Texas Higher Education
COORDINATING BOARD

Credentials of Value Methodology

THECB Major Policy Discussion
January 23, 2025

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Perceptions of Higher Education: Student and Parent Goals and Attitudes

800
parents and students surveyed about their attitudes and perceptions of higher education

- Understand perceptions and opinions about the **value and benefits of postsecondary education**
- Identify **anxieties and challenges** faced by students and parents regarding pursuing higher education
- Uncover key factors influencing **attitudes, motivations, and decision-making** in pursuing higher education

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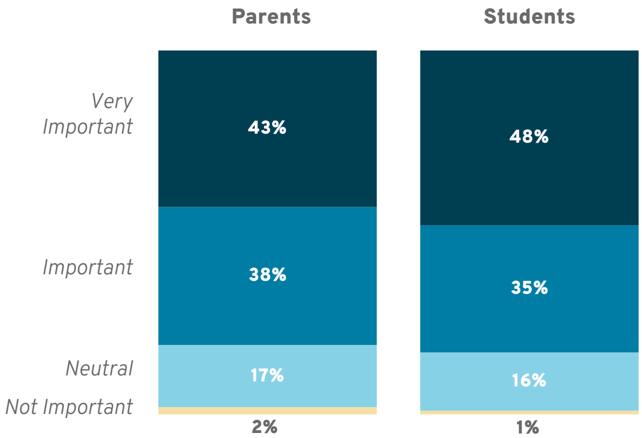
How important is higher education in determining future career success?



80%

of **Texas students and parents** overwhelmingly agree that higher education is crucial for career success

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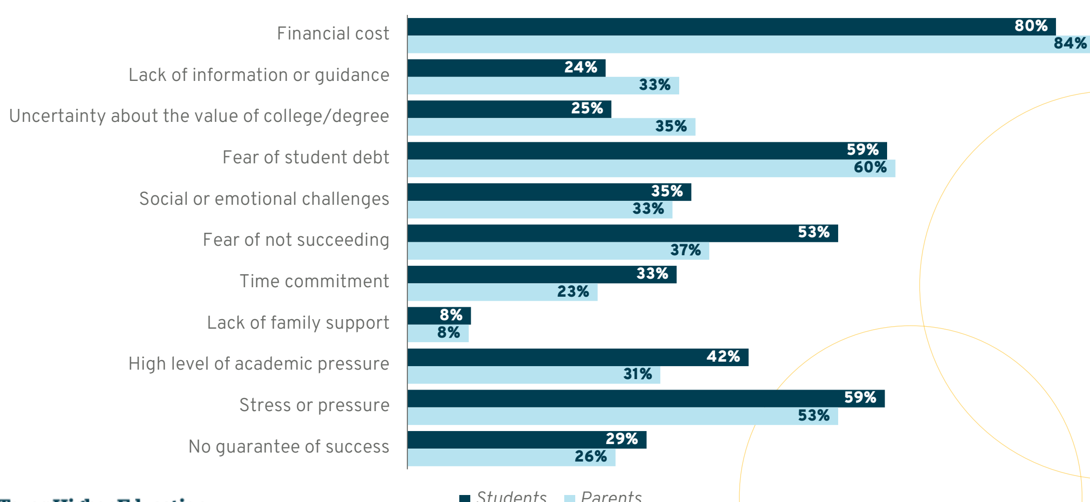
When you think about higher education, what challenges come to mind?



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Students Voices: Career-Oriented Mindset

When **thinking about higher education**, polling participants used phrases like **"a stepping stone to my future career"** and **"A good paying job,"** perspectives that aligned with those voiced by our **Higher EDge** student panelists:

> Anything more than a high school diploma will take you further in your career.
>
> **- Nicole, Recent Graduate**

> If you don't have experience, you can't get a job, and getting experience comes from college classes and internships through school.
>
> **- Emma, Undergraduate Student**

> What keeps me up at night? Am I going to be able to find a good job and a prosperous career?
>
> **- Elias, Undergraduate Student**

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Why This Work Matters

Economic opportunity in the United States is extremely difficult to realize today without postsecondary education.

As income and wealth gaps continue to grow in this country, the rising cost of college coupled with systemic barriers to completion are putting postsecondary education out of reach for too many students. We cannot create a skilled and credentialed workforce, thriving economy, and inclusive democracy without providing more students with a postsecondary credential that leads to economic mobility and security and the competencies to advance in our society.

