



Creating Measures to Ensure Education Delivers for Students, Employers, and States

By 2031, nearly three-quarters of American jobs will require some sort of credential beyond a traditional high school diploma.¹ While a bachelor's degree from a reputable institution continues to be the surest path to the middle class for many, it is not the only path, nor the right path for everyone. Some students graduate with credentials for which there is little job demand, while others pay too much for their degree. Still others are seeking more choices and a broader set of pathways to economic mobility.

Meanwhile, the country is facing severe shortages of workers trained for high-paying jobs, including many that are crucial to frontier industries like artificial intelligence (AI) and advanced manufacturing.² Recent federal policy changes, including the new Workforce Pell program, attempt to address this shortage. However, without strong implementation, there is a risk these dollars will pay for low-value certificates.

To maximize the value of higher education and offer more pathways to career success, policymakers are increasingly attempting to distinguish between the credentials that set students up for prosperity and the credentials that do not. One solution for states is to establish frameworks that define credentials of value (COVs), which can help guide key policymaking decisions and help students and their families be more informed consumers. These COV frameworks look at outcomes for students, like minimum earnings and debt-to-earnings ratios, to help identify credentials and occupational pathways that are smart options.

Education and career decisions are some of the most important choices Americans make. As with other major decisions, like buying a home, individuals and families need credible and useful information to make the best decisions for them. Homebuyers want to know if a house fits their needs, how much of their savings they can put into it, whether they can afford the mortgage payments, and if it will appreciate in value. Standardized, transparent data and guidance both informs homebuyers and triggers regulatory protections. Similarly, COV frameworks can help students and families navigate complex education and career decisions. They also can help policymakers set minimum thresholds and create incentives to more efficiently use tax dollars and maximize benefits for their constituents and economies.

Using COVs to Ensure Transparency and Accountability

COV frameworks should provide useful information to students, their families, and policymakers. Likewise, policymakers should be transparent on how they determine COVs, and the methodology should be public. Institutions should be able to use this framework to evaluate the performance of, and make adjustments to, their programs. This transparency will help state agencies resist the pressures from employers and institutions to reward low-performing programs. It will also help students make better choices, allow researchers to identify best practices, and empower policymakers to incentivize better outcomes.

Though institutions can and should maintain academic freedom and room for innovation, states have a role to play in aligning publicly funded academic and training programs with the public's needs. To help institutions and training providers maintain and grow COVs, policymakers should build them into the appropriations process. Outcomes-based funding (OBF) formulae can incentivize institutions to produce more COVs. OBF formulae usually include completion metrics and ideally should include post-program earnings — especially for short-term career training programs. New OBFs can provide additional funding for

completions of COVs. For example, Texas funds community colleges in part based on how many COVs they produce, with additional funding for COVs in high-demand fields.³ The state similarly funds the technical college system based on students' post-program earnings.⁴

While state education and workforce agencies should consider economic impact when evaluating new programs, existing programs should be regularly reviewed to ensure they are still providing value. These regular reviews should lead to the sunsetting of programs that routinely leave students worse off. A COV framework can provide clear guidelines for this process. Over time, this process will help institutions remove low-value programs and grow high-value programs.

CREDENTIALS OF VALUE IN HIGH SCHOOL

While the “credentials of value” conversation is generally focused on postsecondary studies, many states encourage students to pursue industry-recognized credentials in high school — including, in some cases, as a pathway to graduation.

Most considerations in this document apply to high school, too. Policy should reinforce a coherent focus on economic mobility outcomes and value for students across the K12-higher education-workforce training spectrum. Likewise, states should avoid inadvertently replicating the history of “tracking” students by, for instance, enabling low-value credentials to substitute for rigorous career and technical education (CTE) or displacing so much foundational academic coursework that college is no longer an option for students. In fact, evidence suggests the most effective CTE integrates occupation-focused technical training with rigorous academics that provide durable benefits.⁵

Providing data-driven attention to, and incentives for, higher-value industry credentials in high school is an important lever states have to ensure the growing focus on career pathways reinforces — rather than undermines — economic mobility.⁶

Essential Components of a COV Framework

At a minimum, a COV framework should enable students and policymakers to answer the following key questions:

