

NEW ISSUE - BOOK ENTRY ONLY

RATINGS: Moody's: Aa1 (stable outlook)
S&P: AA (stable outlook)
Fitch: AA+ (stable outlook)
(See "Ratings" herein)

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) will be excludable from gross income for federal income tax purposes if the State complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be and remain excludable from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Bonds will be exempt from State of Alabama income taxation. See "TAX MATTERS" herein for further information and certain other tax consequences arising with respect to the Bonds.

STATE OF ALABAMA
\$37,530,000*
GENERAL OBLIGATION BONDS
SERIES 2026A-2

Dated: Date of Delivery

**Due: November 1, as shown on the
the inside cover hereof**

**FOR MATURITY SCHEDULES, INTEREST RATES,
YIELDS AND PRICES SEE INSIDE COVER**

Interest on the Bonds will be payable on May 1, 2027, and on each May 1 and November 1 thereafter. The Bonds will be issued as fully registered bonds and, when issued, will be fully registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. Except as herein described, purchasers will not receive certificates representing their beneficial interests in the Bonds. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal and interest will be made directly to DTC or to such nominee. Disbursement of such payments to Direct Participants (as defined herein) is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of Direct Participants and Indirect Participants (as defined herein) of DTC, all as more fully described herein.

The Bonds are subject to redemption prior to maturity to the extent and on the terms described herein.

The Bonds will constitute general obligations of the State of Alabama for the payment of which the full faith and credit of the State of Alabama are irrevocably pledged.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE BONDS. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Bids for the purchase of the Bonds will be received as described in the attached Notice of Sale at 9:30 a.m., Central Time, on October 14, 2026.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Maynard Nexsen PC, Birmingham, Alabama, Bond Counsel to the State. It is expected that the Bonds in definitive form will be available for delivery through DTC on or about November 4, 2026.

The date of this Official Statement is _____, 2026.

* Preliminary, subject to change.

This Preliminary Official Statement and the information herein is subject to change, completion, and amendment without notice. A definitive Official Statement will be made available prior to the delivery of these securities. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$37,530,000*
GENERAL OBLIGATION BONDS
SERIES 2026A-2

Series 2026A-2 Serial Bonds

Maturity (November 1)	Principal Amount*	Interest Rate	Yield	CUSIP†
2027	\$1,725,000			
2028	1,810,000			
2029	1,905,000			
2030	2,000,000			
2031	2,105,000			
2032	2,210,000			
2033	2,325,000			
2034	2,445,000			
2035	2,570,000			
2036	2,700,000			
2037	2,840,000			
2038	2,985,000			
2039	3,140,000			
2040	3,300,000			
2041	3,470,000			

All Bonds priced to produce the yield indicated.

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. The State is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Offered Bonds or as indicated herein.

STATE OF ALABAMA

Governor

Kay Ivey

State Treasurer

Young Boozer

Director of Finance

Doryan Carlton

**BOND COMMISSION OF THE STATE OF ALABAMA
MEMBERS OF THE BOND COMMISSION**

Kay Ivey

Doryan Carlton

Mary Martin Mitchell

Rex Reynolds

Greg Albritton

BOND COUNSEL

Maynard Nexsen PC
Birmingham, Alabama

DISCLOSURE COUNSEL

Balch & Bingham LLP
Birmingham, Alabama

MUNICIPAL ADVISOR

PFM Financial Advisors LLC
Huntsville, Alabama

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE STATE, OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE STATE OR THE BONDS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE STATE AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION, BY THE UNDERWRITER.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

The Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws, and neither the Securities and Exchange Commission nor any state regulatory agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create an implication that there has been no change in the affairs of the State since the date hereof. The delivery of this Official Statement does not imply that the information contained herein is correct on any date subsequent to the date of this official statement.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE STATE HAS NO CONTROL OVER THE TRADING OF THE BONDS AFTER THEIR SALE BY THE STATE.

Information regarding reoffering yields or prices included in this Official Statement is the responsibility of the Underwriters.

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OFFICIAL STATEMENT

STATE OF ALABAMA

\$37,530,000*

GENERAL OBLIGATION BONDS SERIES 2026A-2

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, is being distributed by the State of Alabama (the "State") in connection with the issuance by the State of its \$37,530,000* General Obligation Bonds, Series 2026A-2 (the "Bonds"). The Bonds will be direct, general obligations of the State and the full faith and credit of the State will be pledged to the payment thereof.

The Bonds are being issued pursuant to Amendment No. 666 (also known as Section 219.04 of the Constitution of Alabama of 2022), Amendment No. 796 (also known as Section 219.041 of the Constitution of Alabama of 2022) and Amendment No. 880 (also known as Section 219.042 of the Constitution of Alabama of 2022) to the Constitution of Alabama, as amended (collectively, the "Authorizing Amendment"). The Authorizing Amendment provides that the State may issue the Bonds pursuant to appropriate resolutions adopted by the Amendment 666 Bond Commission (the "Bond Commission") constituted pursuant to Authorizing Amendment. The particular purposes for which the proceeds of the Bonds may be spent are specified in the Authorizing Amendment. The Bonds are being issued pursuant to a resolution (the "Bond Resolution") adopted by the Bond Commission in order (i) to make grants in connection with economic development projects and the recruitment of industrial prospects to the State; and (ii) to pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS" below.

Certain of the Bonds are subject to redemption prior to maturity at the times and under the circumstances described herein. See "THE BONDS - Redemption Provisions" below. The Bonds are being offered in the denomination of \$5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein.

Bids for the purchase of the Bonds will be received as described in the attached Notice of Sale at 9:30 a.m., Central Time, on October 14, 2026.

The State, acting by and through the Bond Commission, has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the U.S. Securities and Exchange Commission in connection with the Bonds. See "CONTINUING DISCLOSURE" below.

DEFINITIONS OF CERTAIN TERMS

The following words, phrases and other terms evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, have the following respective meanings:

"Alabama Capital Improvement Trust Fund" means the fund by such name created by the Authorizing Amendment.

* Preliminary, subject to change.

"Authorized Denomination" means a denomination of \$5,000 or any multiple thereof.

"Authorizing Amendment" means, collectively, Amendment No. 666 to the Constitution of Alabama of 1901, as amended, Amendment No. 796 to the Constitution of Alabama of 1901, as amended, Amendment No. 880 to the Constitution of Alabama of 1901, as amended, and Amendment No. 887 to the Constitution of Alabama of 1901, as amended.

"Bond Commission" means the Bond Commission constituted pursuant to Amendment No. 666 to the Constitution of Alabama of 1901, as amended.

"Bondholder" means a Holder of any of the Bonds.

"Bond Register" means the register or registers for the registration and transfer of bonds maintained for the Bonds at the office of the Paying Agent.

"Bond Resolution" means the resolution adopted on February 24, 2026, by the Bond Commission authorizing the issuance of the Bonds.

"Bonds" means the State's \$37,530,000* General Obligation Bonds, Series 2026A-2.

"Business Day" means any day other than (a) a Saturday, Sunday or legal holiday or (b) a day on which the office of the State Treasurer is authorized to be closed.

"Debt Service" means the principal, premium (if any) and interest payable on the Bonds.

"Federal Securities" shall mean direct obligations of, or obligations the payment of which is guaranteed by, the United States of America.

"Holder", when used with respect to a Bond, means the person in whose name such Bond is registered on the Bond Register pertaining to the Bonds.

"Interest Payment Date" means each May 1 and November 1, commencing May 1, 2027.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Oil and Gas Royalty Payments" means the oil and gas payments received by the State in consideration for the sale, leasing or other disposition of any right to explore, drill or produce oil, gas or other hydrocarbon minerals in any offshore area of the State.

"Paying Agent" means the State Treasurer, in his or her capacity as paying agent for the Bonds.

"Redemption Price" means with respect to any Bond the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of the Bond Resolution.

"Regular Record Date" means the 15th day (whether or not a Business Day) of the month preceding an Interest Payment Date.

* Preliminary, subject to change.

"State" means the State of Alabama.

"State Treasurer" means the person at any time lawfully serving as the State Treasurer of the State.

THE BONDS

General Provisions

The Bonds will be dated the date of their delivery and will mature annually on November 1 in the years and amounts set forth on the inside of the cover page hereof. The Bonds will bear interest at the applicable per annum rates set forth on the inside of the cover page hereof. Bonds of the same maturity will bear interest at the same rate. Interest on the Bonds shall be computed on the basis of a 360-day year with 12 months of 30 days each. Interest on the Bonds will be payable on each May 1 and November 1, beginning May 1, 2027. The Bonds will be numbered separately from 1 upward.

Method and Place of Payment

The Bonds will be issued in book-entry only form, as described below under "BOOK-ENTRY ONLY SYSTEM" and the method and place of payment will be as provided in the book-entry only system. The principal of and interest on the Bonds will be payable by the Paying Agent to Cede & Co., as described below. The provisions set forth in this section below will apply to the Bonds in the event that the use of the book-entry only system for the Bonds is discontinued.

Interest on the Bonds payable on any Interest Payment Date prior to the maturity or redemption thereof (in whole or in part) shall be payable by check or draft mailed by the Paying Agent to the registered Holders of the Bonds at their addresses appearing in the Bond Register. Such payments of interest shall be deemed timely made if so mailed on the Interest Payment Date. Payment of the principal of (and premium, if any, on) the Bonds and payment of accrued interest on the Bonds due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender thereof at the principal office of the Paying Agent. Debt Service on the Bonds payable at maturity shall be payable only upon surrender thereof at the principal office of the Paying Agent. Notwithstanding the preceding provisions of this paragraph, upon the written request of the Holder of Bonds in an aggregate principal amount of not less than \$1,000,000, the Paying Agent will make payment of the Debt Service due on such Bond by wire transfer to an account of such Holder maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Paying Agent, provided that (1) such written request contains adequate instructions for the method of payment, (2) the Holder agrees to pay the Paying Agent's customary charge for handling such wire transfer, and (3) payment of the principal of (and redemption premium, if any, on) such Bond and payment of accrued interest on such Bond due upon redemption on any date other than an Interest Payment Date shall be made only upon surrender of such Bond to the Paying Agent.

Interest on any Bond which is payable on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a Business Day) of the month next preceding such Interest Payment Date.

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the State to the persons in whose names such Bonds are registered at the

close of business on a special record date (herein called a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The State, acting by and through the Bond Commission, shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Paying Agent to comply with the next sentence hereof), and at the same time the State, acting by and through the Bond Commission, shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held solely for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided. Thereupon, the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Paying Agent of the notice of the proposed payment. The Paying Agent shall promptly notify the State of such Special Record Date and, in the name and at the expense of the State, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Bond at his address as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds are registered on such Special Record Date.

Subject to the foregoing provisions of this section, each Bond delivered under the Bond Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Registration, Transfer and Exchange

The method for registration, transfer and exchange of the Bonds will be as provided in the book-entry only system. The provisions set forth in this section below will apply to the Bonds in the event that the use of the book-entry only system for the Bonds is discontinued.

The Bonds are transferable only on the Bond Register. Upon surrender for transfer of any Bond at the principal office of the Paying Agent, the State shall execute, and the Paying Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any authorized denominations and of the same maturity and aggregate principal amount.

At the option of the Holder, Bonds may be exchanged for a like aggregate principal amount of Bonds, of any authorized denominations and of the same maturity, upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent. Whenever any Bonds are so to be surrendered for exchange, the State shall execute, and the Paying Agent shall authenticate and deliver, the Bonds which the Holder making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange shall (if so required by the State or the Paying Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the State, acting by and through the Bond Commission, and the Paying Agent, duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the State, acting by and through the Bond Commission, may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

The State shall not be required (i) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of such series of Bonds and ending at the close of business on the day of such mailing, (ii) to transfer or exchange any Bond so selected for redemption in whole or in part, or (iii) to exchange any Bond during a period beginning at the opening of business on any Regular Record Date and ending at the close of business on the relevant Interest Payment Date therefor.

Mutilated, Destroyed, Lost and Stolen Bonds

If (i) any mutilated Bond is surrendered to the Paying Agent, or the State, acting by and through the Bond Commission, and the Paying Agent receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the State, acting by and through the Bond Commission, and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the State or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the State shall execute and upon its request the Paying Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. Upon the issuance of any such new Bond, the State, acting by and through the Bond Commission, may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. Every new Bond issued in lieu of any destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the State, whether or not the destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this resolution equally and ratably with all other outstanding Bonds.

Defeasance

Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid if:

(1) in case such Bonds are to be redeemed on any date prior to their maturity, the Bond Commission shall confer on the Paying Agent irrevocable authority for the giving of such notice on behalf of the State,

(2) there shall have been deposited with the Paying Agent (or with the approval of the Paying Agent, deposited with one or more trustees or escrow agents) cash and/or Federal Securities which (assuming due and punctual payment of the principal of and interest on such Federal Securities) will provide money sufficient to pay when due the Debt Service due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and

(3) such Federal Securities are not subject to redemption prior to their respective maturities at the option of the issuer of such Securities.

All cash and/or Federal Securities so deposited with the Paying Agent or with one or more trustees or escrow agents, shall be held in trust and applied by the Paying Agent, trustee or escrow agent solely to the payment of Debt Service on such Bonds as the same shall become due and payable. At such time as any Bond shall be deemed paid as aforesaid, it shall no longer be secured by or entitled to the benefits of the applicable Bond Resolution, except for the purpose of any payment from such cash and/or Federal Securities deposited with the Paying Agent, or one or more trustees or escrow agents, and the purpose of transfer and exchange as herein provided.

Any trust established as provided above may provide for payment of less than all Bonds outstanding or less than all Bonds of any maturity.

Redemption Provisions

Optional Redemption. Bonds maturing on November 1, 2037, or thereafter, or any smaller principal amount of such Bonds that is a multiple of the smallest authorized denomination, may be redeemed at the option of the State, acting by and through the Bond Commission, on November 1, 2036 or any date thereafter at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

[Mandatory Redemption.] The Bonds maturing on November 1, 20__ (the "Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, on November 1 in years and amounts (after credits as provided below) as follows:

Year	Amount Required to be Redeemed
20__	\$ _____
20__	\$ _____
20__	\$ _____ (final maturity)

Not less than 45 or more than 60 days prior to each such scheduled mandatory redemption date with respect to Term Bonds, the Paying Agent shall proceed to select for redemption, by lot, Term Bonds or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Term Bonds or portions thereof for redemption on such scheduled mandatory redemption date. In connection with any such redemption prior to maturity, the Paying Agent shall make appropriate entries in the Bond Register to reflect a portion of any Term Bond so redeemed and the amount of the principal remaining Outstanding. The Paying Agent's notation in the Bond Register shall be conclusive as to the principal amount of any Outstanding Term Bond at any time. The State may, not less than 60 days prior to any such mandatory redemption date, direct that any or all of the following amounts be credited against the Term Bonds scheduled for redemption on such date: (i) the principal amount of Term Bonds delivered by the State to the Paying Agent for cancellation and not previously claimed as a credit; (ii) the principal amount of Term Bonds previously redeemed (other than Term Bonds redeemed pursuant to this paragraph) and not previously claimed as a credit; and (iii) the principal amount of Term Bonds otherwise deemed paid in full and not previously claimed as a credit.