While postsecondary education holds great potential for improving students' lives, **stark gaps in access, affordability, completion, and post-college outcomes** mean too few reap its full benefits.

As a field, we should ensure that all students are able to reap the full benefits of a postsecondary education.

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Impact of Credentials of Value on the Texas Economy

- Following the most recent cohort of students who received credentials of value (e.g., Certificate, Associate, and Bachelor) results in…

Accumulative Credential of Value 1st Year Earnings	Accumulative Credential of Value 5th Year Earnings
$7,394,042,820	$10,996,574,077

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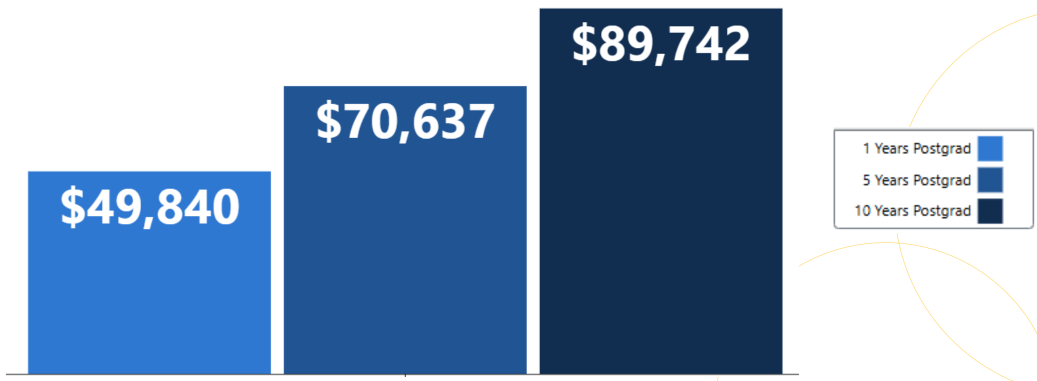
COV: Wages by Credential Type

Bachelors, Business Management and Marketing



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Credential of Value in Practice:
Community College Finance

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Credentials of Value under HB8: Achieving Positive Return on Investment

Credentials of value provide a positive return on investments (ROI) to students. Starting FY25, community colleges will be eligible for performance funding for 2 tiers of Credentials of Value:

CREDENTIALS OF VALUE BASELINE
Institutions are funded for **all conferred credentials** when a **typical graduate** earns cumulative wages greater than median earnings of a typical high school graduate and recoups the net cost of attendance within **10 years** of earning the credential

+

CREDENTIALS OF VALUE PREMIUM
Institutions receive premium funding for each student earning a **credential of value** who is projected to **achieve a positive ROI at or before a target year** when most students in comparable programs are projected to reach positive ROI

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Credentials of Value: Achieving Positive Return on Investment

INVESTMENT		OPPORTUNITY COST		COMPARISON WAGE		CUMULATIVE EARNINGS
TOTAL STUDENT INVESTMENT	+	Opportunity Cost *(foregone wages)*	+	Base Comparison Wage	≤	CUMULATIVE EARNINGS

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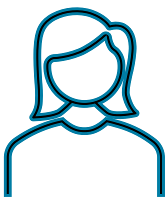
Meet Maria



- Maria graduated with an Associate degree in **Biology** from Above and Beyond Community College (ABCC).
- She took three years to complete her degree.
- She started her program in fall 2010 and graduated in May 2013.
- Maria will be our persona for Baseline COV examples.
- Biology (26.0101) is in the Biology and Life Sciences Program Area.
  - Associate degrees in Biology and Life Sciences from ABCC will be our example program area for this presentation.

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Credentials of Value: Calculating Student Investment

Maria's Cost of Attendance:

Semester (Year / 2)	Tuition & Fees and Books & Supplies	Room & Board and Other Expenses	Full Time	Cost of Attendance
Fall 2010	$ 2,600	$ 3,200	1	$ 5,800
Spring 2011	$ 2,600	$ 3,200	.5	$ 2,900
Fall 2011	$ 3,200	$ 3,400	1	$ 6,600
Spring 2012	$ 3,200	$ 3,400	1	$ 6,600
Fall 2012	$ 3,550	$ 3,500	1	$ 7,050
Spring 2013	$ 3,550	$ 3,500	1	$ 7,050
				$ 36,000

