A Closer Look at Performance Funding

Technical Assistance Webinars | Session 2 of 4

Updated October 14, 2026

Hosted by the Texas Association of Community Colleges

Analysis and curriculum by Bellwether

Texas Association of Community Colleges

Bellwether

Overview of the Webinar Series

Purpose

In the three years since HB 8 was passed, its formula has evolved from the original proposal.

At the same time, colleges have outperformed expectations, producing more fundable outcomes than the appropriation covered. In 2025, the Texas Legislature closed the resulting gap with an $89.5 million supplemental appropriation.

However, **more systemic changes are needed to ensure that the formula is sustainable while still fully supporting student success.**

Learning Objectives

By the end of this webinar series, members will be able to:

01

Trace the history and evolution of the HB 8 model, including changes made during the 2025 legislative session through both SB 1786 and state appropriations.

02

Dig into the details of the performance-based funding component to understand which factors most affect their institution's budget.

03

Identify potential priorities and policy levers that could lead to more sustainable, transparent implementation of the formula.

Structure of the Webinar Series

Four sessions will cover different aspects of the community college finance formula:

Session 1 — October 6

The History and Evolution of HB 8's Formula

The history and evolution of the HB 8 model, how the formula structure operates, and its impact to date on community colleges' budgets

Session 2 — October 12

A Closer Look at Performance Funding

A detailed overview of the performance funding component, including recent changes to weights and averages, using a web-based simulator

Session 3 — November 11

Forecasting Future Outcomes Funding

Forecasting methodologies and impacts alongside data release timelines within the context of institutional budgeting

Session 4 — December 1

Policy Levers for Sustainability

Discussion of potential policy levers for making HB 8's formula more sustainable

Session 2 Goals and Agenda

Topic	Timing
Performance Tier Calculations	30 min
Simulator Introduction (Live Demo)	15 min
Q&A	10 min

Today's Goals:

1. Understand how each input to the performance tier (outcomes, student need weights, rates, and the counting window) turns a college's outcomes into dollars
2. Follow one example college from outcome counts to a payment
3. Introduce a web-based simulator and how it can help you explore your institution's exposure to formula changes

