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TEXAS ASSOCIATION OF BUSINESS

THE TEXAS STATE CHAMBER

The Future of the Texas
Workforce: Building a Talent
Strong Texas

Representing Companies of Every Size and Industry.

PRO-BUSINESS | PRO-TEXAS

EXECUTIVE SUMMARY



Texas is booming. The Lone Star State is now the 8th-largest economy in the world (roughly \$2.6 trillion in GDP), and employers demand a highly skilled workforce. Yet Texas faces a growing gap between the jobs we’re creating and the skills we’re training. Experts predict that by 2030, around 60% of jobs in Texas will require a postsecondary credential, yet fewer than 40% of students today achieve one.

Closing this gap is urgent for continued economic prosperity, which is why **Texas has launched a series of bold reforms and programs to link education with industry:** expanding career-focused K-12 pathways, moving to outcomes-based funding for colleges, and incentivizing public-private training partnerships. These innovations are positioning Texas to build a “talent-strong future.”

- **High Demand vs. Low Supply:** Over 60% of future Texas jobs will require a credential, but fewer than 40% of students currently earn one within six years of high school. This “60/40” gap threatens Texas’s competitiveness.
- **Education-Industry Alignment:** Texas is developing new pathways from K-12 through colleges into industry, including career-oriented high schools (e.g., P-TECH) and expanded dual-credit programs.
- **Funding Reforms:** State law (HB 8 in 2023, SB 1786 in 2025) has shifted Texas community colleges away from enrollment-based funding toward an outcomes-based model. Now institutions earn 95% of state funds by student outcomes (dual-credit completions, transfers, credentials of value earned) rather than mere seat-time.
- **Credentials of Value:** Texas defines “credentials of value” as degrees or certificates with clear labor-market worth. The new funding model rewards colleges that graduate students with such credentials, aligning dollars with workforce needs.
- **Investment in Training:** Texas encourages public-private partnerships for training. For example, the Skills Development Fund provides grants (up to \$500K) for industry-led training, and the Industry Partnership Program (TIP) matches employer funding for targeted workforce training.
- **Proposition 1:** On the ballot this November, Proposition 1 would create a permanent endowment seeded with \$850 million to fund a new “Technical Institution Infrastructure Fund,” generating an estimated \$40 million per year for TSTC campuses.

Data & Governance Alignment:

This work complements statewide efforts to **strengthen Texas’s P-20W longitudinal data systems and Tri-Agency coordination.** As business leaders and chambers of commerce engage with colleges and employers, clearer data and shared definitions will help local leaders translate policy into workforce outcomes.

PATHWAYS THAT WORK: ALIGNING EDUCATION AND THE TEXAS WORKFORCE

Educational Pathways

To meet the workforce demands of a booming economy, Texas is investing in new ways of connecting high school, community college, and four-year programs to workforce needs.

Texas is expanding beyond the traditional all-academics model to embed career readiness in high school. For example, the Pathways in Technology Early College High Schools (P-TECH) program creates campuses where students can earn a diploma, an associate degree, or an industry certificate upon graduation. P-TECHs focus on in-demand fields and include work-based learning in every grade. Under HB 2, each P-TECH student now generates \$150 per day in state education funds (up from \$50), tripling the state’s commitment to work-aligned education.



Del Valle ISD’s New P-TECH Early College Campus, a partnership with Tesla offering certifications in robotics and automation. Tesla donated \$600,000 to purchase training equipment for the new studio.

Another key K-12 pathway in Texas is dual-credit and early college. Texas has dramatically expanded opportunities for high-school students to earn college credit. In fall 2024, 249,328 Texas high-school students were enrolled in college courses (18% of all public higher-ed enrollment), a 1,302% increase since 2000. This surge means hundreds of thousands of students are getting a head start on credentials before graduation, saving money and time. New scholarship programs like FAST (Financial Aid for Swift Transfer) help by making dual credit tuition-free for low-income students. Under FAST, eligible students pay nothing for dual-credit courses, and colleges receive a fixed tuition reimbursement.

Overall, Texas’s K-12 system is now packed with career pathways, with early colleges, P-TECHs, CTE, technical schools, apprenticeships, and internships helping students start their career earlier and linking schoolwork to local industry needs.



