

HB565 ENGROSSED



1 HB565
2 JPLG8FF-2
3 By Representative Garrett
4 RFD: Ways and Means Education
5 First Read: 03-Mar-26



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A BILL

TO BE ENTITLED

AN ACT

Relating to higher education; to add Chapter 5B to Title 16, Code of Alabama 1975, commencing with Section 16-5B-1; to create the College and Higher Education Excellence and Results (CHEER) Act; to establish a process to provide bonus funding to higher education institutions that meet identified student and institution performance goals and objectives; to establish the College and Higher Education Excellence and Results (CHEER) Fund and provide for its funding and appropriations; and to establish the Outcomes-Based Higher Education Funding Coordinating Committee and provide for its duties and responsibilities.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Chapter 5B is added to Title 16, Code of Alabama 1975, commencing with Section 16-5B-1, to read as follows:

§16-5B-1

This act shall be known and may be cited as the College and Higher Education Excellence and Results (CHEER) Act.

§16-5B-2

For the purposes of this chapter, the following terms



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29 have the following meanings:

30 (1) ACADEMICALLY UNDERPREPARED STUDENT. A student that
31 started his or her academic program without meeting the
32 readiness requirements established by the Outcomes-Based
33 Higher Education Funding Coordinating Committee in discussion
34 with the individual institutions.

35 (2) ADULT LEARNER. A student that is 25 years of age or
36 older.

37 (3) ALABAMA COMMISSION ON HIGHER EDUCATION (ACHE). The
38 commission established in Chapter 5 of Title 16, Code of
39 Alabama 1975.

40 (4) AVAILABLE FUNDING MULTIPLIER. Formula used to
41 determine the annual amount of bonus funding available to each
42 eligible institution calculated like the higher education
43 portion of the funds appropriated from the Education Trust
44 Fund Advancement and Technology Fund pursuant to Section
45 29-9-4, excluding dual enrollment students from the
46 calculation.

47 (5) BASE YEAR. The year established by the
48 Outcomes-Based Higher Education Funding Coordinating Committee
49 in discussion with the individual institutions to reflect the
50 reference point prior to the performance year to be used to
51 measure and compare performance and outcome changes over time.

52 (6) COLLEGE AND HIGHER EDUCATION EXCELLENCE AND RESULTS
53 (CHEER) FUND. The fund created by this chapter to provide
54 bonus funding to higher education institutions that meet
55 identified student and institution performance goals and
56 objectives.



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(7) COMMITTEE. The Outcomes-Based Higher Education Funding Coordinating Committee established in Section 16-5B-6.

(8) COMPLETION. The number of degrees or certificates awarded by an eligible institution.

(9) CREDIT. One semester credit hour or the equivalent.

(10) EDUCATIONAL PROGRAM. A program that leads to a certificate, an associate degree, bachelor's degree, technical degree, micro-credential, industry credential, graduate degree or any other program as defined by the Outcomes-Based Higher Education Funding Coordinating Committee in discussion with the individual institutions.

(11) ELIGIBLE INSTITUTIONS. The following institutions:

- a. Alabama A&M University.
- b. Alabama State University.
- c. Athens State University.
- d. Auburn University.
- e. Auburn University at Montgomery.
- f. Jacksonville State University.
- g. Troy University.
- h. The University of Alabama at Birmingham.
- i. The University of Alabama in Huntsville.
- j. The University of Alabama in Tuscaloosa.
- k. University of Montevallo.
- l. University of North Alabama.
- m. University of South Alabama.
- n. University of West Alabama.
- o. Tuskegee University.
- p. Community and technical colleges that are part of



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the Alabama Community College System.

(12) EMPLOYED IN A HIGH-DEMAND FIELD. A graduated student is employed in a job with more jobs available than qualified candidates to fill or where there will be more jobs available in that career over a defined period of time, as determined by the Outcomes-Based Higher Education Funding Coordinating Committee in discussion with the individual institutions.

(13) EMPLOYED IN A HIGH-WAGE JOB. A graduated student that is employed in a job five years after graduation with a wage that is at least one of the following, for the 25 to 34 age group, as determined by the Outcomes-Based Higher Education Funding Coordinating Committee in discussion with the individual institutions:

a. Ten percent higher than the state median wage for high school graduates, if the student passed an industry credential or completed a sub-associate or technical program.

b. Twenty percent higher than the state median wage for high school graduates, if the student earned an associate degree.

c. Fifty percent higher than the state median wage, if the student earned a bachelor's degree or other post-bachelor's degree.

(14) ENROLLED. A student is enrolled in an educational institution.

(15) HIGHER-NEED STUDENT. A student that is likely to require additional supports and services to achieve postgraduation success, including low-income students,

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academically underprepared students, adult learners, and other categories of higher-need students as identified pursuant to §16-5B-5.

(16) LOW-INCOME STUDENT. A student who received a full or partial federal Pell Grant award at any point in the academic year.

