

The Future of New Jersey's Tuition Aid Grant

A Review of Options and Evidence

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About This Report

This report addresses policy questions surrounding financial aid for low-income college students. Aid programs seek to measure financial need and provide grants to students to meet that need, with the goal of increasing participation in postsecondary education and closing income gaps in college attainment. Leaders in New Jersey are evaluating the Tuition Aid Grant to explore how the program was designed, how it is working, and how it might be improved. Many of the same questions apply to other state and federal programs endeavoring to make college affordable for Americans. Experts from the RAND Corporation prepared this independent report to inform policy in New Jersey and other contexts. Leaders in New Jersey shared ideas, questions, and de-identified student data with RAND researchers.

RAND Education and Labor

This study was undertaken by RAND Education and Labor, a division of the RAND Corporation that conducts research on early childhood through postsecondary education programs, workforce development, and programs and policies affecting workers, entrepreneurship, and financial literacy and decisionmaking.

RAND produced this report with funding from the ECMC Foundation, a Los Angeles–based, nationally focused foundation whose mission is to inspire and to facilitate improvements that affect educational outcomes, especially among underserved populations, through evidence-based innovation.

More information about RAND can be found at www.rand.org. Any questions about this report should be directed to drew@rand.org, and questions about RAND Education and Labor should be directed to educationandlabor@rand.org.

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Summary

New Jersey offers the nation’s most generous financial aid program for low-income college students on a per-student basis: the Tuition Aid Grant (TAG). TAG supports one out of every three state resident full-time college students and distributes more than \$440 million in grants per year. TAG covers about 40 percent of tuition costs on average, with the goal of increasing college access and completion rates among the state’s low-income families. TAG is a longstanding policy priority and a key part of the state’s vision of 65 percent of working-age adults having a high-quality credential by 2025.¹ As tuition increases faster than family incomes, students with less financial resources are increasingly locked out of the significant benefits of earning a college degree.²

State financial aid programs do not operate in a vacuum. Whether TAG meets the state’s policy goals depends on program design choices and how those choices interact with college costs, federal aid programs such as the Pell Grant, and the needs of students. College education is a diverse landscape, with students of all ages pursuing different degree types at institutions of varying sizes that are organized under public, private, or for-profit control and pursuing missions of research and undergraduate education to varying degrees while charging widely varying prices. TAG must adjust to all these factors while working within the state budget.

Recognizing the need to synthesize available information and reconsider program goals after years of incremental change, in 2020 the New Jersey legislature and Governor Phil Murphy ordered a TAG Study Commission to “identify any barriers, gaps, or deficiencies in the successful operation of the program; and to develop recommendations for improvements to the program.”³ The commission was tasked with considering the amount of TAG spending, how it was allocated, and how receiving a TAG award affected graduation. The commission was to evaluate these facts in light of the original intent of the statute establishing the program and in light of recent trends in federal policy, state policy, and college costs. The result would be a report, published in summer 2021, for state decisionmakers to consider as they allocate resources to TAG and shape the program for the future.

The commission was staffed by experts, but they also needed data. Leaders on the commission represented the state’s colleges and universities, the public, and the state agency that

¹ State of New Jersey, *Where Opportunity Meets Innovation: A Student-Centered Vision for New Jersey Higher Education*, February 2019.

² Over a 30-year period, median family income increased by 26 percent, while tuition at public colleges and universities increased by 178 percent and tuition at community colleges increased by 108 percent (Jennifer Ma, Matea Pender, and C. J. Libassi, *Trends in College Pricing 2020*, New York: College Board, 2019).

³ New Jersey P.L. 2019, Chapter 298, approved January 13, 2020.

administers TAG, the Higher Education Student Assistance Authority (HESAA). Colleges and HESAA publish annual reports on TAG eligibility, spending, and aggregate graduation rates of TAG recipients. However, these aggregated data are insufficient to evaluate how TAG relates to eligibility for federal grant aid for different types of students or to estimate how graduation might change if students at particular income levels were to receive more or less TAG aid, both of which are important issues in the commission mandate.

The data the commission needed had only recently been compiled by HESAA. Starting with the 2017–2018 academic year, HESAA had begun storing the records needed to rigorously compare TAG eligibility with eligibility for federal grant aid. Researchers at the RAND Corporation, with funding from the ECMC Foundation, worked with HESAA to link student-level records of TAG payments starting in the 2012–2013 academic year to college attainment records collected by the National Student Clearinghouse. HESAA shared a de-identified version of all these data with RAND, where experts undertook analysis that would not have been possible using standard state processes and resources. In spring 2021, RAND researchers published a report on the effects of TAG on graduation rates.⁴

This independent report from RAND Education and Labor uses the same data sources to build actionable evidence on each of the issues put before the TAG Study Commission. These issues include graduation rates, the history of program design choices and funding, alternative eligibility calculations, and alignment with federal methods. We draw on conversations with HESAA and the commission, analysis of student-level data from New Jersey, analysis of institution-level data from the College Scorecard, and context from other states and broader research on college affordability. We evaluate policy options discussed by commission members, and we put forth some added considerations that could be important for the state and for other states with need-based aid programs.

We hope this report, and our prior analysis of TAG, will complement the commission’s report and support legislative and administrative decisions about the future of TAG. The program is constantly evolving, including changes enacted just before the publication of this report. In setting the state budget for fiscal year 2022, the New Jersey legislature increased the program’s appropriation for the 2021–2022 academic year by \$35 million, an 8-percent increase after no changes in funding for the prior three academic years.⁵ Discussions leading up to the funding increase referenced RAND’s earlier research showing positive effects of TAG. Consistent with two of our findings—positive impacts of TAG on graduation from public universities and an imbalance in the percent of tuition and fees covered by TAG at state colleges relative to research

⁴ Drew M. Anderson and Melanie A. Zaber, “Would Low-Income Students Graduate Faster with a Boost in Financial Aid? Results from a Natural Experiment in New Jersey,” Santa Monica, Calif.: RAND Corporation, RB-A101-1, 2021b.

⁵ HESAA, “Higher Education Student Assistance Authority Board Adopts Tuition Aid Grant Award Table for Academic Year 2021–2022,” webpage, July 27, 2021b.

universities—HESAA decided to direct the new funds primarily toward increasing the size of TAG awards for students at public universities and balancing out tuition coverage in that sector.⁶

We discuss several ways HESAA might consider directing future funding increases. Even though TAG is the most generous need-based financial aid program in the nation, our findings on the impacts of the grant suggest that for students, colleges, and the state, investments in the program are still yielding positive returns.

Key Findings

1. TAG’s funding appropriations have risen to meet strong demand from New Jersey resident students.
 - TAG spending increased faster than spending on public aid programs in other states and at the federal level during the period we focused on from 2012 to 2019.
 - The increase was driven primarily by growing enrollment at New Jersey universities but also by increases in program generosity.
2. The TAG program allocates larger awards to students with fewer financial resources and to students attending colleges with higher tuition costs. Within this structure, the commission discussed specific ways to target aid dollars more effectively.
 - We estimated that TAG had a positive effect on four-year degree completion at public universities and potentially a larger positive effect for the lowest-income recipients at other institutions.
 - New Jersey increased TAG award amounts at state colleges and public research universities relative to other institutions, starting in 2021–2022.
 - The commission discussed future changes that would provide larger increases for the lowest-income families.
3. TAG differs from the federal Pell Grant in key ways. The commission discussed adjustments to expand TAG to align with federal procedures and to better serve students.
 - 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.
 - Both TAG and Pell have eliminated some application and verification steps for students. However, reducing the administrative burden on students also reduces the information available to target funds where there is the most need.

⁶ The executive director of the New Jersey Association of State Colleges and Universities described various objectives and sources of support for the reform, including RAND’s research. See Eugene Lepore, “Op-Ed: 2022’s Budget Boosts Educational Opportunities for Students Who Need It Most,” *NJ Spotlight News*, July 13, 2021.

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Abbreviations

AICUNJ	Association of Independent Colleges and Universities of New Jersey
EITC	Earned Income Tax Credit
EFC	Expected Family Contribution
EOF	Educational Opportunity Fund
FAFSA	Free Application for Federal Student Aid
HESAA	Higher Education Student Assistance Authority
NJEI	New Jersey Eligibility Index
NSC	National Student Clearinghouse
TAG	Tuition Aid Grant

Chapter 1. Call to Evaluate the Tuition Aid Grant Program

The Tuition Aid Grant Program

The Tuition Aid Grant (TAG) program is similar to many other publicly funded grant programs that assist undergraduate college students. It uses the same application as federal student loans and grant aid, the Free Application for Federal Student Aid (FAFSA). TAG is packaged together with other aid to cover student costs. Like many state aid programs, the amount depends on a student's financial need and the tuition charges they face at different types of institutions. TAG can be used at a variety of New Jersey institutions: public colleges and universities (including full- or part-time enrollment at New Jersey's county colleges⁷), private nonprofit institutions, and some approved programs at private for-profit institutions. Students have to meet certain yearly application deadlines and make academic progress.

TAG is the most generous program, on a per-student basis, among all need-based grant aid in the United States, either state or federal. The grants are sizable. The maximum award for the 2021–2022 school year will be \$13,196 (by comparison, the federal Pell Grant maximum will be \$6,495).

Since the program started in 1978, TAG policy has developed alongside growing student needs, increasing costs of college, and other state priorities. The budget for the program has steadily increased, but tuition has increased more rapidly during four and a half decades of program operation. Students pursuing college now increasingly represent older adult learners. Many college students struggle to meet basic needs of food and housing while enrolled. Student borrowing has proliferated, as have other programs that complement TAG. Starting in 2019, TAG applicants are also potentially eligible for New Jersey's Community College Opportunity Grant, which makes college tuition and fees free at two-year public institutions.⁸

Even as federal and state aid has increased, programs like TAG are still needed, because persisting in and completing a college education is uniquely hard for low-income students. Partly because of financial challenges, fewer than half of the low-income students who qualify for TAG will graduate within a normal time frame (four years for a bachelor's degree or two years for shorter degrees). This is a nationwide problem. Some students leave college solely because of financial concerns, and additional grant aid (like TAG) can help students stay enrolled and earn degrees. Although the program will distribute about \$475 million in 2021–2022, without

⁷ Public institutions granting two-year degrees and shorter-term certificates are usually referred to as *county colleges* in New Jersey, which other states typically term *community colleges*.

⁸ New Jersey Office of the Secretary of Higher Education, "Community College Opportunity Grant—Program Description," webpage, undated.

rigorous analysis, it is not clear how many additional degrees TAG generates or how its effectiveness could be improved through policy changes.

New Jersey leadership has recently shown interest in generating research evidence to inform policy decisions, implemented through cooperation with researchers as well as internal evaluation. Senate Bill 775 was enacted in early 2020 and mandated the creation of a TAG Study Commission to consider the following issues:

- A. the TAG amounts currently awarded to eligible students
- B. the percentage of higher education tuition costs covered by TAG awards
- C. adjustments in the level of TAG 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 TAG award
- D. the characteristics of students whose eligibility for a TAG award differs from their eligibility for federal need-based aid, as calculated by the New Jersey Eligibility Index (NJEI) and the federal methodology for the Expected Family Contribution (EFC), respectively
- E. the graduation rates of TAG recipients
- F. the history of state appropriations made to support the TAG program
- G. the sufficiency of the TAG awards distributed to eligible students in light of the original intent of the statute establishing the TAG program.

The statute establishing TAG defined priorities broadly within a few specific constraints.⁹ Those constraints include a maximum percentage of tuition covered at qualifying institutions, the lifetime maximum number of semesters a student can receive TAG, and the requirement to submit an application detailing sources of income. Within those bounds, the awards are to be allocated based on student financial need. The statute does not limit the number of awards in a given year; instead, it sets forth a process by which the state agency administering TAG should adjust eligibility calculations to match with state appropriations so that all eligible student applicants can receive awards.

Over time, the program has developed incrementally based on available state funding and the priorities of constituencies representing students, colleges, and taxpayers. It has also developed in tandem with aid allocation processes at the federal and institutional level.

The program's current form, including deadlines, processes, and eligibility calculations, might need further adjustment to align with its core objective of raising college attainment for the state's poorest residents. For example, TAG awards cover a lower percentage of tuition than is statutorily allowed, and the gap could present a growing barrier for students. TAG has been

⁹ N.J. Stat. §§ 18A:71B-18–71B-22.

made available for the full statutory maximum number of semesters in a student’s career, but that maximum might no longer be sufficient because students take longer to earn degrees. The commission is tasked with reevaluating whether TAG should expand its coverage or even expand some of the statutory limits put in place over 30 years ago.

At the time of the commission’s formation, the state lacked centralized, accessible, and clear reporting of data to address each of these issues. The next section discusses how we worked with the commission to generate new data, assess findings related to TAG’s current status, and evaluate ideas about the future of TAG.