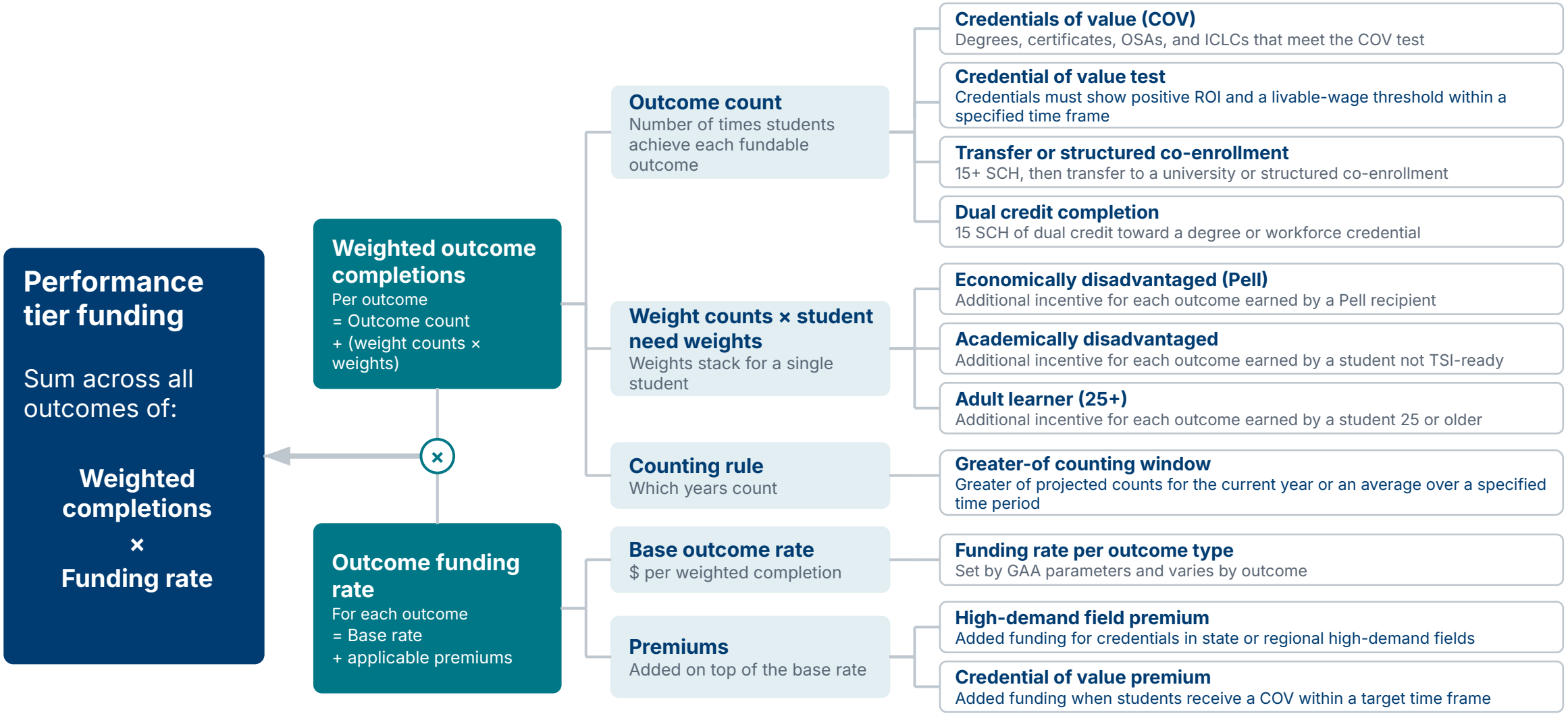
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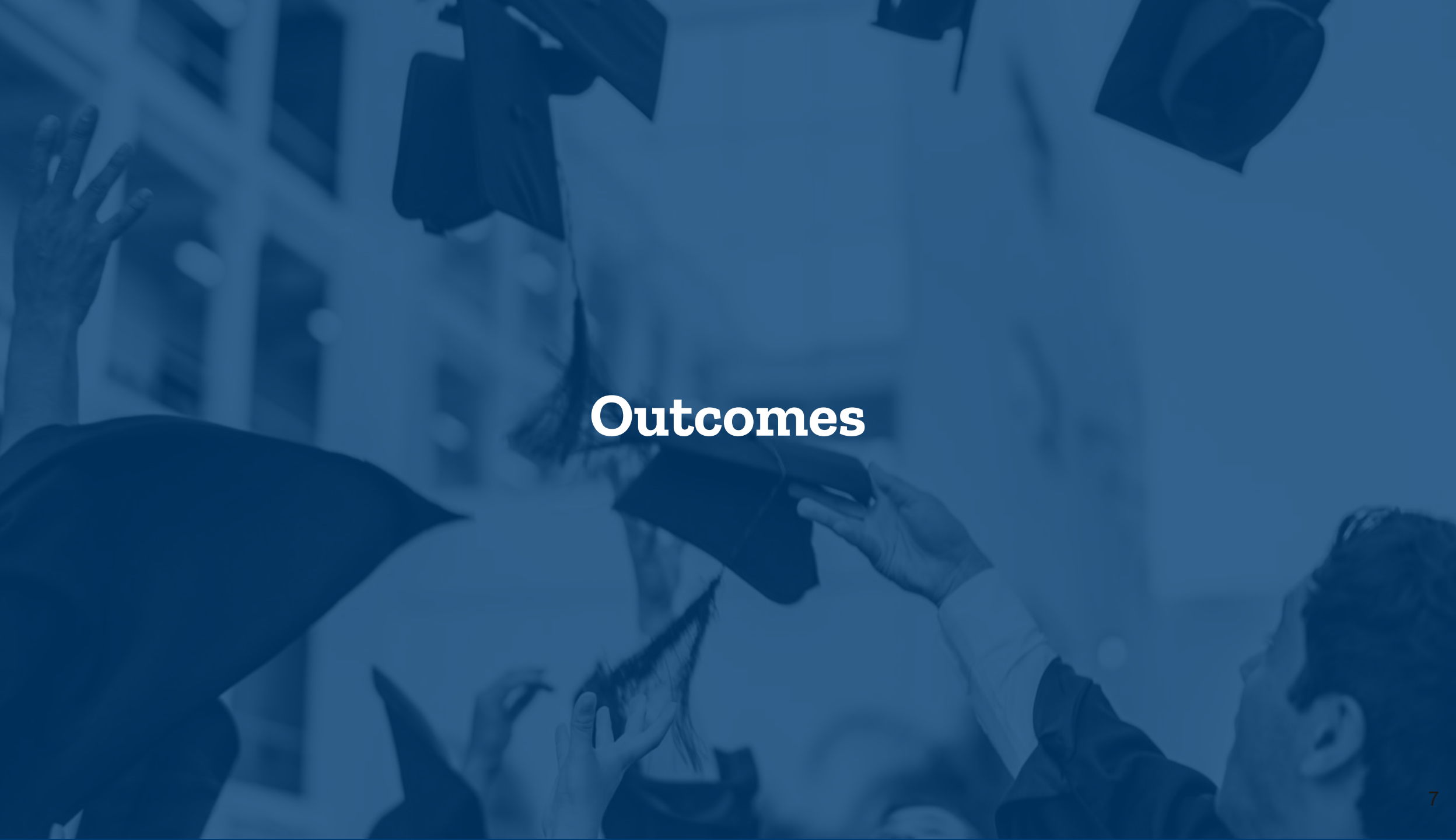
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Recap: The performance tier pays for each student outcome, with added weight for high-priority students and premiums for certain credentials