Manner, Notice and Effect of Redemption. Any redemption of Bonds will be made upon not more than 60 nor less than 30 days' notice by first class, postage prepaid, to each Holder of Bonds to be redeemed at the address shown on the Bond Register.

A notice of optional redemption may state that the redemption of Bonds is contingent upon specified conditions such as receipt of a specified source of funds or the occurrence of specified events. If the conditions for such redemption are not met, the State shall not be required to redeem Bonds (or portions thereof) identified in such notice, and any Bonds surrendered on the specified redemption date shall be returned to the Holders of such Bonds.

The Bond Resolution provides that Bonds of a denomination larger than the smallest Authorized Denomination (\$5,000) may be redeemed in part, and upon partial redemption, such Bonds shall be surrendered to the Paying Agent in exchange for one or more new Bonds of the same maturity and of any authorized denomination or denominations, as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. Any Bond (or portion thereof) which is to be redeemed must be surrendered to the Paying Agent for payment of the

Redemption Price. Bonds (or portions thereof) duly called for redemption will cease to bear interest after the redemption date, unless the State defaults in payment of the Redemption Price. No charge will be made by the Paying Agent for any such exchange necessitated by the partial redemption of a Bond.

If less than all the Bonds are to be redeemed pursuant to the aforesaid optional redemption provisions, the particular Bonds to be redeemed may be specified by the State, acting by and through the Bond Commission, by written notice to the Paying Agent, or, in the absence of timely receipt by the Paying Agent of such notice, shall be selected by the Paying Agent by lot or by such other method as the Paying Agent shall deem fair and appropriate; provided, however, that (i) the principal amount of Bonds of each maturity to be redeemed must be a multiple of the smallest authorized denomination of Bonds, and (ii) if less than all Bonds with the same stated maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be selected by lot by the Paying Agent.

Debt Service Requirements

The debt service requirements on all currently outstanding general obligation and limited obligation indebtedness of the State are shown on Table 14 of Appendix A. The following table shows the estimated annual debt service requirements for the Bonds.

Fiscal Year Ending September 30	Principal*	Interest*	Total*
2027	\$ 0	\$ 922,613	\$ 922,613
2028	1,725,000	1,833,375	3,558,375
2029	1,810,000	1,745,000	3,555,000
2030	1,905,000	1,652,125	3,557,125
2031	2,000,000	1,554,500	3,554,500
2032	2,105,000	1,451,875	3,556,875
2033	2,210,000	1,344,000	3,554,000
2034	2,325,000	1,230,625	3,555,625
2035	2,445,000	1,111,375	3,556,375
2036	2,570,000	986,000	3,556,000
2037	2,700,000	854,250	3,554,250
2038	2,840,000	715,750	3,555,750
2039	2,985,000	570,125	3,555,125
2040	3,140,000	417,000	3,557,000
2041	3,300,000	256,000	3,556,000
2042	<u>3,470,000</u>	<u>86,750</u>	<u>3,556,750</u>
	\$37,530,000	\$16,731,363	\$54,261,363

* Preliminary, subject to change.

Sources and Uses of Funds

The following table sets forth the State's estimate of the sources and uses of funds respecting the Bonds:

Sources:	
Principal amount of Bonds	\$
[Net original issue premium/discount]	
Total Sources	\$
Uses:	
Deposit to Project Fund	\$
Costs of issuance (including underwriter's discount, ratings, legal fees and other costs and expenses)	
Total Uses	\$

Purpose

The Bonds are being issued for certain purposes specified in the Bond Resolution including: (a) making grants in connection with economic development projects and the recruitment of industrial prospects to the State; and (b) payment of the costs of issuing the Bonds.

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning the Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources the State and the Underwriters believe to be reliable, but neither the State nor the Underwriters takes responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Bonds are in the custody of DTC, references to Bondholders or Holders of such series shall mean DTC or its nominee.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct

Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information on DTC can be found at www.dtcc.com.

Purchases of Bonds, in the denomination of \$5,000 principal amount or any integral multiple of \$5,000 in excess thereof, under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are expected, however, to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee, does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds will be made by the Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE STATE, THE PAYING AGENT AND THE UNDERWRITERS WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE BOND RESOLUTION, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDHOLDER.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Paying Agent or the State. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

SECURITY AND SOURCE OF PAYMENT OF THE BONDS

General

Under the Constitution and the laws of the State, the Bonds shall be direct and general obligations of the State, and the full faith and credit of the State are irrevocably pledged for the prompt and faithful payment of the principal of and interest on the Bonds. Revenues available to the State for payment of debt service on the Bonds include all General Fund revenues and, in addition, in the case of the Bonds, moneys in the Alabama Capital Improvement Trust Fund, as more fully discussed below. None of the moneys in the Alabama Capital Improvement Trust Fund or the General Fund are, however, specially pledged for payment of debt service on the Bonds. Information describing certain taxes and other revenues of the State is set forth in the Official Statement under "Appendix A - Certain Information Regarding the State of Alabama."

Oil and Gas Royalty Payments

Pursuant to the Authorizing Amendment, twenty-eight (28%) percent of all Oil and Gas Royalty Payments are required to be deposited in the Alabama Capital Improvement Trust Fund. The Authorizing Amendment provides that moneys in the Alabama Capital Improvement Trust Fund are appropriated for the payment of debt service on general obligation bonds authorized for various purposes by the Authorizing Amendment, including the Bonds. In addition, the Authorizing Amendment provides that moneys in the Alabama Capital Improvement Trust Fund (i) are thereby appropriated to pay debt service on general obligation bonds authorized by Amendments Nos. 618, 619 and 620 to the Constitution, and (ii) may be appropriated for paying the cost of capital outlay projects that include the planning, designing, inspection, purchasing, construction, reconstruction, improvement, repair or renovation of permanent buildings, docks, structures and sites therefor for the executive, legislative or judicial branches of State government; construction or improvement of roads and bridges in the highway system; payment of debt service on the bonded indebtedness issued by the State or any public corporation or authority of the State; funding economic development and industrial recruitment activities; and the procurement of technical equipment, including computer and telecommunications equipment, required for the operation of any governmental entity. By the terms of the Authorizing Amendment, investment earnings on moneys deposited in the Alabama Capital Improvement Trust Fund are deposited into the General Fund of the State Treasury.

The Oil and Gas Royalty Payments deposited in the Alabama Capital Improvement Trust Fund are not pledged as security for the Bonds.

The table below sets forth the Oil and Gas Royalty Payments received by the State and the amounts (i.e., 28% of the total royalty payments) paid into the Alabama Capital Improvements Trust Fund for the last ten (10) fiscal years. No assurances can be given that such royalty payments will continue to be collected at any particular level during the period that the Bonds are outstanding.

Fiscal Year	Royalty Payments*	28% of Royalty Payments
2025	\$27,565,883	\$ 7,718,447
2024	26,171,147	7,327,921
2023	45,934,412	12,861,635
2022	67,251,417	18,830,397
2021	32,861,649	9,201,262
2020	25,794,969	7,222,591
2019	42,409,082	11,874,543
2018	47,217,434	13,220,882
2017	47,228,343	13,223,936
2016	42,957,249	12,028,030
2015	60,752,466	17,010,690

* Royalty payments include a portion of the 1% statutorily mandated amount that is disbursed to the Department of Conservation and Natural Resources.

Source: State Treasury

LITIGATION

There is no litigation pending or, to the knowledge of the State, threatened questioning the validity of the Bonds, the proceedings under which they are to be issued, the security for the Bonds provided by the Bond Resolution, the consummation of the transactions contemplated by the Bond Resolution, the

organization of the State, or the election or qualification of the State's officers. For certain additional information concerning litigation relating to the State, see Appendix A "Certain Information Regarding the State of Alabama - Litigation."

RISK FACTORS

General

An investment in the Bonds involves certain risks which must be carefully considered and evaluated by investors. In making a decision whether to purchase the Bonds, potential investors should consider certain risks and investment considerations which could affect the ability of the State to pay debt service on the Bond in a timely manner and which could affect the marketability of or the market price for the Bonds. These risks and investment considerations are discussed throughout this Official Statement. Certain of these risks and investment considerations are set forth in this section for convenience, but this discussion is not intended to be a comprehensive or exhaustive compilation of all possible risks and investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. Each prospective purchaser of Bonds should read this Official Statement in its entirety, including the appendices hereto, and should consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when evaluating an investment such as the Bonds. Each prospective purchaser should carefully examine his, her or its own financial condition in order to make a judgment as to his, her or its ability to bear the risk of an investment in the Bonds and whether or not the Bonds are an appropriate investment for them.

Holders of the Bonds should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases, including the law-imposed requirement that the State may first use its taxes and other revenues to pay the expenses of providing necessary governmental services before paying debt service on the Bonds. The remedies available upon a default are in many respects dependent upon judicial actions, which are often subject to substantial discretion and delay.

Sovereign Immunity

Under the doctrine of sovereign immunity, a state of the United States of America cannot be sued by its own citizens. Under the United States Constitution, a state cannot be sued by citizens or subjects of any foreign state. The doctrine of sovereign immunity applies to the State, and the full faith and credit pledge made by the State with respect to the Bonds does not constitute express consent by the State to be sued by a Holder of the Bonds. Section 14 of the Alabama Constitution provides that the State shall never be made a defendant in any court of law or equity. The Supreme Court of Alabama has held that the immunity granted by Section 14 cannot be waived by the Alabama Legislature or any State authority. This constitutional prohibition of suits against the State extends to officers of the State acting in their official capacities, subject to certain limited exceptions, such as actions to compel State officials to perform ministerial acts. Consequently, in the event the State fails to make timely payment of the principal of or interest on the Bonds, there can be no assurance that Holders of the Bonds will have any right of action against the State or any of its officers to enforce the obligation of the State under the Bonds. There has, however, never been a default by the State with respect to any of its bonds during the last 100 years.

General Economic and Political Risks

The financial affairs of the State will be affected by, and will be subject to, general economic and political events and conditions that will change in the future to an extent and with effects that cannot be determined at this time. These general economic and political events and conditions include, among other things, population, demographic and employment changes and trends; periods of inflation or deflation;

variable patterns of national and regional economic growth, whether cyclical or structural in nature; disruptions in credit and financial markets; political gridlock concerning, among other matters, national tax and spending policies; political developments in the State; budget and debt limit controversies, both nationally, at the State level; unusually large numbers of business failures and business and consumer bankruptcies and policy responses, or lack thereof, to the foregoing.

Public Health Epidemics or Outbreaks

Public health epidemics or outbreaks, such as COVID-19, could adversely impact the world economy and the economies of the United States and the State of Alabama. The extent to which such public health epidemics or outbreaks may impact the State's operations and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak and the actions to contain the threat or treat its impact, among others.

Cybersecurity

Despite the implementation of network security measures by the State, its information technology systems may be vulnerable to breaches, hacker and ransomware attacks, computer viruses, physical or electronic break-ins and other similar events or issues. Governments have recently been subject to such attacks.

The foregoing events or issues could lead to the inadvertent disclosure of protected health information or other confidential information, ransomware attacks holding critical information and operations hostage or could have an adverse effect on the State's ability to provide a continuity of services or to collect taxes and other revenues. Any breach or cyberattack that compromises data could result in negative press and substantial fines and penalties for violation of federal or state law, such as privacy laws. Despite efforts of the State, no assurances can be given that such measures will prevent cybersecurity attacks, and no assurances can be given that any cybersecurity attacks, if successful, will not have a material adverse effect on the operations or financial condition of the State.

Climate Change; Sustainability

There are potential risks to the State associated with long-term changes in climate and associated changes in the frequency, timing, and severity of extreme weather events. Climate change impacts could include an increased risk for extreme events such as drought, storms, flooding and forest fires; more heat-related stress; warming temperatures; and the spread of existing or new vector-borne disease into a community. Further, climate change may influence the frequency, intensity, extent and/or magnitude of the problems.

Lack of Liquidity for the Bonds

The State cannot assure potential investors that an active secondary market for the Bonds will exist. Moreover, even if an active secondary market for the Bonds does exist, depending on prevailing interest rates and market conditions generally, the Bonds could trade at a discount from their par amount. Holders of the Bonds may not be able to sell their Bonds in the future or such sale may not be at a price equal to or greater than the par amount of the Bonds. As a result, holders of the Bonds may not be able to liquidate their investment quickly, at an attractive price or at all.

Tax-Exempt Status of Bonds

It is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX MATTERS". It is anticipated that Bond Counsel will render an

opinion substantially in the form attached hereto as Appendix B, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Bonds in order for the Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Bonds, use of the facilities financed by the Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the State. Failure to comply could result in the inclusion of interest on the Bonds in gross income retroactive to the date of issuance of the Bonds.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Bonds, the State would be treated as the taxpayer, and the owners of the Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Bonds could adversely affect the market value and liquidity of the Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Bonds could affect the tax-exempt status of the Bonds or the economic benefits of investing in the Bonds. For example, the United States Congress could eliminate or limit the exemption for interest on the Bonds, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax. It cannot be predicted whether or in what form any such change in law may be enacted or whether, if enacted, any such change in law would apply to the Bonds. See "RISK FACTORS – Future Legislation Could Affect Tax-Exempt Obligations" below.

The Bond Resolution does not require the State to redeem the Bonds, and does not provide for the payment of any additional interest or penalty, if a determination is made that the Bonds do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects the tax-exempt status of the Bonds or the effect of investing in the Bonds.

Future Legislation Could Affect Tax-Exempt Obligations

There may be legislation enacted in the Congress of the United States, including legislation that carries retroactive effective dates, which could alter or amend the federal tax matters referred to herein or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

TAX MATTERS

Under existing law, the tax status of the Bonds will include the following characteristics:

General

In the opinion of Bond Counsel, under existing law, interest on the Bonds will be excludable from gross income for federal income tax purposes if the State complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be and remain excludable from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The State has covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax. However, interest on the Bonds may be taken into account for purposes of the alternative minimum tax imposed on applicable corporations pursuant to Section 55(b)(2) of the Internal Revenue Code, as amended by the Inflation Reduction Act of 2022.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Bonds other than the opinions expressed in the two preceding paragraphs.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds will be exempt from State of Alabama income taxation.

Opinion of Bond Counsel

The form of Bond Counsel's opinion with respect to the Bonds is expected to be substantially as set forth in APPENDIX B to this Official Statement.

[Original Issue Premium

An amount equal to the excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of a Bond, to the extent properly allocable to each owner of such Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (i) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Bond will be treated as gain from the sale or exchange of such Bond.]

Collateral Tax Consequences

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state tax consequences of acquiring, carrying, owning, or disposing of the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

See "RISK FACTORS – Tax-Exempt Status of the Bonds" and "RISK FACTORS – Future Legislation Could Affect Tax-Exempt Obligations" herein for a discussion of certain risk factors relating to investment in the Bonds.

