



**House Ways and Means Education Reported Substitute
for HB565**

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

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

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

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

68 (11) ELIGIBLE INSTITUTIONS. The following institutions:

- 69 a. Alabama A&M University.
- 70 b. Alabama State University.
- 71 c. Athens State University.
- 72 d. Auburn University.
- 73 e. Auburn University at Montgomery.
- 74 f. Jacksonville State University.
- 75 g. Troy University.
- 76 h. The University of Alabama at Birmingham.
- 77 i. The University of Alabama in Huntsville.
- 78 j. The University of Alabama in Tuscaloosa.
- 79 k. University of Montevallo.
- 80 l. University of North Alabama.
- 81 m. University of South Alabama.
- 82 n. University of West Alabama.
- 83 o. Tuskegee University.
- 84 p. Community and technical colleges that are part of



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85 the Alabama Community College System.

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

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

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

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

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

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

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



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113 academically underprepared students, adult learners, and other
114 categories of higher-need students as identified pursuant to
115 §16-5B-5.

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

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

125 (18) PREMIER RESEARCH UNIVERSITY. A public university
126 whose annual external grants and contracts revenues exceed
127 \$100,000,000 based on publicly available audited financial
128 statements.

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

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

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



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

144 §16-5B-3

145 (a) There is established a fund in the State Treasury
146 for higher education institutions of this state which shall be
147 known as the College and Higher Education Excellence and
148 Results (CHEER) Fund. The fund shall be used to provide bonus
149 funding to higher education institutions that meet identified
150 student and institution performance goals and objectives. The
151 fund shall be comprised of all funds appropriated or otherwise
152 made available by the Legislature from whatever source for the
153 purposes of this chapter. All funds appropriated to the
154 Alabama Commission on Higher Education pursuant to Act
155 2023-378 for outcomes-based funding for 4-year colleges and
156 universities remaining unencumbered on the effective date of
157 this act shall be transferred to the CHEER Fund and allocated
158 as provided in this chapter. All funds appropriated or made
159 available to the CHEER Fund shall remain in the fund and not
160 revert or be expended for any other purpose other than those
161 set out in this chapter.

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



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

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

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

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

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

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



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

202 §16-5B-4

203 (a) There shall be an outcomes-based higher education
204 funding program. The commission shall implement the program
205 commencing with the fiscal year that begins on October 1,
206 2026, contingent upon funding being appropriated by the
207 Legislature for such purpose.

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

214 §16-5B-5

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

221 (1) Student success factors, including:

222 a. Student postgraduate success, including:

223 1. Employment in a high-wage job;

224 2. Employment in a high-demand field; and



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225 3. Enrollment.
226 b. Adult learner;
227 c. Completion rate;
228 d. Higher-need students;
229 e. Some college, no degree;
230 f. Student retention; and
231 g. Other proposals, initiatives, concepts, as deemed
232 necessary by the committee in discussion with the individual
233 institutions, to advance the creation and expansion of
234 institutions of excellence across all Alabama higher education
235 while serving the needs of the workforce and communities
236 throughout the state.

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

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

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

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



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

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

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

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



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

286 §16-5B-6

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

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

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

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

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

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

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

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

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

308 (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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337 appropriations act.

338 §16-5B-7

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

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

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

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

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

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

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

354 Section 2. The outcomes-based funding program
355 established in this act shall supersede and replace any
356 existing outcomes-based funding program for eligible
357 institutions, including the program for the Alabama Community
358 College System developed by the Alabama Community College
359 Advisory Council on Outcomes-Based Funding pursuant to Act
360 2017-217.

361 Section 3. This act shall become effective on June 1,
362 2026.