- **Do students earn more than they otherwise would have?**
 - Education pathways should ensure graduates earn more than they would have earned without a postsecondary credential. The appropriate earnings level will depend on several factors, including the type of degree or credential that was earned, how long ago the credential was earned, and the local economy and local costs of living. For example, in some industries, new graduates may need a few years to reach their earnings potential, especially if their career path requires additional training or licensing.⁷
 - Some COV frameworks, like the Postsecondary Value Commission’s Threshold 3⁸ and Tennessee SCORE’s Impact Credentials,⁹ use a flat dollar amount. Other COVs use a wage premium, or the amount a college graduate can expect to earn minus what a high school graduate earns. Texas’ 2-step criteria for COV earnings means community college graduates must exceed both the median earnings of high school graduates and an established self-sufficient wage.¹⁰
 - Short-term workforce training programs should look at participants’ earnings several years into the future, given the historical tendency for benefits from technical and job-specific programs to decay quickly.¹¹

- **Do students recoup the program's costs?**

- › Postsecondary credentials should have a positive return on investment (ROI), though it may take some time before graduates reach the break-even point. The more time and money students invest into a credential, the longer it takes to break even. In most cases, a short-term certificate should have a shorter time horizon than an associate or bachelor's degree. Importantly, this should include opportunity costs: the wages and investments that students forego when they enroll.
- › New Jersey uses a cost-to-earnings ratio to bring accountability to career preparation programs.¹² Colorado's Minimum Value Threshold factors in the tuition that students pay and the wages they forgo while they are enrolled.¹³ The Postsecondary Value Commission's Threshold 0 considers whether graduates have recouped their net price plus interest within 10 years.¹⁴
- › Moreover, programs should leave borrowers in a position to pay back their student loans. Students who are unable to afford monthly loan repayments can quickly go from a bad position to a worse one. Information on federal student loan debt levels and repayment is maintained in the U.S. Department of Education (ED) databases,¹⁵ allowing researchers and policymakers to easily assess borrowers' experiences and to compare institutions' outcomes. Common metrics include the debt-to-earnings measure found in the federal Financial Value Transparency and Gainful Employment regulations¹⁶ and the Cohort Default Rate. States can adapt and strengthen metrics like these to monitor institutions and ensure they are not saddling residents with unmanageable debt burdens.

- **How do programs compare against similar programs at other educational institutions and training providers?**

- › High school students increasingly have difficult choices to make about the course sequences and graduation pathways to pursue. Many college students have a choice of where to attend, and all of them have a choice of what to study. Adults seeking better jobs and new careers have a plethora of non-college training options to consider.
- › A COV framework should assess the outcomes of education and training programs in the context of similar programs. COV frameworks can shed light on which programs and processes work better than others. COV frameworks like the Carnegie Student Access and Earnings Classification help compare the earnings outcomes of schools that have similar student compositions.¹⁷

Best Practices for Defining COV Criteria

- **Be Thoughtful About How Value Is Measured**

- › When possible, COV metrics should go beyond wage data. Wage data is only available for employed workers, which masks differences in unemployment and labor force participation rates. Historically, college graduates are more likely to be employed and have more employment benefits than high school graduates. COV frameworks should consider these economic outcomes as well.
- › If those items are too difficult to measure, COV frameworks can look to metrics such as job outlook, career pathways, economic demand, and whether credentials can be stacked so that they lead to additional credentials. In Tennessee, SCORE's Impact Credentials Framework includes job outlook and stackability, although states must be careful to ensure a concrete, rigorous definition of stackability to ensure it does not become a backdoor to low-quality programs.¹⁸ This allows for a more robust picture of post-completion outcomes than earnings alone, while still working within data constraints.
- › Each of these measurements requires policymakers to consider time horizons. A program that pays off quickly but has limited wage growth potential or a credential that takes 40 years to pay off might not be good options. COV frameworks thus should consider both shorter- and longer-term outlooks. Relatedly, short-term programs should pay off more quickly than bachelor's degrees. A program that takes longer to complete will usually cost more, which in turn reduces the ROI.¹⁹

- **Select Different Benchmarks for Different Objectives**

- COV frameworks are primarily policy tools, not research tools. The frameworks must be adaptable to real-world needs. In some instances, lawmakers can use COV frameworks to determine appropriations. In other instances, COV frameworks might serve as a public dashboard, or for academic program approvals or funding eligibility. These different policy needs will often require slightly different data and definitions. Completely shutting down a program, for example, should require a higher bar than cutting back on funding. States should adopt a COV framework that establishes a minimum baseline for value (ideally tied to federal Title IV financial aid eligibility requirements) along with higher benchmarks that correspond to different policy objectives and incentives. States can also offer “carrots” for strong programs, not just “sticks” for underperformers. For instance, states might reward programs that do especially well in setting students on pathways to economic success, or they might provide more active advising and curation that helps students and workers find their way to top-tier COVs.