P-TECH

- Students earn a high school diploma and an associate degree or industry certificate by graduation.
- In 2025, Texas tripled per-student funding for P-TECH programs, from \$50 to \$150 per day.



Dual Credit & Early College

- Dual credit allows high school students to take college classes early and even graduate with an associate degree.
- In recent years, Texas has seen massive growth in dual credit students, with 249,328 enrolled in the fall of 2024, a 1,302% increase since 2000.



FAST

- New initiatives like the Financial Aid for Swift Transfer (FAST) scholarship make dual credit tuition-free for low-income students.
- In 2024, the FAST program helped drive \$80 million in new funding for Texas community colleges.

Data That Travels With Students:

Stronger P-20W data and Tri-Agency alignment help ensure students’ progress—coursework, credits, and credentials—can be recognized across institutions and by employers, reducing friction for learners and hiring managers.

PATHWAYS THAT WORK: ALIGNING EDUCATION AND THE TEXAS WORKFORCE

Public-Private Training Partnerships

Texas also strengthens its workforce through public-private partnerships led by the **Texas Workforce Commission (TWC)**. Two flagship programs illustrate this approach:

Skills Development Fund (SDF)



This grant program helps companies train their workforce. Employers can team up with a public college, the Texas A&M Engineering Extension Service, or a local workforce board to apply. Approved projects receive up to **\$500,000 per project** to train workers in the skills their business needs. By design, SDF grants require local industry participation, so investment is shared. The program has expanded rapidly to meet Texas's growing demand for skilled technicians and advanced production workers.

For example, a manufacturing plant might partner with a community college to train incumbent workers on advanced robotics; the state grant then covers most of the training costs.

Texas Industry Partnership (TIP)



TIP brings together employer coalitions, local workforce boards, and educators to tackle regional skills gaps. An industry group or association can partner with a workforce board to apply for TIP grants, **which match employer funds dollar-for-dollar (up to \$150,000) for specific training initiatives**. The matched funds can be used for activities such as curriculum development, apprenticeships, certification courses, and mentoring. By leveraging private-sector dollars, TIP ensures that training programs align closely with actual job needs.

Areas for Improvement

Texas has adopted a nation-leading strategy for workforce development. Still, several refinements could strengthen it:

- **Expand Public-Private Partnerships:** Lawmakers should encourage public-private partnerships under P-TECH and HB 8 to remove roadblocks to workforce training, allowing students to easily transition to high-paying careers. Local chambers of commerce should collaborate with local education leaders and industry partners to create credential programs, on-the-job training, and apprenticeships.



El Paso Community College recently received a Skills Development Fund grant for their civil engineering program, in partnership with Bain Enterprises LLC.

Action for Chambers of Commerce and Business Leaders

- Convene ISDs + colleges + employers to expand P-TECH and dual credit in high-demand fields.
- Use local labor-market data (via college partners) to target programs that lead to credentials of value.
- Tap SDF/TIP to scale training; assign a chamber staff lead to shepherd applications and employer coalitions.
- Translate state terms (P-20W, Tri-Agency) into plain language for member briefings.

UNDERSTANDING HOUSE BILL 8: OUTCOMES-BASED FUNDING AND WHAT IT MEANS FOR TEXAS

In 2023, the Texas Legislature unanimously approved **House Bill 8**, a historic overhaul of community college funding. HB 8 replaces the old seat-hour allocation model with a performance-based system tied to student outcomes. Under the new law, colleges earn the bulk of their state dollars by helping students succeed. **Community colleges get extra funding for awarding more postsecondary credentials of value, for students who successfully transfer to a 4-year university, and for high school students completing dual-credit courses.**

As the Texas Association of Community Colleges put it, **each community college “is now challenging itself to earn additional funding by educating more students and awarding credentials of value that align with Texas’s workforce needs.”**

College Funding Bonuses	
Credentials of Value Awarded	Each time a student graduates with a “credential of value,” the college gets a funding boost. Texas defines a credential of value as one where the typical graduate’s earnings exceed both the cost of obtaining the credential and the average earnings of a high school graduate. This ensures credentials bring true value to boost students’ careers.
High-Demand Credentials	Additional bonus funding is given for credentials earned in high-demand fields. The state identifies these fields (and updates them regularly) based on workforce data like regional job growth and wage levels. This means colleges focus on programs that feed into Texas’s most critical industries.
Successful University Transfers	Community colleges receive funding when their students successfully transfer to a four-year university after making progress. This is called the transfer success bonus, which encourages colleges to help students move up the education ladder without losing credits along the way.
Dual-Credit Course Completions	When a high school student completes a 15-credit hour sequence of dual-enrollment courses through a community college, that college earns a funding boost, rewarding partnerships between colleges and K-12.