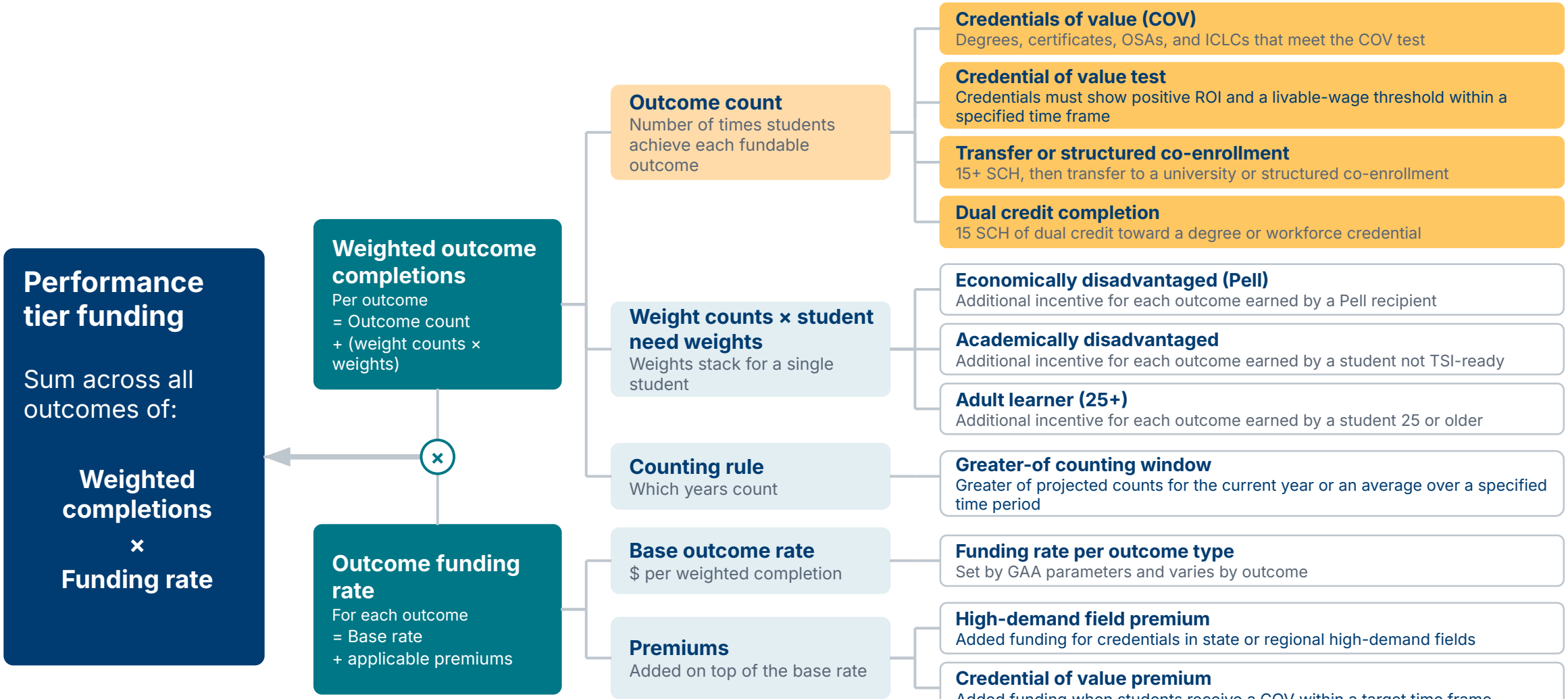
Sources: *Tex. Ed. Code ch. 130A; Texas Higher Education Coordinating Board (THECB), FY 2027 Final Funding Model, 2026; 19 TAC pt. 1, ch. 13, subch. W, §§13.665-1669, 2026.*

Where special rules apply



Outcomes

There are three primary outcome metrics used in the formula



Sources: *Tex. Ed. Code ch. 130A; THECB, FY 2027 Final Funding Model, 2026; 19 TAC pt. 1, ch. 13, subch. W, §§13.665-1669, 2026.*

The performance tier funds three outcome categories: COV completions, transfers, and dual credit completions

Credentials of Value completions

Number of eligible (according to the credential of value test and other rules) credentials conferred in designated time period:

- associate degree
- bachelor's degree
- Level I, Level II, continuing education (CE) or advanced technical certificate (ATC)

OR an occupational skills award (OSA)

OR an institutional credential leading to licensure or certification (ICLC)

Transfers and Structured Co-enrollment

15 semester credit hours (SCH) earned at the college

+

enrollment at a general academic or private 4-year institution

OR

enrollment in a structured co-enrollment program

Dual credit completions

Completion of a 15 SCH sequence in an academic or workforce program by a high school student

FY27 rules fund at most seven credentials per student in a five-year period:

1	2	1	1	1	1
OSA or ICLC	Level I or CE certificates	Level II certificate	Associate degree	Advanced technical certificate	Bachelor's degree

Note: As of Fiscal Year (FY) 2027, third-party credentials, funded at $1,000 ($1,250 in a high-demand field) in FY26, are no longer a fundable outcome. ***Sources:*** *19 TAC pt. 1, ch. 13, subch. W, §13.665, 2026.*