(17) PERFORMANCE YEAR. The year established by the Outcomes-Based Higher Education Funding Coordinating Committee in discussion with the individual institutions to reflect the most recently completed scholastic year used to measure performance and outcome changes from the established base year.

(18) PREMIER RESEARCH UNIVERSITY. A public university whose annual external grants and contracts revenues exceed \$100,000,000 based on publicly available audited financial statements.

(19) SOME COLLEGE, NO DEGREE. Adults with some postsecondary education, but have not earned a degree or credential, including those who dropped out, are currently enrolled, or took a few classes.

(20) STUDENT POSTGRADUATION SUCCESS. A student that is enrolled, employed, or enlisted, as defined in this section, within a time frame of graduating from or completing an educational program established by the Outcomes-Based Higher Education Funding Coordinating Committee in discussion with the individual institutions.

(21) STUDENT RETENTION. Keeping students enrolled and engaged in an eligible institution from one academic period to



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the next, calculated by dividing the number of returning students by the total number who started in the previous academic period.

§16-5B-3

(a) There is established a fund in the State Treasury for higher education institutions of this state which shall be known as the College and Higher Education Excellence and Results (CHEER) Fund. The fund shall be used to provide bonus funding to higher education institutions that meet identified student and institution performance goals and objectives. The fund shall be comprised of all funds appropriated or otherwise made available by the Legislature from whatever source for the purposes of this chapter. All funds appropriated to the Alabama Commission on Higher Education pursuant to Act 2023-378 for outcomes-based funding for 4-year colleges and universities remaining unencumbered on the effective date of this act shall be transferred to the CHEER Fund and allocated as provided in this chapter. All funds appropriated or made available to the CHEER Fund shall remain in the fund and not revert or be expended for any other purpose other than those set out in this chapter.

(b) Except for funds designated for premier research institutions who certify every five years that external grants and contracts revenues have grown to the chairmen of the House Ways and Means Education Committee and Senate Finance and Taxation Education Committee, which shall be appropriated annually by the legislature, the fund shall be administered and distributed by the Alabama Commission on Higher Education



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(ACHE) in accordance with this chapter and the provisions of the annual Education Trust Fund appropriations act. The commission shall not charge a fee for administration and distribution of the fund.

(c) The bonus funding appropriated pursuant to this chapter is subject to and shall be allocated only in accordance with this chapter or other legislative act and shall be budgeted and allotted in accordance with Article 4, Chapter 4 and Chapter 19 of Title 41, Code of Alabama 1975. Any monetary interest that accrues to the CHEER Fund shall be retained in the fund from year to year and shall be subject only to this chapter.

(d) An eligible institution shall be eligible to receive annual bonus funding from the CHEER Fund only if:

(1) The eligible institution provides the annual data necessary to measure outcomes, as required by Section 16-5B-6.

(2) The annual data provided by the eligible institution pursuant to Section 16-5B-6 is accurate and has not been manipulated by the institution to generate bonus funding, as determined by the committee in discussion with the individual institutions. An eligible institution shall not receive any portion of its current available funding related to an outcome category with faulty or manipulated data. The committee may also recommend reductions in future available funding to any eligible institution that produces faulty or manipulated data.

(3) The eligible institution is in compliance with Article 6, Chapter 1 of Title 41, Code of Alabama 1975.



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(4) The eligible institution is in compliance with the requirements of HB_/SB_ of the 2026 Regular Session requiring annual reports regarding the amount of state and federal funds received and expended and plans for dealing with funding reductions.

§16-5B-4

(a) There shall be an outcomes-based higher education funding program. The commission shall implement the program commencing with the fiscal year that begins on October 1, 2026, contingent upon funding being appropriated by the Legislature for such purpose.

(b) The bonus funding described in this chapter shall be allocated in accordance with this chapter. The total amount of available funding for the program each year shall be apportioned among eligible institutions using the available funding multiplier. An institution may receive bonuses that total up to its available funding.

§16-5B-5

(a) Subject to available funding for the CHEER Fund for any fiscal year of the state, the committee in discussion with the individual institutions shall select factors for inclusion in the performance outcome categories for CHEER Fund bonus funding to be identified in the annual Education Trust Fund appropriations act for each fiscal year:

(1) Student success factors, including:

a. Student postgraduate success, including:

1. Employment in a high-wage job;

2. Employment in a high-demand field; and



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3. Enrollment.

b. Adult learner;

c. Completion rate;

d. Higher-need students;

e. Some college, no degree;

f. Student retention; and

g. Other proposals, initiatives, concepts, as deemed necessary by the committee in discussion with the individual institutions, to advance the creation and expansion of institutions of excellence across all Alabama higher education while serving the needs of the workforce and communities throughout the state.

(2) Alignment with economic development and workforce needs, including certificate and degree production in high-demand fields and the potential earning power of graduates.

(3) Research, including increased research expenditures or receipt of additional matching federal funds or other funds for research activities by premier research universities.

