Institute, to evaluate policy options for changing the TAG program as well as the projected increases to State funding required to implement these changes.

A 2021 study from the RAND Corporation found that a $1,000 boost to a student’s TAG award makes a positive difference by significantly increasing graduation rates compared with similarly situated students who receive lower TAG award amounts. The study found that “TAG increased the rate of on-time bachelor’s degree completion at public colleges and universities. Receiving an additional $1,000 improved graduation by 2.6 percentage points, a significant increase. At private nonprofit colleges and universities, TAG was significantly more helpful to the lowest-income students.” In addition, “there were large positive point estimates for the lowest-income [county college] TAG recipients. For two-, three-, and four-year completion, we estimated increases of 5.0, 2.5, and 5.5 percentage points, respectively, with the last marginally statistically significant.” The report also concluded that “TAG was effective at helping already-enrolled students finish their degrees earlier.”

The RAND researchers published a second report later in 2021 that compared TAG to Pell. The latter RAND report highlighted two policies that enable the federal need-based student aid program to support students more effectively than TAG: “Pell Grants are available for summer terms and for more overall semesters during a student’s college career. With many TAG recipients taking longer than their grant eligibility period to graduate, an expansion could provide needed support. Among independent (adult learner) students, there are significant differences in the amount of financial need assessed by TAG relative to the Pell Grant, resulting in lower TAG awards.”

The Urban Institute’s 2021 report describes how the TAG program successfully meets the State’s goal of promoting college access for low-income students by lowering their net cost of college, finding that “TAG awards make a dramatic difference in the prices [the lowest income] students face.” Other researchers have found that the net price that students pay has an influence on their initial college-going decisions, as “[p]erceived costs are one of the most important factors influencing where students apply.”

The Urban Institute report identifies “many strengths” of the TAG program, including that it “provides its most generous aid to students with the highest level of financial need, serves students in all sectors, and does not leave out older students or those who transfer from one institution to another. Aid levels are high relative to those in other states, all eligible students are funded, and students can reasonably rely on the assistance they receive to be available over time.” However, as noted below, the authors of this report also urged New Jersey to improve TAG by implementing several recommended reforms to help improve educational attainment.
Comparison of Federal vs. New Jersey need-based financial aid grant programs
The New Jersey TAG and federal Pell grant programs have similar structures and share a complementary goal of providing need-based aid to help low-income students pay for college. The award amounts of New Jersey’s maximum TAG grants are worth more than the largest Pell grant. Consequently, many New Jersey students receive more total aid from TAG than they do from Pell. In addition, the “first-dollar” design of TAG provides a larger total amount of aid to New Jersey’s low- and moderate-income students, because the TAG award amount is independent from the federal Pell grant. New Jersey’s policy supports students more effectively than the policies in other states that cut state need-based aid awards when the Pell award amount increases. By contrast, New Jersey’s TAG program “will not be directly affected by an increase in Pell.”

On the other hand, both the RAND Corporation and Urban Institute reports note several features of the Pell grant

TAG is not available in summer terms
The authors of the Urban Institute report find it “of particular concern” that “New Jersey has not followed the federal government’s lead in providing additional need-based funding for summer enrollment,” given that “[c]overing summer study increases summer enrollment, reducing time to degree completion.” This echoes the aforementioned emphasis in the RAND report on the lack of TAG during students’ summer terms.

More restrictive eligibility rules for TAG than for Pell grants
Both the Urban Institute and RAND researchers contrasted the methodologies used to determine eligibility for State and federal need-based student aid grants. New Jersey’s TAG program uses eligibility rules that are more restrictive than those used for federal Pell grants. The State’s more restrictive formula for calculating financial need and its more intensive eligibility verification cause some students to be placed at a more generous relative eligibility level for a Pell grant than for a TAG award – including some students who qualify for Pell grants but are found to be ineligible for TAG.

Students are eligible for fewer total TAG awards than Pell grants
Students can receive Pell grants in additional semesters beyond those offered by TAG. Two aspects of the State’s program provide TAG awards during fewer terms than those in which students can receive Pell grants:

a) Students may receive TAG awards during only two semesters of an academic year, which are designated as “fall” and “spring.” By contrast, Pell grants have been available during summer terms. Through the policy known as “Year-Round Pell,” since academic year 2017-2018 federal law has allowed students to receive a Pell grant for up to three semesters per calendar year. Year-Round Pell offers students an extra grant during the summer term that adds 50 percent to the value of their Pell award during the academic year, enabling them to annually receive 150 percent of their regular Pell grant award.

b) While students are eligible for a lifetime maximum of 12 semesters of Pell grants under federal law, New Jersey’s statute limits TAG to nine (9) semester awards throughout a student’s entire undergraduate career. However, state law allows a student’s nine-semester lifetime cap can be extended to 10, 11, or 12 TAG awards under certain circumstances. Currently fewer than 20 percent of TAG recipients benefit from these exceptions, such as the allowance of up to 12 semesters of TAG for the approximately 13,000 undergraduates participating in the EOF program.

Some students who receive Pell grants are ineligible for TAG awards
This is largely because:

a) The NJEI calculation is far less generous to independent working adult students than is the federal methodology for determining Pell grant eligibility, with financial need for TAG based on a lower “Income Protection Allowance” (IPA) for independent students than the allowance provided under the federal formula. In both State and federal financial aid need calculations, a portion of the income...
of independent students is considered to be available to finance the student’s educational costs. Both the TAG and Pell grant programs exclude a certain amount of a student’s earnings from the definition of available funds; the IPA is the amount of earnings that is disregarded in the financial need calculation. Because the federal IPA for independent students is higher than New Jersey’s IPA, independent working students often receive larger Pell grants than the amounts of their TAG awards.

b) Pell grants are available for students enrolled part-time at any eligible institution. By contrast, TAG is only available for part-time students who are enrolled at a county college or in the EOF program; all other students at bachelor’s degree granting institutions must enroll “full-time” (12 credit-hours per semester) to be eligible for TAG.