Degrees and certificates must pass the credential of value test; OSAs and ICLCs have their own criteria

Credential	Funding Requirement
Associate degree	Positive ROI **and** a self-sufficient wage (for FY27, $30,000) within 5 years (although certain fields will use the 10-year test)
Bachelor's degree	Positive ROI within 10 years
Level I, Level II, ATC, and CE certificates	Positive ROI within 10 years
OSA	Meets WIOA and THECB definitions (e.g., alignment with local workforce board or advisory committee)
ICLC	At least 144 contact hours or 9 SCH (80 contact hours or 5 SCH in a high-demand field) that map to licensure/certification

What "positive ROI" means

Most completers statewide out-earn the median Texas high school graduate *after* recovering the net cost of attendance and earnings forgone while enrolled

Exclusions

- If an OSA and an ICLC share the same contact hours, the college submits only the OSA.
- Credentials earned by out-of-state students in fully online programs are not funded.

Timing

An FY27 credential must be conferred and reported in FY27 and earned no earlier than June 1, 2026. Credentials earned before Sept. 1, 2026 must be conferred by Dec. 31, 2026.

Source: *19 TAC §13.666(b) and (h), 2026.*

Transfer, co-enrollment and dual credit outcomes each have their own counting rules

Transfer and Structured Co-enrollment Eligibility

For Transfers

- The student enrolls for the first time at a public university or, since SB 1786, a private or independent four-year institution.
- The student earned 15+ SCH at the college in the funded year and the four years before it.
- Hours that already earned a dual credit outcome cannot count again.
- Typically funding is limited to one college per student (the last college where the student reached 15 SCH).

For Co-enrollment

- The student earns the minimum SCH in a co-enrollment program the college has submitted to THECB and had certified.

A student generates a transfer or a co-enrollment outcome, not both.

Dual credit completion

- A high school student completes 15 dual credit SCH that apply toward an academic or workforce program.

Studies due to the Legislature by Dec. 1, 2026: whether to lower the dual credit threshold to 9 SCH (HB 1868), and whether to count transfers by students previously enrolled at a university (SB 1400).

Sources: *19 TAC §13.666(d)–(f), 2026; Tex. Educ. Code §§130A.101, 130A.1011–.1012; THECB, FY 2027 Final Funding Model, 2026.*

Running Example, Step 1: Determine Fundable Outcomes

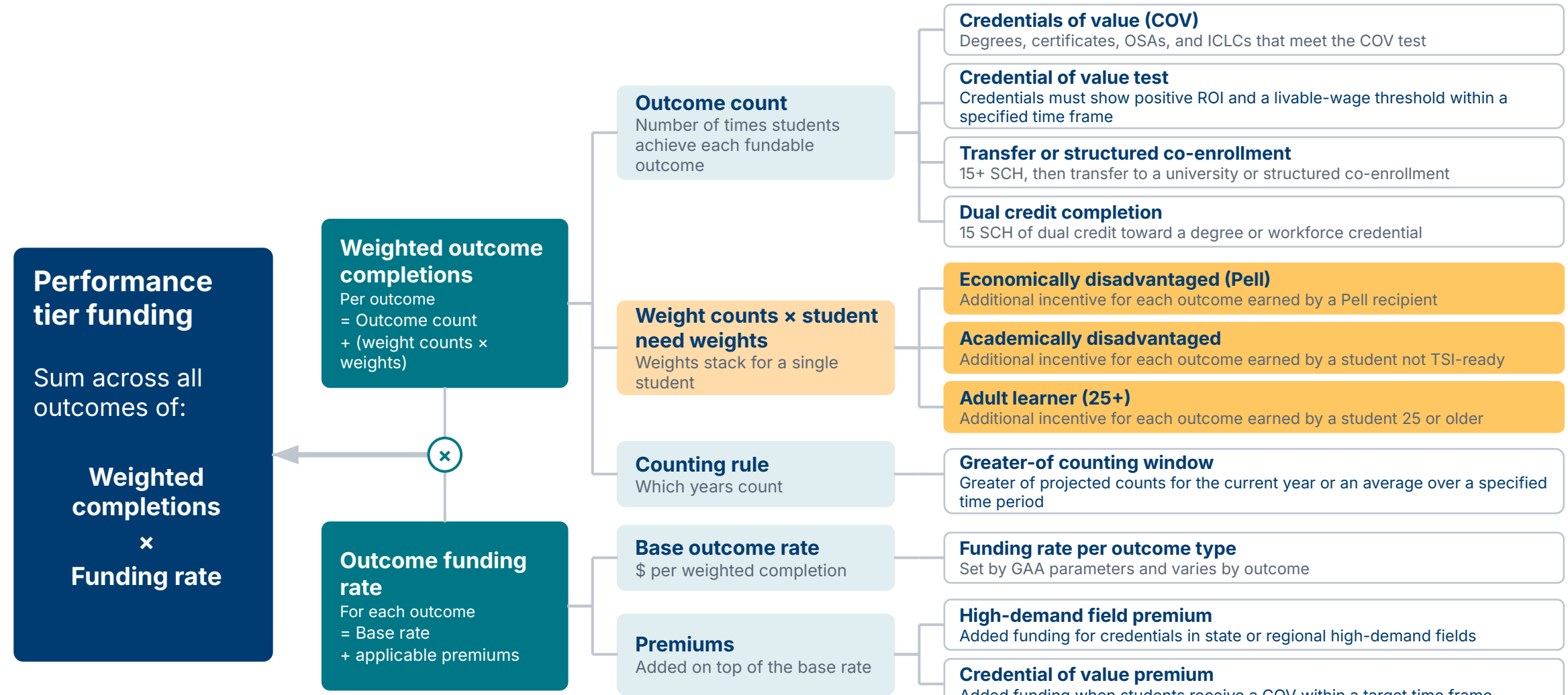
Outcome	Reported	Not fundable	Why	Fundable
Associate degrees	1,420	−20	Program does not meet the COV test	**1,400**
Certificates (Level I, II, ATC, CE)	860	−60	40 are a student's third Level I or CE certificate in five years; 20 fail the COV test	**800**
OSAs and ICLCs	230	−30	A second OSA or ICLC for the same student in the five-year window	**200**
Transfers	950	−50	30 fall below 15 SCH once dual credit hours are excluded; 20 are credited to another college	**900**
Dual credit completions	1,200	—		**1,200**
Total	**4,660**	**−160**		**4,500**