SB 1786 (2025) – Key Refinements to HB 8

- Strengthens “credential of value” with a clearer wage/ROI test tied to labor-market demand.
- Aligns college offerings with regional projections and improves data quality for program ROI.
- Boosts Tri-Agency coordination across funding streams (e.g., JET, P-TECH, TRUE, Perkins).
- Clarifies FAST eligibility to widen access to high-quality dual credit.
- Expands transfer recognition so the bonus follows successful transfers to all Texas universities.



San Jacinto College’s new Generation Park biotech manufacturing facility, serving one of America’s premier biotech hubs, including a New \$6.5 billion Eli Lilly Co. facility.

UNDERSTANDING HOUSE BILL 8: OUTCOMES-BASED FUNDING AND WHAT IT MEANS FOR TEXAS

Together, these performance outcomes now drive about 90% of state funding to community colleges. The remaining funds, called the base-tier, go only to smaller, property-poor districts to help cover basic instruction costs. Major appropriations accompanied the new funding formulas.

In 2023, legislators approved roughly \$683 million in new state aid for two-year colleges, with each district receiving a supplement (ranging from about \$70,000 to \$2.9 million in FY2024). Much of this (about \$428 million) was set aside as a transition pool so that no college would see a funding cut when the new formula took effect.

Colleges are already using these resources to boost completions. Many have launched or expanded student-support initiatives and career programs to meet the new metric.

*For example, Austin Community College and Del Mar College introduced **free-tuition guarantees for in-district students, funded by their HB 8 grants.***

Moreover, participation in dual-enrollment programs has surged under the new incentives. **The over 250,000 Texas high school students who took dual enrollment credit courses in 2023–2024 generated \$80 million in bonus funding for community colleges.** Other institutions are aligning their programs with local industry needs, adding certificates in fields like manufacturing, energy, and healthcare. Colleges have also enhanced advising and transfer support.

For example, Dallas College partnered with nearby universities to create a transfer portal so students' credits will count toward bachelor's degrees, ensuring more students convert college credits into jobs or further education.

These trends suggest Texas's two-year colleges are rapidly reorienting to produce the workforce-aligned credentials businesses need.

Action for Chambers of Commerce and Business Leaders

- Brief local officials on how HB 8 / SB 1786 reward results (credentials, transfer, dual credit).
- Highlight member stories to protect outcomes-based funding in future sessions.
- Ask colleges to share program outcomes by industry so employers can co-design high-value pathways.



CONNECTING THE DOTS: CREDIT TRANSFER AND STUDENT MOBILITY

Texas has adopted a nation-leading strategy for workforce development. Still, several refinements could strengthen it and ensure students can move seamlessly through the education-to-workforce pipeline.

The success of Texas's new outcomes-based funding model depends not only on rewarding credentials of value, but also on making sure credits travel efficiently with students as they progress from high school to community college and from two-year programs to four-year degrees. **When students lose credits in transfer, they lose time, money, and momentum — and the workforce loses needed talent.**

The Cost of Inefficient Transfer

Each year, thousands of Texas students repeat courses or abandon degree plans because their earned credits don't apply at the next institution. **National studies estimate that nearly 43% of transfer students lose some previously earned credit, and many lose up to a full semester's worth.** This inefficiency costs students an average of \$6,000 to \$10,000 in additional tuition and living expenses — and delays their entry into the workforce. For employers already struggling with talent shortages, every semester lost means fewer skilled workers available to fill high-demand roles.

