

SB62 ENGROSSED



1 SB62
2 U9E1CDD-2
3 By Senator Orr
4 RFD: Finance and Taxation Education
5 First Read: 13-Jan-26



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5 A BILL
6 TO BE ENTITLED
7 AN ACT

9 To provide for the establishment of the Alabama Charter
10 School Finance Authority; to permit the authority to issue
11 bonds for the purpose of making financing loans to state
12 charter educational institutions to finance and refinance
13 project costs; and to require each state charter educational
14 institution that receives a financing loan to maintain a
15 dedicated source of revenue to repay such financing
16 loans.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

18 Section 1. This chapter may be cited as the Alabama
19 Charter School Finance Authority Act.

20 Section 2. It is the intent of the Legislature by
21 passage of this chapter to enable the state, acting by and
22 through the authority, to aid state charter educational
23 institutions in the financing and refinancing of project costs
24 on a tax-exempt basis. To this end, the Legislature intends to
25 authorize the authority to issue bonds for the purpose of
26 providing funds to enable the authority to make loans to state
27 charter educational institutions to pay project costs; and to
28 provide that state charter educational institutions shall



29 secure the payment of such loans out of a dedicated source of
30 revenue. This article shall be liberally construed in
31 conformity with the intentions of the Legislature expressed
32 above.

33 Section 3. As used in this chapter, the following terms
34 have the following meanings:

35 (1) AUTHORITY. The Alabama Charter School Finance
36 Authority created by this chapter and any successor or
37 successors thereto. Any change in name or composition of the
38 authority shall in no way affect the vested rights of any
39 person under the provisions of this chapter.

40 (2) BOARD OF DIRECTORS. The board of directors of the
41 authority.

42 (3) BONDS. The bonds of the authority issued under the
43 provisions of this chapter, including revenue refunding bonds.

44 (4) COSTS. As applied to a project or any portion
45 thereof financed under the provisions of this chapter, all or
46 any part of the cost of construction, acquisition, alteration,
47 enlargement, reconstruction, and remodeling of a project
48 including all lands, structures, real or personal property,
49 rights-of-way, franchises, easements, permits, approvals,
50 licenses, and certificates and the securing of such permits,
51 approvals, licenses, and certificates, and interests acquired
52 or used for or in connection with a project, the cost of
53 demolishing or removing any buildings or structures on land so
54 acquired, including the cost of acquiring any lands to which
55 such buildings or structures may be moved, the cost of all
56 machinery and equipment, financing charges, underwriters'



57 commissions or discounts, interest prior to, during, and for a
58 period of six months following estimated completion of such
59 construction and acquisition, provisions for reserves for
60 principal and interest and for extensions, enlargements,
61 additions, and improvements, the cost of architectural,
62 engineering, financing and legal services, plans,
63 specifications, studies, surveys, estimates of cost and
64 revenues, administrative expenses, expenses necessary or
65 incident to determining the feasibility or practicability of
66 constructing the project, and such other expenses as may be
67 necessary or incident to the construction and acquisition of
68 the project, the financing of such construction and
69 acquisition and placing of the project in operation. All funds
70 paid or advanced for any of the purposes aforesaid by any
71 institution prior to the issuance of any of the authority's
72 revenue bonds may be refunded to such institution out of the
73 proceeds of any revenue bonds so issued. Any obligation or
74 expense incurred for any of the foregoing purposes shall be
75 regarded as a part of the cost of the project and may be paid
76 or reimbursed as such out of the proceeds of revenue bonds or
77 notes issued under the provisions of this chapter for such
78 project.

79 (5) FINANCING LOAN. A loan by the authority to a state
80 charter educational institution pursuant to the terms of this
81 chapter for the purpose of financing project costs incurred or
82 to be incurred by such state charter educational institution.