No Bank Qualification

The State will not designate the Bonds as “qualified tax-exempt obligations” under Section 265(b) of the Internal Revenue Code. As a result, the Bonds may not be treated by financial institutions as though they were acquired on August 7, 1986, and there may not be allowed to such financial institutions that purchase the Bonds a deduction of up to 80% of the interest paid to depositors that is allocable to the Bonds by such financial institutions.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Maynard Nexsen PC, Birmingham, Alabama, as Bond Counsel to the State, whose opinion with respect to the Bonds is expected to be rendered substantially in the form of Appendix B hereto. Certain legal matters will be passed upon for the State by its counsel, Balch & Bingham LLP, Birmingham, Alabama, Disclosure Counsel.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues explicitly addressed therein. By rendering the legal opinion, the authoring firm or attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Agreement (the "Agreement") for the benefit of the beneficial owners of the Bonds pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the United States Securities and Exchange Commission under the Securities Act of 1934, as amended. The Agreement will obligate the State to provide certain financial information annually and/or to file notices of the occurrence of certain events. The Agreement will be substantially in the form described in APPENDIX C.

A failure by the State to comply with its Agreement will not constitute an event of default under the Bond Resolution. Beneficial owners of the Bonds are limited to the remedies described in the Agreement, and under no circumstances will the State be liable for monetary damages. A failure by the State to comply with its Agreement must be reported in accordance with Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Compliance with Prior Undertakings

The State has been subject to continuing disclosure agreements that require it to provide certain financial information within a certain number of days of the end of the State's fiscal year (as early as 180 days after the end of the State's fiscal year in some agreements) and to provide the State's audited financial statements when available. The following table shows (1) when the State's audited Comprehensive Annual Financial Report was released by the auditor, (2) when the State filed its audited Comprehensive Annual Financial Report with EMMA, which also presents the required financial information, and (3) when the State filed its unaudited draft Comprehensive Annual Financial Report with EMMA, if applicable.

Fiscal Year Ended September 30	Date Financial Statements Were Released by Auditor	Date Audited Comprehensive Annual Financial Report was Filed with EMMA	Date Unaudited Draft Comprehensive Annual Financial Report was Filed with EMMA
2025	March 27, 2026	March 31, 2026	March 26, 2026
2024	March 27, 2025	March 27, 2025	N/A
2023	March 28, 2024	March 28, 2024	N/A
2022	March 31, 2023	March 31, 2023	March 29, 2023
2021	March 31, 2022	March 31, 2022	March 29, 2022

RATINGS

Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings, Inc. ("Fitch") have assigned ratings to the Bonds of "Aa1" (stable outlook), "AA" (stable outlook) and "AA+" (stable outlook), respectively. Any further explanation as to the significance of these ratings may be obtained only from the appropriate rating agency. There is no assurance that any such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely if, in the judgment of the appropriate rating agency, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Bonds could have an adverse effect on their market price. Neither of the State, the Bond Commission or the Municipal Advisor described below has undertaken any responsibility either to bring to the attention of the Bondholders any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

UNDERWRITING

The Bonds are being purchased initially by _____ (the "Underwriter") at a price of \$ _____ (which price reflects an underwriting discount of \$ _____ and net original issue premium / discount of \$ _____). The Bonds may be sold and offered to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside cover page hereof, and such public offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC, Huntsville, Alabama (the "Municipal Advisor"), is serving as municipal advisor to the State in connection with the issuance of the Bonds. The Municipal Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds and provided other advice to the State. The Municipal Advisor will not participate in underwriting any of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, and is not obligated to review or ensure compliance with the undertaking by the State to provide continuing secondary market disclosure.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the State or other entities to which the forward-looking statements relate to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the State. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The State and the Underwriter disclaim any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

ECONOMIC, DEMOGRAPHIC AND FINANCIAL FACTORS

Certain economic, demographic, financial and other information respecting the State is presented in this Official Statement as Appendix A.

ADDITIONAL INFORMATION

For further information during the initial offering period with respect to the Bonds, contact the State Director of Finance, Alabama Department of Finance, State Capitol, 600 Dexter Avenue – Suite N-200, Montgomery, Alabama 36130, telephone: (334) 242-7160.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or Holders of any of the Bonds.

The Bond Commission has duly authorized the execution and delivery of this Official Statement.

STATE OF ALABAMA

By: _____
Secretary
Amendment 666 Bond Commission

APPENDIX A

CERTAIN INFORMATION REGARDING
THE STATE OF ALABAMA



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APPENDIX A
CERTAIN INFORMATION REGARDING THE
STATE OF ALABAMA

GENERAL INFORMATION

Annual Comprehensive Financial Report

The Annual Comprehensive Financial Report (sometimes referred to herein as the "Annual Report") of the State of Alabama (the "State") for the fiscal year ended September 30, 2025, can be found online at <http://www.emma.msrb.org>.

Reporting Entity – Annual Report

The Annual Comprehensive Financial Report of the State of Alabama presents financial information on all of State government as a single reporting entity. While State law allows many State organizations to operate largely independent of the daily central control and scrutiny of the Department of Finance, State Auditor and State Treasurer, the Annual Report combines the financial data of all State organizations in order to present a comprehensive picture of State finances. The numerous departments, agencies, elected officials, boards, commissions, authorities, colleges, universities and other organizational units of the State are included in the Annual Report in accordance with standards established by the Governmental Accounting Standards Board. These standards make a distinction between organizations that are considered to be part of the primary government of the State and those that are component units. A component unit is defined as a legally separate corporate entity for which the State is considered to be financially accountable. The criteria used to determine financial accountability include the appointment of a majority of the governing board, the ability of the State to impose its will on the organization and the potential for the organization to be a financial benefit or financial burden to the State.

The State is also considered financially accountable for any organization having an independently appointed board if that organization is fiscally dependent on the State. An organization is fiscally dependent if it is unable to adopt a budget, set rates or charges or issue bonded debt without the approval of the State. Component units can be reported as if they are a part of the primary government ("blended presentation") if they provide services solely to the government or if their debt is repaid solely by the government, but many of the State's component units do not and are therefore presented separately ("discrete presentation") in these financial statements. The largest of the blended component units includes the Public School and College Authority, Department of Mental Health, and the Federal Aid Highway Finance Authority. The major discretely presented component units are the University of Alabama, Auburn University, the University of South Alabama, the Alabama Housing Finance Authority, the Public Education Employees' Health Insurance Board, and the Alabama Community College System. Reference is made herein to the notes to the Annual Comprehensive Financial Report for a more complete description of the State's reporting entities.

Budgetary Controls

Budgetary control is exercised through the Executive Budget Office of the Department of Finance pursuant to the annual appropriation acts of the Alabama Legislature (the "Appropriation

Acts"). The Appropriation Acts include legally adopted budgets for the General Fund, the Education Trust Fund, and other budgeted funds. The Appropriation Acts identify the source of funding and the programmatic (functional) areas for which expenditures are authorized. Both the Constitution of Alabama of 2022, as amended (the "State Constitution"), and Alabama statutes require a balanced budget for annual financial operations. In the event revenue collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft in any fiscal year for which appropriations are made. Allotments of appropriations are made quarterly based on plans of operations submitted by the departments and agencies. These appropriations and allotments are enforced by automated edits that prevent allotments in excess of appropriations and expenditures in excess of allotments. Encumbrance accounting is utilized as purchase orders are issued to ensure that purchase orders plus expenditures do not exceed allotment balances. The Budget Office further tightens controls at fiscal-year end by verifying that the total of purchase orders plus expenditures plus any obligations (accounts payable) incurred against fiscal year appropriations do not exceed allotments. Moreover, the Budget Office confirms that remaining allotments do not exceed cash in the State Treasury. For further information on the budgetary process, see "The Budgetary Process and Financial Controls – Financial Controls" below.

Certain Financial Information

The financial information contained in this Official Statement regarding the State is extracted from reports or information prepared by the State Treasurer, the Department of Revenue, the Alabama Department of Transportation, the Retirement System of Alabama, the Alabama State Employees' Insurance Board and the State Department of Finance. The Department of Examiners of Public Accounts, an arm of the Alabama Legislature, examines and audits the books, accounts and records of all State departments and agencies.

The fiscal year of the State extends from October 1 of a given calendar year to September 30 of the ensuing year. All references to State financial information in this Official Statement (unless specifically noted to the contrary) are to fiscal years of the State.

Alabama statutes mandate the use of the cash basis of accounting for budgetary purposes. Under the cash basis, revenues and expenditures are recorded at the time cash is received or disbursed in accordance with the Appropriation Acts. Unless otherwise noted, financial tables in this report are on the cash basis.

Population

According to the 2025 estimate released by the U.S. Census Bureau, the State had a total population of 5,193,088 as of July 2025. The population density of the State in 2020 (the year of the most recent federal Census information available) was approximately 99.2 persons per square mile for each of its 50,647 square miles of land area, as compared to 93.8 persons per square mile for the United States. The following tables demonstrate population trends in the State as compared to the United States for the years indicated.

**Table 1.
Population**

Year	Alabama		United States	
	Population	Change Over Preceding Period	Population	Change Over Preceding Period
1990	4,040,389	3.8%	248,709,873	9.8%
2000	4,447,100	10.1%	281,421,906	13.2%
2010	4,779,736	7.5%	308,745,538	9.7%
2020	5,024,279	5.1%	331,449,281	7.4%
2021	5,050,380	0.5%	332,048,977	0.2%
2022	5,073,903	0.5%	333,271,411	0.4%
2023	5,108,468	0.7%	334,914,895	0.5%
2024	5,157,699	1.0%	340,110,988	2.5%
2025	5,193,088	0.7%	341,784,857	0.5%

Note: 1990, 2000, 2010 and 2020 are Federal Decennial Census data; 2021 to 2025 are estimates.

Source: US Census Bureau

**Table 2.
Urban-Rural Population**

Year	Alabama		United States	
	Urban % of Total Population	Rural % of Total Population	Urban % of Total Population	Rural % of Total Population
1970	58.6	41.4	73.6	26.3
1980	60.0	40.0	73.7	26.3
1990	60.3	39.7	75.2	24.8
2000	55.4	44.6	79.0	21.0
2010	59.0	41.0	80.7	19.3
2020	57.7	42.3	80.0	20.0

Source: US Census Bureau

ECONOMY

General

Alabama's economy has continued to strengthen on a growth trajectory that shows no signs of flattening. As of December 2025, the Alabama Department of Workforce reported that the state was supporting more jobs than ever before — with the number of people counted as employed reaching a record 2,317,206. That month, the state's unemployment rate was a mere 2.7%, holding steady from the previous month and lower than the U.S. average of 4.4%. Over the course of a 12-month period, wage and salary employment increased by 9,100 jobs to 2,221,300, with gains in the leisure and hospitality sector (+6,700 positions), the private education and health services sector (+4,900 positions) and the construction sector (+3,400 positions) among others. The

Alabama Department of Workforce also reported that private sector average weekly wages continued to rise in December. For example, construction wages rose to a record high of \$1,421.56 weekly, a sign of positive economic growth.

Meanwhile, Alabama's Gross Domestic Product (GDP), or total economic output, was \$341.1 billion in 2025, according to the Federal Reserve Bank of St. Louis. Researchers at the University of Alabama's Center for Business and Economic Research estimated that the state's GDP would expand by another 1.5% for all of 2026. Retail sales, an important barometer of the state's economy, remained elevated. According to the Federal Reserve Bank of St. Louis series "Monthly State Retail Sales: Total Retail Sales Excluding Nonstore Retailers in Alabama," the year-over year change for not-seasonally adjusted total retail sales in September 2025 was +3.7%.

Looking forward, there are indications that Alabama's economy will continue to gain momentum as state policymakers take steps to spark and sustain economic growth. During 2024, Alabama adopted a new economic development strategic plan called "Catalyst" that is designed to keep the state competitive into the 2030s. Developed with assistance from consultants McKinsey and Company, the next-generation strategic plan identifies eight priority industry sectors that align with Alabama's long-term economic development priorities and goals. Its broad focus expands beyond traditional recruitment tactics to elevate human capital, facilitate entrepreneurship, attract new talent and promote rural development. A key component of the Catalyst plan is quality placemaking, which leverages Alabama's robust outdoor recreation infrastructure to enhance community appeal. In early 2025, Governor Kay Ivey signed into law an initiative called the "Alabama Development Fund" that will provide a sustainable, long-term funding source to enhance the state's economic development efforts. The Alabama Development Fund will fuel critical initiatives such as rural development projects, the expansion of international business development offices, global marketing campaigns, quality-of-place investments and key infrastructure improvements across the state.

Alabama is naturally susceptible to the effects of extreme weather events and natural disasters, including floods, droughts, tornadoes and hurricanes. The occurrence of such events can produce significant ecological, environment and economic impacts. Such impacts can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change) including increasing global temperatures and rising sea levels. Such events, as potentially exacerbated by climate change, increase the potential of considerable financial loss to the State, including, without limitation, substantial losses in tax revenues. In addition, many residents, business and government operations could be severely disabled for significant periods of time or displaced, and the State could be required to mitigate those effects at a potentially material cost.

Personal Income

The State's total personal income increased 5.57% from 2023 to 2024. The State's per capita personal income increased 4.57% from 2023 to 2024, compared to a nationwide increase of 3.75% during the same period.

The following table shows total personal income and per capita personal income in the State as compared to the Southeast region and the United States for the years indicated.

Table 3.
Alabama Personal Income and Comparison of
Alabama Per Capita Personal Income to the Southeast and the United States

Year	Alabama Total Personal Income ⁽¹⁾	Per Capita Personal Income		
		Alabama	Southeast ⁽²⁾	United States
1980	\$31,037	\$7,957	\$9,425	\$10,180
1990	64,240	15,861	18,605	19,621
2000	108,003	24,258	28,985	30,551
2010	162,069	33,848	38,502	40,557
2020	230,732	45,854	54,836	59,123
2021	254,960	50,483	60,219	64,460
2022	262,236	51,683	62,165	66,244
2023	276,926	54,209	65,686	69,810
2024	292,359	56,684	65,081	72,425

Note (1) In millions of dollars.

Note (2) Includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; Last updated: March 28, 2025 – new statistic, 2024; revised statistics for 2020-2023.

Employment

Alabama has traditionally been plagued by one of the nation's lowest labor participation rates, but Governor Ivey's administration has pledged to get a higher percentage of the state's residents into jobs. There are signs of progress. In March 2026, the labor force participation rate stood at 57.5%, unchanged from the previous month but down from 57.7% reported a year earlier. In addition, the number of people counted as employed increased by 11,027 to 2,318,507. Moreover, Alabama's civilian labor force also increased to 2,383,981 with around 5,639 more people joining over the course of a year. State leaders expect continued improvement as new measures remove barriers that keep some people from holding down jobs, including affordable childcare and access to reliable transportation.

Meanwhile, developments in many of Alabama's traditional industries are setting the stage for future growth. Alabama's auto sector continues to attract considerable new investment, including over \$628 million in growth projects announced during 2025, creating 1,580 anticipated jobs, according to data from the Alabama Department of Commerce. In addition, projects announced in 2025 in Alabama's metals and advanced materials sector involve investments exceeding \$3.2 billion and nearly 1,500 jobs, according to Commerce projections. Companies in other core industrial sectors such as forest products, aerospace, distribution/logistics, food production and chemicals have also announced growth projects that will generate significant economic activity.

Economic development activity has remained strong across Alabama in recent years, with new facility and expansion projects involving more than \$85.6 billion in new capital investment announced between 2014 and 2025. Projects in 2025 alone involved over \$14.6 billion in new investment, with thousands of jobs being created in key industries. Alabama remains a magnet for foreign direct investment (FDI), with 61 FDI projects valued at \$3.6 billion and projected to create

over 2,200 jobs announced in 2025, according to data from the Alabama Department of Commerce. Between 2014 and 2025, Alabama has benefited from over \$33.6 billion in FDI in projects expected to create over 44,000 jobs.