Our Approach to Building Evidence on the Issues

This report is the result of an iterative process involving researchers at the RAND Corporation, leaders on the commission, and data administrators at the Higher Education Student Assistance Authority (HESAA) and the National Student Clearinghouse (NSC). Before the commission mandate, RAND had partnered with HESAA to study TAG, had worked with HESAA and NSC to compile a database, and had published a report in spring 2021.¹⁰ RAND researchers used the data and information shared by HESAA to independently address the issues in the commission mandate and then shared preliminary findings from our analysis with the commission. The commission refined its focus on a few policy options that RAND then evaluated in more detail. RAND researchers joined commission meetings and discussed the potential effects of policy options with leaders from the commission. This report is intended to complement and support the findings of the commission.

Our database allows for investigating how TAG funds are currently distributed, as well as how student outcomes might be affected by adjustments to the program. For all individuals who receive TAG, HESAA linked its individual-level data on aid eligibility and TAG receipt to information on college attainment from the NSC.¹¹ Before this link, the records of TAG payments tracked only where students were concurrently enrolled. Our database tracks the completion of college credentials, transfers, and continued enrollment, whether or not a student is receiving TAG and wherever the student is enrolled. Existing annual reports group together all TAG recipients at a particular school or set of schools, but our data allow for comparisons across more-granular subgroups of students. For example, we examine subgroups of students with different income levels. We also make use of the College Scorecard, which is based on federal

¹⁰ Drew M. Anderson and Melanie A. Zaber, “Would Low-Income Students Graduate Faster with a Boost in Financial Aid? Results from a Natural Experiment in New Jersey,” Santa Monica, Calif.: RAND Corporation, RB-A101-1, 2021b.

¹¹ The data were provided by HESAA to the RAND Corporation without direct student identifiers. This study was approved by RAND’s Human Subjects Protection Committee. For more details, see our prior report, 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*, Santa Monica, Calif.: RAND Corporation, RR-A101-1, 2021a.

government surveys, to supplement the individual-level data with institution-level information on college costs.

Some organizing features repeat throughout the document and would be useful to mention here. Several of the analyses disaggregate students based on student income and assets. The program combines information on student finances into an eligibility index and groups students into up to ten “TAG cells” that determine TAG eligibility and grant amounts. TAG cells are numbered from 1 through 10, with 1 being the lowest income and assets. For many analyses, we group together the institutions where a student can receive TAG aid into five sectors: 19 county colleges, seven state colleges and universities, four public research universities, 22 private nonprofit colleges and universities, and four programs at proprietary for-profit institutions.¹² These are noted as County, State, Research, Private, and Proprietary in progressively lighter shades of blue in the figures.¹³ For each student, the data include up to seven years of information, spanning academic years 2012–2013 through 2018–2019 (noted as 2013 to 2019 in figures).

The report is organized as follows. In Chapter 2, we take up each issue put before the TAG Study Commission. In Chapter 3, we discuss several policy options for improving TAG, with reference to the facts built up in Chapter 2. We evaluate each option in terms of the evidence base connecting the option to better outcomes for students, the executive or legislative processes required to enact the option, its effect on program budgets, and its likely level of support. In Chapter 4, we conclude with some thoughts about the persistent problems of inequality in college completion that TAG seeks to solve.

¹² During the seven years that are covered by our data, two institutions moved from the state college sector to the public research universities group: Montclair State University (in 2017–2018) and Rowan University (in 2013–2014). Throughout the report, except where noted, they are included in each year depending on their TAG status in that year. The counts in this paragraph refer to the makeup of the groups in 2018–2019.

¹³ We used the colscore software package to create a longitudinal database from the College Scorecard files. The colscore software is accessible at <https://github.com/adamrossnelson/colscore> (GitHub, “adamrossnelson / colscore,” 2021).

Chapter 2. Issues for the TAG Program

The TAG commission was tasked with investigating seven issues. For each issue, we state the commission mandate and how our data could help build evidence, build up any background information needed to understand the evidence, report the evidence, and mention some potential policy options on that topic.

Issue A. Grant Amounts to Eligible Students

The commission was asked to study and consider the amount of TAG grants on a per-student basis. We describe the current process for calculating student awards, using public-facing documents from HESAA and new visualizations. This information makes the current design more readily visible and makes it clear how many students would be affected by potential changes to grant amounts.

TAG grant amounts are summarized in the annual TAG Table, a lookup table posted online that matches TAG grant amounts to institution types (sectors) and ranges of student financial need.¹⁴ The TAG Table succinctly summarizes the program, so we have included the current version (for academic year 2021–2022) in Figure 2.1. The table makes clear two key facts about the program. First, TAG amounts are higher in sectors where students face higher tuition charges. Second, within sectors, TAG amounts are higher for students with lower family income and assets.

¹⁴ HESAA, “Tuition Aid Grant Award Table for Academic Year 2021–22,” webpage, July 27, 2021c.

Figure 2.1. Current TAG Table



STATE OF NEW JERSEY
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY



**TUITION AID GRANT AWARD TABLE
FOR ACADEMIC YEAR 2021-22¹**

NJ ELIGIBILITY INDEX (NJEI)	FULL-TIME TUITION AID GRANT				PART-TIME TUITION AID GRANT	
	NEW JERSEY COLLEGES AND UNIVERSITIES				NEW JERSEY COUNTY COLLEGES	
	COUNTY COLLEGES ²	STATE COLLEGES ³	PUBLIC RESEARCH ³	INDEPENDENT NON-PUBLIC ⁴	½ Time Semester Award (6-8 credits)	¾ Time Semester Award (9-11 credits)
A	B	C	D	E	F	G
Under 1500	\$2,840	\$8,700	\$10,044	\$13,196	\$710	\$1,065
1500-2499	2,472	7,692	8,908	11,188	618	927
2500-3499	2,142	6,512	7,932	9,840	535	803
3500-4499	1,670	5,394	6,840	8,814	417	626
4500-5499	1,244	4,470	5,964	7,784	311	466
5500-6499	0	3,490	5,086	6,766	0	0
6500-7499		2,540	4,266	5,742		
7500-8499		0	3,380	4,710		
8500-9499			2,328	3,724		
9500-10499			0	2,114		
Over 10499				0		

¹ Approximate annual TAG award values for academic year 2021-22 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 for students 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 higher than 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.

PENALTY FOR FALSE INFORMATION

If you qualify for State student financial assistance by purposely reporting false or misleading information, you may be subject to a \$20,000 fine and/or imprisonment.

7/27/21

SOURCE: HESAA, 2021c.

To incorporate family income and assets into its eligibility determination, the state calculates the NJEI using information from the FAFSA or from the New Jersey Alternative Financial Aid Application used by certain students with undocumented immigration status. Higher NJEI values are assigned when a student has more financial resources, but the number does not capture a dollar amount or any specific level of income or assets. NJEI values that are lower than 10500 are broken down into ten TAG cells (rows of the table). TAG cell 1 corresponds to the greatest financial need, for NJEI values from 0 to 1499. Cells 2 through 10 each span another 1,000 values of the NJEI index, with cell 2 going up to 2499, cell 3 going up to 3499, and so forth, up to 10499.

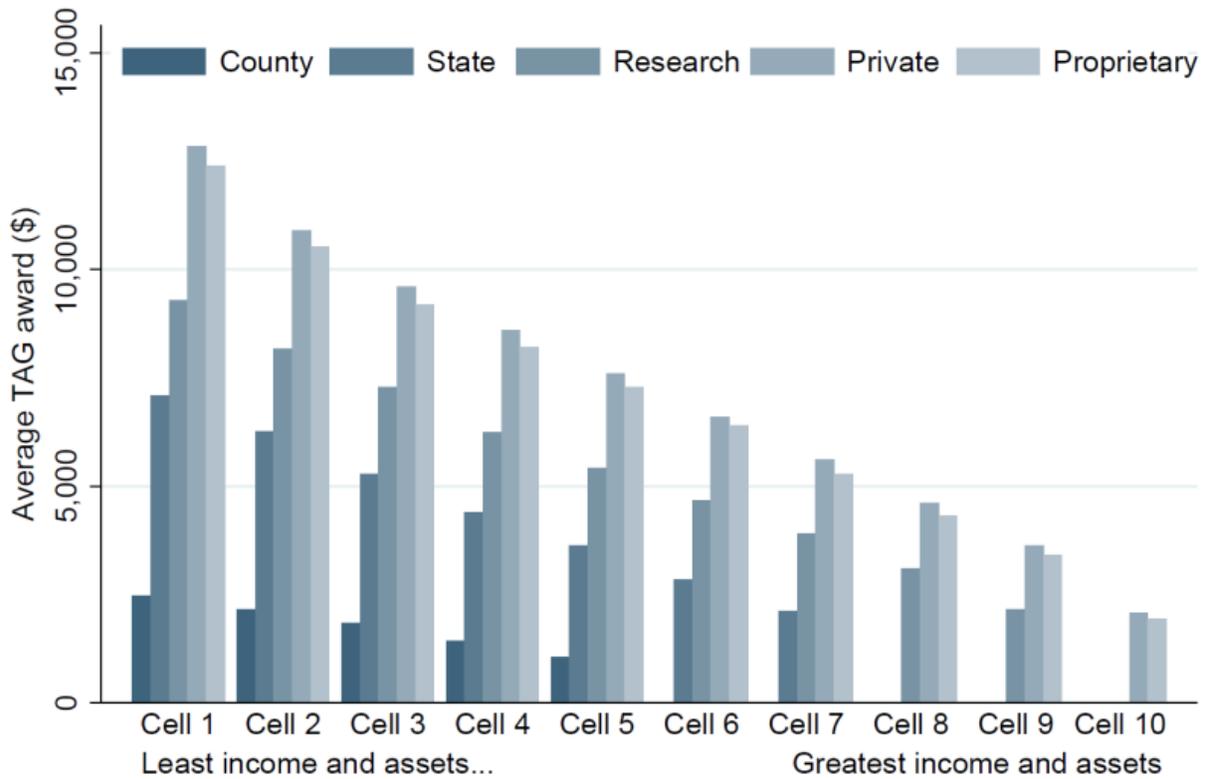
Within each cell, a student is eligible for a particular amount at a given institution and year. For example, students in the highest-need category will be eligible to receive \$13,196 at private nonprofit institutions and proprietary programs in 2021–2022. The same student could expect to receive \$8,700 if attending one of the state colleges and universities. There is no variation by NJEI within a TAG cell (i.e., in cell 1, an NJEI of 1299 always receives the same award offer as

an NJEI of 299). If enrolled at a county college full time, the student could receive \$2,840, or \$710 or \$1,065 if enrolled quarter or half time, respectively.

Sectors differ in TAG amounts and the number of different TAG levels a student can possibly receive. Students in cells 1 through 7 receive awards at state colleges and universities, students in cells 1 through 9 receive awards at public research universities, and students in all ten cells receive awards at private institutions. Although the award amounts in a cell change often (see Issue C later in this chapter), it is much less common for the cells receiving awards at an institution to change.

The TAG information is always presented by HESAA in a tabular form rather than as a graph. In our prior report, we plotted the TAG amount against the NJEI to illustrate the stairstep shape of the eligibility schedule. In this report, we present a bar chart (Figure 2.2) to illustrate the differences in aid within and across cells. Following the same format, we present a bar chart (Figure 2.3) showing the distribution of students across cells within each sector. These figures are based on TAG award data from the 2018–2019 academic year. Following the sector groupings we described at the end of Chapter 1, we have grouped together public research universities (columns E, F, G, and H in Figure 2.1), and we have grouped together full- and part-time awards at county colleges (columns B, I, and J in Figure 2.1). The averages we present are weighted by the number of awards, so that Rutgers and full-time county college enrollment both get heavier weights than, for example, New Jersey Institute of Technology enrollment or part-time county college enrollment.

Figure 2.2. Average TAG Award to Each Cell, by Sector for 2018–2019

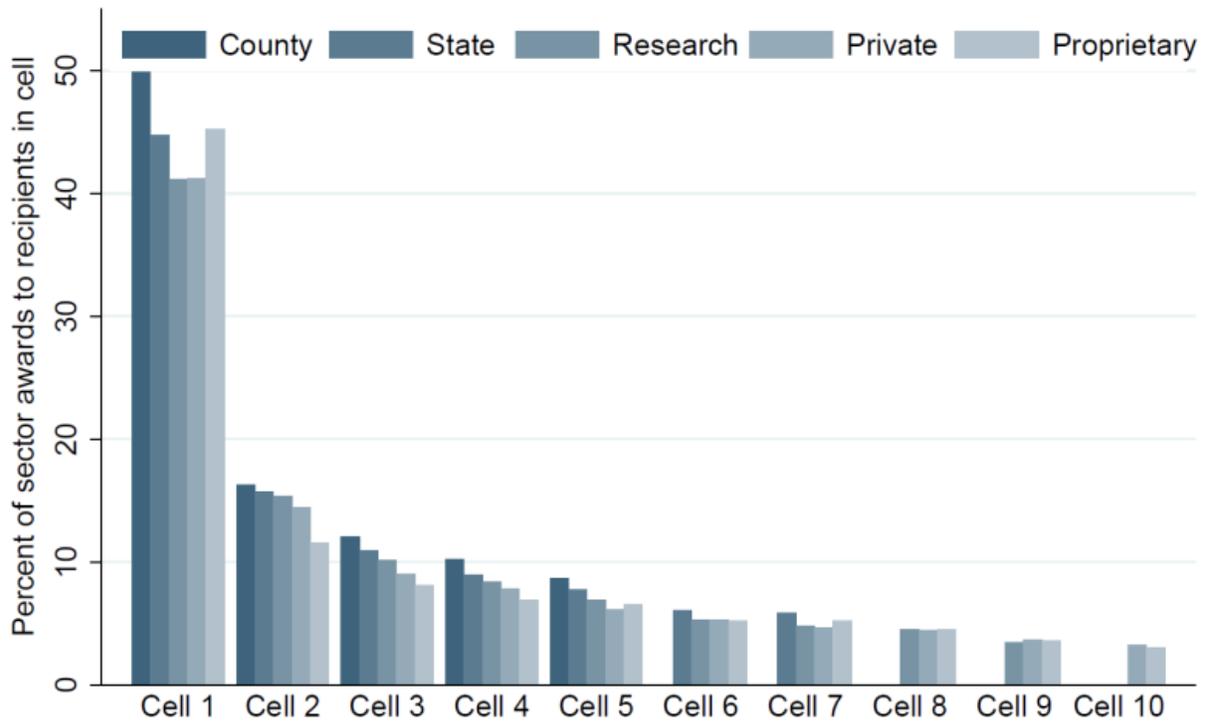


SOURCE: Authors' calculations from HESAA data.
 NOTE: All dollar amounts are measured in current dollars.