83 (6) PROJECT. A structure or structures available for
84 use as a dormitory or other student housing facility, a dining



85 hall, student union, administration building, academic
86 building, library, laboratory, research facility, classroom,
87 athletics facility, health care facility, maintenance, storage
88 or utility facility, and other structures or facilities
89 related thereto or required or useful for the instruction of
90 students or the conducting of research or the operation of an
91 institution, whether proposed, under construction or
92 completed, including parking and other facilities or
93 structures essential or convenient for the orderly conduct of
94 such institution, and shall also include landscaping, site
95 preparation, furniture, equipment, and machinery and other
96 similar items necessary or convenient for the operation of a
97 particular facility or structure in the manner for which its
98 use is intended, but shall not include any items the costs of
99 which are customarily deemed to result in a current operating
100 change.

101 (7) STATE. The State of Alabama.

102 (8) STATE CHARTER EDUCATIONAL INSTITUTION. Every public
103 state charter school according to state laws, heretofore or
104 hereafter established or acquired under statutory
105 authorization of the Legislature of Alabama and existing as a
106 public institution of learning supported in substantial part
107 by state appropriations, or by revenues derived from the
108 institution.

109 Section 4. There is hereby created a public body
110 corporate and politic to be known as the Alabama State Charter
111 School Finance Authority. Said authority shall not be a state
112 institution nor a department or agency of the state but shall



113 be a public instrumentality performing an essential
114 governmental function, being a distinct corporate entity. The
115 Governor or his or her designee shall be the president of the
116 authority, the Chair of the House Ways and Means Education
117 Committee shall be the vice president thereof, the State
118 Superintendent of Education shall be the secretary thereof,
119 the Chair of the Senate Finance and Taxation Education, the
120 State Finance Director, and the Executive Director of the
121 State Charter School Commission shall be members thereof. The
122 State Treasurer or any bank having trust powers or any trust
123 company shall be treasurer thereof, shall act as custodian of
124 its funds, and shall pay the principal of and interest on the
125 bonds of the authority out of the funds hereinafter provided
126 for. The members of the authority shall constitute all the
127 members of the board of directors of the authority, and any
128 three members of the said board of directors shall constitute
129 a quorum for the transaction of business. Should any person
130 holding any state office named in this section cease to hold
131 such office by reasons of death, resignation, expiration of
132 his or her term of office, or for any other reason, then his
133 or her successor in office shall take his or her place as a
134 member, officer, or director, as the case may be, of the
135 authority. No member, officer, or director of the authority
136 shall draw any salary in addition to that now authorized by
137 law for any service he or she may render or for any duty he or
138 she may perform in connection with the authority. All
139 proceedings had and done by the board of directors shall be
140 reduced to writing by the secretary of the authority, shall be



141 signed by at least two members of the authority, and shall be
142 recorded in a substantially bound book and filed in the office
143 of the secretary. Copies of such proceedings, when certified
144 by the secretary of the authority, under the seal of the
145 authority, shall be received in all courts as *prima facie*
146 evidence of the matters and things therein certified. The
147 members, officers, executive director, employees, and
148 representatives of the authority shall be immune from suit and
149 liability, both personally and in their official capacity, for
150 any claim or damage to or loss of property or personal injury
151 or other civil liability caused by or arising out of any
152 actual or alleged act, error, or omission that occurred, or
153 that the individual against whom the claim is made had a
154 reasonable basis for believing occurred within the scope of
155 board employment, duties, or responsibilities. Nothing in this
156 subsection shall be construed to protect any individual from
157 suit or liability for any damage, loss, injury, or liability
158 caused by the intentional, willful, or wanton misconduct of
159 that individual. The procurement of insurance of any type by
160 the board does not in any way compromise or limit the immunity
161 granted by this subsection.

162 Section 5. The authority shall have the following
163 powers:

164 (1) To adopt an official seal and alter the same at its
165 pleasure.

166 (2) To sue and be sued in contract and in tort and to
167 complain and defend in all courts of law and equity.

168 (3) To maintain an office at such a place or places as



169 it may designate.

170 (4) To borrow money and to issue bonds for the purpose
171 of making loans to state charter educational institutions to
172 finance project costs, and to provide for the rights of the
173 purchasers, holders, or owners of such bonds.

174 (5) To make financing loans to any state charter
175 educational institution in order to finance project costs,
176 which financing loans may be evidenced or secured by loan
177 agreements, mortgage pledges, promissory notes, security
178 agreements, trust indentures, or such other instruments, and
179 upon such terms and conditions as the board of directors of
180 the authority shall determine to be reasonable.