Alabama's manufacturing climate has been thriving, with steady gains in employment, rising productivity and increasing sophistication among manufacturers. In March 2026, a total of 286,400 Alabamians worked in manufacturing, according to the U.S. Bureau of Labor Statistics. Manufacturing remains a core pillar of Alabama's economy, accounting for around 13% of Alabama's total workforce. The state ranks No. 5 among U.S. states for manufacturing employment, according to the National Association of Manufacturers. Alabama's 4,000-plus manufacturers generate output that's equal to 14.9% of the state's annual GDP figure. Those figures are higher than the average for the U.S., with manufacturing accounting for around 10% of the nation's total economic output and 8% of total employment. Overall, manufacturing output in Alabama has risen from less than \$28 billion in 2010 to over \$50 billion today, according to the latest available data from the National Association of Manufacturers.

Alabama's auto industry remains a dynamic growth engine for the state's economy. The state is home to large assembly plants operated by Mercedes-Benz, Honda, Hyundai and the Mazda-Toyota Manufacturing USA partnership, as well as Toyota's largest North American engine plant. These companies have combined to invest around \$15 billion in their operations in the state, according to data from the Alabama Department of Commerce. They've also assembled more than 15 million vehicles in Alabama since Mercedes launched production in Alabama in February 1997. Combined production capacity at the state's auto plants now tops 1.3 million vehicles annually, giving the state a Top 5 ranking in the U.S. Direct employment in Alabama's automotive manufacturing sector totaled 52,900 in December 2025, according to the Alabama Department of Workforce. Around 30,000 of these jobs are in Alabama's expanding auto supply chain network, which today counts 150 Tier 1 suppliers and logistics companies.

In addition, the auto industry has played a key role in the growth of Alabama's exports, which totaled \$26.9 billion in 2024, just shy of the previous year's record annual total. Alabama's 2024 export total was 30% higher than the figure for 2019, according to data from the Alabama Department of Commerce that indicates strong growth from pre-pandemic levels. Shipments went to 194 countries, led by Canada, Mexico, China and Germany. Motor vehicles have long ranked as Alabama's No. 1 export category, followed by chemicals, aerospace parts, minerals and paper. Exports of Alabama-made automobiles totaled \$10.7 billion in 2024, earning Alabama a No. 2 ranking among auto-exporting states.

Meanwhile, Alabama's aerospace industry is attracting new investment and expanding capabilities as companies add hundreds of jobs to produce innovative high-tech products in communities across the state. In the past decade, the aerospace/defense and aviation industries have announced growth projects in Alabama involving over \$4.5 billion in new investment and more than 12,000 job commitments, according to data from the Alabama Department of Commerce. The industry's biggest names continue to invest in Alabama, with companies including Boeing, Airbus, Raytheon, United Launch Alliance, Lockheed Martin and Republic Airway's LIFT either launching or completing recent growth projects in Alabama. Employment in Alabama's aerospace manufacturing sector has remained solid in recent years, totaling 14,800 in December 2025, according to the Alabama Department of Workforce.

While often overlooked, Alabama's bioscience industry delivers a major financial impact for the state. Alabama is home to 780 bioscience establishments employing nearly 18,000 people earning average annual salaries exceeding \$67,000, according to an analysis conducted by researchers at The University of Alabama on behalf of BioAlabama, an industry trade group. The report emphasized that Alabama possesses key strengths in life sciences segments such as medical research, drug discovery, genomic medicine, and medical devices. The University of Alabama at Birmingham (UAB), in particular, is a research powerhouse, receiving \$334.4 million in funding from the National Institutes of Health (NIH) during fiscal year 2024, approximately 88% of Alabama's total of \$380 million NIH funding. In addition, UAB recently constructed a \$78 million facility, the Altec/Styslinger Genomic Medicine and Data Sciences Building, to advance its leadership in precision medicine, genomic science and biomedical research. Also in Birmingham, Southern Research — a landmark in Alabama's bioscience sector since its founding in 1941 — opened a flagship biotech center in mid-2025 as part of a \$108 million project. The State of Alabama contributed financially to both projects. Alabama is also working to ensure the bioscience industry's workforce needs are fully met. Alabama workforce development agency AIDT teamed with BioAlabama to introduce a comprehensive Bioscience Technician Program, which aims to equip aspiring individuals with the necessary skills and knowledge to pursue fulfilling careers in the biotech industry.

The following table depicts the overall level of employment in the State (not seasonally adjusted) for the following years.

Table 4.
Civilian Labor Force Trends

Year	Alabama (in thousands)			Unemployment Rates (%)		
	Labor Force	Employed	Unemployed	Alabama	East South Central ⁽¹⁾	United States
2014	2,165	2,019	146	6.7	6.7	6.2
2015	2,152	2,020	132	6.1	5.8	5.3
2016	2,156	2,029	127	5.9	5.3	4.9
2017	2,203	2,104	100	4.5	4.4	4.4
2018	2,240	2,152	88	3.9	4.0	3.9
2019	2,272	2,199	72	3.2	3.8	3.7
2020	2,263	2,119	145	6.4	7.0	8.1
2021	2,250	2,174	76	3.4	4.3	5.3
2022	2,276	2,219	58	2.5	3.4	3.6
2023	2,308	2,250	58	2.5	3.3	3.6
2024	2,346	2,275	72	3.1	3.7	4.0
2025	2,379	2,309	70	2.9	N/A	4.3

Note (1) Includes Alabama, Kentucky, Mississippi, and Tennessee.

The table below depicts the areas in which the State's nonagricultural labor force is employed.

Table 5.
Annual Average Nonagricultural Employment
(in thousands)

	2021		2022		2023		2024		2025*	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Total	2049.4	--	2112.5	--	2164.2	--	2234.3	--	2221.3	--
Mining & logging	8.7	0.4	9.2	0.4	9.2	0.4	8.8	0.4	9.3	0.4
Construction	94.4	4.6	99.3	4.7	101.2	4.7	108.7	4.9	112.9	5.1
Manufacturing	264.4	12.9	274.3	13.0	281.8	13.0	290.4	13.0	287.2	12.9
Trade, transportation & utilities	396.2	19.3	405.7	19.2	408.1	18.9	423.3	18.9	416.5	18.8
Information	20.4	1.0	22.8	1.1	23.4	1.1	24.8	1.1	23.1	1.0
Financial Activities	98.5	4.8	102.2	4.8	104.4	4.8	104.1	4.7	100.8	4.5
Professional & business services	252.9	12.3	262.2	12.4	267.2	12.3	268.1	12.0	261.1	11.8
Education & health services	241.8	11.8	248.1	11.7	259.4	12.0	277.0	12.4	274.0	12.3
Leisure & hospitality	188.9	9.2	197.6	9.4	204.5	9.4	209.1	9.4	213.5	9.6
Other services	95.3	4.7	99.8	4.7	103.4	4.8	104.4	4.7	98.2	4.4
Government	387.9	18.9	391.5	18.5	401.7	18.6	415.6	18.6	424.6	19.1

Source: U.S. Department of Labor, Bureau of Labor Statistics.

*Preliminary, as of December 2025.

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The following tables list (i) the largest employers in the State by number of employees and (ii) the largest manufacturing employees in the State by number of employees and product and/or industry.

Table 6.
Alabama's Top Ten Employers 2025

Employer	Employment Range	Rank	% of Total State Employment
Wal Mart Associates Inc.	40,000-49,999	1	2.14%
Army	20,000-29,999	2	1.19
Publix Alabama LLC	10,000-19,999	3	0.71
Huntsville Hospital	10,000-19,999	4	0.71
University Hospital Management LLC	5,000-9,999	5	0.36
University of Alabama – Birmingham	5,000-9,999	6	0.36
US Postal Service	5,000-9,999	7	0.36
Veterans Affairs Administration	5,000-9,999	8	0.36
Dolgencorp LLC	5,000-9,999	9	0.36
Mobile Education Board	<u>5,000-9,999</u>	10	<u>0.36</u>
Totals	110,000-179,990		6.91%

Source: Alabama Department of Workforce, Labor Market Information Division. (2025). Major Employers in Alabama. Montgomery, AL

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Table 7.
Alabama's Manufacturers based on Employment

Employees	Company	Product/Industry
3,000 +	M1 Support Services	Aircraft maintenance
	Honda Alabama Auto Plant	Automobile manufacturing, V-6 engines
	Mercedes-Benz US International Inc.	Automobile manufacturing
	Hyundai Motor Manufacturing Alabama LLC	Automobile manufacturing, automotive engines
	Anniston Army Depot (ANAD)	Combat vehicle & small arms for Department of Defense
	Mazda Toyota Manufacturing	Motor vehicle manufacturing
2,500 – 2,999	Boeing Co. – Huntsville	Missile defense, space exploration, missile systems, systems engineering, integration, design & fabrication
	Austal USA	Shipbuilding
	Leidos Inc.	Aerospace, defense
2,000 - 2,499	SAIC	Research & development
	Toyota Alabama	Four-cylinder + HEV engines, 2.4L Turbo + HEV engines, Twin turbo V6 + HEV engines
	Allied Renewable Energy LLC	Petroleum product manufacturing
	Northrop Grumman Corp.	Autonomous systems, cyber, C4ISR, space, strike and logistics
1,500 – 1,999	Airbus	Commercial aircraft
	Lockheed Martin Corp.	Missiles & space vehicles; commercial physical & biological research
	Adtran Inc.	Telecommunications equipment
	SMP Automotive Systems Alabama	Automotive components
	AM/NS Calvert	Steel
	Wayne Farms	Poultry processing
	Wayne-Sanderson Farms LLC	Poultry
	North American Lighting	Automotive lighting fixtures
1,000 - 1,499	Pilgrim's Pride	Poultry processing
	Tyson Foods	Poultry processing
	Michelin North America/BF Goodrich	Tire manufacturing (aftermarket)
	Polaris	Off-road vehicles
	American Cast Iron Pipe Co.	Fire hydrants, valves, ductile iron pipe, spiral-welded steel pipe, high-frequency-welded steel pipe
	Wellborn Cabinet	Manufacturer of wooden cabinets and drawers
	GE Appliances	Refrigerators
	Topre America Corp.	Automotive metal stamping
	Constellium	Aluminum & sheetmetal fabricating
	Koch Foods	Poultry Processing
	Blue Origin	Rocket engine manufacturing
	Tiffin Motor Homes Inc.	Motor homes
	Farm Fresh Foods	Food processing
	Maples Industries	Scatter rugs, bath rugs
	New South Express LLC	Automotive supplier
	Southern Energy/Cavalier Homes	Manufactured homes
	Wayne Farms Prepared Foods	Poultry processing
	Phifer Inc.	Fabricated wire products and woven fabrics for screening and related purposes
	Pilgrim's Pride Corp. of Georgia Inc.	Poultry processing
	Collins Aerospace, A United Technologies Co.	Aircraft nacelle manufacturing & MRO
	GKN Westland Aerospace Inc.	Aerospace composites; aircraft assemblies
	Sanmina	Electronics
	Science & Engineering Services	Aviation integration
	Shaw Industries Inc.	Carpet fiber
	Koch Foods of Gadsden LLC	Poultry processing
	MOBIS Alabama LLC	Motor vehicle chassis, plastic parts, distribution
	EBSCO Industries Inc.	Diversified business services, manufacturing & real estate conglomerate; publishing
	Heil Environmental	Garbage truck bodies
	Mar-Jac Poultry	Poultry processing
	Pilgrim's Pride Corp.	Poultry processing
	Intergraph Corp.	Spatial information management software; computer peripheral equipment
	Nifco Korea USA Inc.	Rubber and plastic product manufacturing
	Outokumpu Stainless USA LLC	Premium stainless steel processing
	Wayne Farms	Poultry processing
	Albertville Quality Foods	Food processing

Source: *Business Alabama*, June 2025, https://assets.businessalabama.com/2025/06/Manufacturing-Listing-2025_v2.pdf?_ga=2.57857642.11135096756.1757942987-983812438.1757942987.

Real Gross Domestic Product (formerly Real Gross State Product)

Real Gross Domestic Product ("RGDP") is a comprehensive measure of economic performance for the State and is the State's counterpart of the nation's gross domestic product. Alabama's RGDP is defined as the total value of all final goods and services produced in the State in constant dollar terms. Hence, changes in RGDP reflect changes in final output. From 2017 to 2025, the State's RGDP increased 20.3%.

The following table compares the State's RGDP by industry for the years indicated.

Table 8.
Alabama's Real Gross Domestic Product
(in millions of chained 2017 dollars)*

Industry	2017	2018	2019	2020	2021	2022	2023	2024	2025	% Change 2017-2025
Agriculture, forestry	2,430.4	2,575.9	2,146.1	1,710.0	2,372.1	2,744.3	2,285.0	3,581.5	3,105.4	27.8.8%
Mining	1,950.0	1,810.7	1,758.4	1,640.0	1,581.5	1,888.2	1,706.3	1,484.3	1,736.2	-11.0%
Utilities	6,156.8	5,993.6	6,172.3	6,336.9	6,135.8	6,289.7	6,689.1	6,590.7	6,582.1	6.9%
Construction	8,824.8	9,193.6	9,821.6	10,002.0	10,396.4	9,800.3	9,550.5	10,276.6	10,989.2	24.5%
Manufacturing	35,501.4	36,772.1	37,393.4	35,716.9	37,610.9	39,007.2	40,383.5	41,881.9	43,506.4	22.5%
Wholesale trade	12,582.8	12,703.4	12,713.8	13,201.0	13,550.9	12,976.3	12,890.1	13,267.0	13,128.1	4.3%
Retail trade	15,286.2	15,753.3	16,325.4	16,690.5	16,333.6	15,411.6	17,091.1	18,509.2	19,206.6	25.6%
Transportation and warehousing	6,050.6	6,327.2	5,994.9	5,879.5	6,542.7	6,328.1	6,273.5	6,202.5	6,356.1	5.0%
Information	4,381.3	4,569.9	5,160.2	5,127.8	5,780.7	6,172.2	6,725.2	6,752.4	7,791.9	77.8%
Finance and insurance	12,207.1	11,961.9	12,028.2	12,100.2	13,430.5	12,244.6	12,691.1	12,871.2	14,251.5	16.7%
Real estate and leasing	24,539.0	24,846.0	25,384.7	25,428.2	27,038.1	28,530.0	29,146.2	29,336.7	32,245.7	31.4%
Professional and business services	20,996.8	22,008.3	22,918.2	22,955.6	25,299.1	27,557.1	28,979.0	29,659.5	30,285.5	44.2%
Educational services and health care	17,452.0	17,861.1	18,654.9	18,008.6	18,754.8	19,365.3	20,324.9	21,157.7	21,864.0	22.3%
Arts, entertainment and recreation	6,935.1	6,953.3	7,052.7	5,920.3	7,178.8	7,536.3	7,722.9	7,798.0	7,586.8	9.4%
Other services	5,571.4	5,787.1	5,664.0	5,352.7	5,435.1	5,772.1	5,468.1	5,311.5	5,209.5	-6.5%
Government	35,749.8	35,722.7	36,156.4	36,188.2	36,475.8	37,680.0	38,627.1	39,339.3	38,357.2	7.3%
Total State Real GDP	216,615.5	220,808.8	225,272.8	222,288.8	233,726.6	238,556.5	245,354.7	252,664.5	260,648.0	20.3%

* Columns may not add due to elimination of de minimis categories. The use of chained dollars adjusts for inflation over time, with 2017 as the base year.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; Last updated: April 9, 2026 – new statistics for 2025.