Figure 2.2 shows how the general objective to fund students with greater financial need is implemented in practice. There are significant differences in TAG amounts across cells and sectors. For example, the amount available at county colleges (which have the lowest tuition) in cell 1 is 19 percent of the amount available at private institutions. Awards drop by 12 to 15 percent moving from cell 1 to cell 2 and continue to drop as cells increase (and as students have relatively higher income and assets). Changes implemented for the 2021–2022 academic year will increase awards at state and research institutions relative to others.

Figure 2.3 shows that, for all sectors, TAG recipients are concentrated at the lowest NJEI values representing the lowest family income and assets. Each bar captures the share of each sector's overall number of TAG awards that fall within that TAG cell. At the county colleges, where only five cells receive awards, fully half of TAG awards go to students in cell 1. In all other sectors, over 40 percent of TAG awards go to students in cell 1. All sectors drop to 16 percent or less in cell 2 and 12 percent or less in cell 3. This implies that policy changes that make incremental adjustments to TAG amounts for higher cells will affect fewer individuals and smaller dollar amounts, while adjustments to cell 1 will have larger impacts in terms of recipients and spending.

Figure 2.3. Percentage of Grant Payments in Each Cell, by Sector for 2018–2019



SOURCE: Authors' calculations from HESAA data.

NOTE: This figure reports the proportion of the count of TAG awards going to students in each TAG cell, conditional on sector.

The commission discussed several ways of adjusting the TAG Table, including erasing the differences across sectors, introducing more-granular cell divisions within the same NJEI range, and awarding TAG at higher NJEI values outside the range that currently receives awards. The commission also discussed more moderate versions of each of these options. Most of the discussions relied not only on the TAG Table itself, but also on how TAG amounts related to tuition charges, the potential to affect student outcomes such as graduation, and the impact on state appropriations to support the TAG program. We discuss each of these issues in this chapter, before returning in Chapter 3 to assess policy options for adjusting the TAG Table.

Issue B. Percentage of Tuition Costs Covered by TAG

The commission was asked to study and consider the percentage of tuition costs covered by TAG at the student level. At the legislated maximum, the grant can cover up to 100 percent of tuition at a public institution or up to 50 percent of the average tuition at the independent institutions.¹⁵ Over time, the state budget process has limited the growth of awards and gradually

¹⁵ N.J. Stat. §§ 18A:71B-18–71B-22.

reduced them below the statutory maximums. The commission could consider setting a higher target for tuition coverage or could even consider proposing that the statute be revised.

The commission was also concerned that tuition is no longer a sufficient measure of college costs, for two reasons. Students also pay significant amounts in required fees, living costs, and other expenses to attend college. At the same time, students receive other aid that reduces the net price.

Our student-level database, augmented with information from the College Scorecard, allows us to address several questions relevant to this cost issue. First, we provide evidence on the percentage of tuition and fees covered by TAG for the average student in cell 1 receiving the maximum award, and we report how that percentage differs across sectors and years. Although the commission's mandate and the original statute focus on tuition only, tuition and fees currently represent the most relevant measure of required direct costs that can be measured consistently across all types of colleges. Second, we calculate coverage of the full cost of attendance, an official estimate including tuition, fees, books, supplies, room, board, transportation, and other costs. Third, we include other sources of aid to the best of our ability by estimating Pell Grant eligibility in 2017–2018 and 2018–2019. Because nearly all TAG recipients also get federal Pell Grants, it is worth considering how TAG and Pell combine to cover college costs. We cannot observe eligibility or receipt of other grants, scholarships, loans, work study, or other financial resources that students use to cover their costs.

Tuition coverage varies significantly by sector. Figure 2.4 displays the percentage of tuition and fees covered by TAG awards for each sector over time, focusing on recipients of the maximum TAG award. In 2018–2019, the maximum award covered 64 percent of tuition and fees for the average student at public research universities, compared with 54 percent at state colleges and universities, 52 percent at county colleges, and 36 percent at private institutions. TAG's coverage of tuition and fees declined over our study period in all sectors except for proprietary institutions. It fell by 8, 7, 4, and 4 percentage points at county colleges, public research universities, state colleges and universities, and private institutions, respectively.¹⁶

Figure 2.5 shows the percentage of total costs covered by TAG and, in 2017–2018 and 2018–2019, the percentage of total costs covered by TAG and Pell Grant awards combined for students in TAG cell 1 (who overwhelmingly received the maximum Pell Grant and the maximum TAG grant).

Because cost of attendance includes elements beyond tuition and fees, coverage rates are universally lower in Figure 2.5 than in Figure 2.4. However, the addition of living costs has different effects depending on the sector.

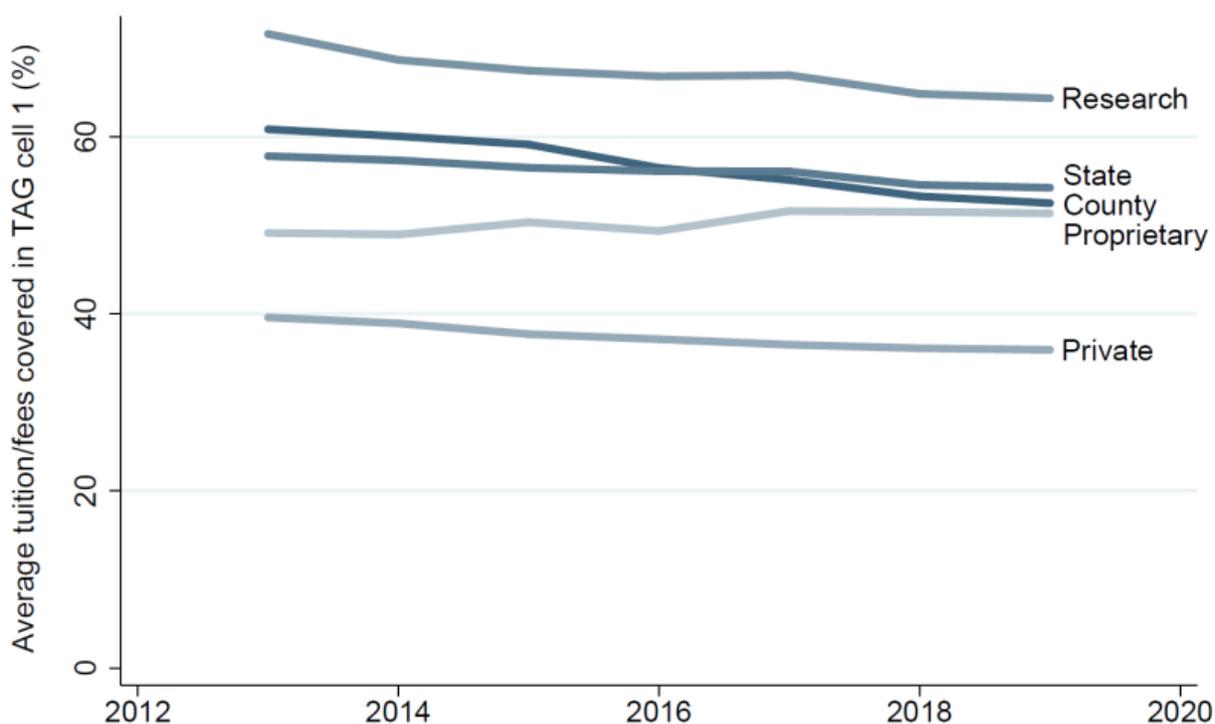
Living costs markedly increase the overall price at county colleges and lower the coverage provided by TAG from 52 percent to 19 percent in 2018–2019. Adding Pell awards increases the coverage to 66 percent of costs. The Community College Opportunity Grant existed as a pilot in

¹⁶ Changes in the composition of the research university group did not have noticeable effects on tuition coverage.

only one semester of the time period in our database (spring 2019), but currently that program covers all of tuition and fees for county college students who apply for federal and state aid and have a family income below \$65,000.¹⁷ Thus, nearly all Pell Grant recipients qualify.¹⁸ If a student’s Pell award pushes their grant aid above tuition and fees, then the student can apply the additional funding toward living costs. For those students, who represent about one-quarter of TAG recipients at county colleges, last-dollar tuition and fee coverage such as the Community College Opportunity Grant would provide no funding.

At proprietary institutions, some of which have a large online enrollment, estimated living costs are much lower relative to tuition. Considering the full cost of attendance lowers coverage provided by TAG from 51 percent to 40 percent in 2018–2019.

Figure 2.4. Average Percentage Coverage of Tuition and Fees in TAG Cell 1, by Sector and Year



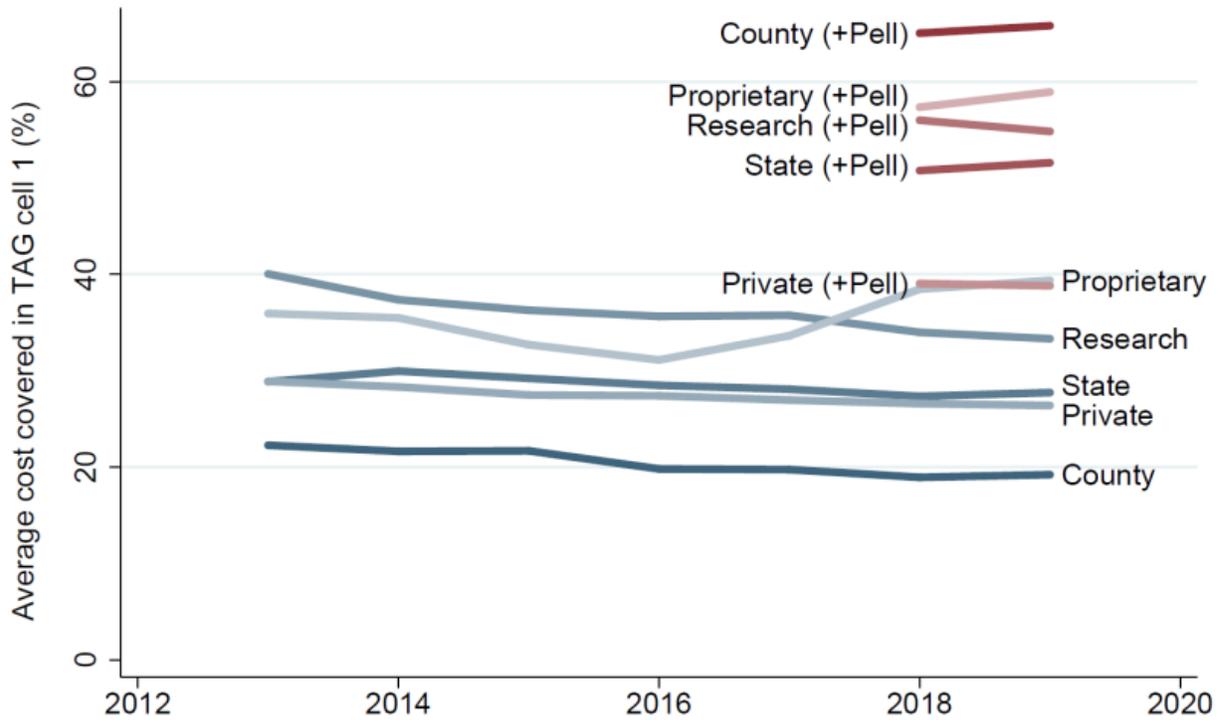
SOURCE: Authors’ calculations from HESAA data and the College Scorecard.

NOTES: 2014 refers to academic year 2013–2014. All dollar amounts were measured in current dollars. Thomas Edison State University is excluded because cost data were unavailable from the College Scorecard.

¹⁷ New Jersey Office of the Secretary of Higher Education, 2021.

¹⁸ U.S. Department of Education, Federal Student Aid, “Federal Pell Grant Program Annual Data Reports,” webpage, undated-b.

Figure 2.5. Average Percentage Coverage of Total Costs in TAG Cell 1, by Sector and Year



SOURCE: Authors' calculations from HESAA data and the College Scorecard.
 NOTES: 2014 refers to academic year 2013–2014. All dollar amounts were measured in current dollars. Thomas Edison State University is excluded because cost data were unavailable from the College Scorecard.