181 (6) To arrange for various forms of security or credit
182 enhancement for its bonds, including letters of credit,
183 guaranties, policies of insurance, and the like.

184 (7) As security for the payment of the principal of and
185 interest on any financing loan made to a state charter
186 educational institution, to take a pledge of and security
187 interest in:

188 a. State monies;
189 b. Federal monies;
190 c. Local funds;
191 d. Mortgage pledge of facilities; or
192 e. Any other monies or revenues received by such state
193 charter educational institution.

194 (8) As security for the payment of the principal of and
195 interest on its bonds, to pledge the revenues, receipts,
196 funds, and other property out of which the financing loans



197 made with the proceeds of its bonds are payable and to pledge,
198 transfer, and assign any repayment obligations of financing
199 loan recipients.

200 (9) As security for the payment of the principal of and
201 interest on any financing loan made to a state charter school
202 educational institution, the authority may provide for any
203 legally permitted intercept programs that would allow the
204 authority to intercept charter school revenues eligible to
205 make debt service payments on authority bonds prior to
206 operating funds.

207 (10) To collect such fees and charges in connection
208 with its financing loans and bonds including, but not limited
209 to, reimbursement of administrative costs, as the authority
210 shall determine to be reasonable.

211 (11) To make and execute contracts for the servicing of
212 financing loans made by the authority and to pay the
213 reasonable value of services rendered to the authority
214 pursuant to such contracts.

215 (12) To invest proceeds of the bonds of the authority
216 not required for immediate use in such manner as the board of
217 directors shall determine.

218 (13) To establish accounts in one or more depositories.

219 (14) To make, enter into, and execute such financing
220 agreements, loan agreements, contracts, or other instruments
221 and to take such other actions as may be necessary or
222 convenient to accomplish any purpose for which the authority
223 was organized or to exercise any power granted to it.

224 (15) To charge to and apportion among participating



225 state charter educational institutions the administrative
226 costs and expenses incurred by the authority in the exercise
227 of the powers and duties conferred upon it by this chapter.

228 (16) To pledge or mortgage all or any portion of any
229 project costs conveyed to the authority for such purpose,
230 whether presently owned or subsequently acquired, for the
231 benefit of the holders of the bonds of the authority issued to
232 finance such project costs or any portion thereof or issued to
233 refund or refinance outstanding indebtedness of a state
234 charter educational institution permitted by this chapter.

235 (17) To issue bonds for the purpose of refunding or
236 refinancing outstanding bonds issued pursuant to this chapter
237 or outstanding obligations incurred by state charter
238 educational institutions for the purpose of financing or
239 refinancing project costs, whether or not such bonds or other
240 obligations are outstanding prior to or after the effective
241 date of this act, provided that such indebtedness was
242 originally incurred for the purpose of project costs as
243 defined in this chapter.

244 (18) To exercise any power granted by the laws of the
245 state to public institutions which is not in conflict with the
246 purpose of this article.

247 (19) To adopt administrative regulations necessary or
248 appropriate to effectuate its purpose and to administer the
249 program authorized herein.

250 Section 6. (a) The authority is authorized and
251 empowered to issue its bonds from time to time for the purpose
252 of making financing loans to finance project costs incurred or



253 to be incurred by state charter educational institutions. Such
254 bonds may be in such an aggregate principal amount as the
255 board of directors shall determine to be necessary to pay the
256 project costs included in such financing. The authority may
257 pay from the proceeds of the sale of its bonds all expenses,
258 including publication and printing charges, attorney fees,
259 financial advisory fees, and other expenses which the board of
260 directors may deem necessary or advantageous in connection
261 with the authorization, advertisement, sale, execution, and
262 issuance of its bonds or the making of financing loans from
263 the proceeds thereof.

264 (b) All bonds issued by the authority shall be limited
265 obligations of the authority payable solely from any
266 combination of the following:

267 (1) The revenues, receipts, funds, and other property
268 of the authority derived from the repayment of financing loans
269 made with proceeds of such bonds.

270 (2) Amounts derived from any letter of credit,
271 insurance policy, or any other form of credit enhancement
272 applicable to the bonds or financing loans made from the
273 proceeds thereof.