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The following table compares the actual growth of the gross domestic product for the State to the actual growth of the gross domestic product of the United States over the past ten years.

Table 9.
Rates of Change in Real Gross Domestic Product
Alabama and the United States

Year	Alabama Gross Product	Annual Percentage Change	United States Gross Product	Annual Percentage Change
2017	216,615.5	1.8%	19,612,102	2.5%
2018	220,808.8	1.9%	20,193,896	3.0%
2019	225,272.8	2.0%	20,715,671	2.6%
2020	222,288.8	-1.3%	20,267,585	-2.2%
2021	233,726.6	5.1%	21,494,798	6.1%
2022	238,556.5	2.1%	22,034,828	2.5%
2023	245,354.7	2.8%	22,671,096	2.9%
2024	252,664.5	3.0%	23,305,023	2.8%
2025	260,648.0	3.2%	23,850,442	2.3%

*Millions of chained 2017 dollars. The use of chained dollars adjusts for inflation over time, with 2017 as the base year.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; Last updated: April 9, 2026 – new statistics for 2025.

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Transportation

Water Transportation. Alabama contains one of the largest networks of inland river systems in the nation, boasting nearly 15,000 miles of inland and intra-coastal waterways, a vital part of the Port of Mobile's transportation network. The waters of four major rivers flow from the northern section of the State down to the Gulf of Mexico, offering barge transportation to industries and businesses that depend on the movement of large, heavy, or bulky cargoes. These barges connect producers and manufacturers, from the interior of the U.S. and as far as Canada, to the port, giving them access to global markets.

The Port of Mobile is the 11th largest port in the nation in total throughput tonnage (U.S Army Corps of Engineers). The Port of Mobile, Alabama's only Seaport and only deep-water port, handles more than 1,400 vessels annually, and is, year-over-year, the fastest growing container port in the nation and the second fastest growing port in the last decade. In 2025, the Port of Mobile completed the \$366 million Mobile Harbor Modernization Project and made the Port of Mobile the deepest container port in the Gulf of America, with a 50-foot ship channel depth capable of handling super-post-Panamax vessels — positioning the port for significantly greater cargo capacity in the years ahead. The Port of Mobile handled the cargo tonnage shown in the following table.

Table 10.
Port of Mobile Cargo Tonnage, 2013-2023

(thousands of short tons)

<u>Year</u>	<u>Approximate Tonnage</u>
2013	53,993
2014	64,288
2015	58,595
2016	58,024
2017	58,157
2018	58,636
2019	56,894
2020	53,207
2021	50,269
2022	50,520
2023	52,180

Source: U.S. Army *Corps* of Engineers, Navigation Data Center,
Waterborne Commerce of the United States.

The facilities of the Alabama State Port Authority (the "Port Authority"), locally known as the Alabama State Docks, were first developed by the State during the 1920s. The Port Authority has generally reinvested its earnings in the development of the facilities, resulting in continued growth in cargo handling capacity, and generating additional net revenues from operations.

Completed in 1985 under the direction of the Tennessee-Tombigbee Waterway Development Authority, the 234-mile Tennessee-Tombigbee Waterway was constructed to connect the Tennessee River with the Tombigbee River and thereby connect the waterways of mid-America with the Gulf of Mexico through the Port of Mobile.

To complement its river system, Alabama built a series of inland docks located throughout the State, some that included grain elevators to provide storage for Alabama agricultural products. The eight inland docks currently owned by the Port Authority are operated under lease arrangements.

In August 2020, the Alabama Highway Finance Corporation (the "Corporation") issued \$118,460,000 Special Obligation Revenue Bonds, Series 2020A and, in connection therewith, the Port Authority, in conjunction with the United States Army Corps of Engineers, is making various capital improvements to the Port of Mobile Ship Channel, which includes the widening and deepening of the Ship Channel. The \$366 million harbor modernization program, completed in 2025, will enable larger ships to transit the channel, keeping pace with ongoing terminal investments in Alabama's seaport to ensure economies of scale and competitive rates for the seaport's shippers. The harbor improvements will primarily serve coal and containerized shippers and the port will be able to handle the largest container and other ships permitted through the Panama Canal.

In June 2021, the Port of Mobile completed a new state-of-the-art \$60 million vehicle roll-on/roll-off (RO/RO) terminal including a vehicle-processing center, supporting the strong and growing automotive industry in the south.

Originally constructed in 2008, the Port's container terminal has undergone a series of phased expansions over the past several years increasing its footprint to 135 acres and an annual throughput capacity of 650,000 TEUs. Its latest expansion project is now under way and will add an additional 32 acres of yard space and increase throughput capacity to 1M TEUs per annum. The container terminal recently received two new Super Post-Panamax STS cranes for a total of six cranes operating on its 2400ft berth.

Opened in 2016, the Port's Intermodal Container Transfer Facility (ICTF) is undergoing a \$65M expansion project to double its capacity. With the addition of a terminal interconnector bridge (\$32M) connecting the container terminal to the ICTF, The Port of Mobile will have one of the largest on-dock intermodal rail facilities in the country. Additional intermodal rail investment (\$86.1M) is being made in Montgomery where the development of an inland port, expected to be operational by 2027, will enhance the Port's connectivity to the central and northern regions of the state.

The Port of Mobile's capabilities and connectivity make it an ideal gateway for all types of cargo, from coal and containers to forest products and steel to automobiles and aggregates. The port is able to handle import and export cargoes of virtually any type and volume. With deep water, modern equipment and multimodal connectivity, the port is one of the most efficient, productive and accessible ports in the nation. The Port of Mobile keeps the supply chain moving by shifting vessels in and out of port as efficiently as possible, providing fast transit times and

cost-effective solutions. Unlike other major Gulf Coast ports, the Port of Mobile is three hours from the Gulf of Mexico. This means only three hours from open water to berth and only one bar pilot is required to escort the vessels to berth.

The Port Authority owns and operates a terminal railroad at the port complex that performs all switching activities, ensuring that cargo arrives at its intended destination on time. With direct access to five Class I railroads and four short line railroads including its terminal railroad, the Port of Mobile moves containerized, bulk or breakbulk cargo to any destination. The Port of Mobile has direct and easy access to two Interstate highways covering transport in all directions. The Mobile Aeroplex at Brookley, owned and operated by the Mobile Airport Authority, is less than two miles away from the seaport and its maritime activities. Logistics providers have unique access to a multimodal transportation ecosystem that includes water, air, road, and rail.

Railroads. Five Class I railroads and 20 Class III, or short line, railroads operate more than 3,700 miles of track within Alabama, linking the State to the nation's major markets. The main line railroads include Norfolk Southern Corporation, Burlington Northern/Santa Fe Railway, CSX Transportation, Canadian National Railway Company, and Kansas City Southern. Five Class I railroads and a Class III rail ferry service to Mexico serve the Port of Mobile, four major railroads converge on the manufacturing and distribution center of Birmingham and two lines serve the capital city of Montgomery. The railroad network serves 65 of Alabama's 67 counties.

Airports. Seven major airports provide commercial passenger airline service in Alabama. Air cargo service is provided by five airports, which have designated Foreign Trade Zones.

Highway System (Road and Bridge). Approximately 80,000 miles of all-weather state and local roads are anchored by 23,500 miles of federal highways. Six interstate highways and a network of four-lane divided highways link major Alabama cities to national markets.

Utilities

Electrical generation service in Alabama is provided by Alabama Power Company, the Tennessee Valley Authority, electric cooperatives and municipal electric systems, utilizing primarily coal, natural gas, hydroelectric and nuclear facilities.

Natural gas is supplied from several sources. Although an increasingly significant quantity is supplied from the natural gas and crude oil fields of Alabama, the majority of the statewide gas requirements are provided from out-of-state sources via interstate gas transmission lines. Transmission companies with gas lines into or through Alabama include: Alabama-Tennessee Natural Gas Company, American Midstream (Alabama Intrastate) LLC, American Midstream (Bamagas Intrastate) LLC, American Midstream (Tennessee River) LLC, East Tennessee Natural Gas Company, Florida Gas Transmission Company, Genesis Pipeline Alabama, LLC, Southcross Alabama Pipeline LLC, Southern Gas Transmission Company, Southern Natural Gas Company, Tennessee Gas Transmission Corporation, Texas Eastern Transmission Corporation, Transcontinental Gas Pipe Line Corporation and United Gas Pipe Line Company.

Gas distribution companies or gas districts distribute natural gas. The larger distribution companies include Spire (formerly, Alabama Gas Corporation and the Mobile Gas Service Corporation), Wheeler Basin Natural Gas Company, and Huntsville Utilities.

Education

Alabama provides a mix of public and private educational opportunities. The State Board of Education establishes policies and exercises general control over the public school system. The Board is comprised of elected representatives from eight districts plus the Governor as its president. The Board and the State Department of Education oversee 1,501 public schools in Alabama serving approximately 750,000 PK-12 students. The State has approximately 150 school systems, each with its own local board and superintendent of education.

In 2025 (the most recent year available), Alabama's state average score on the ACT college entrance exam was 18. This compares with the national average score of 19.4. Public school students who took the SAT college entrance exam (approximately 3%) scored above the national average.

Alabama has moved from an assessment system based on multiple standards to a focused and linear system, the primary function of which is ensuring the State produces graduates that are college and career ready. It includes the following: *Dynamic Indicators of Basic Early Literacy Skills* assessment (Grades K-2); the *ACT Aspire* assessment (Grades 3-8 and 10); the *ACT QualityCore* End-of-Course assessments (English 9 or 10 and Algebra I); the *ACT with Writing* (Grade 11); and the *ACT WorkKeys* (Grade 12). The *Alabama Alternate Assessment* is administered to students with significant cognitive disabilities working on the Alabama Extended Standards. *ACCESS for ELLs 2.0* is administered annually to students in Grades K-12 who are identified as English language learners. The *Alternate ACCESS for ELLs* is administered to English language learners with significant cognitive disabilities. Alabama has also purchased a statewide license from Scantron that provides access to Performance Series (online computer adaptive) and Achievement Series (online criterion referenced) tests for every K-12 student in the State.

Historically, all students had to pass the Alabama High School Graduation Exam in order to receive a diploma. Students took a pre-graduation exam in the spring of the tenth grade as a checkpoint leading to the Alabama High School Graduation Exam. A student had four opportunities, if needed, to pass each subject area test before exiting school. The Alabama High School Graduation Exam is now phased out. The last cohort that had the Alabama High School Graduation Exam as a diploma requirement was the group of students that entered the ninth grade for the first time in 2011-2012. In conjunction with the transition from the graduation exams, Alabama moved to the 4-Year Cohort Graduation Rate. The State's Cohort Graduation Rate increased from 72% in 2011 to 92% in 2024.

Increasing the graduation rate and ensuring more graduates are college and career ready are two primary focuses of Plan 2020, Alabama's strategic plan for educational improvement. For that to happen, students must have a plan for high school. Alabama requires that an online four-year plan for all students be completed prior to the spring of their ninth-grade year. The State has purchased a license for Kuder and provided students and educators with access to that platform for this purpose. Though the plan is required by the spring of the ninth-grade year, best practice

suggests that they be completed by the end of the eighth-grade year. The Kuder platform includes three career interest assessments, meant to be given in the sixth, seventh, and eighth grades, to assist in the development of the four-year plans.

The following table indicates the estimated level of education in Alabama as compared to the United States as a whole.

Table 11.
Educational Attainment for the Population
25 Years and Older

Level of Education	Alabama	United States
High school graduate or higher	89.6%	89.9%
Bachelor's degree or higher	29.9%	36.8%

Source: US Census Bureau, American Fact Finder: 2024 American Community Survey.

GOVERNMENTAL ORGANIZATION AND SERVICES

Under the State Constitution, the powers of the State government are divided into three distinct branches – the legislative, executive and judicial.

Legislative Branch

The legislative power is vested in the Alabama Legislature, which consists of the Senate and the House of Representatives. The Senate consists of 35 members elected by popular vote from 35 senatorial districts, and the House of Representatives consists of 105 members elected by popular vote from 105 House of Representatives districts. Legislative members are elected for four-year terms by general election and take office on the day after the general election in which they are elected. An organizational session of the Legislature is held in January following the general election and annual sessions commence in March of the first year, in February of the second and third years and in January of the fourth year. Special sessions may be called by the Governor for the limited purpose of enacting legislation on the subjects specified by the Governor in the call of such sessions. The Legislature may, by a vote of two-thirds of each house, also enact legislation at special sessions on matters not included in the Governor's call. A full-time staff, which is augmented by a part-time staff, assists the Legislature.

The legislative branch also includes (i) the Legislative Council, whose purpose is to suggest research studies to the Legislative Reference Service and to recommend legislation to the Legislature; (ii) the Legislative Services Agency, consisting of the Legal Division, Fiscal Division, and Law Revision Division; and (iii) the Examiners of Public Accounts, whose purpose is to examine and audit the books, accounts and records of all State and county offices, officers, bureaus, boards, commissions, corporations, departments and agencies, including all State institutions of higher education.

Executive Branch

The State Constitution provides that the elected officers of the State shall be the Governor, Lieutenant Governor, Attorney General, State Auditor, Secretary of State, State Treasurer and Commissioner of Agriculture and Industries. The individuals now serving as such officers were elected at the general election in November 2022 and will hold office until January 2027.

The supreme executive power of the State is vested in the Governor, who has the constitutional responsibility for ensuring that laws are faithfully executed, providing the Legislature with information on the condition of the government, presenting the budget and recommending to the Legislature such measures as he or she may deem expedient. The Governor is also empowered to convene special sessions of the Legislature and to veto bills, but the Legislature may, in the manner provided by the State Constitution, reconsider and reenact measures vetoed by the Governor. Broad appointive and investigative powers are conferred upon the Governor by State statute.

The Lieutenant Governor serves as president of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of his or her office.

The Attorney General is the chief law enforcement officer of the State. His duties include providing legal advice and representation for the State and its officers. The Attorney General represents the State before all federal and State courts in all cases in which the State is a party and institutes proceedings to enforce the statutes, rules and regulations of the State.

The State Auditor is responsible for post-auditing the accounts and records of the Department of Finance and the State Treasurer. The State Auditor makes an annual report showing all receipts and disbursements and conducts a continuous monthly audit of the State Treasurer's Office, reconciling all accounts with the State Comptroller's records.

The Secretary of State is responsible for the custody and use of the Great Seal of the State, for certifying and distributing public documents, and for performing other duties as prescribed by law.

The State Treasurer is responsible for the custody of all State funds and other funds deposited with the State and for the payment of debt of the State and its agencies. The office of the State Treasurer is the State's central banking agency.

The Commissioner of Agriculture and Industries is responsible for regulatory control over certain products and industries involving matters of food safety, weights and measures and pesticide application, as well matters involving agriculture, livestock and poultry.

