

SB62 INTRODUCED



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



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4 SYNOPSIS:

5 This bill provides for the establishment of the
6 Alabama Charter School Finance Authority which shall
7 have the authority to issue bonds to provide funds to
8 make financing loans to public state charter
9 educational institutions.

10 This bill further provides that such public
11 state charter educational institutions shall secure the
12 payment of such financing loans from a dedicated source
13 of revenue.

14
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16 A BILL
17 TO BE ENTITLED
18 AN ACT
19

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

28 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:



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

31 Section 2. It is the intent of the Legislature by
32 passage of this chapter to enable the state, acting by and
33 through the authority, to aid state charter educational
34 institutions in the financing and refinancing of project costs
35 on a tax-exempt basis. To this end, the Legislature intends to
36 authorize the authority to issue bonds for the purpose of
37 providing funds to enable the authority to make loans to state
38 charter educational institutions to pay project costs; and to
39 provide that state charter educational institutions shall
40 secure the payment of such loans out of a dedicated source of
41 revenue. This article shall be liberally construed in
42 conformity with the intentions of the Legislature expressed
43 above.

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

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

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

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

55 (4) COSTS. As applied to a project or any portion
56 thereof financed under the provisions of this chapter, all or



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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' commissions or discounts, interest prior to, during, and for a period of six months following estimated completion of such construction and acquisition, provisions for reserves for principal and interest and for extensions, enlargements, additions, and improvements, the cost of architectural, engineering, financing and legal services, plans, specifications, studies, surveys, estimates of cost and revenues, administrative expenses, expenses necessary or incident to determining the feasibility or practicability of constructing the project, and such other expenses as may be necessary or incident to the construction and acquisition of the project, the financing of such construction and acquisition and placing of the project in operation. All funds paid or advanced for any of the purposes aforesaid by any institution prior to the issuance of any of the authority's revenue bonds may be refunded to such institution out of the proceeds of any revenue bonds so issued. Any obligation or



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85 expense incurred for any of the foregoing purposes shall be
86 regarded as a part of the cost of the project and may be paid
87 or reimbursed as such out of the proceeds of revenue bonds or
88 notes issued under the provisions of this chapter for such
89 project.

90 (5) FINANCING LOAN. A loan by the authority to a state
91 charter educational institution pursuant to the terms of this
92 chapter for the purpose of financing project costs incurred or
93 to be incurred by such state charter educational institution.

94 (6) PROJECT. A structure or structures available for
95 use as a dormitory or other student housing facility, a dining
96 hall, student union, administration building, academic
97 building, library, laboratory, research facility, classroom,
98 athletics facility, health care facility, maintenance, storage
99 or utility facility, and other structures or facilities
100 related thereto or required or useful for the instruction of
101 students or the conducting of research or the operation of an
102 institution, whether proposed, under construction or
103 completed, including parking and other facilities or
104 structures essential or convenient for the orderly conduct of
105 such institution, and shall also include landscaping, site
106 preparation, furniture, equipment, and machinery and other
107 similar items necessary or convenient for the operation of a
108 particular facility or structure in the manner for which its
109 use is intended, but shall not include any items the costs of
110 which are customarily deemed to result in a current operating
111 change.

112 (7) STATE. The State of Alabama.



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

Section 4. There is hereby created a public body corporate and politic to be known as the Alabama State Charter School Finance Authority. Said authority shall not be a state institution nor a department or agency of the state but shall be a public instrumentality performing an essential governmental function, being a distinct corporate entity. The Governor or his or her designee shall be the president of the authority, the Chair of the House Ways and Means Education Committee shall be the vice president thereof, the State Superintendent of Education shall be the secretary thereof, the Chair of the Senate Finance and Taxation Education, the State Finance Director, and the Executive Director of the State Charter School Commission shall be members thereof. The State Treasurer or any bank having trust powers or any trust company shall be treasurer thereof, shall act as custodian of its funds, and shall pay the principal of and interest on the bonds of the authority out of the funds hereinafter provided for. The members of the authority shall constitute all the members of the board of directors of the authority, and any three members of the said board of directors shall constitute a quorum for the transaction of business. Should any person



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holding any state office named in this section cease to hold such office by reasons of death, resignation, expiration of his or her term of office, or for any other reason, then his or her successor in office shall take his or her place as a member, officer, or director, as the case may be, of the authority. No member, officer, or director of the authority shall draw any salary in addition to that now authorized by law for any service he or she may render or for any duty he or she may perform in connection with the authority. All proceedings had and done by the board of directors shall be reduced to writing by the secretary of the authority, shall be 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. Members of the authority shall not be personally liable for any liability, loss, or expense suffered by the authority, unless the liability, loss, or expense arises out of, or results from, conduct described in Section 36-1-12.

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

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

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

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

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