Clearly, adjustments in TAG eligibility have not directly mirrored tuition changes across institutions and sectors, allowing for some divergence in the percentage of costs covered. Differences among state colleges and research universities were partially addressed by policy changes implemented for the 2021–2022 academic year. In Chapter 3, we evaluate additional policy changes that the commission discussed, including specific targets for tuition coverage and the option to base TAG eligibility on each student's net price.

Issue C. Adjustments in Eligibility Formulas and Award Amounts

The commission was tasked with reviewing how annual adjustments in eligibility and awards are determined, including the consideration of the different formulas or methods used in different fiscal years. We report how TAG awards have increased over the most recent five-year period in our data. We also discuss the complexity of the eligibility formula and some recent changes to inputs to that formula. We found that TAG has grown in generosity and simplicity in recent years. Changes tend to be persistent, with new adjustments building on prior ones.

Increases in TAG award amounts have been modest. Leading up to the 2018–2019 school year, the increases in each of the five preceding years were 0.5, 1.5, 2.0, 2.0, and 2.0 percent, respectively, resulting in an overall increase of 8.25 percent. These increases were applied across the board at all income levels, leaving the shape shown in Figure 2.1 intact. In the case of Rowan University (in 2017–2018) and Montclair State University (in 2013–2014), there were additional increases as the institutions were shifted from the state colleges sector to the research universities sector.

The maximum Pell Grant followed a similar trajectory as the maximum TAG grant during this period, being adjusted by a series of small percentages and ultimately growing by 8.03 percent in current dollars. Increases to the Pell Grant are propagated differently than those for TAG. When the Pell Grant maximum increases, awards at lower levels of student need increase by roughly the same dollar amount rather than the same percentage, and the grant mechanically expands the range of eligible incomes as well.

Looking ahead, the commission discussed whether to continue implementing increases as across-the-board percentage growth, which would keep the relationships from Figure 2.2 exactly intact, or to consider increases that focused on a particular income level or institutional sector. We revisit these issues in the discussion in Chapter 3.

The structure of award increases differentially affects students based on their NJEI-determined eligibility. The NJEI formula follows a similar structure to the federal EFC that has historically determined federal aid eligibility, although there are several differences in the details.¹⁹ Both formulas assess the income of the student and their other household members, including a spouse if the student is married or the student’s parents if the student is considered dependent (dependent students are under 24, have not married or had children of their own, and have not served in the military, among other factors). The formula subtracts taxes paid and some other exclusions meant to account for living expenses, leaving a portion of income that is expected to be available to meet college costs. The formula adds to that a fraction of the household assets that are expected to be available to meet college costs. The fraction of assets is based on the type of asset, the number of members in the household, and their ages. The income portion and asset portion are combined and then divided by the number of household members in college to arrive at the final number. The NJEI applies different parameters at each step of this process, and we discuss the implications in more detail in the next issue’s section.

The NJEI formula and its relation to award amounts is determined by HESAA and approved by the HESAA board each year. Up until the 2020–2021 school year, New Jersey required TAG applicants to answer additional questions beyond the FAFSA.²⁰ Over the years, elements such as untaxed Social Security benefits and unemployment insurance benefits were removed from the

¹⁹ The specific parameters used in the NJEI calculation are not made public. The EFC formula is described in U.S. Department of Education, Federal Student Aid, “The EFC Formula, 2020–2021,” webpage, undated-a.

²⁰ HESAA, “Minutes,” webpage, February 28, 2020.

state questions, although New Jersey continues to infer and include some income sources that are not considered on the FAFSA.

Though hidden within a complicated algorithm, there are parameters of the NJEI calculation with major consequences for how student finances translate into eligibility for aid. One is the amount of income that is “protected” and not counted against student eligibility for TAG. That amount was adjusted for independent students for the 2018–2019 school year as part of a resolution approved at a HESAA board meeting to adopt that year’s TAG Table.²¹ The TAG Study Commission discussed further increasing the independent student income protection allowance within the NJEI formula. There was also support for removing from the NJEI’s income measure the value of the Earned Income Tax Credit (EITC) that students or their families receive. Both proposals would reduce calculated available income, potentially reducing NJEI and increasing TAG award amounts for some students.

Issue D. How TAG Differs from Federal Need-Based Aid

The commission was tasked with identifying the characteristics of students treated differently by TAG and Pell. This is important because nearly all TAG recipients (over 95 percent) also receive a federal Pell Grant. TAG has the potential to complement the Pell Grant by operating differently, or it could follow the same model and supplement more aid for the same types of students.

There are three main areas to consider: program application and implementation, the eligible students and institutions, and the eligibility formula by which grants are calculated for each student. If the program implementation of TAG is aligned with that of the Pell Grant, it might reduce the complexity and information burden on student aid recipients in New Jersey who are already likely to be applying for federal aid. TAG is offered to some groups who currently do not receive Pell awards, and vice versa, but, in general, students can receive Pell awards for more semesters in a given academic year and over their college career. New Jersey might consider aligning with Pell to make sure that students do not experience large shifts in aid from semester to semester or year to year. And finally, because New Jersey uses a different eligibility formula, there is capacity for the state to either supplement or complement Pell Grant amounts for various income levels and groups of students.

Table 2.1 summarizes some similarities and differences in application process, institutional and student eligibility, and the payment structure between the Pell Grant (determined by EFC) and TAG (determined by NJEI).²²

²¹ HESAA, “Minutes,” webpage, July 25, 2018.

²² Other state programs face these same design issues and have made different choices. This online tool describes the landscape: Urban Institute, “Building a State Financial Aid Program: What Are the Trade-Offs of Different Design Choices?” webpage, October 14, 2020.

Both grants primarily use the FAFSA to determine student eligibility. The FAFSA can be filed any time beginning on October 1 prior to the academic year beginning the following fall. The tax information references the “prior-prior year” that ended ten months before October 1. To qualify for federal aid, the FAFSA can be filed any time during the school year, but to qualify for TAG it must be filed before deadlines in the spring and fall.²³ Deadlines are later for initially enrolling students than for continuing college students. Once the FAFSA is filed, information is communicated to the student’s college, where grant aid is packaged together with other financial support. Before hearing about their final aid package or even applying for either program, students and their families can estimate their award using calculators available online.

Table 2.1. Federal Versus New Jersey Methodology for Need-Based Grant Aid

	EFC/Pell	NJEI/TAG
Application and implementation		
Application	FAFSA New simplified procedure based on poverty level	FAFSA (additional questions removed as of 2020–2021) or New Jersey Alternative Financial Aid Application for certain students with undocumented immigration status
Deadline and renewal	File before June 30 and potentially receive retroactive funding (e.g., June 30, 2021, for end of academic year 2020–2021)	New students: September 15 (fall); February 15 (spring only) Continuing students receiving TAG in current year: April 15 (spring prior to fall of the next school year) No retroactive funding
Verification	Selected based on algorithm	Selected based on algorithm; includes but not limited to verification of non–tax filers and students with \$0 adjusted gross income, not subject to federal verification
Eligible students, programs, and time		
Eligible institutions and programs	All U.S. Title IV–eligible colleges, including for-profit institutions; some short-term career programs	New Jersey public and nonprofit private colleges and universities, select for-profit programs licensed by the state to offer academic degrees
Students eligible to apply	All U.S. citizens, soon to include incarcerated individuals, and certain eligible noncitizens, but not undocumented students	New Jersey residents, including U.S. citizens and certain eligible non-citizens, including incarcerated individuals; also (since 2018) includes certain New Jersey residents with undocumented immigration status

²³ HESAA, “New Jersey Financial Aid Deadlines for Academic Year 2021–2022,” webpage, undated-a.

	EFC/Pell	NJEI/TAG
Number of semester awards per year	3 (includes summer term)	2 Commission considered the option to increase to 3
Lifetime limit	Equivalent of 12 full semesters	Associate degree: 5 semesters Bachelor's degree: 9 semesters Add 1 semester for developmental education, county college transfer Up to 12 semesters for eligible Educational Opportunity Fund (EOF) participants Commission considered the option to increase by 1 semester
Amount determinants		
Formula	EFC	NJEI
Grant amount varies by institution?	No	Yes Commission considered the option to equalize grants
Part-time adjustment	Prorated to 75%, 50%, or 25% time	Only for students at county colleges and certain approved participants in the New Jersey EOF program: prorated 50% awards for 6–8 credits and 75% awards for 9–11 credits per term Commission considered the option to offer part-time adjustment at four-year colleges and universities

NOTE: Shading indicates policy options not currently in place but considered by the commission.

The information that students and their families supply is subject to verification. FAFSA verification is implemented by financial aid officers who contact students for additional information, and it occurs primarily for students with very low or no income.²⁴ Research has shown that many students were tripped up by the FAFSA verification process, and information about the process was not enough to get all students to complete the process.²⁵ Therefore, removal of the income verification requirement might be necessary to extend access to students who are truly eligible, at the expense of some loss of the ability to adjust grants when errors are uncovered by verification. New Jersey uses a verification process for students not chosen by the federal algorithm. The state updated its process in May 2021 to make it easier for students and

²⁴ Alberto Guzman-Alvarez and Lindsay C. Page, “Disproportionate Burden: Estimating the Cost of FAFSA Verification for Public Colleges and Universities,” *Educational Evaluation and Policy Analysis*, published online April 12, 2021.

²⁵ Lindsay C. Page, Benjamin L. Castleman, and Katharine Meyer, “Customized Nudging to Improve FAFSA Completion and Income Verification,” *Educational Evaluation and Policy Analysis*, Vol. 42, No. 1, 2020; Philip Oreopoulos and Uros Petronijevic, “The Remarkable Unresponsiveness of College Students to Nudging and What We Can Learn from It,” National Bureau of Economic Research, Working Paper 26059, July 2019.

families to provide proof of zero income or receipt of social benefits that would qualify them for a maximum award.²⁶

Pell Grants can be used at a broader array of institutions and programs, but TAG awards have historically been available to some groups of individuals who were not eligible for Pell Grants. Besides being a grant program with a national scope, Pell Grants can be used at more types of institutions and degree programs within New Jersey where TAG cannot be used, including some shorter-term programs, all Title IV–eligible for-profit colleges, and theology or divinity programs. The commission members discussed expanding TAG to some career programs not currently covered, but they did not support that policy option. TAG extended aid to incarcerated individuals in 2020, and Pell will follow suit in 2023 after having removed Pell support from prisons in the 1990s.²⁷ Both grant programs are open to U.S. citizens and eligible noncitizens holding legal permanent residence status or certain types of visas. TAG additionally covers certain New Jersey state residents with undocumented immigration status.

The Pell Grant offers some flexibility that TAG currently does not. Students can access the Pell Grant for the summer term, can receive a prorated award for part-time enrollment at a bachelor’s degree–granting institution, and can access the equivalent of 12 full semesters of aid. The TAG Study Commission discussed updating TAG on each of these fronts. Currently, TAG is available for a maximum of two semesters per year, is available only to full-time students (with the exception of students at county colleges and a limited number of eligible participants in the state’s EOF program), and has lower lifetime limits on total semesters of aid awards. Each of these expansions would be likely to increase spending by funding students who would be eligible and currently enroll without receiving TAG and by potentially incentivizing students to enroll who otherwise would not be able to without receiving TAG. In Chapter 3, we estimate potential impacts on spending and recipients of these expansions.

All of these issues regarding implementation and general eligibility are readily visible, but, regarding income eligibility, our report is the first to describe in detail how the NJEI formula and EFC formula could come to different conclusions with the same information. The most important divergence is that, among independent students, the NJEI calculates less financial need when the EFC calculates higher need. This results in relatively less TAG aid for these older adult learners than if the two programs were completely aligned.

With our database, we can compare eligibility and awards for both Pell and TAG using pooled, student-level data from 2017–2018 and 2018–2019. The same general elements feed into eligibility for both TAG and Pell, as discussed regarding the adjustments issue (Issue C), but the two programs differ in how they weight those elements and how they are translated into award amounts.

²⁶ HESAA, “Memorandum 10:21, Subject: Updated Verifiable Income Policy,” May 6, 2021a.

²⁷ New Jersey P.L. 2019, Chapter 282, approved January 9, 2020; Consolidated Appropriations Act, Rules Committee Print 116–68, approved December 27, 2020.

As we noted previously, the default is to consider a student dependent on their parents and to include parents' income and assets in the calculation of available financial resources for college. Independent status is triggered when students are over age 24 or meet other criteria. All else being equal, a student's EFC is likely to decline markedly upon turning 24, indicating greater financial need.²⁸ However, because of differences in the eligibility calculation, the NJEI values for independent students do not decline as markedly as their EFCs do. Instead, the NJEI values of independent students are higher, reflecting generally lower need and lower grant amounts.