The Department of Finance is a statutory department established in 1939 to manage, control and supervise all matters pertaining to fiscal affairs of the State and its departments, boards, bureaus, commissions, agencies, offices and institutions. The Director of Finance, who is appointed by the Governor, manages the Department of Finance. The Director of Finance acts as chief financial officer of the State and is directly responsible for the following divisions of the Department of Finance: Executive Budget Office, Control and Accounts (Comptroller's Office), Debt Management and Capital Planning, Purchasing, Information Services, Indigent Defense

Services, Space Management, State Business Systems, Risk Management, Services, Legal, Personnel, Real Property Management and Accounting & Administration.

The State Department of Revenue was created in 1939 and is responsible for supervising and controlling the valuation, equalization, assessment and collection of certain taxes assigned to it for collection. The Governor appoints the Commissioner of Revenue.

Judicial Branch

The judicial power of the State is vested in a unified judicial system consisting of a Supreme Court, a Court of Criminal Appeals, a Court of Civil Appeals, trial courts of general jurisdiction known as circuit courts, trial courts of limited jurisdiction known as district courts and such municipal courts as are provided for by law. Additional judicial functions are performed by the State's probate courts.

The Supreme Court exercises jurisdiction as the highest court of the State for appeals and consists of nine Justices (the Chief Justice and eight Associate Justices). The Court of Criminal Appeals has exclusive appellate jurisdiction of all appeals in criminal cases. The Court of Civil Appeals hears appeals from certain decisions of civil trial courts. The circuit courts have exclusive jurisdiction in certain civil and criminal cases as provided by law, and by de novo proceedings they exercise appellate jurisdiction of civil, criminal and juvenile cases which have first been tried in district courts.

In addition to the State's system of courts, there is a Judicial Inquiry Commission, which reviews complaints received against judges, conducts field investigations and prosecutes cases before the Court of the Judiciary.

INDEBTEDNESS

Limitations on Debt

Pursuant to Section 213 of the State Constitution, as amended by Amendment 26 thereto (the "Constitutional Budget Amendment"), the State is constitutionally prohibited from incurring debt, and the only method by which general obligation debt of the State can be incurred is by an amendment to the State Constitution. Although conventions proposed by the Legislature and approved by the electorate may be called for the purpose of amending the State Constitution, all amendments have historically been adopted through a procedure which requires them to be proposed by a favorable vote of three-fifths of all the members of each house of the Legislature and thereafter approved by a majority of the voters of the State voting in a statewide election.

The Supreme Court of Alabama has held that the debt prohibition contained in the Constitutional Budget Amendment does not apply to obligations incurred for current operating expenses payable during the current fiscal year, debts incurred by separate public corporations functioning as instrumentalities of the State, or State debt incurred to repel invasion or suppress insurrection. The State may also make temporary loans not exceeding \$300,000 to cover deficits in the State Treasury. Limited obligation debt payable solely out of certain taxes and other revenues may be authorized by the Legislature without an amendment to the State Constitution. The State has followed the practice of financing certain capital improvement programs, principally for highways, education and improvements to the facilities of the Alabama State Port Authority,

through the issuance of limited obligation bonds payable solely out of certain taxes and other revenues specifically pledged for their payment and not from the general revenues of the State. Such limited obligation bonds are not general obligations of the State, and the full faith and credit of the State have not been pledged to the payment thereof. See Table 13 ("Limited Obligation Bonds of State Departments and Certain State Authorities Outstanding at the Close of Business on October 7, 2026") herein.

General Obligation Debt

As of October 7, 2026, seven series of general obligation bonds of the State, aggregating \$364,895,000, remain outstanding. The full faith and credit of the State are pledged for the payment of each of those issues. The State has historically paid from the General Fund the principal of and interest on those of its general obligation bonds for which no moneys or taxes are specifically appropriated or earmarked, and is authorized to use funds from the Alabama Capital Improvement Trust Fund for the payment of principal and interest on certain general obligation bonds. Currently, the Alabama Capital Improvement Trust Fund is paying a portion of the debt service on the State's General Obligation Bonds, Series 2016-A, General Obligation Refunding Bonds, Series 2016-C, General Obligation Bonds, Series 2018-A, Taxable General Obligation Bonds, Series 2018-B, General Obligation Bond, Series 2022-A, General Obligation Bond, Series 2022-B and General Obligation Bonds, Series 2026A-1.

The following table sets forth the principal amount of general obligation debt of the State outstanding as of the close of business on October 7, 2026.

Table 12.
State of Alabama General Obligation Debt

Issue	Dated	Outstanding Principal Amount
Series 2016-A	March 8, 2016	\$70,845,000
Series 2016-C	October 6, 2016	72,640,000
Series 2018-A	December 13, 2018	98,360,000
Series 2018-B	December 13, 2018	3,520,000
Series 2022-A	October 21, 2022	10,555,000
Series 2022-B	November 9, 2022	76,995,000
Series 2026A-1	June 30, 2026	31,980,000
Total		\$364,895,000

Source: Department of Finance

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Limited Obligation Bonds of State Departments and Certain State Authorities

The State has created public corporations and authorities of the State for the purpose of financing certain projects and programs such as public highways, public education facilities, judicial facilities, industrial site preparation grants and surveys, single and multifamily housing and agricultural development loans. The obligations of such public corporations and authorities are not general obligations of the State, but are rather limited obligations of the issuer, payable solely from the revenues pledged for the obligations of each such issuer including, in some cases, earmarked tax revenues and, in other cases, revenues from the projects or programs financed.

The following table shows the principal amount of limited obligation bonds outstanding as of the close of business on October 7, 2026, which are payable from tax revenues or other State funds.

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Table 13.
Limited Obligation Bonds of State Departments and
Certain State Authorities Outstanding
at the Close of Business October 7, 2026

Principal Outstanding	Title of bonds (security/pledged revenues)	Final Maturity ⁽¹⁾
\$140,936,366	Alabama Public School and College Authority Special Obligation Bonds, Capital Improvement Pool Qualified School Construction Bonds, Direct Loan Bonds (sales, use taxes, utility gross receipts and utility service taxes)	2027
70,285,000	Alabama Public School and College Authority Capital Improvement Refunding Bonds Series 2014-B (sales, use taxes, utility gross receipts and utility service taxes)	2027
13,790,000	Alabama Public School and College Authority Bonds, Series 2015-B Pool Refunding Bonds (sales, use taxes, utility gross receipts and utility service taxes)	2029
10,535,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2015-C Pool Bonds (sales, use taxes, utility gross receipts and utility service taxes)	2030
17,480,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2016-A Pool Bonds (sales, use taxes, utility gross receipts and utility service taxes)	2036
12,840,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2017-A Pool Bonds (sales, use taxes, utility gross receipts and utility service taxes)	2038
19,370,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2019-A Pool Bonds (sales, use taxes, utility gross receipts and utility service taxes)	2039
1,114,520,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2020-A Capital Improvement and Refunding Social Bonds (sales, use taxes, utility gross receipts and utility service taxes, and lease taxes)	2040
116,845,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2020-C Capital Improvement Pool Refunding Social Bonds (sales, use taxes, utility gross receipts and utility service taxes, and lease taxes)	2035
31,620,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2022-A Capital Improvement Pool Bonds (sales, use taxes, utility gross receipts and utility service taxes, and lease taxes)	2042
31,450,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2024-A Capital Improvement Pool Bonds (sales, use taxes, utility gross receipts and utility service taxes, and lease taxes)	2044
16,605,000	Alabama Public School and College Authority Special Obligation Bonds, Series 2026-A Capital Improvement Pool Bonds (sales, use taxes, utility gross receipts and utility service taxes, and lease taxes)	2046
20,000,000	Alabama Building Renovation Finance Authority, Series 2026A (lease payments from various State agencies to Authority)	2046
23,170,000	Alabama Incentives Financing Authority, Series 2009-B (TVA in-lieu-of-taxes)	2029
7,390,000	Alabama Incentives Financing Authority, Series 2019-A Refunding Bonds (TVA in-lieu-of-taxes)	2029
126,490,000	Alabama Incentives Financing Authority, Series 2019-B (TVA in-lieu-of -taxes)	2042
46,420,000	Alabama Public Health Care Authority, Series 2015 (lease payments from Department of Public Health)	2044
12,675,000	Alabama Public Health Care Authority, Series 2016 (lease payments from Department of Public Health)	2035
20,440,000	Alabama Federal Aid Highway Finance Authority, Tax-Exempt Special Obligation Revenue Bonds Series 2021-A (Anticipation of Federal Grant Revenues and Gasoline Tax)	2037
679,085,000	Alabama Federal Aid Highway Finance Authority, Taxable Special Obligation Revenue Bonds Series 2021-B (Anticipation of Federal Grant Revenues and Gasoline Tax)	2037

Principal Outstanding	Title of bonds (security/pledged revenues)	Final Maturity ⁽¹⁾
247,390,000	Alabama Federal Aid Highway Finance Authority, Taxable Special Obligation Revenue Bonds Series 2025-A (Anticipation of Federal Grant Revenues and Gasoline Tax)	2045
319,435,000	Alabama Federal Aid Highway Finance Authority, Taxable Special Obligation Revenue Bonds Series 2025-B (Anticipation of Federal Grant Revenues and Gasoline Tax)	2036
697,435,000	Alabama Highway Authority, Special Obligation Revenue Bonds Series 2025 (Rebuild Alabama Fuel Tax Proceeds)	2045
77,850,000	Alabama Highway Finance Corporation Series 2020-A Limited Obligation Bonds (Gasoline Tax)	2040
5,184,000	Alabama Revolving Loan Fund Authority, Series 2021 (privilege and license tax on providers of cellular radio telecommunications services)	2030
80,925,000	Alabama Economic Settlement Authority Series 2016-A Special Revenue Bonds (BP Settlement)	2033
243,030,000	Alabama Economic Settlement Authority Series 2016-B Special Revenue Bonds (BP Settlement)	2032
3,930,000	Alabama Transportation Infrastructure Bank Series 2022-A Loan Program with pledged revenues from local entity and State revenues pledged under master indenture	2037
57,785,000	Alabama Transportation Infrastructure Bank Series 2022-B Loan Program with pledged revenues from local entity and State revenues pledged under master indenture	2042
3,555,000	Alabama Transportation Infrastructure Bank Series 2023-B Loan Program with pledged revenues from local entity and State revenues pledged under master indenture	2038
6,230,000	Alabama Transportation Infrastructure Bank Series 2023-A Loan Program with pledged revenues from local entity and State revenues pledged under master indenture	2043
985,000	Alabama Transportation Infrastructure Bank (ATIB) Series 2025-A Loan Program with pledged revenues from local entity with state revenues pledged under an ATIB master indenture	2035
438,490,000	Alabama Corrections Institution Finance Authority Revenue Bonds Series 2022-A	2052
190,190,000	Alabama Corrections Institution Finance Authority Revenue Bond Series 2026-A	2046
567,045,000	Alabama Toll Road, Bridge and Tunnel Authority First Lien Toll Revenue Bonds, Series 2026A (toll revenues)	2066
2,522,500,000	Alabama Toll Road, Bridge and Tunnel Authority Second Lien Toll Revenue Bond Anticipation Notes, Series 2026-1 (toll revenues, proceeds of TIFIA loan)	2032
610,845,000	Alabama Toll Road, Bridge and Tunnel Authority Enhanced Third Lien Toll and Project Revenue Bonds, Series 2026C (toll revenues, ALDOT lease payments)	2066
85,395,000	Alabama Toll Road, Bridge and Tunnel Authority Taxable Enhanced Third Lien Toll and Project Revenue Bonds, Series 2026D (toll revenues, ALDOT lease payments)	2046
\$8,690,235,366	Total Outstanding	

(1) Final Maturity in the State's Fiscal Year

Source: Department of Finance, State of Alabama

Table 14.
Debt Service on All Bonds Outstanding
as of Close of Business October 7, 2026 ⁽¹⁾

<u>Fiscal Year Ending September 30</u>	<u>General Obligation Bond Debt Service</u>	<u>Limited Obligation Bond Debt Service ⁽²⁾</u>	<u>Total Debt Service ⁽²⁾</u>
2027	\$66,511,993	\$599,967,000.18	\$666,478,993.29
2028	43,513,138	596,522,134.84	640,035,272.34
2029	37,983,288	531,100,352.98	569,083,640.48
2030	37,933,738	526,357,024.33	564,290,761.83
2031	37,887,375	524,254,545.52	562,141,920.52
2032	37,847,600	524,522,048.32	562,369,648.32
2033	28,400,000	627,675,483.46	656,075,483.46
2034	28,394,175	593,489,243.86	621,883,418.86
2035	28,395,525	569,600,616.86	597,996,141.86
2036	28,388,750	583,509,171.86	611,897,921.86
2037	28,391,875	585,430,728.01	613,822,603.01
2038	20,675,250	472,976,040.31	493,651,290.31
2039	20,679,875	471,294,425.46	491,974,300.46
2040	10,022,875	469,849,103.26	479,871,978.26
2041	10,026,125	469,652,044.75	479,678,169.75
2042	10,023,500	375,740,403.91	385,763,903.91
2043	10,024,250	358,035,397.52	368,059,647.52
2044		359,579,921.89	359,579,921.89
2045		355,892,800.51	355,892,800.51
2046		269,962,743.88	269,962,743.88
2047		251,972,769.75	251,972,769.75
2048		239,188,842.25	239,188,842.25
2049		246,928,893.00	246,928,893.00
2050		254,610,471.50	254,610,471.50
2051		260,034,783.50	260,034,783.50
2052		271,313,561.00	271,313,561.00
2053		262,399,905.00	262,399,905.00
2054		270,104,378.00	270,104,378.00
2055		277,737,006.00	277,737,006.00
2056		282,328,937.00	282,328,937.00
2057		294,612,442.50	294,612,442.50
2058		304,329,022.00	304,329,022.00
2059		313,957,298.50	313,957,298.50
2060		323,449,099.50	323,449,099.50
2061		329,958,766.00	329,958,766.00
2062		348,530,335.00	348,530,335.00
2063		350,281,234.00	350,281,234.00
2064		352,025,635.00	352,025,635.00
2065		353,752,034.00	353,752,034.00
2066		355,472,684.00	355,472,684.00
2067		226,372,359.00	226,372,359.00
2068		226,372,359.00	226,372,359.00
2069		226,372,359.00	226,372,359.00
2070		226,372,360.00	226,372,360.00
2071		226,372,359.00	226,372,359.00
Total	\$485,099,331	\$16,940,261,125	17,425,360,456

(1) This table excludes annual debt service on any outstanding bonds which have been refunded and for which an escrow trust fund has been established.

(2) Includes expected debt service for the Alabama Toll Road, Bridge and Tunnel Authority TIFIA Loan which is expected to be available to pay the principal of the Second Lien Toll Revenue Bond Anticipation Notes, Series 2026-1 of the Authority. All payments of interest on the Series 2026-1 Notes will be paid from proceeds of capitalized interest, therefore, the debt service on the Series 2026-1 Notes is excluded from the table above.

Note: Columns may not add due to rounding.

Table 15.
Debt Ratios
as of the Close of Business October 7, 2026

	Principal Amount	Debt Per Capita ⁽¹⁾	Debt to Assessed Valuation ⁽²⁾	Debt to Personal Income ⁽³⁾
General Obligation Bonds	\$ 364,895,000	\$70.27	0.30%	0.12%
Limited Obligation Bonds	\$8,690,235,366	\$1,673.42	7.17%	2.97%
Total	\$9,055,130,366	\$1,743.69	7.47%	3.09%

(1) Based on 2025 population of 5,193,088.