Up until 2022-2023, TAG counted EITC as income to determine students’ financial need

Unlike Pell grants, TAG treated Earned Income Tax Credits (EITC) as income in New Jersey’s calculations of students’ financial need. As noted below, the State recently ended this policy. The EITC serves as a benefit for low- and moderate-income working people, administered through the federal tax code. The program rewards work and mitigates the impact of low wages by reducing workers’ federal income tax liabilities with a tax credit that is fully “refundable,” so workers receive a cash refund for any amount of the credit that exceeds what they owe in federal income taxes. Years ago, both federal and State financial aid policies treated EITC refund checks as untaxed income that counted in the calculation of financial need governing Pell grant and TAG eligibility. In 2011, the U.S. Department of Education deleted the EITC question from the FAFSA and stopped treating EITC as income in eligibility determinations. However, HESAA continued for another 11 years to use other sources of information about EITC refund payments in order to continue counting EITC as income in the NJEI calculation.41 As a result, students in families getting EITC refund payments often qualified for lower TAG award amounts than they would have received if New Jersey’s calculations mirrored the federal methodology. HESAA eliminated the EITC penalty from the NJEI for Academic Year 2022-2023, discontinuing New Jersey’s past practice of treating federal EITC benefits as untaxed income when determining financial need.42

Pell grants are available at institutions that do not participate in the TAG program

Compared to the Pell grant program, TAG is focused exclusively on supporting students’ pursuit of postsecondary credentials at traditional higher education institutions. TAG is available only in credit-bearing programs of study that are part of a curriculum leading to a degree or certificate offered by one of 55 degree-granting higher education institutions located in New Jersey and licensed by the State’s Office of the Secretary of Higher Education (OSHE).43 However, the Pell grant program is available to students enrolled in many non-degree certificate programs at schools that are not licensed by OSHE, often vocational programs that measure instruction in “clock hours,” not credit hours. In addition to the 55 TAG-participating institutions, more than 90 New Jersey schools are eligible to offer HEA title IV federal student aid by documenting that they “prepare students for gainful employment in a recognized occupation.”44
RECOMMENDATIONS

During its deliberations, the TAG Study Commission considered each of the factors discussed above and reached a consensus on five (5) high priority policy changes to improve the TAG program.

The Commission recommends that New Jersey:

1. Expand the TAG program to provide aid to students during enrollment in summer terms. The Commission recommends the State increase annual TAG appropriations by at least $29 million to provide students with one additional award in each fiscal year, for a total of up to three (3) TAG awards per student per year (increasing annual costs by $29-39 million);

2. Target additional State funding to increase the dollar value of TAG awards provided to the students with the most financial need (increasing annual costs by at least $25 million);

3. Increase students' maximum lifetime number of semesters of TAG awards from nine (9) semesters to 10 (increasing annual costs by $10-15 million);

4. Increase the Income Protection Allowance used to calculate independent students' financial need, in order to increase the value of TAG awards for working adult students (increasing annual costs by $5 million); and

5. Maintain the value of TAG awards for students whose families receive Earned Income Tax Credits (EITC), by continuing this year’s policy of not counting EITC as income in financial need calculations (no additional cost above current funding levels).

As detailed below, the combined fiscal impact of all of these policy changes taken together would require an increase of approximately $69 to $85 million, or 14 to 17 percent, above the current annual level of appropriations for the TAG program. The Commission selected fiscal estimates for each recommendation, so as to provide an upper-bound range of potential costs for policymakers to consider. The Commission recommends that the State make the following changes to TAG policy, subject to available funding:

1. Expand the TAG program to provide aid to students during enrollment in summer terms. The Commission recommends the State increase annual TAG appropriations by at least $29 million to provide students with one additional award in each fiscal year, for a total of up to three (3) TAG awards per student per year. A statutory amendment is required to make students eligible for a third award in a given fiscal year.

The Commission members unanimously agree that including State aid to support students who take summer classes would accelerate students’ college completion, which allows flexibility to their individual schedules and life circumstances. By lowering students’ total cost of attendance, reducing their student loan debt, and enabling more students to graduate, adding TAG awards in summer terms would increase the New Jersey working-age population’s overall degree attainment. This would lift the Garden State economy and make progress toward the State’s 65 by ’25 goal: “Research found that year-round Pell Grants increased enrollment in summer terms and increased associate degree completion among adult students; that additional education increased post-college earnings of community college students, yielding new tax revenue.”

To expand TAG to students enrolling in summer terms, the Commission recommends following the design of the federal Year-Round Pell grant. Federal policy offers a Pell grant during the “third semester” of a calendar year during a student’s summer enrollment, with the additional Pell grant amount equaling 50 percent of the student’s award amount during the regular academic year.

A summer TAG expansion would require an estimated $29 to $39 million in additional State funding above current appropriations levels, a 6 to 8 percent increase above the $487 million in total State appropriations for full-time and part-time TAG. This policy change would provide additional
TAG awards during summer enrollment to potentially more than 13,000 students.

The cost projections for summer TAG are based on the analogous federal expenditures. After the Year-Round Pell grant program was first authorized in 2008, and fully implemented in Academic Year 2010-11, it was eliminated one year later in Academic Year 2011-12, then restored starting in 2017-18 and continuing to the present day. As noted in a 2021 RAND study, this policy increased federal costs incrementally: “The Congressional Budget Office estimated that year‐round Pell Grants were taken up by 13 percent of Pell Grant recipients in the first year they were offered, increasing spending by about 6 percent. Similar numbers came out of an in-depth study of a large community college system. Using these enrollment increases as a baseline, New Jersey could expect this policy option to increase spending by about 6 percent.”

Applying insights from the Pell grant experience, the Commission considered the following projection model for summer TAG awards. Assuming a 15 percent take-up rate, 10,500 full-time students who receive TAG during the fall and spring semesters would receive additional State aid in the summer. The high end of the cost estimate range of would cover summer TAG awards averaging $3,650 for 10,500 students, assuming that average summer TAG awards are 50 percent of the average full-time award amount in AY 2021-22. However, this assumes all students enroll full time in the summer, even though the majority of students receiving Year-Round Pell grants take fewer than 12 credit-hours of summer courses. It is likely that TAG recipients will have a similar part-time enrollment pattern. Thus, a less costly estimate is based on the assumption that summer TAG awards will cover part-time study and conservatively sets the average summer award at 75 percent of students’ fall or spring full-time awards. The totals for both the upper-bound and lower-bound projections add approximately $770,000 to separately account for part-time summer TAG awards to county college students who receive part-time TAG during the fall or spring.