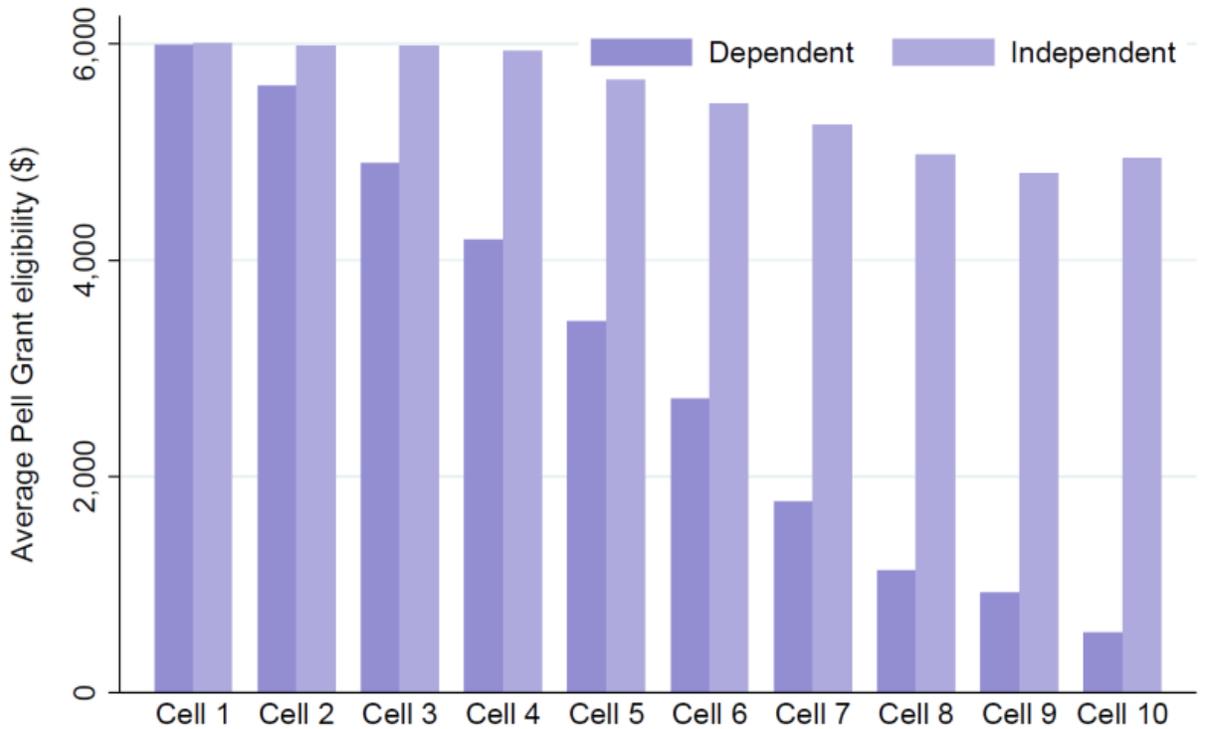
Figure 2.6 plots the average Pell Grant eligibility associated with students who received TAG awards in the 2017–2018 and 2018–2019 academic years. For independent students, nearly all students in TAG cells 1, 2, and 3 had an EFC of zero and qualified for the maximum Pell Grant. The majority of independent students in every TAG cell had an EFC of zero, and the average Pell award was always over \$5,000. For dependent students, 89 percent of cell 1 had an EFC of zero, but that percentage dropped to 34 percent in cell 2, 21 percent in cell 3, and 3 percent in cell 10. The average Pell Grant among independent students in TAG cell 10 was \$4,876. For dependent students, the average Pell Grant declined in higher cells, falling to \$575 in cell 10.

Figure 2.6 is notable for what it does not show: the rest of the distribution of EFCs and lower Pell Grants among independent students. They are not present because many of them have NJEIs too high to receive TAG and therefore are not in our database. Our data do not include information on TAG nonrecipients, but we can infer that many independent Pell recipients do not receive TAG. Nationally, about 48 percent of Pell recipients are independent, but only 22 percent of TAG and Pell recipients were independent.²⁹

²⁸ Jeffrey T. Denning, "Born Under a Lucky Star: Financial Aid, College Completion, Labor Supply, and Credit Constraints," *Journal of Human Resources*, Vol. 54, No. 3, 2019, pp. 760–784; Ling Shao, "Estimating the Relationship Between Calculated Financial Need and Actual Aid Received Using Quarter of Birth Instruments," *Economics of Education Review*, Vol. 42, 2014, pp. 165–174.

²⁹ U.S. Department of Education, Federal Student Aid, undated-b.

Figure 2.6. Average Pell Grant Eligibility in 2017–2018 and 2018–2019, by Dependency Status and TAG Cell



SOURCE: Authors' calculations from HESAA data.

New Jersey could extend eligibility to independent students by altering the NJEI formula. Potential sources of the difference in needs calculation include the income protection allowance, the percentage of income counted, the percentage of assets counted, the way spousal income is counted, or other features of the formula.

Issue E. Graduation Rates of TAG Recipients

The TAG Study Commission was tasked with considering graduation rates for TAG recipients. The program in its current form has the potential to raise graduation rates for lower-income students by reducing their need to work during school, improving their institution match by broadening the affordable choice set, supporting basic needs, or other mechanisms. Extending eligibility could increase the reach or enhance the impact of these mechanisms, depending on how TAG in its current form affects graduation rates. A rigorous analysis would hold constant each student's financial eligibility while varying TAG awards to estimate TAG's impact on graduation, but a first step in understanding how TAG supports graduation is to examine aggregate data on graduation rates of recipients.

Our database offers the best framework to connect TAG receipt to graduation. Using the NSC data, we can match TAG recipients to their college completion outcomes. The data cover their institution of initial enrollment and any subsequent institutions, including transfers out of state. This allows us to capture a broader range of outcomes, particularly for county college students, for whom transfer to a four-year institution can be an equally valid measure of success as completing a degree. The use of individual-level data allows us to take a more-granular approach, considering the amount of TAG received rather than just the status of being a TAG recipient. Previously, HESAA could track only institution-level graduation rates that measured, within an institution, outcomes for students who received TAG at some point versus outcomes for all students at that institution on average.³⁰

For this analysis, we excluded some institutions that had inconsistent match rates with the graduation data: the proprietary institutions and the (generally smaller) private institutions outside the 14 member institutions of Association of Independent Colleges and Universities in New Jersey (AICUNJ). Together those excluded institutions represented about 5 percent of all TAG awards. We also excluded the New Brunswick (main) campus of Rutgers University because these graduation records were blocked in the NSC data product used to create our database. That campus is the single largest site of enrollment of TAG recipients, representing about 10 percent of all TAG awards. According to aggregate data from the College Scorecard, the graduation rates at Rutgers New Brunswick are higher than the average at other public research universities in the sample, meaning that we will underestimate graduation rates in that sector, assuming that the same trends in graduation rates hold among TAG recipients in that sector. Even with these limitations, the individual-level data provide useful new insights.

Many TAG recipients successfully complete their college programs, although some take longer than is standard. Figure 2.7 displays the on-time and 150-percent-time graduation rates for TAG recipients in four sectors, averaged within each TAG cell. The longer 150-percent time frame universally increases graduation rates, in many cases by large amounts. Public research university graduation rates in cell 1 more than double from 30 percent in four years to 63 percent in six years. County college completion rates in cell 1, defined for these students as degree completion or transfer to a four-year institution, triple from 6 percent in two years to 18 percent in three years. Two-year college students tend to have lower completion rates, and some of this might be attributable to the higher proportion of county college students who attend school part time or part of the year relative to students at four-year institutions. For comparison, the average six-year graduation rate among 2010 Pell Grant recipients, nationwide across all types of four-year institutions, was 51 percent.³¹

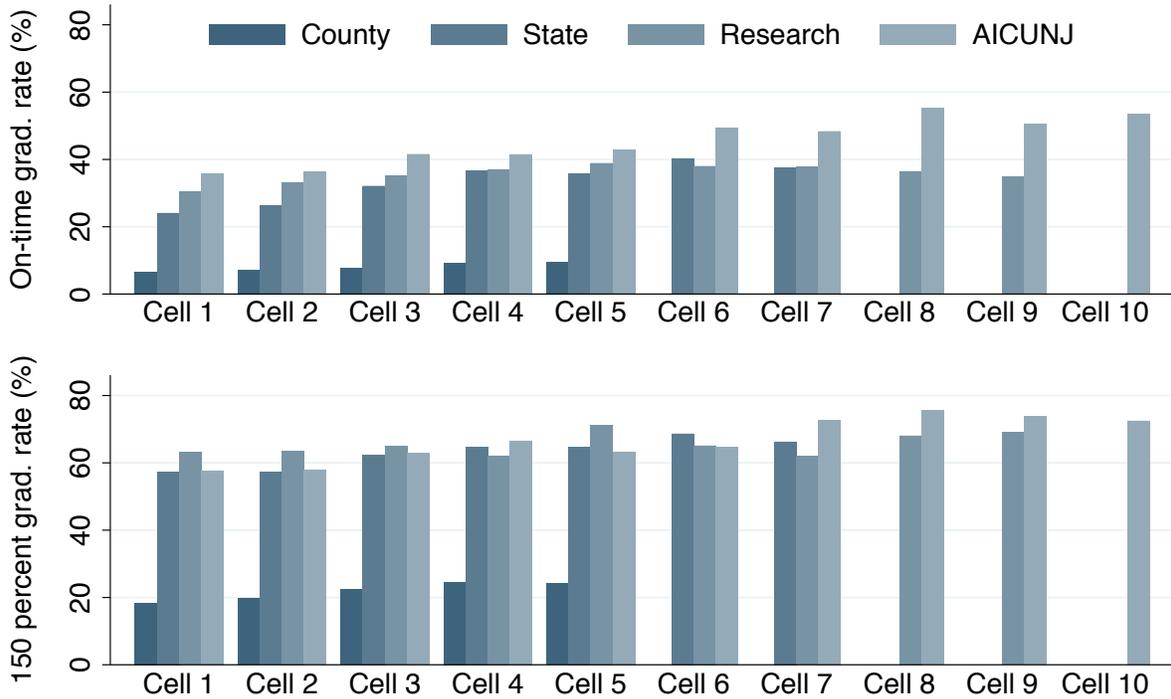
³⁰ HESAA, “TAG Graduation Rates,” webpage, undated-b.

³¹ Robert Kelchen, “A Look at Pell Grant Recipients’ Graduation Rates,” blog post, Brookings Brown Center Chalkboard, October 25, 2017.

Within the group of low-income students who receive TAG, graduation rates generally increase slightly for students with more income and assets (those in higher TAG cells). At county colleges, the 150-percent-time graduation rate increases from 18 percent in cell 1 to 24 percent in cell 5. For students at state colleges, on-time graduation ranges from a low of 24 percent in cell 1 to a high of 40 percent in cell 6, and graduation within six years ranges from a low of 57 percent in cells 1 and 2 to a high of 69 percent in cell 6. For students at public research universities, the trend in graduation rates was not a uniform increase, with the minimum in cell 4 and the maximum in cell 5 (out of nine cells eligible). Finally, graduation rates at the AICUNJ member institutions were the most varied. Four-year graduation rates span almost 20 percentage points in different cells, ranging from 36 percent in cells 1 and 2 to 55 percent in cell 8. Within six years, rates range from 58 percent in cells 1 and 2 to 75 percent in cell 8.

Later in this chapter in Issue G, the sufficiency of TAG, we discuss our in-depth study connecting the differences in aid across cells to differences in college completion. That study and these graduation figures motivated the commission to consider focusing increases in support on TAG cell 1, potentially in place of the across-the-board increases of recent years. In Chapter 3, we also discuss the option to extend lifetime eligibility to additional semesters, given that many students take longer to complete degrees.

Figure 2.7. Graduation Rates of TAG Recipients



SOURCE: Authors' calculations from HESAA and NSC data.

NOTES: Cohorts are defined by initial student status on the FAFSA. Outside county colleges, on-time graduation is defined as earning a degree within four years of initial enrollment. At county colleges, on-time graduation is defined as earning a degree or certificate in two years and/or transferring to a four-year institution. 150-percent-time graduation extends these periods to six and three years, respectively.

Issue F. History of State Appropriations to TAG

The TAG Study Commission was asked to consider the history of spending on TAG awards. That information is readily available, and our data exactly match the public totals in annual reports. In combination with the other analysis in this report, however, we were able to investigate potential reasons for changes in spending.

The program is funded as an entitlement, so the spending is a result of the eligibility function and the number of eligible students who apply and enroll. Our analysis went beyond tracking overall spending to show that enrollment, not changes in program eligibility, was the primary driver of changes in state appropriations in recent years. Enrollment trends differed by sector, while increases to award amounts, as discussed in Issue C, increased by 1 to 2 percent for all sectors and recipients each year.

First, considering overall spending, the state distributed \$441 million in TAG awards during the 2018–2019 school year.³² That amount represented a 47-percent increase over the \$299 million the state distributed during the 2012–2013 school year at the beginning of our database (all amounts in this report are in current dollars, not adjusted for inflation).³³ The marked increase in TAG spending goes against trends for other state and federal programs. Totaling across financial aid programs funded by all state governments, spending on need-based grants increased by 28 percent, from \$7.1 billion in 2012–2013 to \$9.1 billion in 2018–2019, far less than the 47-percent increase for TAG.³⁴ Meanwhile, Pell Grant spending fell from \$32.3 billion to \$29.0 billion, a 10-percent decline.³⁵ The number of Pell recipients fell by 23 percent during this period, with the largest percentage decreases coming from for-profit colleges and universities, which fell by about half.

