

Model Bill:
Rewarding Workforce Readiness Act

SECTION 1. This Act shall be known and may be cited as the “Rewarding Workforce Readiness Act.”

(A) Purpose. This Act will phase in performance funding for institutions of higher education in the [*community/technical higher education system*] based on the wages of each institution’s alumni. The purpose of this Act is to incentivize institutions in the [*community/technical higher education system*] to employ practices that improve the job market success of their students.

(B) Definitions. As used in this Act:

- (i) “Alumni” or “Alumnus” means all persons who:
 - (a) were previously enrolled at an institution of higher education, including both graduates and non-graduates,
 - (b) completed at least [9] credit hours, or the equivalent, at that institution,
 - (c) are employed, as indicated by the most recent information available to the Department under Section 2(D), and
 - (d) are no longer enrolled or carry less than a half-time academic workload at the same or any other institution of higher education for the academic term immediately preceding the Department’s calculations under Section 2(A);
- (ii) “Department” means the state agency that oversees the rules, regulations, and policy of the [*community/technical higher education system*];
- (iii) “Half-time academic workload” has the meaning defined in 34 C.F.R. § 668.2.
- (iv) “Total general operations appropriation” means [*the sum of appropriations, before adjusting for the performance funding share under Section 2, to all institutions in the community/technical higher education system in a fiscal year for general operations, e.g., “Teaching and Administration” appropriations in Texas*];
- (v) “Institution” or “Institution of higher education” means [*reference state law definition*];

SECTION 2. A new section of State Code is created, which shall read:

(A) Performance score. The Department shall calculate a performance score for each institution in the [*community/technical higher education system*] using the following metrics and weights [*the sum of these weights should equal 100%*] based on:

- (i) The percentage increase in the median wages of all Alumni when comparing their wage at the time of their initial enrollment at the institution to their wages as Alumni. Each Alumnus shall be considered in an institution’s performance score for [5] years,

beginning with the first year that they are an alumnus, with this portion constituting a [75] percent weight;

(ii) The proportion of students who received at least one half of the full federal Pell Grant amount at an institution during the academic term immediately preceding the Department's calculations under this section, with a [25] percent weight.

(B) Performance funding share. The Department shall weight the institution's performance score calculated in paragraph (A) of this section with the institution's total number of academic credits successfully completed and divide by the sum of all [*community/technical higher education system*] institutions' total number of academic credits successfully completed, the quotient of which represents each institution's performance funding share. The Department must report each institution's performance funding share to the [*Legislature or committee*] by [*date*] of each year.

(C) Performance funding phase-in. The [*Legislature*] shall appropriate funding to each [*community/technical higher education system*] institution for general operations as follows:

(i) For the state fiscal year beginning on [*July 1, 2026*], [*X*] percent of each institution's appropriation for general operations shall be determined by multiplying the total general operations appropriation by the respective institution's performance funding share calculated in paragraph (B) of this section and [*X*] percent shall be determined by [*either the appropriation mechanism in place before [July 1, 2025] OR prorated amounts*].

(*[x]*) [*Repeat Section (C)(i) as needed for desired phase-in*]

(D) Wage Data.

(i) The Department shall determine wage data necessary for the calculations under this section for those employed in this state by reference to each such individual's unemployment insurance wage records maintained by this state's [*department of labor*].

(ii) The Department may establish other means of collecting wage data necessary for the calculations under this section, including by conducting surveys of Alumni or employers of Alumni, to supplement the data from this state's unemployment insurance wage records.

(iii) The [*department of labor*] in this state may execute data sharing agreements with agencies in other states or territories or federal agencies to assist the Department in effectuating the purposes of this Act by determining wage data necessary for the calculations under this section.

(iv) For purposes of calculating the formula in paragraph (B) of this section, the wage at the time of initial enrollment for any student for whom actual wage information is not available or for whom no work history exists shall be substituted with the median wage of high school graduates aged 25-34 in [*State*] according to the most recent data published by the U.S. Census Bureau.

(v) The Department shall publish final scores for each institution and the aggregate data used to determine those scores on its public website.

(E) Appropriations. Notwithstanding any other law or appropriation, all appropriations for each institution's general operations appropriation shall be limited to the lesser of (1) the amount that does not exceed the appropriation determined under paragraph (C) of this section or (2) an amount appropriated by the Legislature for such purpose. Appropriations with a specified purpose other than general operations shall be made separately from the appropriation determined under paragraph (C) of this section.

(F) Rulemaking. The Department shall promulgate all necessary rules and regulations for the administration of this Act within ninety days of the enactment.

SECTION 3. This Act takes effect on [*January 1, 20XX*].