In addition to increasing TAG appropriations by at least $29 million per year to provide TAG awards during summer terms, the Commission urges State policymakers to make two amendments to the TAG statute. Currently, State law restricts TAG awards to an “academic year,” which is defined as the “period between the time the institution which the student is attending opens after the general summer vacation until the beginning of the next succeeding summer vacation.” As a result, students are not eligible for a TAG award in summer terms. This section needs to be amended to provide for a third semester award during the summer. The statute also limits TAG to full-time students unless funds are separately appropriated for part-time enrollment. To mirror the Year-Round Pell grant model and use the TAG appropriation for students to attend part-time for the summer session, N.J.S.A. 18A:71B-20 must be amended to specify that TAG awards for summer semesters can be used for part-time enrollment.

Finally, the Commission urges the State not to implement summer TAG under an alternative model that would require students to voluntarily reduce the dollar value of their fall and spring TAG awards, and then pay for summer tuition with the “banked” portion of their grant. The Commission determined that this option would be impractical and would not achieve the desired goal of encouraging students to complete their degrees faster. Under this alternate policy, students would stretch across an entire calendar year the same total TAG award that they are now eligible to receive. This funding level would cover a smaller percentage of total tuition due to the added costs of summer enrollment. This policy would not create an incentive for students to pursue summer coursework, as they would receive no additional aid overall. Furthermore, students would end up worse off if they plan at the start of an academic year to enroll in a summer term but later change their plans, as they would lose out on their reserved summer TAG funds after having already paid an increased percentage of tuition during the academic year when they received a reduced TAG award amount during the fall and spring semesters.
2. Target additional State funding to increase the dollar amount of TAG awards provided to students with the most financial need.

The Commission recommends dedicating at least $25 million in additional annual funding to increase the maximum TAG award amount for the more than 35,000 students in “cell 1” of the TAG table. These are the students – about half of all TAG recipients – with the greatest financial need, having the least personal and family resources with which to pay for college.

To meet its original statutory intent, the TAG program would set maximum aid amounts to fully cover tuition at the State’s public colleges and universities for these students, while also offering aid that would cover 50 percent of the average tuition charged by independent institutions in New Jersey to students with the same level of financial hardship. The TAG award has not reached this maximum level for more than thirty years. As shown in Figure 3 in Appendix C, in Academic Year 2021-2022 students’ maximum TAG award amounts covered between 69 and 81 percent of public colleges’ and universities tuition rates, and approximately 37 percent of the tuition charged at the independent institutions. These ratios compare TAG to tuition only; including mandatory fees would show that TAG awards cover an even lower share of students’ direct costs.

Fully funding Cell 1 awards at 100 percent of public institutions’ tuition and 50 percent of the average tuition of the independent schools requires at least $143 million in increased annual appropriations. As a first step toward that aspirational goal, the Commission recommends dedicating an additional $25 million in incremental funding to the annual TAG appropriation. This would increase TAG awards for students in Cell 1 by approximately $1,000 above their current levels, meaningfully helping low-income students who are struggling to afford and remain in college. Adding resources for the neediest students in Cell 1 would not only help those students, but would also bring the State a valuable return on investment. Evidence from the RAND Corporation’s research suggests that such an incremental increase in TAG award amounts would have a significant positive impact on lower-income students’ on-time completion of bachelor’s degrees:

“An extra $1,000 in aid significantly increased the rate of bachelor’s degree completion [at four-year public colleges and universities] within four years by 2.6 percentage points. Compared with some other studies of state grants and financial aid in general, these estimates are larger than average. For the lowest-income students, we found consistently positive effects on completion, with particularly large effects on completion and transfer among county college students. …Our findings suggest that there is some room for improving TAG. The consistently positive effects for the lowest-income students suggest that TAG has not yet hit diminishing returns for this population and that students close to the threshold between cells 1 and 2 benefit from additional aid.”

In addition, TAG plays a crucial role as a “first-dollar” award that is applied to students’ accounts before Pell grants and all other financial aid. Therefore, TAG serves as the building block on which all other sources of financial aid are layered to help make college more affordable for financially disadvantaged students. Adding funds to the maximum TAG award can free up students’ Pell grants and other scholarships to pay for other costs of attendance that pose barriers to college success and completion, such as books, food, housing, transportation, or childcare. As noted in a recent OSHE report on enhancing students’ access to food, housing, and other basic needs, “if students are struggling to meet their basic needs, their focus will (and must) be on survival and not on learning, credential completion, or other measures of academic success. Research on students’ basic needs consistently demonstrates negative impacts on every facet of a student’s college experience including academic performance, peer engagement, their sense of belonging on campus, and their mental and physical
health. The added costs tied to higher education mean that many students may be forced to leave before completing a credential.\textsuperscript{54}

First-dollar TAG awards, along with federal Pell grants, also establish the foundation on which New Jersey has built its last-dollar College Promise net price guarantees to students. The New Jersey College Promise ensures an affordable pathway to a degree at the State’s 11 Senior Public Institutions and 18 Community Colleges. Together, the Community College Opportunity Grant (CCOG) and the Garden State Guarantee (GSG) programs promise transparent, predictable pricing for up to four years of college. The clear net price guarantee messages from the College Promise help to counteract the “sticker shock” of published tuition rates that deter some students from even considering college. To complement the College Promise, the Commission urges the State to add at least $25 million to the annual appropriation to increase the value of the maximum TAG awards for the neediest students at all New Jersey institutions.

3. Add additional semesters to students’ maximum lifetime TAG award eligibility.

New Jersey law provides that students cannot receive aid for more than four and one half academic years.\textsuperscript{55} As a result, the vast majority of eligible students are limited to receiving TAG awards for only nine (9) semesters over the course of their entire college career. The Commission recommends changing this law to allow all students to receive at least 10 semesters of TAG awards during their lifetime.\textsuperscript{56} Based on existing data, this policy would increase TAG expenditures by an estimated two to three percent, or approximately $10 to 15 million above the TAG program’s Fiscal Year 2023 appropriations of $478 million.\textsuperscript{57}

Under this proposal, TAG awards would still be limited to undergraduate degrees, but the program would offer additional support to help students who take longer to complete a degree. This policy would reflect the current reality of the duration of students’ time in college. Of the students who complete a bachelor’s degree within six years of matriculation, 48 percent complete in four years, 34 percent complete in five years, and the remaining 18 percent complete in six years.\textsuperscript{58} An additional semester of TAG eligibility would provide students with the incentive and opportunity to remain in school and complete their degree.