Figure 2.8 shows trends in spending by sector. In this graph, the composition of the public research universities group is fixed in its current configuration, so that Rowan University and Montclair State University are counted in the research group, in order to isolate changes from enrollment and spending rather than reconfiguration.

Both spending levels and spending changes were not uniform across all TAG sectors. In 2018–2019, public research universities were the sector with the largest expenditure, with \$194 million distributed to their students in that year. Private institutions were the next largest, with about 63 percent as much TAG spending as public research universities. State colleges and universities had about 40 percent as much TAG spending as public research universities, and county colleges had about 19 percent as much.

The largest increases in spending over the seven-year period occurred for public research universities, where spending increased by 51 percent. The state colleges increased spending by 38 percent. Private college spending increased by 31 percent. Proprietary college spending increased by just 7 percent.

The county colleges sector was the only sector that declined in spending, by a full 20 percent. Prior research has shown that community college enrollment typically increases when jobs are

³² HESAA, *Strengthening New Jersey One Student at a Time: HESAA's 2019 Annual Report, Expanding Access to Opportunity Through Higher Education*, Trenton, N.J.: State of New Jersey, 2019.

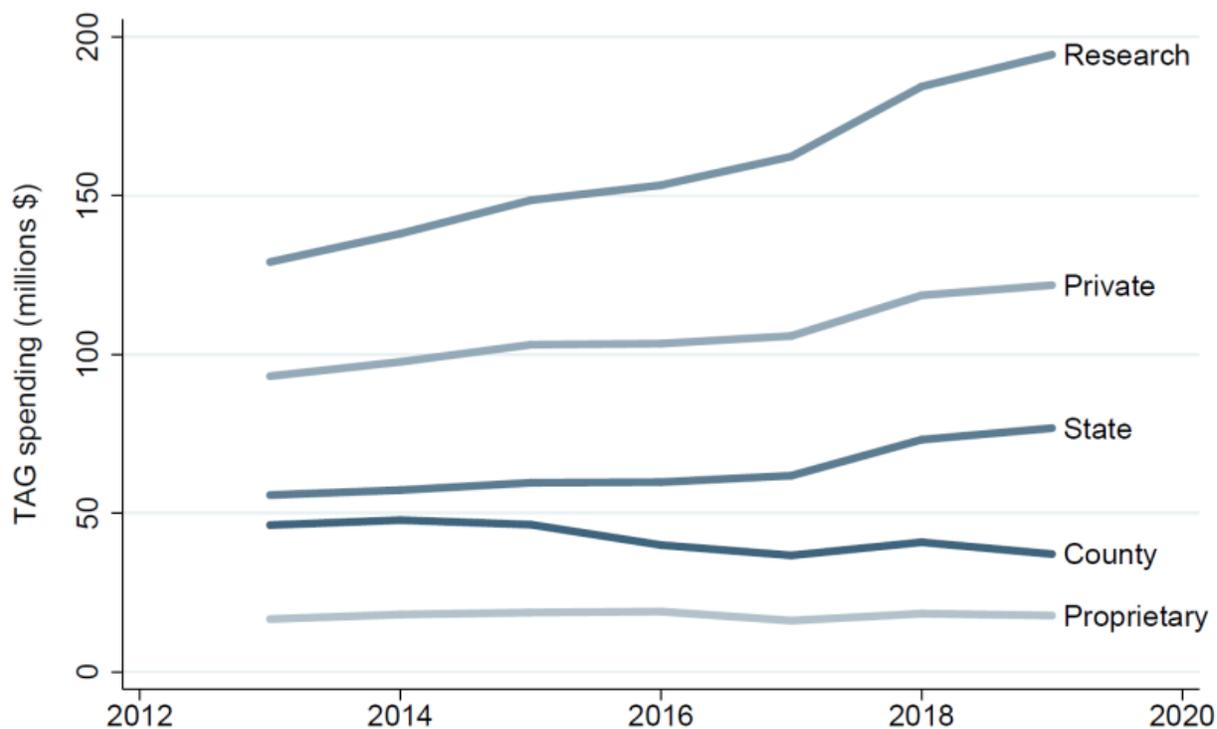
³³ HESAA, *TAG Turns 35: 2013 Annual Report*, Trenton, N.J.: State of New Jersey, 2013.

³⁴ National Association of State Student Grant and Aid Programs, *50th Annual Survey Report on State-Sponsored Student Financial Aid: 2018–2019 Academic Year*, Washington, D.C., 2019.

³⁵ U.S. Department of Education, Federal Student Aid, *FY 2019 Annual Report*, Washington, D.C., November 15, 2019; U.S. Department of Education, Federal Student Aid, undated-b.

scarce in economic downturns, and it then decreases as the economy emerges from a recession, as was occurring in the late 2010s.³⁶

Figure 2.8. Total TAG Spending, by Sector



SOURCE: Authors' calculations from HESAA data.

NOTE: 2014 refers to academic year 2013–2014.

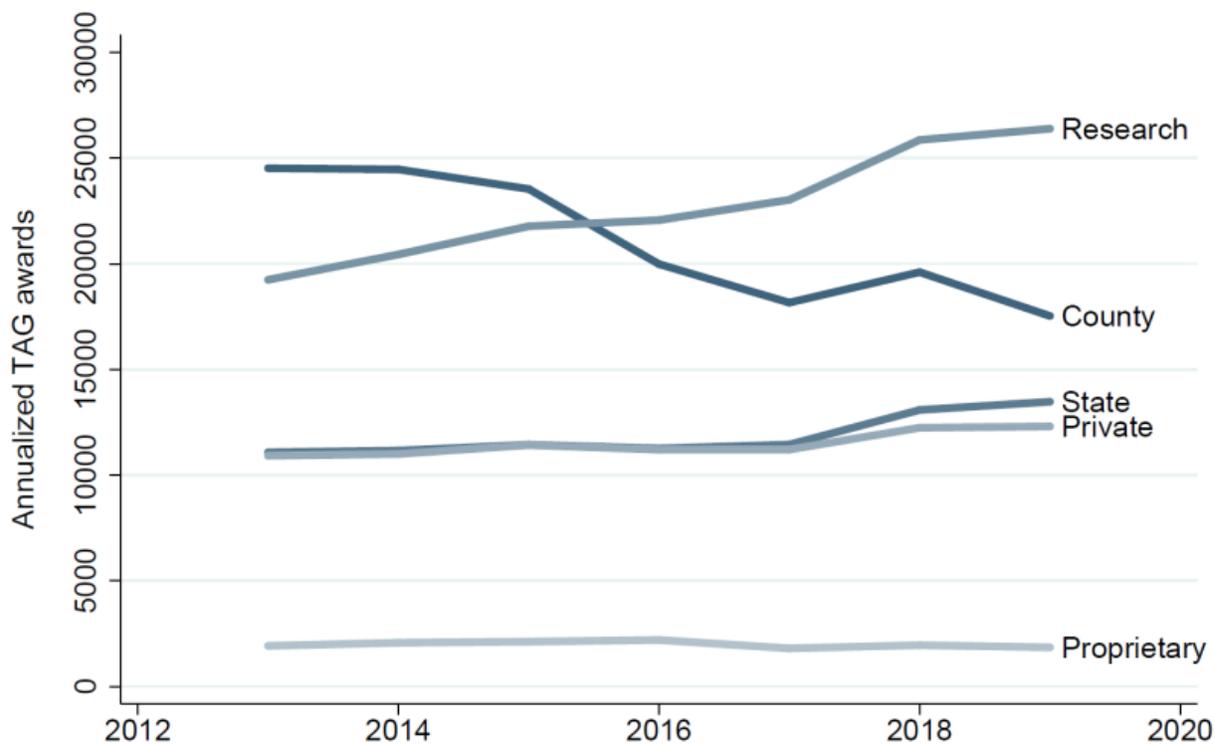
Figure 2.9 shows the trends in the number of annualized TAG awards, corresponding to a measure of full-year-equivalent recipients of TAG. The figure counts annualized awards by dividing in half the total number of semesters awarded within an academic year. Counting the number of unique individuals who received TAG would result in a higher number, because some students enroll for only one semester in a given year.

The number of recipients of TAG at county colleges fell by 29 percent during this period. Meanwhile, there was a 31-percent increase in the number of students receiving TAG while enrolled at the public universities (state colleges and public research universities combined). The private colleges gained 13 percent, while the proprietary programs lost 4 percent.

³⁶ Lisa Barrow and Jonathan Davis, “The Upside of Down: Postsecondary Enrollment in the Great Recession,” *Federal Reserve Bank of Chicago: Economic Perspectives*, Vol. 36, No. 4, 2012, pp. 117–146; Andrew Foote and Michel Grosz, “The Effect of Local Labor Market Downturns on Postsecondary Enrollment and Program Choice,” *Education Finance & Policy*, Vol. 15, No. 4, 2020, pp. 593–622.

Increases in generosity across all institutions for academic year 2021–2022 are projected to increase overall expenditures by \$35 million, but actual spending is subject to student enrollment meeting predicted targets. In Chapter 4, we discuss how the pandemic has impacted student enrollment, an ongoing concern for the state.

Figure 2.9. Total TAG Awards, by Sector



SOURCE: Authors' calculations from HESAA data.
NOTE: 2014 refers to academic year 2013–2014.

Each of the policy options discussed by the commission would affect state appropriations and the number of individuals served by TAG. In Chapter 3, we discuss estimates of those budget impacts for several policy options.

Issue G. Sufficiency of TAG

The commission's final issue was to consider the sufficiency of the TAG grant size in light of the program's intentions. Our earlier report evaluated the effects of TAG dollars on persistence and completion among TAG recipients.³⁷ We summarize those findings here.

³⁷ Anderson and Zaber, 2021a.

Our individual-level database allowed us to draw comparisons between students on either side of the sharp drops in TAG awards at specific NJEI values, in order to estimate the effects of an additional \$1,000 in TAG aid among students with similar incomes. We found suggestive evidence of small increases in persistence driven by TAG. Looking at graduation rates for TAG recipients at four-year public colleges and universities, an extra \$1,000 in aid significantly increased the rate of bachelor's degree completion 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.³⁸

For the lowest-income students, we found consistently positive effects on completion, with particularly large effects on completion and transfer among county college students. However, while we found that an additional \$1,000 in TAG aid had significantly greater positive effects on completion among the lowest-income students at AICUNJ institutions, we also found a puzzling negative effect for on-time completion of bachelor's degrees at those institutions among higher-income groups. These results suggest that the current structure and funding level of TAG is sufficient to overcome the barriers of college affordability for some New Jersey students, but not all.

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.

³⁸ See, for example, Eric Bettinger, Oded Gurantz, Laura Kawano, Bruce Sacerdote, and Michael Stevens, "The Long-Run Impacts of Financial Aid: Evidence from California's Cal Grant," *American Economic Journal: Economic Policy*, Vol. 11, No. 1, 2019, pp. 64–94.

Chapter 3. Policy Options for TAG

Our Approach to Assessing Policy Changes to Improve TAG

Each of the issues discussed so far is interconnected with each of the others. Grant amounts come from eligibility formulas and produce the effects of TAG on spending and student outcomes in a way that relates to federal aid and to overall coverage of costs. Most changes to TAG will affect several of these areas and should be considered in light of the facts established in the prior chapter.

This chapter discusses sets of policy changes in two categories. First, we discuss the primary changes that received positive support among most members of the TAG Study Commission, beyond the changes already approved for the 2021–2022 academic year. Second, we discuss a few more options that were discussed but received less support.

For each policy option, we describe the changes it would make, the objective of making the change, and how the state might evaluate whether the change achieved its objective. We then describe evidence, either directly from TAG data or from other related studies of need-based aid, that might help predict the effects of the change.

We do not focus on the political process to enact these options, but we mention some recent policy changes along similar lines and the process to enact them. Many of the changes could be implemented in the annual process of setting TAG eligibility by HESAA and its board, while others that increase spending significantly would require additional appropriations approved by the legislature and governor in the state budget. The changes to the TAG Table implemented in summer 2021 involved a legislated increase in funding, which was then allocated by HESAA and its board. Because funding is appropriated before the academic year, setting TAG eligibility within the appropriated funds always requires projections of student demand.

To inform this process, we focus on the potential effects of the policy options if they were to be enacted. Some key dimensions that might be affected at the student level are applications for aid, take-up of TAG and enrollment in college, award amounts for different groups, and subsequent college persistence and graduation. Some key dimensions that might be affected at the state level are total spending on TAG, the number of TAG awards, the administrative complexity of administering the program, and the balance of spending and awards across different student groups or institutions.

Commission Objectives and Themes

It was clear from observing discussions and reading HESAA's reports that state leaders often confronted competing objectives when considering the effects of policy options, and several themes emerged repeatedly.

One theme that came up throughout the discussions was targeting resources versus offering universal benefits. Targeting resources has the potential to more efficiently use public funds where they are needed most. However, the more narrowly targeted the program, the more information is required from beneficiaries. Gathering more information increases the administrative burden of applying and the unpredictability of results that are hidden until the application process is complete.