That's why **credit mobility**—the ability for a student's coursework, credentials, and competencies to move with them across systems—is **central to Texas's long-term workforce strategy.**

Refining the System

- **Expand Transfer Funding to All College Pathways:** The new community college finance model rewards students who transfer to four-year programs, but currently focuses on transfer to in-state universities. To ensure incentives are aligned, Texas should credit community colleges whose students pursue degrees at out-of-state or nonprofit universities.
- **Recognize Transfer to All Texas Universities:** SB 1786 strengthened this provision by ensuring that community colleges receive transfer bonuses for students who move into any Texas university—public or private—so colleges aren't penalized for helping students continue their education beyond local boundaries.

Stronger P-20W data systems and Tri-Agency alignment (TEA, THECB, and TWC) are key to improving transfer efficiency. By linking student-level education data to workforce outcomes, the state can better identify where credits are being lost and where policy changes are needed. For example, the Texas Higher Education Coordinating Board's work on **Fields of Study** and the **Transfer Advisory Committee** provides a foundation for statewide articulation agreements that help students carry their credits forward without duplication.

Regional Leadership and Chamber of Commerce Roles

Local chambers are uniquely positioned to help solve the credit transfer challenge. Chambers can convene regional higher-ed and workforce leaders to review transfer data, align degree maps with industry pathways, and identify articulation bottlenecks.

For example, Dallas College's transfer portal, developed in partnership with nearby universities, ensures that a student's completed coursework counts toward bachelor's degree completion — a model that could be replicated statewide.

By facilitating regular communication between colleges, universities, and employers, chambers help ensure that regional transfer systems serve both students and local economies. Business leaders can also lend their voice to policy discussions, emphasizing that smoother transfer pathways are a critical piece of maintaining Texas's competitiveness.

CREDENTIALS OF VALUE: MEASURING WHAT MATTERS IN TEXAS TALENT DEVELOPMENT

Texas defines “**credentials of value**” as degrees, certificates, or other postsecondary awards that equip graduates for lasting, successful careers with strong earning potential and minimal debt. Under the state’s Building a Talent Strong Texas plan, these credentials represent the benchmark for economic mobility—helping individuals increase employment opportunities and income while strengthening the talent pool for employers.

By 2030, Texas aims for 60% of working-age adults (ages 25–64) to hold a degree, certificate, or other credential of value, and for 550,000 students to complete such credentials each year. These goals ensure that postsecondary education in Texas propels learners toward sustainable careers and builds a workforce aligned with the needs of a dynamic economy.

Texas State Technical Colleges (TSTC)

TSTC’s technical colleges are on a parallel path to improve workforce training. In the 2025 legislative session, lawmakers placed a constitutional amendment on the November ballot (**Proposition 1, SJR 59**) to provide dedicated capital funding for the Texas State Technical College System, **which passed with 69% support.**

Prop 1 established a new **Permanent Technical Institution Infrastructure Fund seeded with \$850 million, providing an estimated \$40 million per year for TSTC’s campuses.** TSTC, which operates 11 campuses statewide (soon to be 13), has no local tax authority or bonding power, so its aging facilities have lacked needed upgrades. The absence of state investment is evident.

For example, one TSTC campus recently had to turn away about 500 applicants because lab and classroom space were full.

The Prop 1 endowment will give TSTC a permanent revenue stream for capital projects. Officials say the money would be used to renovate and expand aging buildings, upgrade hands-on training equipment, and build new lab and classroom space across all 11 campuses. In effect, the fund will enable TSTC to modernize its infrastructure to meet student and employer demand for skills training.

Texas is facing a critical shortage of skilled trades workers in plumbing, welding, electrical, and other fields, and dedicated state funding will allow TSTC to grow its training capacity to help fill those gaps. The fund creates a specialized, dedicated source of capital for technical education—a significant shift to ensure Texas’s technical colleges can keep pace with workforce needs.



In Abilene, the Texas State Community College is helping train workers to build OpenAI’s Project Stargate, the world’s largest data center.

CREDENTIALS OF VALUE: MEASURING WHAT MATTERS IN TEXAS TALENT DEVELOPMENT

Continuing Support and Next Steps

The Texas Legislature has mandated a statewide Credentials of Value Task Force (HB 1233, 2025) to refine how Texas identifies and funds high-value credentials. This task force is tasked with developing models that enable students to earn stacked credentials and degrees efficiently.

