

FUNDING FOR WORKFORCE SUCCESS

How Credentials of Value Shape Community College Finance in Texas



Texas Association of
Community Colleges

In today's rapidly evolving economy, it is critical that **college credentials align with career outcomes and industry needs** to ensure students gain the skills and earnings required for long-term success. Recognizing this, the Texas Higher Education Coordinating Board (THECB) developed the **Credential of Value (COV) methodology** to identify and prioritize educational programs that provide measurable economic benefits and address workforce demands.

What is a Credential of Value?

Broadly speaking, Credentials of Value are quality, affordable credentials that:

- ✓ Equip recipients with **career trajectories** by preparing them with industry-relevant skills.
- ✓ **Improve their earnings opportunities** so they can achieve financial stability and economic mobility.
- ✓ **Incentivize high-demand occupations** by providing additional funding.

How Are COVs Calculated?

To determine whether a credential meets the COV standard, Texas uses a cost-benefit threshold that ensures students see a positive return on investment (ROI) within 10 years. A credential qualifies as a COV if **at least half of the credential holders have earnings that meet or exceed their total investment**, opportunity cost, and a base wage comparison within a decade.



M E E T
A L E X

To illustrate how Credentials of Value are determined, consider Alex, a Texas student who enrolls in a **two-year Associate of Applied Science (AAS)** in Welding Technology at Kilgore College.

1. ALEX'S INVESTMENT & OPPORTUNITY COST

- **Two-Year Tuition & Fees:** \$5,400 total
- **Opportunity Cost:** Alex previously worked a job earning \$26,184 per year. By attending college full-time, she forgoes \$52,368 in wages over two years.
- **Total Cost of AAS at Kilgore College (Tuition + Opportunity Cost):** \$57,768 total

2. BASE WAGE COMPARISON

- The median high school graduate salary in Texas is **\$26,184** per year.
- Over 10 years, a high school graduate would earn a cumulative wage of **\$261,840 total**.

3. ALEX'S POST-GRADUATE EARNINGS

- After completing her AAS degree at Kilgore College, Alex secures a local, full-time **welding position starting at \$40,000 per year**.
- With modest annual wage increases, she earns a **cumulative wage of \$490,000** over 10 years.

Alex's earnings of \$490,000 exceed both the total cost of her education (\$57,768) and the 10-year base wage of a high school graduate (\$261,840).







Her AAS degree from Kilgore College qualifies as a Credential of Value.

How COVs Shape Community College Finance in Texas

With the passage of House Bill 8 (HB 8) in 2023, Texas created an outcomes-based funding model that prioritizes Credentials of Value to ensure students are prepared for in-demand careers. This new approach positions Texas as a national leader linking community college funding to measurable, student-focused outcomes.

Institutions receive funding based on:

-  The **number of Credentials of Value awarded**—including certificates and degrees—that position graduates for well-paying jobs.
-  **Credentials of Value awarded in high-demand fields**, ensuring that students enter industries where employers are actively seeking skilled workers.
-  **Successful student transfers** from community colleges to four-year universities, supporting continued educational attainment.
-  **Completion of a sequence of dual credit courses**, which allow high school students to earn college credits early and establish strong pathways to higher education and workforce success.

Under House Bill 8, credentials fall into three categories:

HIGH-DEMAND FIELDS

All base-level funded credentials that align with high-demand occupations receive **additional funding**. These include:

- **Statewide High-Demand Fields**
The top 10 fastest-growing occupational groups, based on U.S. Bureau of Labor Statistics.
- **Regional High-Demand Fields**
The top 5 fastest-growing occupational groups, defined by the Texas Comptroller regions not already in the statewide list.
- **Emerging Occupations**
New or evolving statewide fields designated by THECB in consultation with the Governor's office.
- **Essential Occupations**
Colleges may petition to fund up to five additional occupations critical to their regional workforce needs.

This ensures resources support students entering industries with urgent labor market needs.

BASE-LEVEL FUNDED CREDENTIALS

Credentials linked to educational and career pathways qualify for base-level funding under HB 8. These do, and will, include:

- **Associate Degrees**
- **Baccalaureate Degrees**
- **Level 1 & Level 2 Certificates**
- **Advanced Technical Certificates**
- **Continuing Education Certificates**
- **Occupational Skills Awards (OSA)** (9-14 SCH for credit courses or 144-359 contact hours)
- **Institutional Credentials Leading to Licensure or Certification (ICLC)*** (9 SCH or 144 contact hours; 5 SCH or 80 contact hours for high-demand fields).

These programs are aligned with industry standards and provide students with valuable skills for employment.

** Student-level data (FY2024) is being collected by institutions for reporting and certification in fall 2025.*

CREDENTIALS NOT FUNDED

A credential that does not lead to an industry-recognized certification, licensure, or occupation-specific training is not funded under HB 8. These may include:

- **Continuing Education Courses Without Industry-Recognized Credentials** – Standalone courses that do not result in a credential leading to licensure, certification, or employment.
- **Personal Enrichment Courses**
Courses taken that do not directly prepare students for the workforce.
- **Workforce Training Below the Required Credit Hour Threshold** – Programs that do not meet the minimum semester credit hour (SCH) or contact hour requirements to qualify for funding.