Targeting relates closely to another theme, which is how to create equity across students and institutions. At the student level, equity might be interpreted as treating students with similar financial resources similarly. With respect to income, the most important input to the NJEI formula, two students with identical earnings could have very different eligibility for financial aid because of their ages, family structures, or other factors. Those differences are an intended result of targeting, but the commission discussed ways to adjust the formulas to improve equity. With respect to the end result of the NJEI calculation, which is intended to holistically measure financial resources, two students with nearly identical NJEI values could have very different eligibility for financial aid if they fall on either side of one of the cutoffs between TAG cells.

Moreover, even given identical NJEI values, students who choose different institutions will receive widely varying amounts. Creating equity across institutions could look like equalizing dollar amounts, it could look like equalizing the percentage of tuition covered, or it could look like equalizing the amount students pay out of pocket (though none of these policy options received much support among commission members).

A third theme emerged as the commission confronted each of these issues, which was preserving TAG and not removing benefits from current recipients. This principle could be applied to specific individuals, which would imply rolling out changes that reduce TAG awards only for future cohorts while allowing continuing students to operate under the same rules. However, in discussions we observed, the principle was usually applied to types of students and to institutions. There was strong opposition to any change that would create “winners and losers.” This narrowed the focus somewhat to how the commission would advise the state to expand TAG, building on its current foundation. However, it is a realistic approach, as all recent policy changes have represented expansions of TAG.

Options with Strong Support Among Commission Members

Remove Some Sources of Income from the NJEI Calculation

The commission members strongly supported two changes to the income calculation in the NJEI formula: an increase to the income protection allowance for independent students and the removal of EITC benefits from the income calculation. Both measures serve to decrease what is counted in the available income for students and potentially increase TAG awards, all else held equal. Eliminating the use of EITC as income in the NJEI formula would benefit low-income

working parents who are college students themselves, as well as dependent students whose parents receive EITC benefits.³⁹

Both of these changes would directly address the phenomenon described above in which independent students have lower assessed need (higher NJEI) that results in less financial support relative to the federal methodology. As shown in Figure 2.5 in Issue D, many students with low EFCs and maximum Pell Grants were given smaller TAG awards in the higher TAG cells.

Research evidence suggests that these changes would have a positive impact on college attainment for students. The changes would increase TAG eligibility for some individuals without any change in their income or inputs to the eligibility formula. Rigorous studies of aid policy tend to follow exactly this model: hold income constant and increase aid, then track changes in academic outcomes. Our research in New Jersey was described earlier, and a broader review of aid studies found an overall positive effect of increasing student resources across many contexts.⁴⁰

Both of these measures can be accomplished in HESAA's annual process of setting TAG parameters. The same process yielded the recent changes affecting the income protection allowance amount and the consideration of specific sources of government benefits.

Added Semester of Lifetime Eligibility

Another measure to align TAG more closely with the Pell Grant is an added semester of lifetime eligibility. Currently, as shown in Table 2.1, students seeking an associate degree can receive TAG for up to five semesters, and students seeking a bachelor's degree can receive TAG for up to nine semesters. The program adds one semester for students who underwent developmental education or transferred from a county college to a four-year institution. TAG is offered for up to 12 semesters for eligible EOF participants.

The policy change would add one semester for all these groups. The longer time frame fits with our findings from Issue E that students take longer to graduate than the standard two or four years plus one semester. Many students have not completed degrees after three or six years.

The Pell Grant lifetime limit recently moved in the opposite direction, making lifetime eligibility shorter, although the end result of the policy change was still longer than the current TAG limits. When Pell Grant lifetime eligibility was reduced from nine years to six years, there

³⁹ National Conference of State Legislatures, "Earned Income Tax Credit Overview," webpage, February 6, 2021.

⁴⁰ Tuan D. Nguyen, Jenna W. Kramer, and Brent Evans, "The Effects of Grant Aid on Student Persistence and Degree Attainment: A Systematic Review and Meta-Analysis of the Causal Evidence," *Review of Educational Research*, Vol. 89, No. 6, 2019, pp. 831–874.

was not a significant student response in terms of shortening time to degree.⁴¹ That analysis does not necessarily tell us the impacts of changes below a six-year limit. It is possible that maintaining a limit below six years might leave some students without support to finish degrees. It is also possible that the limit, if well understood by students, encourages students to finish in a shorter time frame.

We used our data to calculate the proportion of students and spending that would be affected by the proposed TAG expansion. Any student who stays enrolled beyond the current lifetime limit would incur additional program spending under this policy option. Counting the proportion of TAG recipients who currently stay enrolled beyond the limit, even without TAG support, represents a good baseline estimate of additional spending. That estimate might be too low if the expansion induces more students to stay or if it expands who initially enrolls. Those effects could occur either by providing support for students who need it to stay enrolled or potentially by relaxing the incentive to graduate. We provide a range of estimates from no induced enrollment to inducing all students who have not yet graduated to stay enrolled.

To undertake this analysis, we selected a cohort of students who first enrolled in 2013–2014 and received TAG in their first semester of enrollment. We estimate that about 18 percent of this cohort reached their lifetime maximum sometime in the following six years. About 9 percent of students reach the lifetime maximum at county colleges, 8 percent reach it at universities without any enrollment in a county college, and 1 percent reach the maximum for transfer students (most of that 1 percent also reach the county college maximum). Very few go all the way to the 12 semesters that are allowed for participants in the EOF program.

Many TAG recipients who reach the limit earn a degree or certificate in that time. About 30 percent of county college students, 56 percent of university students, and 47 percent of transfer students graduate in their last semester of TAG eligibility. The question then is how many of the remaining students without credentials stayed enrolled beyond the end of TAG support. The majority did stay enrolled: 71 percent at county colleges, 61 percent at universities, and 81 percent of transfer students.

Totaling up the students who stay enrolled beyond their lifetime maximum, we conclude that even if an extension did not induce any more enrollment, it would support an additional semester for about 7 percent of each cohort. If the added support induced longer enrollment among all of the students who currently leave after their last semester of eligibility without a degree, it would support an additional semester for about 10 percent of each cohort.

In a given semester, the number of TAG students hitting the maximum is only about 3 percent of all awards, because there is a mix of several cohorts enrolled at any one time. Additionally, because of student attrition, at any given time there are many more students

⁴¹ Zachary Mabel, “Aiding or Dissuading? The Effects of Reducing Lifetime Eligibility Limits for Need-Based Aid on Bachelor’s Degree Attainment and Time to Completion,” *Research in Higher Education*, Vol. 61, 2020, pp. 966–1001.

enrolled from more-recent cohorts who are earlier in their college careers and not near the lifetime maximum. Under our higher-enrollment assumption—which is that all students who hit the maximum without graduating would be induced to stay enrolled by an expansion of lifetime eligibility—that expansion would impact about 2 percent of awards each semester. That would translate to roughly 2 percent more spending.

The potential benefit would be to support students who are near the finish line but not quite across it. Leaving college after ten semesters with a degree instead of leaving after nine semesters with no degree is likely to be net positive for students.

Third Term of Funding per Academic Year

A similar measure to align TAG more closely with the Pell Grant is an added term of eligibility within each academic year. As discussed in Issue D above, students currently can receive TAG only for the fall term, the spring term, or both. This measure would allow students who have received TAG for both terms to receive an additional award in summer that is the same size as a fall or spring award (half of the yearly amounts referenced throughout this report).

Our data are not granular enough to see student enrollment at the term level, only the academic-year level. However, we can look to the Pell Grant to help estimate the impact of this policy option.

Although the Pell Grant is currently offered year-round, covering three terms, this has changed multiple times over recent years. Year-round Pell Grants were first introduced as part of the 2008 Higher Education Act reauthorization, then rescinded in 2011, then reinstated in 2017. 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.⁴²

However, these benefits come at a cost. 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.⁴³ Similar numbers came out of an in-depth study of a large community college system.⁴⁴ Using these enrollment increases as a baseline, New Jersey could expect this policy option to increase spending by about 6 percent.

There are several details that could shift this estimate. If the third term cannot be prorated for part-time enrollment, as is the case with year-round Pell Grants, then the spending increase might be lower because it would exclude part-time students. If the third term is taken up mostly by

⁴² Vivian Yuen Ting Liu, “Is School Out for the Summer? The Impact of Year-Round Pell Grants on Academic and Employment Outcomes of Community College Students,” *Education Finance & Policy*, Vol. 15, No. 2, 2020.

⁴³ Congressional Budget Office, *The Federal Pell Grant Program: Recent Growth and Policy Options*, Washington, D.C.: September 2013.

⁴⁴ Kayla D. Bannister and Dennis A. Kramer, “The Impact of the Year-Round Pell Grant on Summer Credit Hour Completion: A Quasi-Experimental Case Study at Hillsborough Community College,” working paper, October 30, 2014.

university students who receive higher TAG awards, then the spending increase might be relatively larger. Pell Grants come in the same amounts for all students, so the makeup of year-round Pell enrollees by sector was not as important for spending there. It is also not clear how the third term would count against the new lifetime limits. However, this option represents another case in which the program could increase its support for a group of students willing to stay enrolled and working toward degrees.

Added Funding for TAG Cell 1 (Lowest Income and Assets)

The final policy option receiving strong support among commission members was to target additional state funding to increase TAG awards for the neediest students. The standard in recent years, as discussed in Issue C above, has been to apply increases across the board, maintaining the shape of the TAG Table shown in Issue A above. This policy option would focus funding on TAG cell 1, the largest group (see Issue A) and the one with the most financial need.

This proposal is supported by our research in New Jersey and other recent studies in other states. In our study, referenced in Issue G above, there was a significantly higher and positive impact on on-time graduation at county colleges and AICUNJ institutions for groups of students on the boundary between cell 1 and cell 2, as compared with groups on the boundaries between higher pairs of cells. From this finding, we concluded that students in these sectors who had the lowest assessed need could still benefit from added funding, even after receiving maximum Pell and TAG awards. The same trend held for Wisconsin's state grant to two-year technical college students.⁴⁵ The most recent evidence for positive effects of the Pell Grant focuses on lower-income students: There were robust positive effects of the Pell Grant for first-time university students in Texas, and the program expenditures paid for themselves in terms of increased tax revenue in the early careers of those students.⁴⁶

However, in New Jersey the trend toward higher impacts for the lowest-income students was less clear at public colleges and universities (both state and research groups). The overall average effect in those groups was positive and significant, suggesting that increases to higher cells in that sector would also be warranted.

This option already relates to the state budget process and would therefore involve both HESAA administrative processes and the legislature and governor. The commission discussed this policy option as a guide for new resources and funding coming from the state, not as an option that would reallocate existing funding and would result in some NJEI values getting lower awards.

⁴⁵ Drew M. Anderson, "When Financial Aid Is Scarce: The Challenge of Allocating College Aid Where It Is Needed Most," *Journal of Public Economics*, Vol. 190, October 2020b, 104253.

⁴⁶ Jeffrey T. Denning, Benjamin M. Marx, and Lesley J. Turner, "ProPelled: The Effects of Grants on Graduation, Earnings, and Welfare," *American Economic Journal: Applied Economics*, Vol. 11, No. 3, July 2019.

Options with Less Support

Options That Would Impose Minor Changes

The commission discussed several smaller changes that ultimately did not receive as much support from members. We highlight a few policy options here that would represent small changes within the program's current structure, and the next subsection highlights larger policy changes that would dramatically shift the program.

One policy option was to offer part-time TAG at colleges and universities outside the county colleges. Currently, only full-time enrolled students, typically taking a class load of 12 credits or more, can receive TAG at four-year institutions. At county colleges, there are prorated awards for half- or quarter-time enrollment. Nearly one in four students at a four-year institution nationwide attends part time.⁴⁷ If this rate applies for New Jersey TAG-eligible students, then the number of awards could increase by as much as 20 percent, which would increase spending by as much as 10 percent (because recipients are at most half time). This policy option was viewed by commission members as potentially incentivizing longer time to degree by supporting less than a full course load. There is some research that backs up those views, finding that a state grant in West Virginia that was available for only full-time enrollment induced students to take more credits.⁴⁸

Another option was to promote equity by decreasing the size of the drops in TAG awards from cell to cell in a revenue-neutral way. This could be accomplished by increasing the number of cells or by implementing a linear formula relating NJEI to grant amount rather than the stepwise formula currently in use. Linear phase-outs are a common feature of social benefit programs, including the EITC, and they are common to other state need-based college aid programs, such as the Wisconsin Grant.⁴⁹ Such a change would necessarily reduce the TAG available to some NJEI values, which was not favored by commission members. The commission valued the simplicity of a TAG Table that contains only ten or fewer cells, as opposed to the lookup table for the Pell Grant that contains hundreds.⁵⁰

A final small change that the commission discussed was to equalize the award amounts for each TAG cell across the county colleges. Currently, there are slight differences across colleges that do not exactly match up to tuition differences across colleges. These differences are not

⁴⁷ U.S. Department of Education, National Center for Education Statistics, "Digest of Education Statistics, Table 303.50," webpage, 2017.

⁴⁸ Judith Scott-Clayton, "On Money and Motivation: A Quasi-Experimental Analysis of Financial Incentives for College Achievement," *Journal of Human Resources*, Vol. 46, No. 3, 2011.