Certificate Programs Task Force (CPTF), 2025–2027

Led by the Texas Association of Community Colleges (TACC), The Higher Education Coordinating Board (THECB), and the Community College Standing Advisory Committee, the CPTF will recommend updates to how certificate programs are valued under SB 1786.

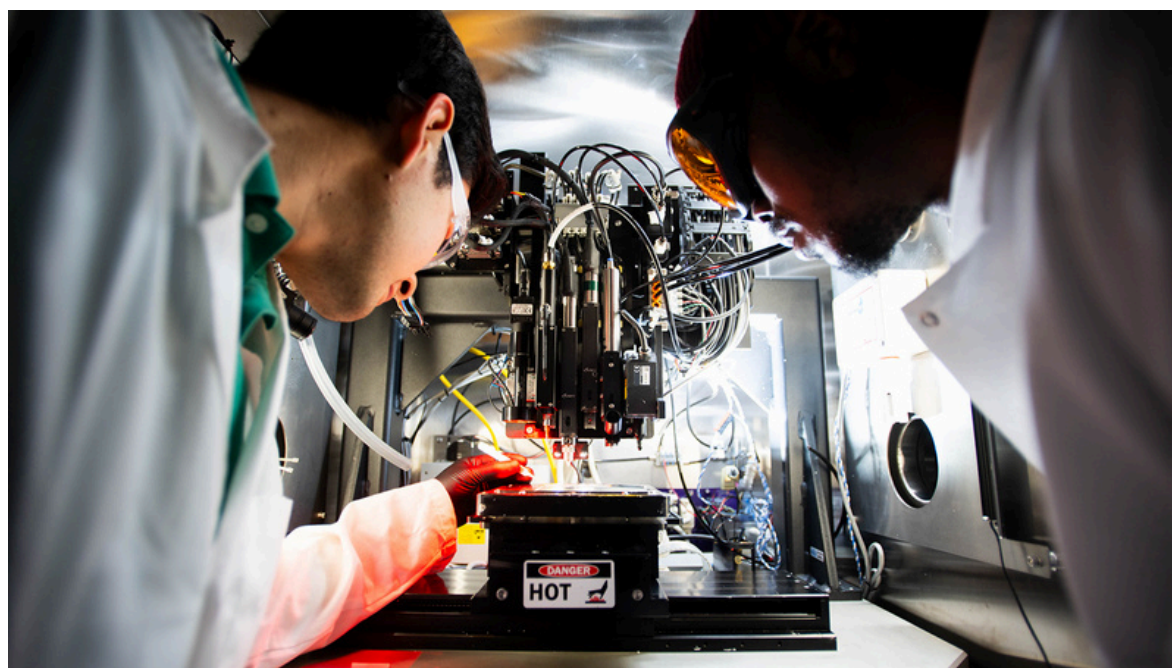
- **Timeline:** Membership announced Oct 2025; research and engagement through Oct 2026; recommendations finalized Nov–Dec 2026; THECB implementation by Sept 1, 2027.
- **Goal:** Ensure certificates meet the strengthened credential of value standard (wage/ROI, mobility, labor-market need) while giving colleges and employers a predictable framework.

Sidebar: Research Universities & Industry Hubs

Texas universities are expanding specialized research centers that directly connect innovation to workforce pipelines. Across the state, campuses are investing in semiconductors, AI, clean energy, and biotechnology, linking advanced research with hands-on training and employer partnerships.

Projects like the **UT System’s semiconductor initiative**, **Texas A&M’s energy and AI labs**, and **UNT’s new Semiconductor Center** illustrate how research and talent development now advance together. These hubs produce graduates ready to meet Texas’s high-tech, high-skill labor demand while attracting new investment to regional economies.

For chambers of commerce and business leaders, these centers represent ideal partnership points—where business innovation, workforce needs, and university expertise converge to strengthen local competitiveness.



UNT Recently launched a Semiconductor Center in Denton, aiming to serve North Texas’ semiconductor industry and Texas Instruments’ \$60B investment.

Action for Chambers of Commerce and Business Leaders

- Nominate employer SMEs to inform CPTF and local program updates.
- Publicize credential wage/ROI stories to help students pick high-value programs.
- Coordinate with TSTC/community colleges on facility and equipment needs tied to Prop 1.

Contact Us!



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