

HB565 INTRODUCED



1 HB565
2 G3H5I62-1
3 By Representative Garrett
4 RFD: Ways and Means Education
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SYNOPSIS:

This bill would enact the College and Higher Education Excellence and Results (CHEER) Act to establish a program to provide bonus funding to higher education institutions that meet identified student and institution performance goals and objectives.

This bill would also establish the Outcomes-Based Higher Education Funding Coordinating Committee and provide for its duties and responsibilities.

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



HB565 INTRODUCED

29 Outcomes-Based Higher Education Funding Coordinating Committee
30 and provide for its duties and responsibilities.

31 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

35 §16-5B-1

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

38 §16-5B-2

39 For the purposes of this chapter, the following terms
40 have the following meanings:

41 (1) ACADEMICALLY UNDERPREPARED STUDENT. A student that
42 started his or her academic program without meeting the
43 readiness requirements established by the Outcomes-Based
44 Higher Education Funding Coordinating Committee in discussion
45 with the individual institutions.

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

48 (3) ALABAMA COMMISSION ON HIGHER EDUCATION (ACHE). The
49 commission established in Chapter 5 of Title 16, Code of
50 Alabama 1975.

51 (4) AVAILABLE FUNDING MULTIPLIER. Formula used to
52 determine the annual amount of bonus funding available to each
53 eligible institution calculated like the higher education
54 portion of the funds appropriated from the Education Trust
55 Fund Advancement and Technology Fund pursuant to Section
56 29-9-4, excluding dual enrollment students from the



HB565 INTRODUCED

57 calculation.

58 (5) BASE YEAR. The year established by the
59 Outcomes-Based Higher Education Funding Coordinating Committee
60 in discussion with the individual institutions to reflect the
61 reference point prior to the performance year to be used to
62 measure and compare performance and outcome changes over time.

63 (6) COLLEGE AND HIGHER EDUCATION EXCELLENCE AND RESULTS
64 (CHEER) FUND. The fund created by this chapter to provide
65 bonus funding to higher education institutions that meet
66 identified student and institution performance goals and
67 objectives.

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

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

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

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

79 (11) ELIGIBLE INSTITUTIONS. The following institutions:

- 80 a. Alabama A&M University.
- 81 b. Alabama State University.
- 82 c. Athens State University.
- 83 d. Auburn University.
- 84 e. Auburn University at Montgomery.



HB565 INTRODUCED

- 85 f. Jacksonville State University.
86 g. Troy University.
87 h. The University of Alabama at Birmingham.
88 i. The University of Alabama in Huntsville.
89 j. The University of Alabama in Tuscaloosa.
90 k. University of Montevallo.
91 l. University of North Alabama.
92 m. University of South Alabama.
93 n. University of West Alabama.
94 o. Tuskegee University.
95 p. Community and technical colleges that are part of
96 the Alabama Community College System.

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

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

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



HB565 INTRODUCED

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

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

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

121 (15) HIGHER-NEED STUDENT. A student that is likely to
122 require additional supports and services to achieve
123 postgraduation success, including low-income students,
124 academically underprepared students, adult learners, and other
125 categories of higher-need students as identified pursuant to
126 §16-5B-5.

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

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

136 (18) PREMIER RESEARCH UNIVERSITY. A public university
137 that meets the criteria established in the annual Education
138 Trust Fund appropriations act using objective measures of
139 research activity and financial performance based on publicly
140 available data, including: research revenues and expenditures



HB565 INTRODUCED

141 reported in audited financial statements; data from the
142 Integrated Postsecondary Education Data System (IPEDS); and
143 results from the National Science Foundation Higher Education
144 Research and Development Survey (NSF HERD).

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

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

155 (21) STUDENT RETENTION. Keeping students enrolled and
156 engaged in an eligible institution from one academic period to
157 the next, calculated by dividing the number of returning
158 students by the total number who started in the previous
159 academic period.

160 §16-5B-3

161 (a) There is established a fund in the State Treasury
162 for higher education institutions of this state which shall be
163 known as the College and Higher Education Excellence and
164 Results (CHEER) Fund. The fund shall be used to provide bonus
165 funding to higher education institutions that meet identified
166 student and institution performance goals and objectives. The
167 fund shall be comprised of all funds appropriated or otherwise
168 made available by the Legislature from whatever source for the



HB565 INTRODUCED

169 purposes of this chapter. All funds appropriated to the
170 Alabama Commission on Higher Education pursuant to Act
171 2023-378 for outcomes-based funding for 4-year colleges and
172 universities remaining unencumbered on the effective date of
173 this act shall be transferred to the CHEER Fund and allocated
174 as provided in this chapter. All funds appropriated or made
175 available to the CHEER Fund shall remain in the fund and not
176 revert or be expended for any other purpose other than those
177 set out in this chapter.