⁴⁹ For discussion of the Wisconsin Grant formula, see Drew M. Anderson, *Need-Based Financial Aid in Wisconsin: State Policy and Student Pathways*, Santa Monica, Calif.: RAND Corporation, RR-3057-1-GLHEC, 2020a.

⁵⁰ U.S. Department of Education, Federal Student Aid, "Federal Pell Grant Program: Payment Schedule for the 2018–2019 Award Year," March 2018.

transparent in the TAG Table published online because it averages together the award amounts across colleges. Unless all amounts were raised to match the college with the highest awards, this option would also impose losses on some students. We estimate that an adjustment that avoids losses by raising awards at all county colleges to match the one with the highest awards would have had a relatively small budget impact of around 1.4 percent of TAG spending in 2018–2019 (17 percent of county colleges spending). Still, this particular change did not receive strong support.

Options That Would Impose Major Changes

There were several larger changes that the commission discussed, following its mandate to think broadly about the goals of the program. One option was to expand TAG coverage into higher NJEI values, extending support to individuals with higher family income and assets among both dependent and independent students. Previous research looking at the differences between recipients of Pell Grants and those with incomes just above the qualifying maximum showed little effect of grants in this population.⁵¹ The Pell evidence might not be as relevant here because, as mentioned above, the independent students with incomes just above the TAG-eligible range include lower-income and higher-need individuals. Still, the commission favored adjusting independent student eligibility directly by changing the NJEI formula rather than extending grants to higher NJEI values for both groups.

Another option was to equalize grant dollar amounts across sectors. This would follow the Pell Grant model and promote equity across institutions, but it has some major drawbacks. Depending on the values chosen, this policy change would decrease awards for many students, increase program spending significantly, or both. It might serve to drastically decrease equity in the percentage of tuition or college costs covered by TAG. An alternative discussed was to pursue raising TAG coverage to 50 percent at private institutions and 100 percent at public institutions, the maximum allowed in statute. A 2016 College Affordability Study Commission estimated that such a change would cause about a 16-percent increase in TAG spending.⁵² Tying TAG amounts directly to tuition coverage, instead of dollar amounts, would allow colleges to predict how their tuition increases would change TAG eligibility for their students. Such a change might incentivize tuition increases. Recent changes have instead opted for one-off adjustments of tuition coverage that then persist over time.

Another change discussed by the commission would run a similar risk, and that option was to base TAG eligibility on each student's net price after other aid. That major change would make TAG a supplement to other aid rather than a foundational piece of the financial aid package. One important source of aid is the institutional discount aid offered at many universities. Research on

⁵¹ Rachel B. Rubin, "The Pell and the Poor: A Regression-Discontinuity Analysis of On-Time College Enrollment," *Research in Higher Education*, Vol. 52, 2011.

⁵² State of New Jersey, *College Affordability Study Commission: Final Report*, September 2016.

the Pell Grant shows that some colleges predicate some of their institutional discounts on how much public aid students receive.⁵³ If the relationship between public aid and institutional discounts was made explicit, then colleges could potentially respond strategically by reducing discounts in a way that increases their revenue while holding students harmless because TAG picks up the slack. Strategic responses like this could dull the effectiveness of TAG at increasing college attainment for low-income students, depending on how universities used the revenue savings. This option would also introduce considerable administrative complexity, because the state could not calculate awards until after the college had packaged each student's other sources of aid. That complexity would, in turn, increase uncertainty for students.

⁵³ Lesley J. Turner, "The Economic Incidence of Federal Student Grant Aid," working paper, January 2017; Stephanie Riegg Cellini and Claudia Goldin, "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges," *American Economic Journal: Economic Policy*, Vol. 6, No. 4, November 2014.

Chapter 4. Concluding Thoughts

In this final chapter, we discuss some suggestions of our own for how TAG might be improved, and we conclude with a look toward the future of the program.

Improve Data Infrastructure

This project was possible because of the state’s interest in research evidence for its programs, but the project also required external funding and staff. The commission itself did not receive a budget to undertake its work, instead relying on leaders across the state to donate their time. The state could invest more funding in ongoing evaluation of TAG.

Even with the commitment of HESAA and external funding for data analysis, this project lacked data on a few key elements of students’ lives. Background information including academic preparation and parents’ education could help analysts understand which types of students are helped by TAG and whether it closes socioeconomic gaps present at the point of entering college. In-college information, such as major choice, credit accumulation, and term-by-term enrollment, could help analysts understand the allocation choices that students are making and how financial aid could shift those choices. Post-college employment and earnings are also important outcomes of financial aid receipt, and they generate benefits in terms of tax revenue. With these data, the state could calculate its economic return on investment from spending on TAG.

Another piece of information that this study lacks is the race and ethnicity of TAG recipients.⁵⁴ A significant number of TAG recipients come from racial and ethnic minorities. Using just one available measure at the institutional level, in 2018–2019 about 40 percent of TAG dollars went to students enrolled at Hispanic-Serving Institutions.⁵⁵ Four of the nine public universities that will receive increased funding in 2021–2022 are Hispanic-Serving Institutions, most notably Montclair State University, where about 8 percent of TAG dollars were spent in 2018–2019. Students of color, and in particular Black students, face challenges beyond family income that can manifest as lower completion rates, greater borrowing, and lower repayment of

⁵⁴ Note that changes to the FAFSA coming in 2023 include the (optional) collection of student gender, race, and ethnicity (Consolidated Appropriations Act, 2021).

⁵⁵ Hispanic Association of Colleges and Universities, “HACU List of Hispanic-Serving Institutions (HSIs) 2019–2020,” webpage, undated. There are no tribal colleges in New Jersey. Nor are there Historically Black Colleges and Universities in New Jersey, but there is at least one predominantly Black institution (Bloomfield College). One county college (Middlesex County College) and one campus of Rutgers University (Newark) qualify as Asian American and Native American Pacific Islander–Serving Institutions.

loans.⁵⁶ Although state financial aid programs are unlikely to be directly targeted by race and ethnicity, the knowledge of TAG students' full demographic and socioeconomic picture could help the state consider TAG's full impact on inequality and where to target the resources of other complementary programs.

All of these data are stored in systems around the state, either at postsecondary institutions or in other state agencies. A great deal of these data are being gathered in the New Jersey Education to Earnings Data System.⁵⁷ We urge the state to support efforts to share these data with researchers.

New Jersey could also increase the tracking of basic needs insecurity. According to an external survey, New Jersey county college students struggle with troublingly high rates of basic needs insecurity.⁵⁸ More than 9,000 county college students were surveyed, and about four in ten New Jersey students had experienced food insecurity (limited or uncertain availability of nutritionally adequate and safe food or limited or uncertain ability to acquire that food in a socially acceptable manner), and about four in ten students had experienced housing insecurity (challenges that prevent someone from having a safe, affordable, and consistent place to live) within the last month. These rates were similar to the national average, but they varied within New Jersey across colleges. Rates of insecurity were higher among vulnerable groups, such as Middle Eastern, Black, and indigenous students; students who were nonbinary or transgender; and students who were returning citizens or former foster youth. Systematically collected data would lend important insight into how TAG combats these problems.

State policy has the potential to intervene in these issues by providing resources to institutions to help students and to evaluate those efforts. Some efforts are ongoing in New Jersey, including a hunger-free campus grant program, previously mentioned tuition-free community college grants, and a state policy lab at Rutgers University to evaluate decisions made by policymakers.⁵⁹ Some of these efforts are funded in part by federal relief dollars and might therefore need to be reassessed for sustaining funding into the future.

⁵⁶ See discussion in Jason N. Houle and Fenaba R. Addo, "Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class," *Sociology of Race and Ethnicity*, Vol. 5, No. 4, 2019.

⁵⁷ See New Jersey Education to Earnings Data System, homepage, 2021.

⁵⁸ The Hope Center for College, Community, and Justice, *New Jersey Community Colleges #RealCollege Survey*, Philadelphia: Temple University, April 2020.

⁵⁹ New Jersey Office of the Secretary of Higher Education, "Notice of Funding Availability: Hunger-Free Campus Grant Program," March 19, 2021a; New Jersey Office of the Secretary of Higher Education, "Office of the Secretary of Higher Education Announces \$1 Million to Rutgers University to Establish State Policy Lab," press release, April 26, 2021b.

Other Strategies to Improve TAG

HESAA already engages in a great deal of outreach to students to encourage financial aid application and take-up. A project in Michigan to encourage financial aid take-up among high-achieving low-income high school students was very cost-effective.⁶⁰ However, messaging to students to overcome administrative obstacles is not a settled topic. Although texting interventions can be simple and relatively affordable to undertake, they do not always have large enough impacts to justify even the minimal per-student cost.⁶¹ HESAA should continue to foster partnerships with the state's colleges and universities, high school and community organizations, and other state agencies to develop the most impactful way to inform students about the importance of applying for aid and the potential benefits of completing a college credential.

One potential barrier in the application process is the student deadline. Although the deadline helps the state have a certain estimate of eligible students earlier in the year, research has shown that particularly early deadlines can prevent significant numbers of financially eligible students from accessing state aid.⁶² New Jersey's deadlines are relatively late and therefore give students time to consider their college choices, but the state should continue to remove barriers to applications wherever possible.

We also encourage the state to consider breaking out of the current TAG Table mold in creative ways that do not impose losses on any type of student. For example, our estimates of high impact at the boundary between TAG cell 1 and cell 2 at county colleges and AICUNJ institutions suggest that extending cell 1 to an NJEI value higher than 1499 would have immediate positive impacts on students in that range of incomes. In 2018–2019, extending the cutoff would have added about 1,200 students to cell 1 per 100 NJEI values (i.e., if the cutoff were raised to 1799, cell 1 would contain 3,600 more students, or about 4.5 percent of all TAG recipients).

The Future of TAG

This report focused on the specific challenges of New Jersey and its TAG program, but these issues are common to a broader set of college completion efforts and public benefits.

Assessing TAG's success is a challenging and multifaceted issue. Empirical evidence indicates that the grant program supports completion for New Jersey's low-income students. The

⁶⁰ Susan Dynarski, C. J. Libassi, Katherine Micheltmore, and Stephanie Owen, "Closing the Gap: The Effect of Reducing Complexity and Uncertainty in College Pricing on the Choices of Low-Income Students," *American Economic Review*, Vol. 111, No. 6, 2021.

⁶¹ Christopher Avery, Benjamin L. Castleman, Michael Hurwitz, Bridget T. Long, and Lindsay C. Page, "Digital Messaging to Improve College Enrollment and Success," National Bureau of Economic Research, Working Paper 27897, October 2020.

⁶² Anderson, 2020a.

evidence was strongest for students at public universities, who represent the largest group with the highest percentage of tuition covered by TAG. Even though TAG is the most generous need-based financial aid program in the nation, investments in TAG still generate positive returns for students and potentially the state. Postsecondary education carries benefits beyond a credential, including improved health, civic participation, and labor market earnings, none of which were measured in this study. TAG operates within the complex FAFSA system, and we cannot estimate the effectiveness of reducing the price of college through a simpler or more universal approach that does not require applications from students. Still, our findings have demonstrated that within its current structure, TAG has had a positive impact.

Postsecondary education is in a time of flux. The coronavirus pandemic forced schools to quickly pivot to remote or hybrid instruction and greatly altered the college experience for new and continuing students. It is unclear how TAG might have helped students weather the new financial difficulties imposed by the pandemic, particularly if they had to relocate or leave college. It is also unclear how the pandemic and recession will reshape postsecondary education. Enrollment is declining and already was declining at community colleges before the pandemic.⁶³ However, federal assistance through the Higher Education Emergency Relief Fund might offset some sources of revenue losses for institutions of higher education.⁶⁴

The sources of financing for postsecondary education are also changing. The federal EFC eligibility measure will be retired in favor of a broader Student Aid Index, which will determine Pell Grant eligibility starting in 2024–2025.⁶⁵ The pandemic pause on federal student loan payments was extended, and discharges were granted to disabled student borrowers. Federal policymakers are debating tuition-free community college, as well as large increases to Pell Grant funding. Many states, including New Jersey, now offer last-dollar scholarships to achieve tuition-free community college. TAG’s role in this changing landscape has not been fully revealed. Some of these changes could decrease the importance of TAG alone in the choice to pursue postsecondary education, but the combination of increased funds might better support the living expenses of students who are pursuing degrees.

This report complements descriptive data from New Jersey, the federal government, and nonprofits with an interest in higher education finance. In tandem with our earlier report,⁶⁶ this report represents the latest and most in-depth look at how the structure of the TAG program affects student outcomes and how changes in that structure could impact TAG expenditures. As

⁶³ National Student Clearinghouse, “Summer 2020 Enrollment Report,” webpage, undated.

⁶⁴ U.S. Department of Education, Office of Postsecondary Education, “ARP: American Rescue Plan (HEERF III),” webpage, undated-a.

⁶⁵ U.S. Department of Education, Federal Student Aid, “Beginning Phased Implementation of the FAFSA Simplification Act,” webpage, June 11, 2021.

⁶⁶ Anderson and Zaber, 2021a.

state policymakers consider the future of the TAG program and respond to the commission's recommendations, these data will provide the scaffolding for informed policy decisions.

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