

**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.

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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



57 any part of the cost of construction, acquisition, alteration,  
58 enlargement, reconstruction, and remodeling of a project  
59 including all lands, structures, real or personal property,  
60 rights-of-way, franchises, easements, permits, approvals,  
61 licenses, and certificates and the securing of such permits,  
62 approvals, licenses, and certificates, and interests acquired  
63 or used for or in connection with a project, the cost of  
64 demolishing or removing any buildings or structures on land so  
65 acquired, including the cost of acquiring any lands to which  
66 such buildings or structures may be moved, the cost of all  
67 machinery and equipment, financing charges, underwriters'  
68 commissions or discounts, interest prior to, during, and for a  
69 period of six months following estimated completion of such  
70 construction and acquisition, provisions for reserves for  
71 principal and interest and for extensions, enlargements,  
72 additions, and improvements, the cost of architectural,  
73 engineering, financing and legal services, plans,  
74 specifications, studies, surveys, estimates of cost and  
75 revenues, administrative expenses, expenses necessary or  
76 incident to determining the feasibility or practicability of  
77 constructing the project, and such other expenses as may be  
78 necessary or incident to the construction and acquisition of  
79 the project, the financing of such construction and  
80 acquisition and placing of the project in operation. All funds  
81 paid or advanced for any of the purposes aforesaid by any  
82 institution prior to the issuance of any of the authority's  
83 revenue bonds may be refunded to such institution out of the  
84 proceeds of any revenue bonds so issued. Any obligation or



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



141 holding any state office named in this section cease to hold  
142 such office by reasons of death, resignation, expiration of  
143 his or her term of office, or for any other reason, then his  
144 or her successor in office shall take his or her place as a  
145 member, officer, or director, as the case may be, of the  
146 authority. No member, officer, or director of the authority  
147 shall draw any salary in addition to that now authorized by  
148 law for any service he or she may render or for any duty he or  
149 she may perform in connection with the authority. All  
150 proceedings had and done by the board of directors shall be  
151 reduced to writing by the secretary of the authority, shall be  
152 signed by at least two members of the authority, and shall be  
153 recorded in a substantially bound book and filed in the office  
154 of the secretary. Copies of such proceedings, when certified  
155 by the secretary of the authority, under the seal of the  
156 authority, shall be received in all courts as *prima facie*  
157 evidence of the matters and things therein certified. Members  
158 of the authority shall not be personally liable for any  
159 liability, loss, or expense suffered by the authority, unless  
160 the liability, loss, or expense arises out of, or results  
161 from, conduct described in Section 36-1-12.

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

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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



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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



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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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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,

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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,

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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.