This sample community college reports 4,660 outcomes. After the funding criteria are applied, **4,500** of those are fundable.

Sources: *19 TAC §13.666, 2026; Bellwether illustration with fictional counts.*

Student Need Weights

The performance tier includes incentives for disadvantaged students through student need weights



Sources: *Tex. Ed. Code ch. 130A; THECB, FY 2027 Final Funding Model, 2026; 19 TAC pt. 1, ch. 13, subch. W, §§13.665-1669, 2026.*

FY27 rules reduced all three student need weights, which apply only to credentials, transfers, and co-enrollment

Category	Definition	FY26	FY27
Economically disadvantaged	Pell recipients	+25%	+20%
Academically disadvantaged	Not college-ready on one or more TSI assessments	+25%	+20%
Adult learner	Age 25 or older on Sept. 1 when beginning a credential program	+50%	+40%

Weights only apply to:

- Fundable credentials
- Transfers
- Structured co-enrollment

Weights do **not** apply to dual credit completions

Sources: *19 TAC ch. 13, 2026; 19 TAC pt. 1, ch. 13, subch. W, §§ 13.665.*

Weights stack and apply to *each* fundable outcome

Example student:

- ✔ Pell recipient
- ✔ Age 27
- ✔ Not college-ready on a TSI assessment
- ✔ Earns an associate degree designated as a Credential of Value
- ✔ Earns an occupational skills award (OSA)

A student who triggers all three weights and earns two credentials counts as 3.60 weighted completions under FY27 rules

Outcome	Step	FY27 rules
Associate degree	**Base completion**	1.00
	+ Pell weight	+ 0.20
	+ Academic weight (not TSI-ready)	+ 0.20
	+ Adult learner weight	+ 0.40
OSA	**Base completion**	1.00
	+ Pell weight	+ 0.20
	+ Academic weight (not TSI-ready)	+ 0.20
	+ Adult learner weight	+ 0.40
Total		3.60

Sources: *19 TAC pt. 1, ch. 13, subch. W, §§ 13.665, 2026; Bellwether illustration.*

Example Step 2: Apply Student Need Weights

Outcome	Count	Pell Recipient *(20%)*	Not TSI-ready *(20%)*	Age 25+ *(40%)*	Weighted Total
Associate degrees	1,400	650	420	400	1,774
Certificates	800	400	320	370	1,092
OSAs and ICLCs	200	60	80	120	276
Transfer	900	400	200	100	1,060
Dual credit (no weights)	1,200	—	—	—	1,200
Total	**4,500**	**1,510**	**1,020**	**990**	**5,402**