Adding one semester to students’ lifetime TAG eligibility cap would also help accelerate students’ completion of their degree, working in tandem with the Commission’s first recommendation of providing TAG for summer enrollment. Because most students take courses half-time during the summer, the Commission’s recommendation above provides for prorated half-time Summer TAG awards. Under this policy, each summer term would count as half a semester toward students’ 10-semester maximum. Students would use up 2.5 semesters per year by receiving TAG during full-time enrollment in a given fall and spring and then enrolling half-time the following summer. Unless the maximum number of semesters is raised from nine to 10, this enrollment pattern would consume more than 25 percent of a student's lifetime cap in a single calendar year, which would leave the student ineligible for TAG in the final year of a four-year pathway to a degree. Thus, to enable students to benefit from the full potential of a Summer TAG option to finish a bachelor’s degree in four years, the Commission supports amending the law to allow students to receive TAG for up to 10 semesters.

4. Increase the Income Protection Allowance used to calculate independent students’ financial need, in order to increase the value of TAG awards for working adult students.

The Commission supports providing at least $5 million in additional TAG funding to fund an increase in the New Jersey IPA, which would add to the dollar value of the TAG awards of several thousand low-income working adult students who have wage earnings and are defined as “independent” under financial aid rules. This would also align TAG eligibility rules more closely to those used for Pell grants, as the federal program provides a
significantly more generous Income Protection Allowance to independent students.

In the formula for calculating students’ financial eligibility for need-based aid like TAG and the federal Pell grant, a certain amount of an independent working student’s income is disregarded. The amount of income that is not counted in these need calculations is referred to as the Income Protection Allowance (IPA). HESAA’s New Jersey Eligibility Index (NJEI) formula is not as generous as the federal allowance, as the NJEI excludes a smaller amount of independent students’ earnings than the IPA amount in the federal methodology for calculating Pell grant eligibility. As a result, TAG provides a lesser benefit to working adult students than would be the case if the State program used the same IPA used to calculate need for federal Pell grants.

In recent years, the HESAA Board has recognized that New Jersey’s need calculation formula is not sufficiently supportive of independent students. In Academic Year 2018-2019, HESAA increased the amount of New Jersey’s IPA modestly, boosting the TAG awards of approximately 2,000 students by more than $1,000 per student. In subsequent year, the HESAA Board consistently recommended additional TAG funding to be dedicated to improving the IPA for independent students. Most recently, the Board voted in July 2022 to deploy approximately $4.8 million in Fiscal Year 2023 TAG funding to further increase the IPA. This enhancement is projected to increase the award amounts for approximately 5,400 independent students in Academic Year 2022-2023.

Despite these two incremental improvements to New Jersey’s formula, there remains a substantial gap between the IPA used in New Jersey and the federal IPA for independent students. For instance, in Academic Year 2022-2023, the federal IPA disregards $10,950 of income earned by an independent student with no spouse and no dependents, as opposed to New Jersey’s $7,450 IPA for a similarly situated student. In addition, for a single independent student who is the parent of one dependent, the federal IPA disregards the first $27,720 of the student’s income, while New Jersey’s IPA excludes only $11,100. This gap is slated to grow wider still as the federal IPA will be markedly increased in the next two years. Under a provision of the federal FAFSA Simplification Act of 2020, starting in Academic Year 2024-2025 the federal IPA will increase by about 60 percent above the current level for single independent students with dependents, and by about 35 percent above the current levels for both married independent students and single independent students without dependents.

Continuing the TAG program’s recent trajectory of modestly increasing the IPA for independent students will enhance funding so as to encourage some of the nearly one million New Jersey adults who completed some college credits but lack a degree to continue their studies and pursue a postsecondary credential. Moreover, improving the IPA will support a top policy objective of the State Plan for Higher Education, which identifies re-engaging adults in postsecondary education as both a statewide economic imperative and a way to increase economic mobility by preparing workers to compete for a wider range of family-sustaining jobs.

The Commission recommends increasing TAG appropriations by at least $5 million per year to regularly increase the TAG program’s IPA amounts for independent students, as well as providing additional funding to keep pace with the forthcoming improvements to the federal formula.

5. Maintain the value of TAG awards for students whose families receive Earned Income Tax Credits (EITC), by continuing HESAA’s 2022-2023 policy of not counting EITC as income in financial need calculations. The Commission urges the State not to treat as “income” any tax refunds that a student or a student’s family may receive through the federal Earned Income Tax Credit (EITC). The Commission notes that the State took action to implement this recommendation through the HESAA Board’s vote in July 2022 to end the use of EITC in TAG’s
financial need calculation, which is projected to increase TAG award amounts for approximately 8,000 students in Academic Year 2022-2023. The projected fiscal impact attributable to this change is approximately $9 million, which is already incorporated into HESAA’s projections for existing Fiscal Year 2023 resources. Thus, continuing this policy would not entail incremental costs to the TAG program.

Prior to Academic Year 2022-2023, the New Jersey Eligibility Index (NJEI) included federal EITC refunds as a form of “untaxed income” when calculating financial need for TAG. Through the federal EITC, families can receive refundable tax credits in that average $2,500 and can be as much as $6,935 per year, effectively functioning as a valuable wage subsidy for individuals with low wage earnings. Among all the nation’s anti-poverty measures, the EITC has maintained strong bipartisan support over four decades, appealing to sponsors across the ideological spectrum because it “

…encourages and rewards work by a tax credit that lowers workers’ federal income taxes – and it is refundable, so if the amount of the credit is worth more than workers owe in federal income taxes, they get the balance paid as a tax refund…Because a worker’s EITC grows with each additional dollar of earnings until reaching the maximum value, the program creates an incentive for people to join the labor force and for low-wage workers to increase their work hours…Studies show that the EITC encourages large numbers of single parents to join the labor force, especially when the labor market is strong….In 2018, the EITC lifted about 5.6 million people out of poverty, including about 3 million children. The number of poor children would have been more than one-quarter higher without the EITC. The credit reduced the severity of poverty for another 16.5 million people, including 6.1 million children…There has been broad bipartisan agreement that a two-parent family with two children with a full-time, minimum-wage worker should not have to raise its children in poverty.”