Maria's Financial Aid:

Academic Years	Federal, state, local, institutional grants or other aid
AY 2010-11	$ 3,250
AY 2011-12	$ 3,550
AY 2012-13	$ 5,200
	$ 12,000

$36,000 – $12,000 = $24,000

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Note: COA data are based on IPEDS

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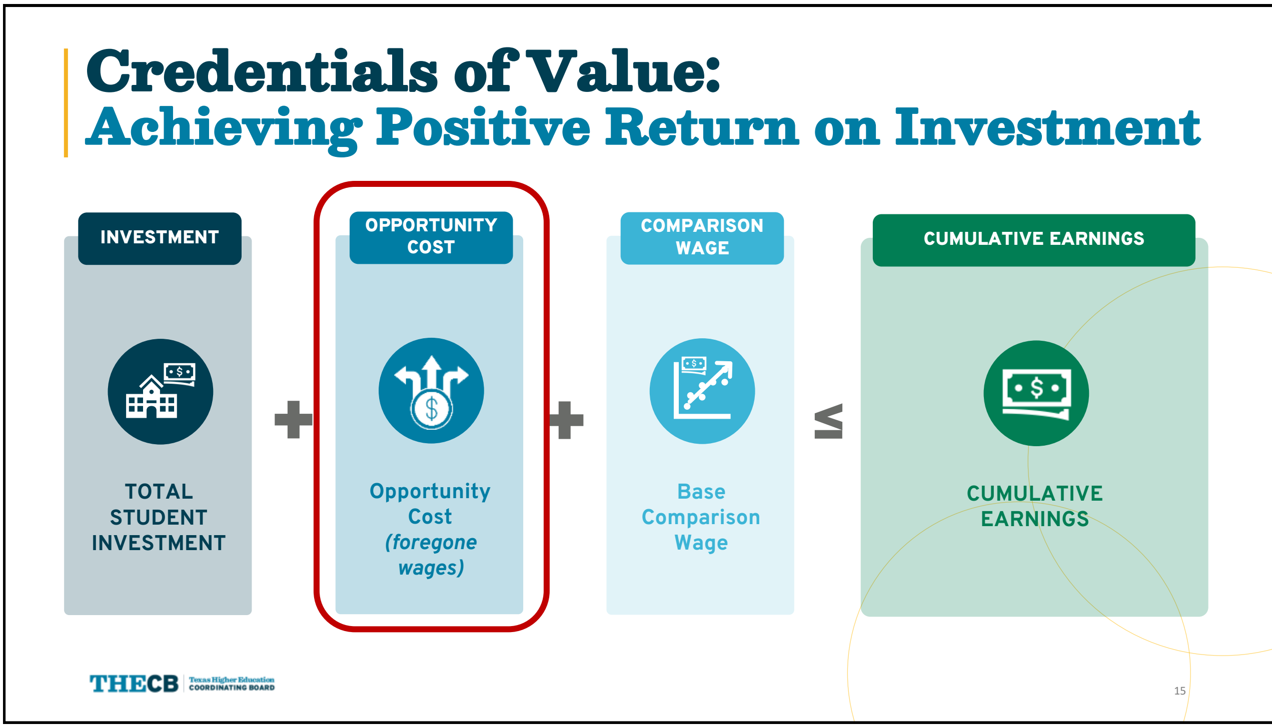
Credentials of Value:
Achieving Positive Return on Investment
INVESTMENT
TOTAL STUDENT INVESTMENT
+
OPPORTUNITY COST
Opportunity Cost (foregone wages)
+
COMPARISON WAGE
Base Comparison Wage
≤
CUMULATIVE EARNINGS
CUMULATIVE EARNINGS