274 (3) Any reserve fund, debt service fund, or other fund
275 established for the purpose of making or providing for the
276 payment of debt service on such bonds.

277 (4) Any earnings on the proceeds of bonds invested by
278 the authority pending their disbursement.

279 Bonds shall not be general obligations of the
280 authority, shall not be payable from any state appropriations,



281 and shall not create a debt or obligation of the state.

282 (c) The principal of, premium, if any, and interest on
283 any bonds issued by the authority shall be secured by a pledge
284 of the revenues, receipts, funds, and other property out of
285 which the same may be payable and may be secured by a trust
286 indenture conveying as security for such bonds all or any part
287 of the property of the authority from which the revenues or
288 receipts so pledged may be so derived.

289 (1) The resolution of the board of directors under
290 which any bonds are authorized to be issued and any trust
291 indenture relating thereto may contain any agreements and
292 provisions respecting the collection and disposition of the
293 revenues and receipts subject to such trust indenture, the
294 creation and maintenance of special funds from such revenues
295 and receipts, the rights, duties, and remedies of the parties
296 to any such instrument and the parties for the benefit of whom
297 such instrument is made and the rights and remedies available
298 in the event of default, all as the board of directors shall
299 deem advisable. Any pledge made with respect to bonds shall be
300 valid and binding from the time such pledge is made; the
301 revenues, receipts, funds, and other properties so pledged
302 shall immediately be subject to the lien of such pledge
303 without any physical delivery thereof or further act; and the
304 lien of such pledge shall be valid and binding as against all
305 parties having claims of any kind against the authority
306 irrespective of whether any such parties have notice thereof.
307 Neither the resolution of the board of directors authorizing
308 the bonds nor any other instrument by which such a pledge is



309 created need be recorded. Each pledge, agreement, or trust
310 indenture made for the benefit or security of any holders of
311 the bonds of the authority shall continue effective until the
312 principal of and interest on the bonds for the benefit of
313 which the same were made shall have been fully paid.

314 (2) In the event of default in such payment or in any
315 agreements of the authority made as a part of the contract
316 under which the bonds were issued, whether contained in the
317 proceedings authorizing the bonds or in any trust indenture
318 executed as security therefore, such default may be enforced
319 by writ of mandamus or any other available remedy under state
320 law.

321 (d) All bonds issued by the authority shall be signed
322 by the president or the vice president of the authority and
323 attested by its secretary, and the seal of the authority shall
324 be affixed thereto and attested to by the secretary. The
325 signatures of the president and the secretary may be facsimile
326 signatures, and a facsimile of the seal of the authority may
327 be imprinted on bonds if the board of directors provides for
328 the manual authentication of bonds by a trustee or paying
329 agent. Delivery of any bonds so executed shall be valid
330 notwithstanding any change in the officers of the authority or
331 in the seal of the authority after its delivery.

332 (e) Bonds may be executed and delivered by the
333 authority at any time and from time to time, shall be in such
334 form and denominations and of such tenor and maturities, shall
335 contain such provisions not inconsistent with the provisions
336 of this article, and shall bear such rate or rates of



337 interest, payable and evidenced in such manner, or may bear no
338 interest, as may be provided by resolution of the board of
339 directors. Bonds of the authority may be sold at either public
340 or private sale in such manner and at such price or prices and
341 at such time or times as may be determined by the board of
342 directors to be most advantageous. The authority may pay all
343 fees, expenses, premiums, and commissions incurred in
344 connection with the issuance of any of its bonds. All bonds
345 shall be construed to be negotiable instruments although
346 payable solely from a specified source. The board of directors
347 may provide, in its discretion, that such bonds shall bear
348 interest at a rate or rates fixed at the time of the issuance
349 thereof, or at fixed rates which may be changed from time to
350 time during the term of such bonds in accordance with an
351 objective procedure determined by such board of directors at
352 the time of the issuance of such bonds, or at a floating rate
353 or rates which may change from time to time in connection with
354 published interest rates or indexes that reflect an objective
355 response to market changes and interest rates by banks,
356 governmental agencies, or other generally recognized public or
357 private sources of information concerning interest rates. The
358 board of directors may also provide, in its discretion, that
359 interest on such bonds may be payable in cash at fixed
360 intervals, or through one or more payments which reflect
361 compound interest computed at specified intervals on accrued
362 but unpaid interest, or through a discount in the sales price
363 for such bonds equivalent to compound interest on such bonds
364 for all or part of the term thereof, or through any



365 combination of the foregoing methods of providing for the
366 payment of interest.