(2) Based on 2025 estimated gross assessed valuation of \$121,179,476,469.

(3) Based on 2024 personal income of \$292,359,010,116.

Source: Department of Finance, State of Alabama

General Obligation Bonds Authorized and Unissued

Pursuant to Amendment 666 of the State Constitution, the State was initially authorized to sell and issue up to \$350 million aggregate principal amount of general obligation bonds in one or more series for various purposes specified therein without any additional legislative or voter approval. Amendment 666 was later amended by Amendment 796, ratified June 5, 2007, which increased the aggregate principal authorization to \$750 million. Amendment 880, ratified November 1, 2012, (i) provides that the authority of the State to issue general obligation bonds pursuant to Amendments 666 and 796 is not subject to the aggregate principal amount limitations contained in those amendments; provided that at no time shall the aggregate principal amount of general obligation bonds (including, without limitation, general obligation refunding bonds) issued pursuant to the provisions of those amendments be outstanding in excess of \$750 million, and (ii) allows the issuance by the State of general obligation refunding bonds under the authority of Amendment 666, subject to certain minimum savings thresholds and limitations of maximum average maturity. As of September 1, 2026 there was \$385,105,000 in aggregate principal amount outstanding under the authority of Amendment 666, as amended.

Pursuant to Amendment No. 887 to the State Constitution ("Amendment 887"), the State may issue up to an additional \$50,000,000 of general obligation bonds in order to finance the construction and maintenance of Alabama National Guard armories. The State has issued the maximum amount of general obligation bonds authorized pursuant to Amendment 887.

Pursuant to Amendment No. 978 to the State Constitution ("Amendment 978"), the State may issue up to an additional \$85,000,000 of general obligation bonds in order to finance capital projects for the Alabama Department of Conservation and Natural Resources, the Alabama Historical Commission and the Alabama Forestry Commission. The State has issued the maximum amount of general obligation bonds authorized pursuant to Amendment No. 978.

Limited Obligation Bonds Authorized and Unissued

As of October 7, 2026, limited obligation bonds payable from State revenues, which have been authorized but are unissued include: Alabama Public School and College Authority in the principal amount of \$102,290,000; Alabama Public Health Finance Authority in the principal amount of \$45,000,000; the Alabama Parking Deck Authority in the amount of \$13,000,000; State Industrial Development Authority in the principal amount of \$100,000,000, of which only \$40,000,000 can be outstanding at any one time and an additional principal amount of \$1,000,000,000; Farmers Market Authority in the principal amount of \$10,000,000; the Alabama Corrections Institution Finance Authority in the aggregate principal amount of \$649,795,000; the Alabama Highway Finance Corporation in the aggregate principal amount of \$56,540,000 (\$31,540,000 under the Rebuild Alabama Act for certain improvements to the Port of Mobile and \$25,000,000 in other issuance authority); the Alabama Mental Health Finance Authority in the aggregate principal amount of \$18,250; the Alabama Building Renovation Finance Authority in the principal amount of \$30,000,000; the Alabama Highway Authority is unlimited; the Garrett Coliseum Redevelopment Corporation in the principal amount of \$100,000,000; the Alabama Public Health Care Authority is unlimited; the Alabama Toll Road, Bridge and Tunnel Authority is unlimited based on the Authority's construction of toll roads and bridges; the Alabama Transportation Infrastructure Bank is unlimited; and the Alabama Federal Aid Highway Finance Authority is based on the amount of federal funds received and gasoline taxes collected. Additionally, the Alabama Public School and College Authority has unlimited authority to issue pool bonds on behalf of local boards of education which are secured by certain utility, sales and use taxes (though typically paid from leveraged funds to be received by such local boards of education from the State of Alabama Public School Fund).

Interest Rate Hedging Agreements

State Policy. The State's Finance Director adopted a policy for the State in June of 2004 to provide criteria for the State in assessing and implementing hedging agreements in conjunction with the State's management of its assets and liabilities. The policy outlines procedures for entering into interest rate swap agreements ("Swaps"), permitted uses, counterparty credit standards, risk management considerations and reporting requirements for Swaps entered into by the State. The policy provides that the State will track and regularly report on the financial implications of its hedging transactions. In addition to or in connection with monitoring and reporting required by rating agencies and Governmental Accounting Standards Board ("GASB") compliance, an annual report will be prepared by the State Finance Director that will include the market-to-market value of Swaps entered into by the State.

Swap Agreements Related to Limited Obligation Bonds. Separate interest rate swap agreements have been entered into by public corporations or authorities created by the State for the purpose of financing certain projects and programs such as public highways, public education facilities, judicial facilities, student loans, industrial site preparation grants and surveys, single and multi-family housing and agricultural development loans, the obligations of which are not general obligations of the State but are limited obligations of the issuer payable solely from the revenues pledged for the obligations of each such issuer.

MAJOR OPERATING FUNDS

The allocation of revenues among the various funds and other financial accounting practices of the State are controlled to a large extent by constitutional and statutory provisions that allocate or earmark revenues. Most major revenue sources of the State are required to be deposited into special funds either by the State Constitution or by continuing appropriations of the Legislature. Appropriations are made out of the separate funds for the purposes for which the revenue sources were allocated.

There are five major operating funds of the State: the General Fund, the Alabama Education Trust Fund (the "Education Trust Fund" or "ETF"), the Public Road and Bridge Fund, the Special Mental Health Trust Fund and the Public Welfare Trust Fund.

Taxes from approximately 36 sources are deposited into the General Fund. These taxes are described below under "Receipts, Disbursements, Taxes and Revenues – State Taxes and Other Major Sources of Revenues and Income. " The largest revenue sources allocated to the General Fund are the insurance company premium tax, interest on State deposits, interest on the Alabama Trust Fund, oil and gas lease and production taxes, cigarette taxes, ad valorem taxes and net profits from the operations of the Alabama Alcoholic Beverage Control Board. Nine tax sources are allocated to the Education Trust Fund, the largest of which are the income tax, the sales tax, the utility tax and the use tax. Revenues from income taxes and sales taxes constitute an average of approximately 85% of the Education Trust Funds annual revenues. Nine tax sources are allocated to the Public Road and Bridge Fund, the largest of which are the gasoline and gasoline excise taxes, automobile and truck net license fees and motor fuel taxes. The Special Mental Health Trust Fund is funded by three major tax sources, which are the public utilities tax, contractors' gross receipts taxes, distiller's tax and whiskey tax profits. The major revenue sources for the Public Welfare Trust Fund are the whiskey tax and net profits from the operation of the Alabama Alcoholic Beverage Control Board, sales taxes, franchise taxes and beer taxes.

The three largest operating funds of the State are the General Fund, the Education Trust Fund and the Public Road and Bridge Fund. Details of these funds are set forth on Tables 16 through 18.

The information contained in this Official Statement as to the various taxes and revenues paid into the above-described funds, and the constitutional or statutory provisions respecting their use, is illustrative only and does not summarize all of the provisions of the State Constitution and statutes respecting allocation of revenues.

Historically there has been no inter-fund borrowing or commingling of funds. The Legislature, however, has the authority to transfer the responsibility of funding various agencies between funds. Transfers of this type have been made infrequently.

The General Fund

The General Fund is one of three primary funds of the State. Revenues credited to the General Fund are used for the ordinary expenses of the executive, legislative and judicial departments of the State, for other functions of the government, for debt service on certain general obligation bond issues and for capital outlay. Revenues for the General Fund are appropriated by the Legislature on an annual basis. Certain appropriations from the General Fund are subject to proration. The State Constitution requires that the State have a balanced budget. (See "The Budgetary Process And Financial Controls - Financial Controls," below).

Table 16.
General Fund
Summary of Receipts and Disbursements
(Cash Basis) (in thousands)

Fiscal year ended September 30	2025	2024	2023	2022	2021
Receipts					
Investment Income	\$ 510,334	\$ 557,340	\$ 404,602	\$ 40,374	\$ 19,643
Insurance Premium Tax	689,515	609,316	559,786	527,238	464,503
Excise, Sales & Use Taxes	1,288,807	1,210,453	1,214,609	1,138,787	1,062,062
Corporation Taxes	103,288	103,047	102,891	98,435	98,127
Liquor Taxes, Licenses, & ABC Profits	167,688	171,472	173,592	170,159	156,733
Drivers & Motor Vehicle Licenses	88,851	87,579	85,381	82,760	81,043
Property Taxes	252,736	239,777	214,269	192,180	182,201
Oil & Gas Production Taxes	19,562	24,665	33,067	39,266	21,847
Other Taxes	118,828	116,944	120,734	146,490	149,103
Other Licenses, Permits, Fees	112,993	103,372	98,455	93,773	88,942
Other Revenues	113,538	116,852	113,544	125,791	113,752
Alabama Trust	120,125	125,330	118,660	122,500	123,577
Total Receipts	\$3,586,265	\$3,466,147	\$3,239,590	\$2,777,753	\$2,561,533
Disbursements					
Economic Development	\$ 33,372	\$ 25,968	\$ 37,264	\$ 24,633	\$ 18,156
Educational & Cultural	10,619	11,070	9,415	8,366	7,162
Natural Resources & Recreation	25,466	25,656	14,994	11,450	6,903
Health - Physical & Mental	1,441,355	1,324,707	1,121,022	974,257	966,899
Social Services	207,249	189,617	160,716	139,548	130,253
Protection of Persons and Property	1,208,702	1,119,611	1,137,595	1,051,010	868,514
General Government	459,858	406,842	417,885	373,379	306,792
Debt Service	20,796	60,263	62,511	71,804	46,515
Total Disbursements	\$3,407,417	\$3,163,734	\$2,961,402	\$2,654,447	\$2,351,194
Net Increase (Decrease) in Cash Balance	\$178,848	\$278,188	\$302,413	\$278,188	\$123,306
Beginning Cash Balance, Oct. 1	1,482,213	1,179,800	901,612	778,306	567,967
Ending Cash Balance, Sept 30	\$1,661,061	\$1,482,213	\$1,179,800	\$901,612	\$778,306

Source: State Comptroller's Office

The Education Trust Fund

The Education Trust Fund is the largest operating fund of the State. Revenues credited to the Education Trust Fund are used for the support, maintenance and development of public education and capital improvements relating to educational facilities. Moneys on deposit in the Education Trust Fund are appropriated by the Legislature on an annual basis.

Table 17.
Education Trust Fund
Summary of Receipts and Disbursements (Cash Basis)
For the Last Five Fiscal Years
(\$ in 000s)

Revenues:	2025	2024	2023	2022	2021
General Sales Tax	\$2,567,356	\$2,533,282	\$2,590,584	\$2,479,701	\$2,320,781
General Use Tax	401,251	362,127	350,994	368,551	266,446
Income Tax	7,495,180	7,267,129	7,032,094	7,182,568	5,643,876
Utilities Tax	424,999	425,813	421,951	455,094	379,593
Insurance Companies	-	-	-	-	-
Beer Tax	20,336	21,461	22,597	24,173	23,444
Hydroelectric Companies	486	4	557	576	1,153
Chain Store License	124	100	90	89	87
Transfers and Reversions	-	30,631	207	768	103
Other	9,700	9,341	9,856	8,433	8,330
Total Revenues	\$10,919,462	\$10,649,888	\$10,428,930	\$10,519,953	\$8,643,813
Expenditures:					
Agriculture and Industries	771	372	-	-	-
Administrative Office of Courts	642	829	515	1,027	787
Commerce	87,780	91,032	186,516	71,233	67,504
Education (K-12)	6,042,010	5,624,451	5,675,117	4,874,558	4,687,670
Forestry Commission	60	60	60	60	30
Finance	492	942	861	464	474
Public Health	23,355	28,297	23,245	20,296	17,887
Dept of Revenue	1,513	-	-	-	-
Youth Services	-	-	-	-	-
Legislature	2,179	1,841	2,701	2,671	3,064
Archives And History	10,144	9,226	6,774	6,287	5,594
Examiners Of Public Accounts	10,854	11,256	11,406	9,295	9,463
Geological Survey	665	7,748	489	524	518
Alabama School of Healthcare Sciences	15,000	-	-	-	-
Corrections	3,000	-	-	-	-
Public Library Service	14,625	14,496	13,554	12,806	12,717
Veterans Affairs	45,858	35,533	35,186	38,063	45,369
ETF Direct Disbursements	-	-	-	-	-
Debt Service And Reserve	30,107	30,659	31,150	32,148	32,762
Governor's Office of Volunteer Services	341	413	245	238	311
Economic and Community Affairs	165	63	890	1,297	126
Alabama Community College System	642,759	560,677	1,002,192	495,202	430,663
Indian Affairs Commission	-	92	-	-	-
Early Childhood Education	227,599	184,356	182,467	144,559	134,639
Lieutenant Governor	159	136	99	218	89
Supreme Court Law Library	712	512	413	498	143
Rehabilitation Services	52,582	57,106	50,117	49,275	50,594
High School Of Math and Science	13,194	14,158	9,983	8,957	8,693
State Exec Comm Serv Grants Comm	21,795	26,553	34,433	10,033	9,027
Sickle Cell Oversight Commission	1,897	1,794	1,511	1,662	1,445
Alabama Innovation Fund	34,590	68,420	49,394	73,446	3,220
Auburn University - Agricultural Experiment Station	42,971	41,022	38,783	36,416	34,355
Auburn University - Ala Cooperative Extension Service	45,244	43,192	40,850	38,239	36,075
Alabama Institute for the Deaf and Blind - Adult Program	17,194	17,619	16,670	14,745	15,281
Alabama Institute for the Deaf and Blind - Industries	12,232	11,819	12,150	10,234	9,683
Finance - Teacher Unused Sick Leave	1,160	1,831	2,228	1,650	1,935
Talladega College	1,176	1,069	1,069	1,004	947
Tuskegee University	18,767	18,651	13,151	14,327	12,677
Lyman Ward Military Academy	409	389	389	389	367
Endowments	82	82	82	82	82