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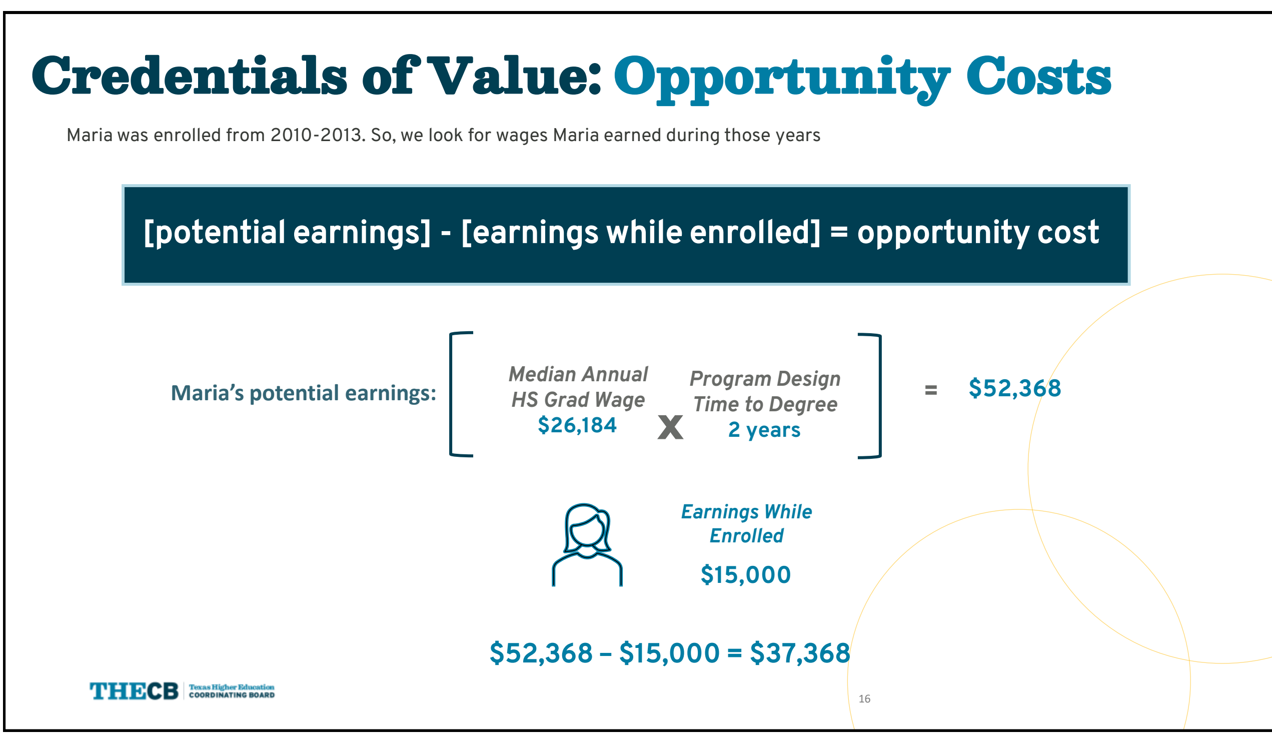
Credentials of Value: Opportunity Costs
Maria was enrolled from 2010-2013. So, we look for wages Maria earned during those years
[potential earnings] - [earnings while enrolled] = opportunity cost
Maria's potential earnings:
Median Annual HS Grad Wage $26,184
x
Program Design Time to Degree 2 years
= $52,368
Earnings While Enrolled
$15,000
$52,368 – $15,000 = $37,368
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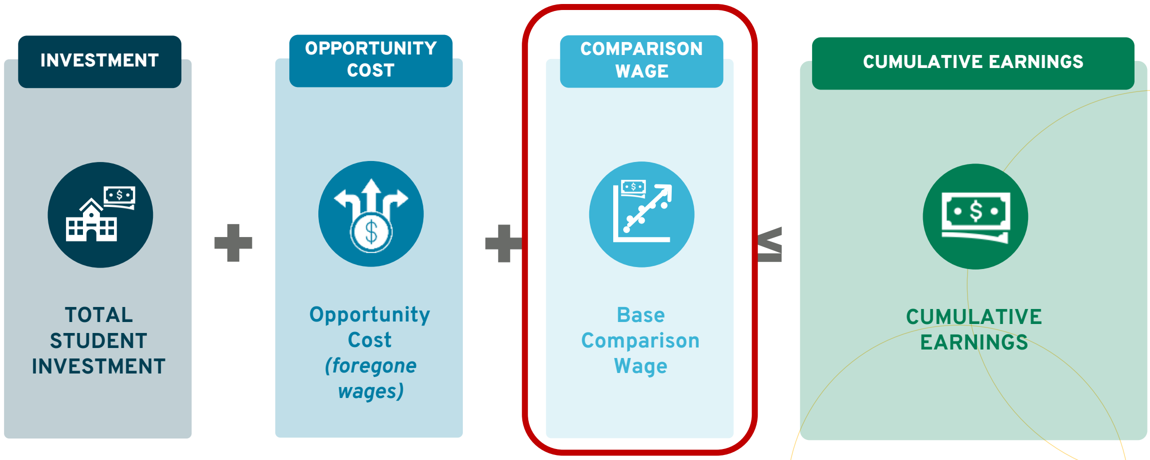
Credentials of Value:
Achieving Positive Return on Investment