367 Section 7. (a) After making adequate provision for the
368 payment of the expenses of issuance, the authority is
369 authorized and empowered to use the proceeds of any bonds,
370 together with any other available funds: (i) to finance
371 project costs through financing loans to state charter
372 educational institutions, as herein authorized; (ii) to fund
373 such reserves as the authority deems necessary and desirable;
374 and (iii) to the extent not needed for the foregoing uses, to
375 pay or redeem such bonds.

376 (b) Pending the application of the proceeds of bonds to
377 the purpose or purposes of which such bonds were issued, such
378 proceeds may be invested by the authority in such manner,
379 consistent with the resolution pursuant to which such bonds
380 are issued, as the board of directors may deem advisable.

381 (c) Any and all revenues, receipts, investment
382 earnings, and other funds paid to, or otherwise coming into
383 the possession of, the authority as the result of financing
384 accomplished from the proceeds of bonds, shall be held,
385 deposited, administered, invested, and applied as provided in
386 the resolution of the board of directors authorizing the
387 issuance of such bonds and as provided in any trust indenture,
388 or other agreement delivered in connection therewith, or
389 otherwise as the authority may direct, consistent with the
390 provisions of such resolution, trust indenture, or other
391 agreement.

392 Section 8. (a) In order to provide for the funding of a



393 financing loan by the authority to a state charter educational
394 institution, such state charter educational institution shall
395 establish a dedicated source of revenue to secure the
396 repayment of monies received from the authority.

397 (b) Such state charter educational institution is
398 hereby authorized and empowered, any existing statute to the
399 contrary notwithstanding, to do and perform any one or more of
400 the following:

401 (1) To obligate itself to pay to the authority at
402 periodic intervals a sum sufficient to provide for the payment
403 of debt service with respect to the bonds of the authority
404 issued to fund the financing loan made to such state charter
405 educational institution and to pay over such debt service to
406 the authority for the account of such state charter
407 educational institution.

408 (2) To levy, collect, and pay over to the authority and
409 to oblige itself to continue to levy, collect, and pay over to
410 the authority the proceeds of any revenue dedicated for the
411 purposes provided herein including, but not limited to:

412 a. State monies;
413 b. Federal monies;
414 c. Local funds;
415 d. Mortgage pledge; and
416 e. Any other monies or revenues received by such state
417 charter educational institution.

418 (3) To pledge as security for the payment of its
419 contractual obligation to the authority hereunder the proceeds
420 of any one or more of the sources specified in subdivision



421 (2).

422 (4) To obligate itself to continue to levy and collect
423 such revenues, fees, charges, and taxes as shall equal not
424 less than 110 percent nor more than 125 percent, as determined
425 by the authority of the maximum principal and interest
426 maturing and coming due in any one year on the bonds issued by
427 the authority to fund the financing loan to such state charter
428 educational institution.

429 (5) To enter into such agreements, to perform such
430 acts, and to delegate such functions and duties as its
431 governing body shall determine to be necessary or desirable to
432 enable the authority to fund a financing loan to such state
433 charter educational institution.

434 Section 9. Any bonds issued by the authority may from
435 time to time be refunded by the issuance, by sale or exchange
436 of refunding bonds or obligations payable from the same or
437 different sources for the purpose of paying all or any part of
438 the principal of the bonds to be refunded, any redemption
439 premium required to be paid as a condition to the redemption
440 prior to maturity of any such bonds that are to be so redeemed
441 in connection with such refunding, any accrued and unpaid
442 interest on the bonds to be refunded, any interest to accrue
443 on each revenue bond to be refunded to the date on which it is
444 to be paid, whether at maturity or by redemption prior to
445 maturity, and the expenses incurred in connection with the
446 refunding; provided, that unless duly called for redemption
447 pursuant to provisions contained therein, the holders of any
448 such bonds then outstanding and proposed to be refunded shall



