July 28, 2026

To: Senate Committee on Higher Education

Re: Public Junior College State Finance Program

Honorable Chair Bettencourt and members of the Senate Committee on Higher Education:

The Texas Business Leadership Council (TBLC) appreciates the Committee's continued leadership in strengthening the state's higher education and workforce systems. TBLC is a nonpartisan, statewide organization of chief executives and senior business leaders committed to advancing public policies that support a globally competitive Texas.

Texas employers depend on community colleges to prepare the skilled workforce necessary to sustain the state's economic growth. We therefore strongly supported House Bill 8 (88R) in 2023 and Senate Bill 1786 (89R) in 2025. Together, these measures established and strengthened a community college finance system that ties state investment to measurable student success, credentials of value, and workforce outcomes.

As the Legislature evaluates the long-term sustainability of the new finance system, TBLC encourages the Committee to preserve the fundamental structure of a dynamic outcomes-based model. Early evidence indicates that colleges are responding to the incentives established by House Bill 8. Any revisions should reinforce—not weaken—the connection between state funding, student achievement, and workforce needs.

Community colleges are essential to Texas' workforce competitiveness

Texas has one of the largest and most dynamic economies in the world, but continued growth will depend on the state's ability to develop enough skilled workers to meet employer demand. By 2030, more than 62 percent of Texas jobs are expected to require education or training beyond a high school diploma.[1] Yet only 28 percent of Texas students currently earn a postsecondary credential within six years of graduating from high school.[2] This gap represents both a significant economic challenge and a lost opportunity for thousands of Texans.

Community colleges are central to closing that gap. They enroll more than 45 percent of Texas higher education students and award approximately 92 percent of the state's career and technical education credentials. They also serve adult learners, economically

[1] 1Carnevale, A.P., Cheah, B., & Hanson, A. R. (2022). The Economic Value of College Majors. Georgetown University Center on Education and the Workforce.
[2] 2THECB. Texas Talent Trajectory (T3) Dashboard — 2014 8th Grade Cohort, December 2025.

disadvantaged students, rural communities, and students who may not otherwise have access to postsecondary education.

Texas cannot meet its workforce needs without enabling community colleges to help substantially more students complete credentials that lead to employment, career advancement, and self-sustaining wages. The outcomes-based funding model appropriately recognizes this role by rewarding colleges for producing results rather than primarily funding enrollment and other inputs.

Early results show that the outcomes-based model is working

The early performance of Texas community colleges indicates that the incentives created by House Bill 8 are producing measurable results. According to data analyzed by the Commit Partnership, in the first year of implementation:

- Community colleges increased completion of 15 semester credit hours of dual credit by 15 percent, with 41 of 50 colleges improving on this measure.
- Certificates awarded in high-demand fields increased by 24 percent, with 40 of 50 colleges improving.
- Associate degrees awarded in high-demand fields increased by 19 percent, with 31 of 50 colleges improving.[3]

The model is also generating improved results for students who have traditionally faced greater barriers to completing a postsecondary credential. House Bill 8 provides additional funding weights for economically disadvantaged students, academically disadvantaged students, and adult learners. From fiscal year 2023 to fiscal year 2024, certificate completion increased by 17 percent among academically disadvantaged students, 11 percent among economically disadvantaged students, and 6 percent among adult learners based on additional analysis of THECB data by the Commit Partnership.[4]

These results are important not only for students and colleges, but also for Texas employers. With an emphasis on credentials of value, the funding model is encouraging institutions to focus their programs and student supports on the outcomes that matter most: credential attainment that leads to a good return on investment and self-sustaining wages.

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[3] THECB. Community College Finance: Funding Models, Tools, and Resources – FY24-FY26 Funding Models: “Outcomes” tab.

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Employer-college partnerships demonstrate how funding incentives translate into stronger workforce pathways

TBLC has seen firsthand how community colleges are responding to regional workforce needs through the Workforce Partnership Initiative–Texas, or WPI-Texas.

Created by the Business Roundtable and implemented in Texas through a partnership among TBLC, the Business-Higher Education Forum, and the Texas Success Center, WPI-Texas brings together employers, community colleges, chambers of commerce, economic development organizations, workforce boards, and other regional stakeholders to develop stronger talent pipelines.

Through its work with an initial six college districts—El Paso Community College, Alamo Colleges District, North Central Texas College, Dallas College, Tarrant County College District, and Grayson College—the initiative has helped colleges and employers identify, develop, and scale credentials aligned with regional workforce demand. Building upon this work, WPI-Texas has expanded to include East Texas and San Jacinto College.

The first phase of WPI-Texas has:

- Supported the development of 33 credentials of value;
- Helped learners earn more than 1,900 industry certifications in high-demand fields;
- Engaged nearly 150 employers; and
- Generated more than 3,200 credential completions.

An important component of the initiative is helping colleges develop the institutional capacity to maintain effective employer partnerships. Strong partnerships require colleges to understand changing industry needs, engage employers consistently, adapt curriculum, and demonstrate that programs are producing meaningful results.

This experience demonstrates the value of maintaining clear and consistent incentives for colleges to collaborate with employers, develop industry-aligned credentials, and help students complete programs that lead to employment. The outcomes-based finance model supports these behaviors by aligning institutional funding with the same results employers and students need.

Preserve a dynamic outcomes-based model while improving predictability and transparency

TBLC recognizes that stronger-than-projected outcomes have created budget and forecasting challenges. These pressures warrant careful examination, and the Legislature should ensure that the model is financially sustainable and sufficiently predictable for both the state and community colleges.

However, sustainability should not be achieved by converting the model into a fixed allocation or imposing funding caps that sever the connection between performance and state investment. If colleges improve student outcomes but receive no corresponding funding, Texas risks weakening the incentives that have contributed to the progress now being documented.

Instead, the Legislature should consider approaches that preserve the integrity of outcomes-based funding while strengthening the accuracy and transparency of the model. This should include:

1. Maintaining the model's central commitment to funding measurable student and workforce outcomes;
2. Improving the timeliness and public accessibility of outcome, projection, and funding data;
3. Evaluating whether refinements can reduce volatility without discouraging colleges' continued improvement and partnership with employers; and
4. Ensuring that any changes are informed by the experiences of colleges, employers, and regional workforce partners.

More timely and transparent data would help policymakers identify which outcomes are driving funding growth, understand the fiscal effects of prior statutory or regulatory changes, and evaluate proposed revisions before they are implemented.

Texas made a deliberate choice through House Bill 8 to invest in results for students, employers, and taxpayers. The early evidence suggests that this approach is working. The state should continue refining the system as implementation data becomes available, but it should not retreat from the core principle that public funding should reward colleges when students succeed and workforce needs are being addressed.

TBLC appreciates the Committee's attention to this important issue and its commitment to maintaining Texas' national leadership in higher education. We look forward to continuing to work with the Legislature, the Texas Higher Education Coordinating Board, community colleges, employers, and regional workforce partners to strengthen the model and ensure that Texas has the talent necessary to remain economically competitive.

Respectfully,

Kelle Kieschnick

Vice President of Policy, Texas Business Leadership Council