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Credentials of Value:
Base Comparison Wage

[*Median Annual HS Grad Wage* $26,184 X *Years since Postsecondary Graduation* 10 years]

- How much we **expect a person to make if they did not receive postsecondary credential**
  - Cumulative amount a HS grad is expected to make **over 10 years**
- **Median annual wage for Texas high school graduates ages 22-40** for each year enrolled
  - American Community Survey (ACS) data
- Base comparison wage is the same for everyone for each year

Cumulative Median Annual High School Wage (Base Comparison Wage)									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
$26,184	$52,368	$78,552	$104,736	$130,920	$157,104	$183,288	$209,472	$235,656	$261,840

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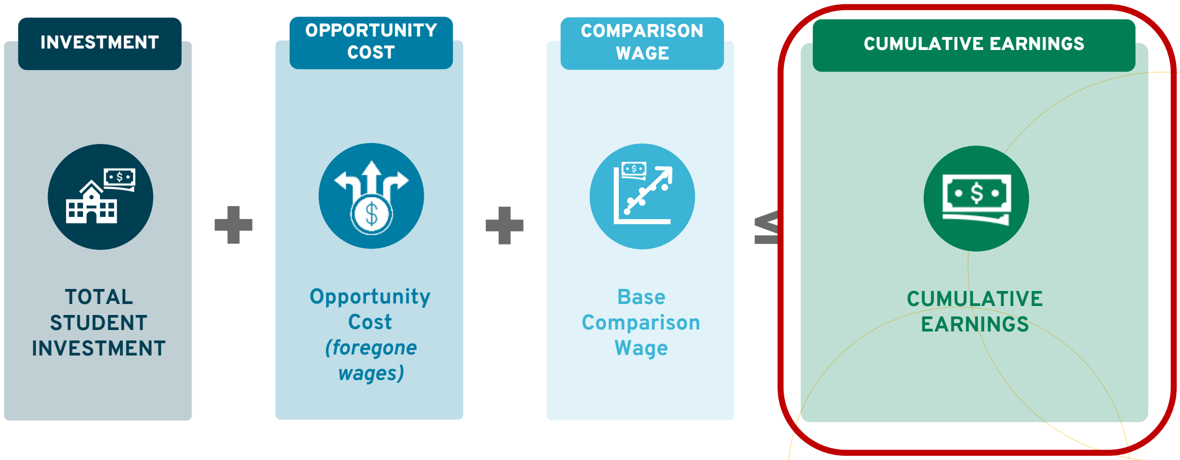
Credentials of Value:
Achieving Positive Return on Investment



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Credentials of Value:
Annual Cumulative Earnings

- Annual earnings each year for 10 years following completion of program. Wages are matched to each student by SSN using TWC wage records.

Maria's annual wages each year for 10 years after graduating

Maria	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Annual Earnings	$40,000	$45,000	$48,000	$50,000	$55,000	$60,000	$65,000	$68,000	$70,000	$75,000
Cumulative Annual Earnings	$40,000	$85,000	$133,000	$183,000	$238,000	$298,000	$363,000	$431,000	$501,000	$576,000

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Example:
When does Maria breakeven?

The first year where Total Cost* <= Cumulative Wages

*total cost is the sum of total student investment, opportunity cost, and base comparison wage

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Total Student Investment	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250
Opportunity cost	$35,368	$35,368	$35,368	$35,368	$35,368	$35,368	$35,368	$35,368	$35,368	$35,368
Base comparison wage	$26,184	$52,368	$78,552	$104,736	$130,920	$157,104	$183,288	$209,472	$235,656	$261,840
Total Cost* (Total Student Investment + Opportunity Cost + Base Wage Comparison)	$85,802	$111,986	$138,170	$164,354	$190,538	$216,722	$242,906	$269,090	$295,274	$321,458
Cumulative wages	$40,000	$85,000	$133,000	$183,000	$238,000	$298,000	$363,000	$431,000	$501,000	$576,000
Breakeven?	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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