Texas' Outcomes-Based Community College Funding Model Is Already Paying Off, New Analysis Finds

Growth in credential production, dual credit enrollment and certificates position Texas as a national model for higher education funding reform

AUSTIN, TX, UNITED STATES, July 28, 2026 /EINPresswire.com/ -- Just a few years into its implementation, Texas' landmark effort to align community college funding around student outcomes is already showing early signs of success.

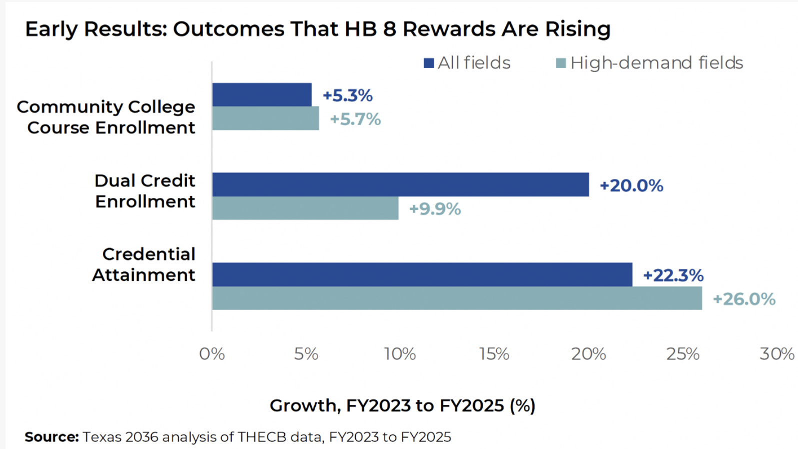
Texas 2036 is releasing a new report, The Texas Model: Rewiring Community College Finance for Student Success, ahead of the Senate Higher Education Committee's scheduled interim hearing on the community college funding model.

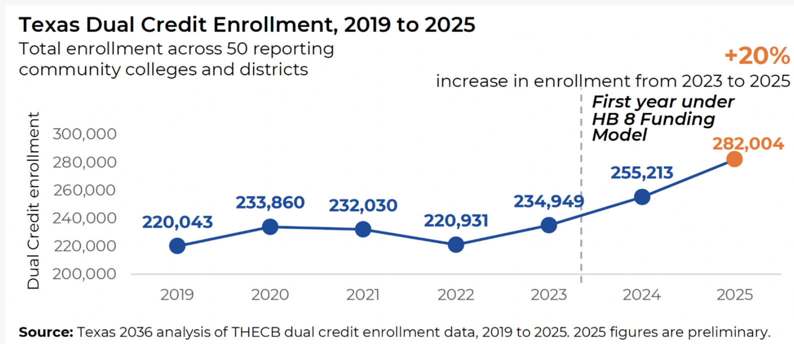
> Texans supported a funding model that connects students to high-wage, high-demand jobs. The next phase includes reaching more students and ensuring funding keeps pace with outcomes colleges earn."
>
> *Grace Atkins*

The Texas 2036 analysis points to several encouraging trends from the first few years of implementation (FY 24-25):

- 22.3% increase in the number of credentials awarded, with a 26% increase in credentials awarded in high-demand fields
- 20% increase in the number of high school students enrolling in dual credit courses
- 24.2% increase in short-term credentials, also known as certificates. Certificates accounted for 53% of all credential growth and 74% of credential growth in high-demand fields.

"Texans came together around the shared goal of building a funding model that connects students to high-wage, high-demand jobs while strengthening the Texas workforce pipeline," said Grace Atkins, postsecondary and workforce policy advisor at Texas 2036. "The first two years show incredible growth in student outcomes, especially credentials in high-demand fields and dual credit participation. The next phase is ensuring this change reaches more students and that state funding keeps pace with the outcomes colleges earn."





Community Colleges: Incentives Lead to More Student Outcomes

Because formula payments began flowing in August 2023, fiscal years 2024 and 2025 provide the first look at how colleges are adapting to the new community college funding model. Under the new funding system, community colleges have exceeded projections in achieving qualifying outcomes.

Kilgore College, for example, more than doubled its dual credit enrollment from 2,246 in fiscal year 2023 to 4,848 in fiscal year 2025. And that school was hardly alone. Two other schools, South Plains College and Galveston College, boosted enrollment in dual credit courses by about 60%. The state's biggest community college systems added thousands of students as well.

Growth in outcomes was highest at small colleges (6.6%), followed by medium-sized colleges (4.9%), large colleges (4.0%) and the largest districts (2.6%).

The early results also raise important questions about how the funding model should evolve over time. As colleges produce more of the outcomes the state rewards, lawmakers will need to consider how to keep the formula focused on student success while also ensuring it remains predictable, sustainable and responsive to changing conditions.

"The first few years give Texas valuable information about how colleges are responding to the new model," Atkins said. "The next step is to build on those results and ensure the formula continues working for students by rewarding pathways that connect them to valuable credentials and careers with real economic mobility."

A Multi-Year Legislative Effort

In 2023, the Texas Legislature passed House Bill 8 by state Rep. Gary VanDeaver (R-New Boston), shifting roughly 95% of state formula funding for community colleges to measurable student outcomes rather than enrollment. The law also created a Base Tier to help ensure that colleges serving communities with limited local property wealth have the resources needed to support core operations.

An Iterative Effort

In 2025, lawmakers passed Senate Bill 1786 by state Sen. Brandon Creighton (R-Conroe) to strengthen the existing reforms with further earnings requirements. These reforms served to ensure that the state is funding programs that are producing credentials that have real value in the workforce.

The Big Picture

With the reforms initiated by HB 8, Texas has made the decision to tie state funding for community colleges to whether students complete meaningful credentials, move into stronger career pathways and help meet the workforce needs of a growing state.

Other states are watching what Texas is doing in this field with an eye to replicating the formula being developed here.

“HB 8 can be much more than community college funding reform,” Atkins said. “It can become a national example of how higher education funding can advance economic mobility, workforce competitiveness and long-term prosperity.”

The full report is available at texas2036.org/texas-community-college-funding/.

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About Texas 2036

Texas 2036 is a nonpartisan public policy organization dedicated to improving lives and opportunities for all Texans through 2036, Texas' bicentennial year, and beyond.

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