(4) Innovation, use of methodologies and practices that accelerate or remove barriers to students obtaining certificates or degrees, as approved by the committee.

(b) The bonus amount for each weighted category shall be calculated by multiplying the percentage for each weight, as determined by the Outcomes-Based Higher Education Funding Coordinating Committee in discussion with the individual institutions, by the amount of available bonus funding for that institution.



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(1) If an institution meets or exceeds the identified performance goals and objectives for a category, it will receive all of its available bonus funding related to that category.

(2) If an institution does not meet its identified performance goals and objectives for a category, the available funding for that category shall remain in the CHEER Fund and available to be appropriated to other eligible institutions at a later time.

(c) By September 1 of each year, the commission shall certify the amount to be distributed from the CHEER Fund to each institution that meets their performance goals and objectives pursuant to this section and outlined in the annual Education Trust Fund appropriations act, not to exceed the available amounts in the CHEER Fund. The commission shall distribute the appropriations in the CHEER Fund for that fiscal year to the institutions in the amounts certified.

(d) It is the intent of the Legislature that eligible institutions receiving bonus funding from this chapter utilize the funds solely to serve the needs of their student population in a manner that directly supports and advances the performance outcome categories selected by the committee pursuant to Section 16-5B-5, and that is reasonably calculated to result in measurable improvements in the student success factors identified therein. Provided, however, bonus funding received by premier research universities for increased research expenditures may be used for enhancing and increasing research and innovation including equipment, instrumentation,



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and infrastructure (e.g., hardware and software); recruiting principal investigators, graduate research students; capital projects, including renovation of existing facilities; associated operating and maintenance costs; and matching funds for federal grants and contracts.

§16-5B-6

(a) There shall be established the Outcomes-Based Higher Education Funding Coordinating Committee led by the Chair of the Senate Finance and Taxation Education Committee and the Chair of the House Ways and Means Education Committee.

(b) The membership of the committee shall include the following:

(1) A representative of the Council of Presidents, to represent the four-year institutions, appointed by the council.

(2) The Executive Director of the Alabama Commission on Higher Education (ACHE), or his or her designee.

(3) The Chancellor of the Alabama Community College System, or his or her designee.

(4) The Chair of the Senate Finance and Taxation Education Committee.

(5) The ranking minority member of the Senate Finance and Taxation Education Committee.

(6) The Chair of the House Ways and Means Education Committee.

(7) The ranking minority member of the House Ways and Means Education Committee.

(8) The Chair of the House Education Policy Committee.



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309 (9) The Chair of the Senate Education Policy Committee.

310 (10) The Minority Leader of the House of
311 Representatives, or his or her designee.

312 (11) The Minority Leader of the Senate, or his or her
313 designee.

314 (c) Within one year of the effective date of this act,
315 the committee shall establish a process for collecting the
316 data needed to award bonuses for postgraduation success. The
317 committee, based on recommendations from the Alabama
318 Department of Workforce, shall also determine every three
319 years which occupations qualify as high-demand fields and
320 high-wage jobs, using labor market data, accounting for both
321 the statewide and regional workforce demand.

322 (d) The committee shall assist institutions: (i) in
323 understanding the data that determines their eligibility for
324 bonus funding; and (ii) in identifying strategies to improve
325 eligibility.

326 (e) On a schedule to be determined by the committee,
327 the committee may make recommendations to the Legislature to:

328 (1) Adjust the amount of bonus for each outcome to
329 improve the degree to which the bonus is incentivizing
330 significant improvements in the outcome;

331 (2) Define other categories of students who are not
332 achieving similar success rates as other students on eligible
333 outcomes and whose identification is not easily subject to
334 manipulation to earn bonus funding; and

335 (3) Define the bonus amount for new categories of
336 students to be included in the annual Education Trust Fund



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appropriations act.

§16-5B-7

(a) Each year, the committee shall publish a report on the implementation and impact of the program.

(1) The report shall include, for the entire state and each institution, data that shows:

a. The number and percentage of students eligible for bonus funding for each eligible outcome and for each category of higher-need student; and

b. The bonus funding earned for each eligible outcome and each category of higher-need students.

(2) Topics in each report shall include, but are not limited to:

a. Whether any or all of the bonus percentages need to be adjusted to achieve the purpose of this program; and

b. Any changes and improvements to data collection to improve accuracy and timeliness of bonus determinations.

Section 2. The outcomes-based funding program established in this act shall supersede and replace any existing outcomes-based funding program for eligible institutions, including the program for the Alabama Community College System developed by the Alabama Community College Advisory Council on Outcomes-Based Funding pursuant to Act 2017-217.

Section 3. This act shall become effective on June 1, 2026.



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House of Representatives

Read for the first time and referred03-Mar-26
to the House of Representatives
committee on Ways and Means
Education
Read for the second time and placed11-Mar-26
on the calendar:
2 amendments
Read for the third time and passed12-Mar-26
as amended
Yeas 105
Nays 0
Abstains 0

John Treadwell
Clerk