New Jersey’s former policy counteracted the EITC’s positive benefits by effectively reducing TAG awards for many students whose families qualified to receive these tax credits. When annual EITC refunds ranging from $2,000 to $6,000 were counted as income in the NJEI formula, these amounts had a sufficiently significant impact to place some low-income families in a financial need category that offered a lesser TAG award amount to their students.

For the foregoing reasons, the Commission urges the State to maintain its new policy of not counting EITC refunds as income. This recommendation will keep TAG’s enhanced support for low-income working families with a student in college. Furthermore, this policy will not only be cost-neutral in the years after Academic Year 2022-2023, but it will also keep TAG aligned with the federal methodology used to calculate Pell grant eligibility.
During its meetings in 2020 and 2021, the Tuition Aid Grant Study Commission considered many ideas for reforming the State’s already strong need-based financial aid program for undergraduate college students, with the goal of better serving students and improving college affordability. The members of the Commission exchanged frank views and thoughtful discussion, and reached consensus on this report’s five recommendations.

The Commission offers these recommendations as a suite of choices from which State policymakers should select when considering any future TAG funding increases. Each of these proposed enhancements would efficiently and equitably help students and improve the TAG program’s alignment with the complementary federal Pell grant program. Implementing the Commission’s entire list of policy proposals would be a major achievement, requiring a cumulative increase of approximately 15 percent to the current annual level of New Jersey’s first-in-the-nation investment in TAG.

After careful consideration of a range of policy options, the Commission is confident that its recommendations will improve the TAG program and continue New Jersey’s progress in making college more affordable for our State’s students.
An Act establishing the “Tuition Aid Grant Study Commission.”

Be It Enacted by the Senate and General Assembly of the State of New Jersey:

Section 1.

a. There is established a Tuition Aid Grant Study Commission for the purpose of examining the operation of the Tuition Aid Grant Program established pursuant to N.J.S.18A:71B-18 et seq., and developing recommendations for improvements to the program. The commission shall consist of 10 members as follows:
   1) the Executive Director of the Higher Education Student Assistance Authority, or a designee;
   2) five members appointed by the Governor, including a representative of the State colleges and universities established pursuant to chapter 64 of Title 18A of the New Jersey Statutes, a representative of the public research universities, a representative of the county colleges, a representative of the independent colleges and universities, and a representative of the proprietary schools which have been authorized to offer licensed degree programs;
   3) two public members appointed by the President of the Senate; and
   4) two public members appointed by the Speaker of the General Assembly.

b. Appointments to the commission shall be made within 30 days of the effective date of this act. Vacancies in the membership of the commission shall be filled in the same manner as the original appointments were made.

c. Members of the commission shall serve without compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties within the limits of funds made available to the commission for its purposes.

Section 2.

a. The commission shall organize as soon as practicable, but no later than 30 days following the appointment of its members. The commission shall choose a chairperson from among its members and shall appoint a secretary who need not be a member of the commission.

b. The Higher Education Student Assistance Authority shall provide such professional staff and related support services as the commission requires to carry out its work. The commission also shall be entitled to call to its assistance and avail itself of the services of the employees of any State, county, or municipal department, board, bureau, commission, or agency as it may require and as may be available to it for its purposes.

Section 3.

It shall be the duty of the Tuition Aid Grant Study Commission to examine and evaluate the Tuition Aid Grant Program established pursuant to N.J.S.18A:71B-18 et seq.; to identify any barriers, gaps, or deficiencies in the successful operation of the program; and to develop recommendations for improvements to the program. The commission shall study and consider issues, including but not limited to, the following:

h. the tuition aid grant amounts currently awarded to eligible students;

i. the percentage of higher education tuition costs covered by tuition aid grants;

j. adjustments in the level of tuition aid grant awards from one fiscal year to the next, including a review of the different formulas or methods used over different fiscal years to calculate the amount of a tuition aid grant;
k. the characteristics of students whose eligibility for a tuition aid grant differs from their eligibility for federal need-based aid, as calculated by the New Jersey Eligibility Index and the federal methodology for the Expected Family Contribution, respectively;

l. the graduation rates of tuition aid grant recipients;

m. the history of State appropriations made to support the Tuition Aid Grant Program; and

n. the sufficiency of the tuition aid grants awarded to eligible students in light of the original intent of the statute establishing the Tuition Aid Grant Program.

4. The commission shall issue a report of its findings and recommendations concerning the Tuition Aid Grant Program to the Governor, and to the Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), no later than 12 months after the commission organizes.

5. This act shall take effect immediately, and the commission shall expire 30 days after the submission of its report.

Approved by Governor Philip D. Murphy, January 13, 2020
The Commission considered a wide range of policy options for changing the TAG program. Briefly outlined below are several ideas that engendered significant discussion, for which the Commission failed to reach consensus.

The Commission examined several alternative models to provide standardized TAG award amounts to all students with the same level of financial need without reference to the tuition charged at the institutions at which students are enrolled. These options would make TAG more like Pell grants by offering identical award amounts to all students with the same level of financial need, regardless of their tuition rates. Unlike Pell, TAG award amounts vary based on both students’ relative financial circumstances and the institution that students attend. The schedules of TAG award amounts continue to reflect, to some degree, differences among the tuitions charged by colleges and universities.