- **Conduct Regular Reviews and Adjustments**

- Where possible, key elements of a COV framework should be in statute. This will help agencies to create and support strong accountability systems. At the same time, agencies will need regulatory flexibility so that they can troubleshoot and address unforeseen obstacles and outliers.
- When measuring ROI, policymakers should consider broader economic trends. For example, graduates in different regions face different costs of living, and recessions can distort earnings data. For a more accurate picture of student outcomes, COV frameworks should use local wages averaged over 3 or more years.
- Similarly, although most ROI metrics are financial, COV frameworks may need to provide flexibility for career paths that provide non-financial lifestyle benefits or important benefits to communities, like teachers. Texas’ community college outcomes-based funding formula attempts to provide that flexibility.²⁰ However, states should set guardrails for these considerations to avoid watering down the meaning of a credential of value.
- Policymakers should regularly review and update COV frameworks to ensure that they are responsive to changing economic realities. Colleges and credential providers may, understandably, seek to weaken criteria over time to ensure their credentials are included. Similarly, employers and industries that are reliant on particular credentials may seek to include these programs, even if they are not financially advantageous to the students themselves. A transparent, formal review process can help agencies weather this lobbying.

- **Consider the State’s Ability to Capture and Analyze Data**

- At a minimum, COV frameworks need to be able to match program data with industry and occupation data, or student data with wage data. This means combining data from different government agencies. It also means that there will often be data limitations.
- First, COV frameworks will usually be limited to students who complete their programs. From a data perspective, it can be exceedingly difficult to tie retention and completion rates to specific programs of study. Yet, non-completers should not be ignored, as non-completers often have debt without labor market improvement. For instance, bachelor’s students who do not complete have a median ROI of negative \$99,000.²¹
- To address this data limitation, policymakers can complement COV frameworks by adopting metrics and policies that hold institutions accountable for low completion rates while ensuring institutions do not lower standards or dilute program quality.

- › Data capabilities (and political realities) may also limit COVs to public institutions and publicly funded workforce training programs. All institutions that accept public dollars should be held accountable for their outcomes. However, states have more tools for holding public institutions accountable than they have for private institutions. Accountability for private institutions is most often left to the federal government and to accreditors. Until there is federal involvement in COV, and unless the federal government collects the data necessary to measure it, COV frameworks will likely have limited means for holding private institutions accountable for poor outcomes.

- **Take Different Student Characteristics Into Account**

- › In some instances, a COV framework can be improved by accounting for student characteristics, helping students and policymakers make better comparisons and projections. Students may arrive with different goals and different resources. For instance, younger students will arrive with fewer skills but more years of work ahead of them, meaning more time to recoup their investments. Students may have varied reasons for pursuing a college degree: Whereas some students might be seeking a short-term credential, others may have a less urgent timeline. Students may also experience different career opportunities. For example, the gender pay gap often means women and men face different ROI considerations.²² Accounting for student characteristics and program demographics can help establish a COV framework that works for more students. New Jersey does just that in managing its list of eligible training providers for public funding.²³
- › COV frameworks should not just reward institutions for admitting wealthy students who are already connected to high-paying career paths. Where possible, COV frameworks should consider that some colleges are engines of economic mobility or can become such engines, especially if incentivized to prioritize outcomes that reflect upward mobility. Policymakers can use existing public analyses to provide some flexibility for colleges that might not have high earnings outcomes but that have succeeded in moving students up the economic ladder.²⁴ In Texas and other states, institutions receive funding based on how many of their students earn COVs, with additional funding if those students are low-income.

Maximizing Education for Economic Growth

As jobs increasingly require skills and training beyond high school, state policymakers can lead the way in maximizing the impact of education and workforce investments. They should set clear expectations for the value that higher education and career training deliver to students and the public.

Lawmakers can ensure that credentials are measured against key benchmarks. For example, they can make COVs a requirement for Workforce Pell-eligibility and make sure that all program offerings meet COV criteria during regular program reviews.

These efforts will leave more students better off, improve alignment between higher education, training, and workforce needs, and help states develop the workforce they need for future growth.

ENDNOTES

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- 4 Subsidizing Success, Not Enrollment: The Texas State Technical College Funding Model - Workforce Realigned
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- 6 Additionally, more research is needed to understand the benefits and potential tradeoffs in emphasizing career-oriented credentials in high school. It should not be taken as given, for instance, that the same credential earned by a high school senior has the same labor market value as that earned by an adult. This uncertainty reinforces the need to ensure quality and rigor in high school CTE- and industry credential-focused pathways, and to maintain optionality for students in those paths to pursue further education.
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