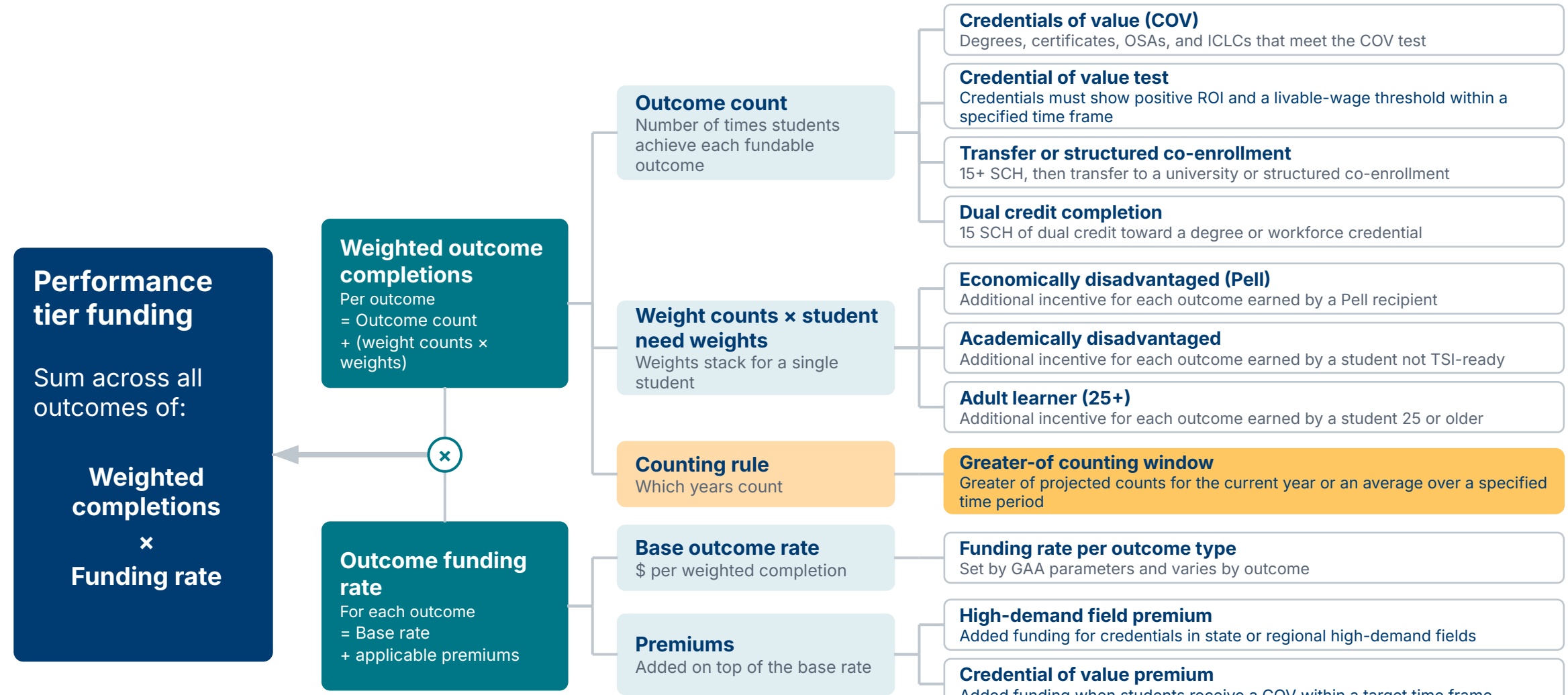
Student need weights turn the 4,500 fundable outcomes into **5,402 weighted completions**

Sources: *19 TAC pt. 1, ch. 13, subch. W, §§ 13.665, 2026; Bellwether illustration.*



Counting Window

The formula calculates two numbers for each outcome and uses the greater of the two as the basis for funding



Sources: *Tex. Ed. Code ch. 130A; THECB, FY 2027 Final Funding Model, 2026; 19 TAC pt. 1, ch. 13, subch. W, §§13.665-1669, 2026.*

For each outcome, the formula chooses the greater of the funded year's projections or a historical average

funded year's count (or projections)

(currently, FY27 projections)

OR

2-year average of the funded year and prior year

(currently, FY26 and FY27 projections)

Illustrative Example for FY27:

College	FY25 Count	FY26 Count	FY27 Count	2-year average	Greater of Result
Growing	900	1,000	1,100	1,050	FY27 count = **1,100**
Declining	1,100	1,000	900	950	2-year average = **950**

The "greater of" rule rewards growth while still providing a buffer for colleges that see a decline

Sources: *19 TAC pt. 1, ch. 13, subch. V and W; Bellwether illustration.*

The 2-year average is a change from FY26, which used a 3-year window

Under the old 3-year average window, the college with declining outcomes would see less of a reduction in its final outcome count (and therefore have more funding)

College	FY25 Count	FY26 Count	FY27 Count
Growing	900	1,000	1,100
Declining	1,100	1,000	900

Colleges projected to grow outcomes would not see a difference.

College	2-year Average	Greater of Result
Growing	1,050	FY27 count: **1,100**
Declining	950	2-year average: **950**

College	3-year Average	Greater of Result
Growing	1,000	FY27 count: 1,100
Declining	1,000	3-year average: 1,000

The shorter averaging window for FY27 can be more accurate, but it also reduces the cushion for colleges where outcomes are flat or falling

