

HB565 ENROLLED



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



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1 Enrolled, An Act,

2
3 Relating to higher education; to add Chapter 5B to
4 Title 16, Code of Alabama 1975, commencing with Section
5 16-5B-1; to create the College and Higher Education Excellence
6 and Results (CHEER) Act; to establish a process to provide
7 bonus funding to higher education institutions that meet
8 identified student and institution performance goals and
9 objectives; to establish the College and Higher Education
10 Excellence and Results (CHEER) Fund and provide for its
11 funding and appropriations; and to establish the
12 Outcomes-Based Higher Education Funding Coordinating Committee
13 and provide for its duties and responsibilities.

14 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

18 §16-5B-1

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

21 §16-5B-2

22 For the purposes of this chapter, the following terms
23 have the following meanings:

24 (1) ACADEMICALLY UNDERPREPARED STUDENT. A student that
25 started his or her academic program without meeting the
26 readiness requirements established by the Outcomes-Based
27 Higher Education Funding Coordinating Committee in discussion
28 with the individual institutions.



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

31 (3) ALABAMA COMMISSION ON HIGHER EDUCATION (ACHE). The
32 commission established in Chapter 5 of Title 16, Code of
33 Alabama 1975.

34 (4) AVAILABLE FUNDING MULTIPLIER. Formula used to
35 determine the annual amount of bonus funding available to each
36 eligible institution calculated like the higher education
37 portion of the funds appropriated from the Education Trust
38 Fund Advancement and Technology Fund pursuant to Section
39 29-9-4, excluding dual enrollment students from the
40 calculation.

41 (5) BASE YEAR. The year established by the
42 Outcomes-Based Higher Education Funding Coordinating Committee
43 in discussion with the individual institutions to reflect the
44 reference point prior to the performance year to be used to
45 measure and compare performance and outcome changes over time.

46 (6) COLLEGE AND HIGHER EDUCATION EXCELLENCE AND RESULTS
47 (CHEER) FUND. The fund created by this chapter to provide
48 bonus funding to higher education institutions that meet
49 identified student and institution performance goals and
50 objectives.

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

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

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

56 (10) EDUCATIONAL PROGRAM. A program that leads to a



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57 certificate, an associate degree, bachelor's degree, technical
58 degree, micro-credential, industry credential, graduate degree
59 or any other program as defined by the Outcomes-Based Higher
60 Education Funding Coordinating Committee in discussion with
61 the individual institutions.

62 (11) ELIGIBLE INSTITUTIONS. The following institutions:

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

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



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85 Coordinating Committee in discussion with the individual
86 institutions.

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

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

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

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

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

104 (15) HIGHER-NEED STUDENT. A student that is likely to
105 require additional supports and services to achieve
106 postgraduation success, including low-income students,
107 academically underprepared students, adult learners, and other
108 categories of higher-need students as identified pursuant to
109 §16-5B-5.

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



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

119 (18) PREMIER RESEARCH UNIVERSITY. A public university
120 whose annual external grants and contracts revenues exceed
121 \$100,000,000 based on publicly available audited financial
122 statements.

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

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

133 (21) STUDENT RETENTION. Keeping students enrolled and
134 engaged in an eligible institution from one academic period to
135 the next, calculated by dividing the number of returning
136 students by the total number who started in the previous
137 academic period.

138 §16-5B-3

139 (a) There is established a fund in the State Treasury
140 for higher education institutions of this state which shall be



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

156 (b) Except for funds designated for premier research
157 institutions who certify every five years that external grants
158 and contracts revenues have grown to the chairmen of the House
159 Ways and Means Education Committee and Senate Finance and
160 Taxation Education Committee, which shall be appropriated
161 annually by the legislature, the fund shall be administered
162 and distributed by the Alabama Commission on Higher Education
163 (ACHE) in accordance with this chapter and the provisions of
164 the annual Education Trust Fund appropriations act. The
165 commission shall not charge a fee for administration and
166 distribution of the fund.

