

**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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A BILL

TO BE ENTITLED

AN ACT

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

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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



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

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

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

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

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

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



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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



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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



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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



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

Section 5. The authority shall have the following powers:

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

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

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



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it may designate.

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

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

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

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

- a. State monies;
- b. Federal monies;
- c. Local funds;
- d. Mortgage pledge of facilities; or
- e. Any other monies or revenues received by such state charter educational institution.

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





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

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

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

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

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

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

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

(15) To charge to and apportion among participating



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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



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

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

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

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

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

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

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



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

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

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



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

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

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

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



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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



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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



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

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

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

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

- a. State monies;
- b. Federal monies;
- c. Local funds;
- d. Mortgage pledge; and
- e. Any other monies or revenues received by such state charter educational institution.

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





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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



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

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

Section 11. The property and income of the authority,



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

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

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



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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.



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526  
527  
528 Senate

529 Read for the first time and referred .....13-Jan-26  
530 to the Senate committee on Finance  
531 and Taxation Education  
532

533 Read for the second time and placed .....29-Jan-26  
534 on the calendar:  
535 1 amendment  
536

537 Read for the third time and passed .....05-Feb-26  
538 as amended

539 Yeas 34  
540 Nays 0  
541 Abstains 0  
542

543  
544 Patrick Harris,  
545 Secretary.  
546