449 not be compelled without their consent to surrender their
450 outstanding bonds for such refunding. Any refunded bonds or
451 obligations may be sold by the authority at public or private
452 sale at such price or prices as may be determined by the board
453 of directors to be most advantageous or may be exchanged for
454 the bonds to be refunded. Any such refunding bonds or
455 obligations may be executed and delivered by the authority at
456 any time and from time to time, shall be in such form and
457 denominations and have such tenor and maturities, shall
458 contain such provisions not inconsistent with the provisions
459 of this article, and shall bear such rate or rates of
460 interest, payable and evidenced in such manner, as may be
461 provided by resolution of the board of directors. Any
462 refunding bonds or obligations issued by the authority shall
463 be issued and secured in accordance with the provisions of
464 Section 6.

465 Section 10. The State Treasurer may invest any idle or
466 surplus money of the state in bonds of the authority. The
467 governing body of any county or municipality is authorized in
468 its discretion to invest any idle or surplus money held in its
469 treasury in bonds of the authority. Such bonds shall be legal
470 investments for executors, administrators, trustees, and other
471 fiduciaries, unless otherwise directed by the court having
472 jurisdiction of the fiduciary relation or by the document that
473 is the source of the fiduciary's authority, and for savings
474 banks and insurance companies organized under the laws of the
475 state.

476 Section 11. The property and income of the authority,



477 all bonds issued by the authority, the income from such bonds
478 or from any other sources, the interest and other profits from
479 such bonds ensuring to and received by the holders thereof,
480 conveyances by and to the authority and leases, mortgages, and
481 deeds of trust by and to the authority shall be exempt from
482 all taxation in the State of Alabama. The authority shall not
483 be obligated to pay or allow the payment of any fees, taxes,
484 or costs to the Secretary of State or to any judge of probate
485 of any county in connection with the recording by it of any
486 document or otherwise, the authority being hereby exempted
487 from the payment of any such fees, taxes, and costs. No
488 license or excise tax may be imposed by any authority with
489 respect to the privilege of engaging in any of the activities
490 in this chapter.

491 Section 12. The authority's legal situs or residence
492 for the purpose of this chapter shall be Montgomery County.
493 Any action to protect or enforce any rights under the
494 provisions of this chapter shall be brought in the circuit
495 court of Montgomery County, Alabama, and said court shall have
496 exclusive original jurisdiction of all such actions.

497 Section 13. While any of the bonds issued by the
498 authority remain outstanding, the powers, duties, or existence
499 of the authority or of any of its officers shall not be
500 diminished or impaired in any manner that will affect
501 adversely the interest and rights of the holders of such
502 bonds. The provisions of this chapter shall be for the benefit
503 of the state, the authority, and the holders of any such
504 bonds, and, upon the issuance of the bonds as herein provided,



505 such provisions shall constitute a contract with the holders
506 of such bonds. The provisions of any bond resolution,
507 indenture, or trust agreement shall be a contract with every
508 holder of such bonds, and the duties of the authority under
509 any such bond resolution, indenture, or trust agreement shall
510 be enforceable by any bondholder by mandamus or other
511 appropriate suit, action, or proceeding at law or in equity.

512 Section 14. All monies received by the authority
513 pursuant to this chapter shall be deemed to be trust funds for
514 the holders of the bonds and shall be held and applied for the
515 benefit of the bondholders of the respective issues as
516 provided in this chapter and as provided in the authorizing
517 resolutions of the authority.

518 Section 15. The provisions of this act are severable.
519 If any part of this act is declared invalid or
520 unconstitutional, such a declaration shall not affect the part
521 which remains.

522 Section 16. All laws or parts of laws which conflict
523 with this act are repealed.

524 Section 17. This act shall become effective on October
525 1, 2026.

SB62 Engrossed



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528 Senate

529 Read for the first time and referred13-Jan-26
530 to the Senate committee on Finance
531 and Taxation Education
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538 as amended
539 Yeas 34
540 Nays 0
541 Abstains 0
542
543
544 Patrick Harris,
545 Secretary.
546