167 (c) The bonus funding appropriated pursuant to this
168 chapter is subject to and shall be allocated only in



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169 accordance with this chapter or other legislative act and
170 shall be budgeted and allotted in accordance with Article 4,
171 Chapter 4 and Chapter 19 of Title 41, Code of Alabama 1975.
172 Any monetary interest that accrues to the CHEER Fund shall be
173 retained in the fund from year to year and shall be subject
174 only to this chapter.

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

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

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

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

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

196 §16-5B-4



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197 (a) There shall be an outcomes-based higher education
198 funding program. The commission shall implement the program
199 commencing with the fiscal year that begins on October 1,
200 2026, contingent upon funding being appropriated by the
201 Legislature for such purpose.

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

208 §16-5B-5

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

- 215 (1) Student success factors, including:
- 216 a. Student postgraduate success, including:
 - 217 1. Employment in a high-wage job;
 - 218 2. Employment in a high-demand field; and
 - 219 3. Enrollment.
 - 220 b. Adult learner;
 - 221 c. Completion rate;
 - 222 d. Higher-need students;
 - 223 e. Some college, no degree;
 - 224 f. Student retention; and



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

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

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

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

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

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

251 (2) If an institution does not meet its identified
252 performance goals and objectives for a category, the available



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253 funding for that category shall remain in the CHEER Fund and
254 available to be appropriated to other eligible institutions at
255 a later time.

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

264 (d) It is the intent of the Legislature that eligible
265 institutions receiving bonus funding from this chapter utilize
266 the funds solely to serve the needs of their student
267 population in a manner that directly supports and advances the
268 performance outcome categories selected by the committee
269 pursuant to Section 16-5B-5, and that is reasonably calculated
270 to result in measurable improvements in the student success
271 factors identified therein. Provided, however, bonus funding
272 received by premier research universities for increased
273 research expenditures may be used for enhancing and increasing
274 research and innovation including equipment, instrumentation,
275 and infrastructure (e.g., hardware and software); recruiting
276 principal investigators, graduate research students; capital
277 projects, including renovation of existing facilities;
278 associated operating and maintenance costs; and matching funds
279 for federal grants and contracts.

280 §16-5B-6



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

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

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

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

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

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

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

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

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

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

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

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

306 (11) The Minority Leader of the Senate, or his or her
307 designee.

308 (c) Within one year of the effective date of this act,



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309 the committee shall establish a process for collecting the
310 data needed to award bonuses for postgraduation success. The
311 committee, based on recommendations from the Alabama
312 Department of Workforce, shall also determine every three
313 years which occupations qualify as high-demand fields and
314 high-wage jobs, using labor market data, accounting for both
315 the statewide and regional workforce demand.

316 (d) The committee shall assist institutions: (i) in
317 understanding the data that determines their eligibility for
318 bonus funding; and (ii) in identifying strategies to improve
319 eligibility.

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

322 (1) Adjust the amount of bonus for each outcome to
323 improve the degree to which the bonus is incentivizing
324 significant improvements in the outcome;

325 (2) Define other categories of students who are not
326 achieving similar success rates as other students on eligible
327 outcomes and whose identification is not easily subject to
328 manipulation to earn bonus funding; and

329 (3) Define the bonus amount for new categories of
330 students to be included in the annual Education Trust Fund
331 appropriations act.

332 §16-5B-7

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

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



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

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

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

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

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

348 Section 2. The outcomes-based funding program
349 established in this act shall supersede and replace any
350 existing outcomes-based funding program for eligible
351 institutions, including the program for the Alabama Community
352 College System developed by the Alabama Community College
353 Advisory Council on Outcomes-Based Funding pursuant to Act
354 2017-217.

355 Section 3. This act shall become effective on June 1,
356 2026.



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Speaker of the House of Representatives

President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in and was passed by the House 12-Mar-26, as amended.

John Treadwell
Clerk

Senate

02-Apr-26

Passed