One option would establish generic schedules of TAG award amounts for all institutions within the same sector. Using this approach at public institutions would follow the example of the standardized TAG award schedule for students enrolled in independent institutions. The Commission chose not to advance this recommendation, and subsequently the State took action to address the concerns animating this proposal. Proponents of this policy focused on the severe variations that existed in 2020-2021 among the TAG award amounts available to similarly situated students at different senior public institutions. In response, in July 2021 the HESAA Board approved a TAG Table deploying most of a $35 million TAG funding increase in Fiscal Year 2022 to fund the projected costs of increasing students’ TAG amounts at certain senior public institutions. As a result, the TAG schedules for Academic Years 2021-2022 and 2022-2023 use one set of standardized TAG award values for students enrolled at Public Research Universities and a different table of standardized award amounts for students at State Colleges and Universities, establishing intra-sector parity by aligning TAG award amounts to cover a similar share of tuition at the different public institutions within the same sector.\(^65\)

The Commission also considered and rejected a proposal to establish a single TAG table for use across all institutions, with uniform TAG award amounts for every student with the same level of need. Commission members noted that this proposal would require either an unrealistic cost increase, or an undesirable and harmful reduction in grant amounts that would harm the program’s college access mission and reduce students’ choices among institutions. To implement a “hold-harmless” TAG table with uniform award amounts for students at all institutions, award amounts would be increased to the current schedule of awards at independent institutions for students at every college in the state, at a projected cost of $150 million above the TAG program’s current annual expenditures.\(^66\) Alternatively, a cost-neutral uniform TAG schedule at all institutions would entail a maximum TAG award around $9,400 for all students in Cell 1 of the TAG table. The Commission unanimously opposed this model, as it would reduce TAG award amounts by more $2,000 to $3,000 per year for tens of thousands of students at public research universities and private independent institutions.

Another significant topic of discussion during Commission meetings was allowing students to receive TAG while enrolled part-time at bachelor’s degree-granting schools. The TAG statute currently allows eligibility to be “extended to part-time students through regulations developed by [HESAA] if funds are separately provided for this purpose.”\(^67\) The State has used this mechanism to make part-time community college students eligible for TAG, through an appropriations line item that funds pro-rated TAG awards to approximately 10,000 TAG-eligible part-time community college students who enroll at least half time (6-11 credits per semester).
No corresponding funding provides TAG for part-time students at bachelor’s degree-granting institutions, although such students are eligible for federal financial aid. Many of today’s college students juggle work, family, and other responsibilities while pursuing their educational goals, and increasingly, students attend part-time because full-time attendance is incompatible with their needs and would be a barrier to their academic persistence and completion. However, the Commission rejected this policy, as it would not only support students whose life circumstances require them to attend part-time, but also add incentives for current full-time students to drop down to part-time status. As a result, several Commission members expressed concerns that this policy would contradict the State’s goal of reducing students’ time to degree, and the Commission failed to reach consensus on including this option in its list of recommendations.

The Commission rejected the idea of basing TAG award amounts on students’ net price after subtracting institutional financial aid. This approach would eliminate TAG’s “first-dollar” feature, which benefits New Jersey students by maximizing the flexibility of their Pell grants and other sources of financial aid to address both tuition and non-tuition costs of attendance. To be sure, if TAG award amounts were determined strictly on the basis of published tuition rates, as was the case in the early years of the program, it would lead to distortions and inequities because many students actually pay much lower net prices after subtracting institutional discounts, merit aid, or scholarships. However, the recently implemented sector-wide TAG award schedules reduced the variation among similar students’ award amounts at different institutions, and award amounts are no longer directly tied to tuitions.

The Commission also discussed adding new levels of TAG awards for students whose NJEI scores put them just over the current eligibility threshold, by adding cells to the bottom of the current TAG table’s columns. The Commission agreed that since this proposal would not reach the students with the greatest need, many of whom now receive inadequate support, it should not be a priority.

Another option would expand the TAG program to cover non-tuition costs of attendance, including mandatory fees, books, and students’ basic material needs. This idea was raised because many New Jersey state colleges and universities charge thousands of dollars in annual mandatory fees, such that a more accurate measure of students’ full direct charges is the combination of tuition and mandatory fees. However, the Commission decided to address this issue in another way: by recommending additional TAG awards for the students with the most financial need. This alternative would help with non-tuition costs by freeing up Pell grants to be used for fees as well as tuition and, for students with TAG and Pell awards that combine to exceed their direct costs of tuition and fees, to use Pell grant refunds to pay for needs such as books, food, housing, health care, dependent care, and transportation.

The Commission examined the concept of extending students’ TAG eligibility over multiple years, to eliminate annual applications and financial eligibility screening, and guarantee students a consistent TAG award amount throughout their college career. Under this proposal, HESAA would not verify income eligibility annually except for appeals due to a drop in students’ or families’ income. The Commission rejected this policy on the grounds that eligibility for need-based aid should be re-evaluated each year. In addition, this change would increase TAG expenditures by locking in TAG award amounts, as over the course of four years of receiving aid, nearly half of all TAG recipients experience changes in their family circumstances that reduce the financial need as calculated in their NJEI scores. Commission members also discussed expanding TAG to career-oriented programs of study that participate in the Pell grant program but not TAG. The Commission reached consensus in opposition to this proposal out of concern about diluting funding for academic programs within TAG’s current scope.
Another proposal discussed by the Commission entailed simplifying HESAA’s processes for verifying eligibility of students and families without income tax return information. State law requires students to provide HESAA with “documentation to verify income and assets” upon request. The Commission considered policy changes to help students document their financial need for students and parents who do not file tax returns. However, this issue subsequently became moot, as HESAA streamlined its procedures through its June 2022 readoption of the regulations governing HESAA’s grants and scholarship programs (including the TAG program). These changes simplify the income verification process for families who are not required to file income tax returns or whose tax returns show an adjusted gross income of zero. Pursuant to N.J.A.C. 9A:9-2.7, HESAA will determine such students’ financial eligibility for TAG awards through documented proof of the student’s or parents’ recent receipt of a single one of various means-tested federal or State social services programs, including Medicaid/NJ FamilyCare, Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition for Women, Infants, and Children (WIC), WorkFirst NJ cash assistance, or housing/rental assistance.

Finally, the Commission considered several other technical changes to the structure of the TAG Table, but these were ultimately determined to have a lower priority than the Commission’s final recommendations. These included across-the-board percentage or dollar amount increases to TAG award amounts in every cell of the table, as well as smoothing out the “stair-steps” between the rows of the table so the award amounts change in a continuous linear manner.
**APPENDIX C**  
**TAG PROGRAM DATA**

**Figure 1.** TAG Table of Awards to Full-Time students, Academic Year 2021-2022.

**NOTE:** this TAG table summarizes the number of “annualized awards” in one fiscal year by collapsing pairs of fall and spring semester awards together to derive one full-year equivalent award. This figure undercounts the actual number of unique individual students receiving TAG, because some students receive only one semester TAG award in a given year. For instance, while a total of 60,367 annualized full-time TAG awards accounted for a cumulative expenditure of almost $441 million in Academic Year 2021-2022, there were actually nearly 67,000 individual full-time students who received those 60,367 “full-year equivalent” awards.