Sources: *19 TAC pt. 1, ch. 13, subch. V and W; Bellwether illustration.*

Example Step 3: Calculate the average and run the greater-of test

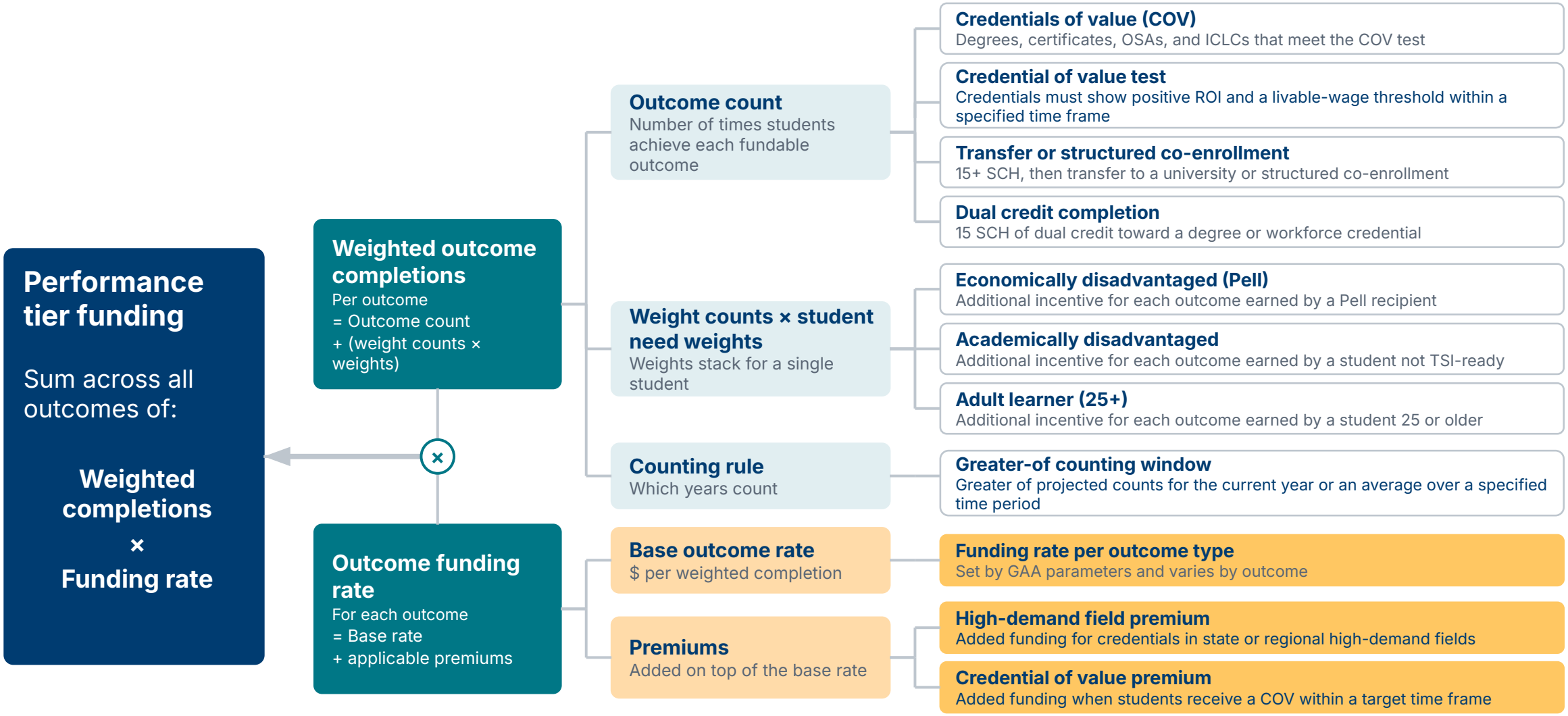
Weighted Count, by Outcome	FY26	FY27	2-yr avg.	Greater of
Associate degrees	1,870	1,774	1,822	**1,822**
Certificates	1,160	1,092	1,126	**1,126**
OSAs and ICLCs	220	276	248	276
Transfer	1,100	1,060	1,080	**1,080**
Dual credit	1,100	1,200	1,150	1,200
Total	**5,450**	**5,402**	**5,426**	**5,504**

Because THECB's model applies the test to each outcome, **the final, weighted fundable outcomes can be higher than if the test** were applied to a college's total (5,504 versus 5,426).

Note: *FY26 counts are recalculated under FY27 rules, including weights and credential limits.* ***Sources:*** *19 TAC pt. 1, ch. 13, subch. V and W; Bellwether illustration.*

Funding Rates

The performance tier pays for each student outcome, with added weight for harder-to-serve students and premiums for certain credentials



Sources: *Tex. Ed. Code ch. 130A; THECB, FY 2027 Final Funding Model, 2026; 19 TAC pt. 1, ch. 13, subch. W, §§13.665-1669, 2026.*

Each credential and outcome has its own funding rate per completion

Outcome	Base rate
Associate degree	$3,500
Bachelor's degree	$3,500
Certificate (Level I, II, ATC, CE)	$1,750
OSA	$1,000
ICLC	$1,000
Dual credit completion	$3,500
Transfer	$3,500
Structured co-enrollment	$3,500
Opportunity HS Diploma	$3,500

Who sets the rates

2024–25: The General Appropriations Act delegated rate-setting to THECB (Rider 21).