178 (b) The fund shall be administered and distributed by
179 the Alabama Commission on Higher Education (ACHE) in
180 accordance with this chapter and the provisions of the annual
181 Education Trust Fund appropriations act. The commission shall
182 not charge a fee for administration and distribution of the
183 fund.

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

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

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

196 (2) The annual data provided by the eligible



HB565 INTRODUCED

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

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

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

213 §16-5B-4

214 (a) There shall be an outcomes-based higher education
215 funding program. The commission shall implement the program
216 commencing with the fiscal year that begins on October 1,
217 2026, contingent upon funding being appropriated by the
218 Legislature for such purpose.

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



HB565 INTRODUCED

225 §16-5B-5

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

232 (1) Student success factors, including:

233 a. Student postgraduate success, including:

- 234 1. Employment in a high-wage job;
235 2. Employment in a high-demand field; and
236 3. Enrollment.

237 b. Adult learner;

238 c. Completion rate;

239 d. Higher-need students;

240 e. Some college, no degree;

241 f. Student retention; and

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

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

252 (3) Research, including increased research expenditures



HB565 INTRODUCED

253 or receipt of additional matching federal funds or other funds
254 for research activities by premier research universities.

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

258 (b) The bonus amount for each weighted category shall
259 be calculated by multiplying the percentage for each weight by
260 the amount of available bonus funding for that institution.

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

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

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

278 (d) It is the intent of the Legislature that eligible
279 institutions receiving bonus funding from this chapter utilize
280 the funds solely to serve the needs of their student



HB565 INTRODUCED

281 population in a manner that directly supports and advances the
282 performance outcome categories selected by the committee
283 pursuant to Section 16-5B-5, and that is reasonably calculated
284 to result in measurable improvements in the student success
285 factors identified therein. Provided, however, bonus funding
286 received by premier research universities for increased
287 research expenditures may be used for enhancing and increasing
288 research and innovation including equipment, instrumentation,
289 and infrastructure (e.g., hardware and software); recruiting
290 principal investigators, graduate research students; capital
291 projects, including renovation of existing facilities;
292 associated operating and maintenance costs; and matching funds
293 for federal grants and contracts.

294 §16-5B-6

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

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

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

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

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

308 (4) The Chair of the Senate Finance and Taxation



HB565 INTRODUCED

309 Education Committee.

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

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

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

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

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

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

320 (11) The Minority Leader of the Senate, or his or her
321 designee.

322 (c) Within one year of the effective date of this act,
323 the committee shall establish a process for collecting the
324 data needed to award bonuses for postgraduation success. The
325 committee, based on recommendations from the Alabama
326 Department of Workforce, shall also determine every three
327 years which occupations qualify as high-demand fields and
328 high-wage jobs, using labor market data, accounting for both
329 the statewide and regional workforce demand.

330 (d) The committee shall assist institutions: (i) in
331 understanding the data that determines their eligibility for
332 bonus funding; and (ii) in identifying strategies to improve
333 eligibility.

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

336 (1) Adjust the amount of bonus for each outcome to



HB565 INTRODUCED

337 improve the degree to which the bonus is incentivizing
338 significant improvements in the outcome;

339 (2) Define other categories of students who are not
340 achieving similar success rates as other students on eligible
341 outcomes and whose identification is not easily subject to
342 manipulation to earn bonus funding; and

343 (3) Define the bonus amount for new categories of
344 students to be included in the annual Education Trust Fund
345 appropriations act.

346 §16-5B-7

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

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

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

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

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

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

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

362 Section 2. The outcomes-based funding program
363 established in this act shall supersede and replace any
364 existing outcomes-based funding program for eligible



HB565 INTRODUCED

365 institutions, including the program for the Alabama Community
366 College System developed by the Alabama Community College
367 Advisory Council on Outcomes-Based Funding pursuant to Act
368 2017-217.

369 Section 3. This act shall become effective on June 1,
370 2026.