**Figure 2.** TAG Table of Awards to Part-Time County College students, Academic Year 2021-2022.
**Figure 3.** Percentage of Tuition Covered by TAG Award Amounts, by Sector, Academic Year 2021-22

<table>
<thead>
<tr>
<th>NJ Eligibility Index range</th>
<th>County Colleges</th>
<th>State Colleges &amp; Universities</th>
<th>Public Research Universities</th>
<th>Independent Colleges &amp; Universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1499</td>
<td>$3,937</td>
<td>$12,609</td>
<td>$12,349</td>
<td>$35,990</td>
</tr>
<tr>
<td>1500-2499</td>
<td>$2,472</td>
<td>$7,692</td>
<td>$8,908</td>
<td>$11,188</td>
</tr>
<tr>
<td>2500-3499</td>
<td>$2,142</td>
<td>$5,394</td>
<td>$6,840</td>
<td>$8,814</td>
</tr>
<tr>
<td>3500-4499</td>
<td>$1,670</td>
<td>$4,700</td>
<td>$6,423</td>
<td>$27.34%</td>
</tr>
<tr>
<td>4500-5499</td>
<td>$1,244</td>
<td>$3,490</td>
<td>$4,710</td>
<td>$15.95%</td>
</tr>
<tr>
<td>5500-6499</td>
<td>$-</td>
<td>$2,540</td>
<td>$3,724</td>
<td>$18.23%</td>
</tr>
<tr>
<td>6500-7499</td>
<td>$-</td>
<td>$3,380</td>
<td>$4,710</td>
<td>$13.09%</td>
</tr>
<tr>
<td>7500-8499</td>
<td>$-</td>
<td>$2,328</td>
<td>$3,724</td>
<td>$10.63%</td>
</tr>
<tr>
<td>8500-9499</td>
<td>$-</td>
<td>$2,328</td>
<td>$3,724</td>
<td>$10.63%</td>
</tr>
<tr>
<td>9500-10499</td>
<td>$-</td>
<td>$2,328</td>
<td>$3,724</td>
<td>$10.63%</td>
</tr>
</tbody>
</table>

**Figure 4.** Urban Institute Analysis: Share of Full-Time Students in Each NJEI Category, by EFC

**Share of Full-Time Students in Each NJEI Category, by EFC**

<table>
<thead>
<tr>
<th>EFC</th>
<th>&lt;1,500</th>
<th>1,500–2,499</th>
<th>2,500–3,499</th>
<th>3,500–4,499</th>
<th>4,500–5,499</th>
<th>5,500–6,499</th>
<th>6,500–7,499</th>
<th>7,500–8,499</th>
<th>8,500–9,499</th>
<th>9,500–10,499</th>
<th>10,500+ or not eligible</th>
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</thead>
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<tr>
<td>$0</td>
<td>41%</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
<td>7%</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>35%</td>
</tr>
<tr>
<td>$1–999</td>
<td>17%</td>
<td>31%</td>
<td>6%</td>
<td>4%</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>28%</td>
</tr>
<tr>
<td>$1,000–2,999</td>
<td>1%</td>
<td>8%</td>
<td>25%</td>
<td>18%</td>
<td>9%</td>
<td>3%</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
<td>29%</td>
</tr>
<tr>
<td>$3,000–5,999</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
<td>18%</td>
<td>11%</td>
<td>10%</td>
<td>4%</td>
<td>3%</td>
<td>1%</td>
<td>47%</td>
</tr>
<tr>
<td>$6,000–9,999</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>5%</td>
<td>6%</td>
<td>2%</td>
<td>86%</td>
</tr>
<tr>
<td>$10,000–14,999</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>$15,000–19,999</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>$20,000+</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Source:** Urban Institute analysis of New Jersey student-level data.

**Note:** EFC = expected family contribution; NJEI = New Jersey Eligibility Index.


Figure 5. Net Price for Low-Income Students Before and After TAG

Average Net Price for the Lowest-Income Students before and after TAG, 2018–19

Sources: New Jersey TAG tables and College Navigator.
Notes: AGI = adjusted gross income; TAG = Tuition Aid Grant. Because only 2 percent of Princeton University students receive TAG, state grants are not added back to net price for that institution.

Three distinct TAG line-items received a total of $487,182,000 in State funding through New Jersey's Fiscal Year 2023 Appropriations Act: $477,887,000 for full-time TAG; $8,737,000 for part-time TAG for county college students; and $558,000 for part-time TAG for Educational Opportunity Fund students. See page 160 of the New Jersey FY 2023 Appropriations Act: https://pub.njleg.state.nj.us/bills/2022/AL22/49_.PDF


Id.

https://www.hesaa.org/Pages/ccog.aspx


https://www.hesaa.org/Documents/NJSTARS_program.pdf

https://www.hesaa.org/Documents/GUSScholarshipProgram.pdf


N.J.A.C. 9A:9-3 – Tuition Aid Grant Programs.


HESAA tuition data, TAG archives.

The 1977-78 TAG Table established the following schedule of the maximum TAG awards for all students with the lowest eligibility index score (e.g., the greatest financial need): $500 at County Colleges; $700 at State Colleges, $760 at Rutgers and NJIT, and $1,600 at independent institutions located within New Jersey.

“Digest of Education Statistics, Table 330.10.” National Center for Education Statistics, U.S. Department of Education, Washington, DC: 2022. https://nces.ed.gov/programs/digest/d21/tables/dt21_330.10.asp. Average tuition and required fees at 4-year institutions increased from $1,397 in academic year 1978-1979 to $16,618 in 2020-21. At public 4-year institutions, the increase over this time period was from $688 to $9,375 (a 1,262% increase), while tuition and required fees at private 4-year institutions increased from $2,958 to $32,825 between 1978-1979 and 2020-2021 (a 1,009% increase).