2026–27: The GAA set the rates in a rider that preempts THECB rule.

Sources: *Texas Legislative Budget Board (LBB), Summary of Budget Recommendations (Senate), 2025; LBB, General Appropriations Act for the 2026-27 biennium, Art. III-270, 2025.*

A high-demand field adds a premium by funding those credentials at a higher rate

Outcome	Base rate	High-demand
Associate degree	$3,500	$4,500
Bachelor's degree	$3,500	$4,500
Certificate (Level I, II, ATC, CE)	$1,750	$3,500
OSA	$1,000	$1,250
ICLC	$1,000	$1,250
Dual credit completion	$3,500	n/a
Transfer	$3,500	n/a
Structured co-enrollment	$3,500	n/a
Opportunity HS Diploma	$3,500	n/a

What is a "high-demand" field?

- THECB designates high-demand fields by CIP code for each college's region, in lists set each biennium.
    - Ex: Computer Science, Special Education and Teaching, Veterinary Technologies
- Colleges can petition to add emerging or essential occupations, supported by employer certifications.
- When a student has more credentials of one type than the limit allows, THECB funds the one in a high-demand field.

Statewide in FY27, **high-demand certificates earned nearly 3x the funding for other certificates** ($151.2 million versus $52.7 million).

Sources: *LBB, General Appropriations Act for the 2026-27 biennium, Art. III-270, 2025; THECB, FY 2027 Final Funding Model, 2026.*

For COVs, an additional bonus can be earned for on-time completion

Outcome	Base rate	High-demand	COV premium
Associate degree	$3,500	$4,500	$875
Bachelor's degree	$3,500	$4,500	$875
Certificate (Level I, II, ATC, CE)	$1,750	$3,500	$437
Occupational skills award	$1,000	$1,250	—
ICLC	$1,000	$1,250	—
Dual credit completion	$3,500	n/a	—
Transfer	$3,500	n/a	—
Structured co-enrollment	$3,500	n/a	—
Opportunity HS Diploma	$3,500	n/a	—

COV premium

- Earned when the student completes by the program's *target year*, or the year by which most completers of comparable programs reach a positive ROI
  - THECB publishes the target years annually

The premium applies only to **unweighted** counts of on-time completion; student need is not a multiplier here.

Sources: *19 TAC §13.669 figure*.

Example Step 4: Apply Rates and Premiums

Outcome	Count	Rate	Dollars
Weighted for Student Need			
Associate degree	1,290	$3,500	$4,515,000
Associate, high-demand	532	$4,500	$2,394,000
Certificate	421	$1,750	$736,750
Certificate, high-demand	705	$3,500	$2,467,500
OSA or ICLC, high-demand	276	$1,250	$345,000
Transfer	1,080	$3,500	$3,780,000
Not Weighted			
Dual credit	1,200	$3,500	$4,200,000
COV premium: associate	600	$875	$525,000
COV premium: certificate	410	$437	$179,170
Total			**$19,142,420**

What stands out

- At FY27 rates, the counted completions generate $19.1 million
- **Dual credit is the second-largest line item** ($4.2 million) at a flat $3,500, even with no weights.
- High-demand certificates generate ~3x the dollars of the regular ones.

Putting it together: Our example earns $19.1 million under the formula and is paid about $16.8 million after proration

Reported	Step 1: Determine fundable outcomes	Step 2: Apply student need weights	Step 3: Apply greater-of test	Step 4: Apply rates and add premiums	Proration
4,660	**4,500**	**5,402**	**5,504**	**$19.1M**	**$16.8M**
reported outcomes	fundable outcomes	weighted completions	completions counted	earned at FY27 rates	paid after proration

Forecasted Outcomes

For each funding year, the initial "counts" are forecasts, so this entire formula is rerun and totals are adjusted as actual data comes in.

(Forecasting will be the focus of Session 3.)

Proration

In FY27, statewide earned performance funding ($1.25 billion) exceeded the appropriation, so total funding for each college's funding was prorated based on share of total funding to fit within the appropriation amount.

Sources: *Bellwether illustration.*

Simulator Introduction



The simulator shows how formula inputs translate into dollars, for the state and for one college

https://bellwether.shinyapps.io/tx-2yr-funding-simulator/

What it is

- An illustrative model built on FY27 statewide data and rules
- A way to test how changes to weights, averaging, and outcomes move funding

What it is not

- A replacement for THECB's official runs
- A forecasting tool for outcomes

1. **Statewide view**
   Earned vs. prorated funding, and how many colleges gain or lose
2. **Single college: base tier build**
   How instruction and operations need and the local share resolve to a base tier payment
3. **Single college: performance by outcome**
   Dollars by outcome and each outcome's share of funding compared with the statewide average

The default view shows FY27 as paid. When variables are adjusted, each college's student and outcome counts stay fixed; the **simulator only changes weights and counting rules.**

Source: *THECB, FY 2027 Final Funding Model, 2026.*

Thank you & Q&A

Next session: Forecasting Future Outcomes Funding | November 11

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