HESAA estimates of a “fully-funded” TAG Table based on current numbers of awards, with Cell 1 awards set to the statutory maximum award amount relative to actual listed tuition rates at New Jersey institutions in Academic Year 2021-2022. Awards in each lower cell would be determined by applying the current TAG Table’s ratio of declining amounts to the hypothetical Cell 1 award.


Id.

Id.


33 Id.


35 Id, p. 11.

36 Id, p. 9.

37 Higher Education Act, 20 U.S.C. § 1070(b)(8): “Effective in the 2017–2018 award year and thereafter, the Secretary shall award an eligible student not more than one and one-half Federal Pell Grants during a single award year to permit such student to work toward completion of an eligible program...”

38 Higher Education Act, 20 U.S.C. § 1070(c)(5): “The period during which a student may receive Federal Pell Grants shall not exceed 12 semesters, or the equivalent of 12 semesters, as determined by the Secretary by regulation. Such regulations shall provide, with respect to a student who received a Federal Pell Grant for a term but was enrolled at a fraction of full-time, that only that same fraction of such semester or equivalent shall count towards such duration limits.”

39 N.J.S.A. 18A:71B-20b. provides that “a student shall not be eligible for grants for more than four and one-half academic years...”

40 N.J.A.C. § 9A:9-2.11.

41 From AY 2010-2011 through 2019-2020, HESAA required students and families to self-report their federal EITC credits via a supplemental questionnaire required for State aid applicants in addition to the FAFSA. Starting in AY 2020-2021, HESAA eliminated these additional State questions, and individual applicants no longer reported their EITC amounts. However, the policy of counting EITC as income in calculating need remained in place in AY 2020-2021 and 2021-2022, during which HESAA imputed applicants’ EITC amounts based on tax data provided through a cross-match with the New Jersey Division of Taxation.

42 HESAA discontinued this policy in July 2022; EITC refund amounts will not be counted as income in determining students’ eligibility for TAG awards in AY 2022-2023.

43 N.J.S.A. 18A:71B-20a. In addition, the list of TAG-eligible schools is also limited by annual budget language restricting eligibility to those higher education institutions that were participating in the program as of September 1, 2009.


In recent years, part-time TAG awards have averaged around $936 per student for just under 11,000 county college students, so approximately $770,000 in additional funding would be required if 1,650 (15 percent) of these students received an additional “half-year” award during summer enrollment.


See Assembly bill 3111, New Jersey Legislature, 2022-2023 Session, https://pub.njleg.state.nj.us/Bills/2022/A3500/3111_I1.PDF. This proposed legislation would allow a student to elect to use a portion of a TAG award to enroll in the summer session that follows the academic year for courses that will fulfill graduation requirements or that will award credits in the student’s academic major. Prior to the beginning of the academic year, a student could notify HESAA of the student’s intent to use a portion of the TAG award for the summer session, and HESAA would then adjust the amount of the TAG award that to be disbursed during the fall and spring terms of the academic year and notify the student of the decrease in the amount of the student’s TAG award during the academic year due to the student’s choice to use a portion of the TAG award during the summer session. This model is based on the Final Report of the College Affordability Study Commission, 2016. https://pub.njleg.state.nj.us/publications/reports/CASC.pdf, p. 25.

HESAA projections. See footnote 24.


N.J.S.A. 18A:71B-20b. This section of the statute provides limited exceptions that extend a student’s lifetime cap to 10, 11, or 12 semesters, such as in cases of EOF students, students enrolled in undergraduate programs specifically designated as five-year courses of study, or certain students transferring from county colleges to bachelor’s degree-granting institutions. Cumulatively, fewer than one-quarter of TAG recipients are made eligible for more than nine (9) TAG awards by these exceptions. The Commission’s recommendation also includes a corresponding increase of one (1) TAG award to each of these students' lifetime maximum TAG awards (e.g., once the standard maximum is raised from nine to ten, students who qualify for a maximum of 10 awards under current law would become eligible for 11 awards, etc.).

While the Commission reached consensus for an expansion of students’ lifetime maximum number of TAG awards to at least 10 semesters, the Commission did not agree to match the Pell grant program’s 12 semester maximum. The Commission supports a 10-semester cap to balance twin aims that could come into conflict: supporting students who need additional time to finish school, while also encouraging the State’s separate efforts to reduce students’ time to degree.
57 HESAA projections.

58 Drew M. Anderson and Melanie A. Zaber. “Cutting the College Price TAG: The Effects of New Jersey’s Tuition Aid Grant on College Persistence and Completion.” RAND Corporation, Santa Monica, CA: 2021. https://www.rand.org/pubs/research_reports/RRA101-1.html. Preliminary analysis based on National Student Clearinghouse data tracking degree completion at any institution for students who received TAG in their first year of college during school year 2012-13 or 2013-14 and completed a bachelor’s degree by 2017-18 or 2018-19, respectively.

59 This disparity does not affect dependent students, for whom the IPA used for New Jersey’s TAG program is identical to the federal IPA formula.


63 Up until AY 2019-2020, HESAA required students and families to self-report their federal EITC receipt via a supplemental questionnaire required for State aid applicants in addition to the FAFSA. Starting in AY 2020-2021, HESAA eliminated these additional State questions, so individual applicants do not report how much EITC (if any) they received from the IRS. However, the policy of counting EITC as income in calculating need remained in place in AY 2020-2021 and 2021-2022, during which HESAA imputed applicants’ EITC amounts based on tax data provided through a cross-match with the New Jersey Division of Taxation. HESAA discontinued this policy in July 2022; EITC refund amounts will not be counted as income in determining students’ eligibility for TAG awards in AY 2022-2023.


65 Three exceptions to these standardized TAG tables take into account the tuition rates at New Jersey Institute of Technology and The College of New Jersey, which are approximately 20 percent more than their sector peers, as well as the tuition rates charged by Thomas Edison State University that are around 40 percent less than the tuitions prices of the other State College and Universities. Students at each of these three institutions receive TAG award amounts determined according to a separate schedule that accounts for these differences.

66 In Academic Year 2022-2023, the maximum TAG award for Cell 1 students at independent institutions is $13,590.


68 Preliminary analysis based on TAG records for beginning students who first received TAG in school years 2012-13 through 2015-16.

69 N.J.S.A. 18A:71B-2.3a.(3)