Expenditures (continued):	2025	2024	2023	2022	2021
Educational Television Commission	9,680	13,017	11,166	14,584	7,060
Alabama Law Institute	-	-	-	-	-
Council on the Arts	12,387	8,944	7,884	6,422	5,950
Commission on Higher Education	68,880	68,715	72,534	46,902	38,612
Nursing Board	755	628	631	586	616
Physical Fitness Commission	2,600	2,398	2,191	2,061	1,874
State Law Enforcement	-	-	-	-	-
Legislative Services	3,727	3,867	3,231	4,092	4,974
Alabama Commission on the Evaluation of Services	868	651	662	554	526
Department of Corrections – Correctional Capital Improvement	20,155	9,160	-	-	-
Alabama Public Charter School Commission	1,158	324	-	-	-
University of Alabama - Tuscaloosa	248,302	229,906	279,059	194,970	181,308
University of Alabama - Birmingham	397,410	374,267	419,011	332,571	309,114
University of Alabama - Huntsville	72,682	68,328	92,966	76,323	54,389
Alabama A&M University	64,021	66,265	72,193	49,461	43,908
Alabama State University	66,965	68,165	69,271	53,811	49,399
Auburn University - Auburn	293,696	274,921	292,545	206,205	192,057
Auburn University - Montgomery	36,375	36,773	40,748	41,886	26,000
Jacksonville State University	63,116	66,128	69,256	46,786	43,764
University of West Alabama	35,423	39,560	37,573	22,165	20,051
University of Montevallo	34,759	38,094	33,774	26,960	22,863
University of North Alabama	59,224	62,856	62,675	43,110	34,567
University of South Alabama	177,039	173,375	179,887	136,598	112,464
Troy University	88,335	90,061	101,570	63,878	57,907
Alabama Institute for the Deaf and Blind	49,799	47,950	48,827	39,239	38,707
Legislative Council	37,500	25,000	-	-	-
Optometric Scholarships Awards	200	200	200	200	180
Medical Scholarships Awards Board	2,239	2,030	2,306	1,967	1,740
Dental Scholarships Awards Board	871	871	731	731	731
Space & Science Exhibit Commission & Finance Authority	5,000	3,350	7,750	5,839	1,400
Music Hall of Fame	232	173	173	157	146
School of Fine Arts	16,075	11,510	16,303	9,398	8,847
Marine Environmental Sciences Consortium	13,250	10,250	12,501	10,751	7,203
Athens State University	25,514	26,237	26,804	16,670	15,935
University of Alabama Board of Trustees	54,287	66,000	-	-	-
Fire College and Personnel Standards Commission	11,078	7,981	6,287	7,381	5,548
Alabama School of Cyber Technology and Engineering	16,545	11,561	15,883	7,140	5,800
ETF Appropriated Transfers	1,778,781	1,969,056	1,392,263	1,495,168	730,441
Total Expenditures	\$11,195,201	\$10,788,193	\$10,825,411	\$8,937,812	\$7,669,597
Cash Balance, October 1	\$2,436,814	\$2,575,119	\$2,971,600	\$1,389,459	\$415,243
Cash Balance, September 30	2,161,045	2,436,814	2,575,119	2,971,600	1,389,549
Cash Reserve for Obligations	115,134	120,895	56,122	64,182	58,676
Unobligated Cash Balance September 30	\$2,045,911	\$2,315,919	\$2,518,997	\$2,907,418	\$1,330,783

Source: State Comptroller's Office

The Public Road and Bridge Fund

The Public Road and Bridge Fund is the general operating fund for the Department of Transportation and receives all State revenues, federal aid reimbursements and miscellaneous receipts for the Department of Transportation. The State Constitution provides that no moneys derived from any fees, excises, or license taxes levied by the State, relating to registration, operation or use of vehicles upon the public highways, except a vehicle use tax imposed in lieu of a sales tax, and no moneys derived from any fee, excises, or license taxes levied by the State relating to fuels used for propelling such vehicles, except pump taxes, shall be expended other than for the cost of administering such laws, statutory refunds and adjustments allowed therein, the cost of construction, reconstruction, maintenance and repair of public highways, rights-of-way, the payment of highway obligations, the cost of traffic regulation, and the expense of enforcing State traffic and motor vehicle laws. The Department of Transportation has historically operated out of

these revenues and, when available, federal moneys. The Department of Transportation has previously received only nominal amounts from the General Fund, and no longer receives any funds from the General Fund.

Table 18.
Public Road and Bridge Fund
Summary of Receipts and Disbursements
Fiscal Years Ended September 30

	2025	2024	2023	2022	2021
Cash on Hand, 10/1*	\$ 302,338,530	\$ 289,498,150	\$ 303,190,860	\$ 236,195,457	\$ 161,244,238
Receipts:					
Gasoline Excise Tax - \$0.05	99,384,312	99,117,180	98,811,368	98,086,355	98,817,044
Gasoline Excise Tax - \$0.04	46,557,904	46,432,762	46,289,501	45,949,858	46,292,160
Motor Fuel Tax - \$0.06	50,206,575	48,207,459	48,635,103	48,270,165	47,479,486
LP Gas Vehicle Permits	33,892	33,248	39,893	40,532	42,941
Motor Vehicle License Taxes	116,723,666	117,712,415	118,063,778	118,877,066	115,932,374
Gasoline Excise Tax - \$.07	79,603,799	79,389,901	79,145,124	78,562,603	79,148,719
Lubricating Oil Tax	497,147	512,093	400,166	514,230	485,863
Oversize Hauling Permits	5,626,084	5,082,320	4,707,090	4,620,200	4,378,710
Motor Fuel Tax - \$0.13	114,151,303	109,613,236	110,490,649	109,624,073	107,791,045
Truck Identification Decals	331,584	1,821,977	1,121,583	1,167,865	1,092,948
Petroleum Products Inspection Fees	44,606,109	44,051,697	43,357,689	43,953,652	43,924,151
Outdoor Advertising Permits	66,187	61,030	55,220	65,865	58,493
Motor Carrier Tax	450,091	471,687	477,386	477,071	476,197
Interest Income	--	--	--	--	--
Motor Vehicle Excise Tax	536,824	445,769	309,884	303,149	298,879
Federal Aid	1,124,365,612	1,117,950,976	911,721,590	967,958,530	960,303,732
County Aid & Miscellaneous	74,830,434	34,198,136	33,293,768	49,490,561	27,119,141
Industrial Access	3,629,048	3,253,965	2,258,531	355,447	109,095
Transfer from Bond Accounts	88,093,293	27,197	7,553,814	60,732,303	74,723,309
Total Receipts	\$1,849,693,864	\$1,708,383,048	\$1,506,732,137	\$1,629,049,525	\$1,608,474,287
Total Funds Available⁽¹⁾	2,152,032,394	\$1,997,881,198	\$1,809,922,997	\$1,865,244,982	\$1,769,718,525
Disbursements:					
Construction	1,390,964,825	1,227,143,496	1,078,691,581	1,145,525,620	1,085,536,659
Maintenance	189,000,7754	190,001,794	204,021,888	164,907,702	222,738,240
Equipment Purchase	12,202,396	12,711,501	13,569,267	10,670,986	16,954,689
Administration	154,579,123	176,363,536	111,412,632	119,701,751	116,881,025
Debt Service	87,000,000	86,405,000	86,020,000	89,115,000	56,038,663
Other Expenditures	3,105,398	2,917,341	26,709,479	32,133,063	35,373,792
Total Disbursements	\$1,836,852,518	\$1,695,542,668	\$1,520,424,847	\$1,562,054,122	\$1,533,523,068
Cash on Hand, 9/30*	\$315,179,876	\$302,338,530	\$289,498,150	\$303,190,860	\$236,195,457

(1) Includes Cash on Hand, 10/1 plus Total Receipts.

*Beginning and ending balances are on a cash basis and include encumbered funds. Columns may not add due to rounding.

Source: Alabama Department of Transportation.

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Unemployment Compensation Trust Fund

The unemployment compensation benefits in the State are paid through unemployment compensation taxes levied against employers and employees. Moneys collected from these taxes are transferred to a trust fund in Washington, D.C., the trustee of which is the Secretary of the Treasury of the United States. The moneys in such special trust fund are transferred back to the State at the State's request to pay unemployment compensation benefits. The moneys received are deposited in the State's Unemployment Compensation Trust Fund and are disbursed therefrom for the payment of benefits.

THE BUDGETARY PROCESS AND FINANCIAL CONTROLS

The Budgetary Process

The Executive Budget Office of the Finance Department is by statute responsible for preparing the initial information concerning the State's budget and its execution, revenue estimates, review of Appropriation Acts and fiscal analysis. The Executive Budget Office also assists the Director of Finance and the Governor in duties relating to the formulation of the budget; correlating and revising the estimates of revenues and requests for appropriations of all budgeted agencies; and investigating, supervising and coordinating the expenditures and other fiscal operations of such agencies. The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. Appropriation recommendations are subject to alteration by the Legislature.

General Fund and Education Trust Fund Budgetary Status for Fiscal Years 2024 and 2025

From the information that the Executive Budget Office accumulates on revenues and expenditures, certain schedules are prepared. The following table sets forth beginning and ending balances and activity for the General Fund and the Education Trust Fund.

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Table 19.
Condition of Funds
General Fund and Education Trust Fund

	Actual Fiscal Year 2024		Actual Fiscal Year 2025 ^{(1)*}		Budgeted Fiscal Year 2026 ^{(1)*}		Budgeted Fiscal Year 2027 ^{(1)*}	
	General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund	General Fund	Education Trust Fund
Beginning Balance	717,456,188	2,518,997,462	759,647,415	2,315,918,528	701,367,454	2,045,911,253	343,638,843	1,135,917,702
Revenues	3,466,147,298	10,660,548,592	3,586,265,403	10,926,214,619	3,596,219,819	11,045,334,241	3,396,118,557	11,304,686,900
Total Funds Available	4,183,603,486	13,179,546,054	4,345,912,818	13,242,133,147	4,297,587,273	13,091,245,494	3,739,757,400	12,440,604,602
Expenditures	3,423,956,071	9,339,128,705	3,644,545,364	9,859,741,322	3,953,948,430	10,796,613,073	3,739,757,400	10,784,117,317
Ending Balance	759,647,415	3,840,417,349	701,367,454	3,382,391,825	343,638,843	2,294,632,421	0	1,656,487,285
Transfer to Stabilization Fund	0	111,698,094	0	113,168,532	0	116,374,837	0	119,553,278
Transfer to Advancement & Tech. Fund	0	1,000,000,000	0	873,794,314	0	744,528,487	0	508,182,212
Transfer to Educational Opportunities Reserve Fund	0	412,800,727	0	349,517,726	0	297,811,395	0	203,272,885
Balance Carried Forward	759,647,415	2,315,918,528	701,367,454	2,045,911,253	343,638,843	1,135,917,702	0	825,478,910

Note (1) - FY 26 Budgeted data is as of April 30, 2026.

Source: Department of Finance, Executive Budget Office, State of Alabama

* Unaudited

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Financial Controls

General. An appropriation for a department, agency or program of the State is initially authorized by one of the appropriation bills enacted by the Legislature. Before any moneys may be disbursed pursuant to an appropriation, the department, board, bureau, commission, agency, office or institution of the State for which the appropriation was made must submit to the Finance Department a requisition for an allotment of the amount estimated to be necessary to carry on its work during the period for which the allotment is to be made. Allotments are made for such length of time as may be determined to be appropriate and convenient by the Department of Finance with the approval of the Governor, but no allotment (except for the acquisition of land, permanent improvements or other capital projects) shall, in any event, be for a period of longer than three months. The Department of Finance must examine each such requisition and, with the approval of the Governor, make such allotment or modification thereof as may be necessary.

The State Comptroller is required to establish all allotments on his books and is prohibited from paying to or for any agency amounts in excess of such allotment. The Department of Finance, with the approval of the Governor, may subsequently modify any allotment either upon the written request of the head of the agency or institution concerned or upon the initiative of the Department of Finance or the Governor. After the Comptroller records an allotment, the moneys represented thereby may be expended or encumbered upon request of the head of the agency or institution for which such moneys are appropriated.

State moneys, which are appropriated and allotted, are subject to disbursement by the State Treasurer. Each disbursement of such moneys for payment of vouchers submitted by an agency or an institution must be made pursuant to a warrant drawn upon the State Treasury by the Comptroller. Each warrant presented to the State Treasurer by the Comptroller must specify the particular fund from which it is payable. The Comptroller is responsible for keeping an account in connection with each appropriation and allotment. No warrant may be issued by the Comptroller or paid by the State Treasurer in excess of the available balance of the applicable account or funds on hand in the State Treasury. The State Treasurer is required to honor all warrants properly drawn by the Comptroller.

It is unlawful for any agency official to expend any appropriation for any purpose other than that for which the money was originally appropriated, budgeted and allotted. If the Governor ascertains that funds are being spent unlawfully, the Governor has the power to suspend all appropriations and allotments to such agency or institution until such amounts diverted or wrongfully expended have been replaced.

Unencumbered balances of appropriations lapse at the end of each fiscal year unless otherwise provided by statute. Appropriations for the purchase of land, the erection of buildings, new construction or Department of Transportation maintenance of roads and bridges on the State highway system continue in force until the attainment of the object or the completion of work for which such appropriations were made is accomplished.

An appropriation may be made payable in full only in the event that the estimated revenues during the fiscal year for which the appropriation is made are sufficient to pay all appropriations for such fiscal year in full. To prevent an overdraft or deficit in any fiscal year, the Governor is required to restrict allotments by prorating, without discrimination, the available revenues in a particular fund among the various departments, boards, bureaus, commissions, agencies, offices

and institutions of the State. Such restrictions ensure that each appropriation shall be payable in such proportion as the amount of total revenues estimated by the Department of Finance to be available in the fiscal year for which such appropriation was made bears to the total sum of all appropriations made for such fiscal year.

Under the State Constitution, if, at the end of any fiscal year, the moneys in the State Treasury are not sufficient for the payment of all proper claims presented to the Comptroller, then, as of the end of the fiscal year, the Comptroller is required to issue warrants only for that proportion of each such claim equal to the percentage of the amount of such claim relative to the total of all claims. Alabama courts have interpreted this provision to require the annual financial operations of the State to be on a balanced budget and to prevent any department of the State from creating State debt. Consequently, in the event of a deficit, the available moneys are to be prorated among all claims presented for payment. At the end of the fiscal year all excess unpaid appropriations which exceed the moneys in the State Treasury after proration become null and void.

The Supreme Court of Alabama has held that certain expenses of the State necessary for essential functions of government are not subject to proration. It has been determined by the Supreme Court and subsequent advisory opinions of the Alabama Attorney General that such expenses include fixed salaries, other fixed expenses and payment of debt service on outstanding general obligation bonds of the State. Nonetheless, there can be no assurance that the Supreme Court of Alabama will not, upon further consideration of the issue, modify its earlier decisions and rule that debt service payments on the bonds of the State may be made subject to proration. Consequently, it is not possible to determine what effect, if any, proration with respect to the State's General Fund may have on the payment of the principal of or interest on bonds of the State. Previous proration (which has occurred from time to time since 1933) has not, however, resulted in any default in the payment of the bonds of the State.

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The following table provides historical data concerning General Fund and Education Trust Fund proration.

Table 20.
History of General Fund
and Education Trust Fund Proration
1963-Present

Fiscal Years	General Fund		Education Trust Fund	
	Percent	Amount	Percent	Amount
1963-1964 to 1977-1978 ⁽¹⁾	-	\$-		\$-
1978-1979	-	-	2.9811%	29,670,397
1979-1980	-	-	6.1406%	60,887,044
1980-1981	-	-	3.5681%	39,988,286
1981-1982 ⁽¹⁾	-	-	-	-
1982-1983	15.0000%	55,292,355	-	-
1983-1984 to 1984-1985 ⁽¹⁾	-	-	-	-
1985-1986	3.0000%	16,240,969	4.2133%	79,645,728
1986-1987 to 1989-1990 ⁽¹⁾	-	-	-	-
1990-1991	2.6000%	19,970,302	6.5000%	165,768,993
1991-1992	5.5000%	41,745,530	3.0000%	73,428,415
1992-1993	3.2000%	24,532,925	-	-
1993-1994 to 1999-2000 ⁽¹⁾	-	-	-	-
2000-2001	-	-	6.2000%	263,826,397
2001-2002 ⁽¹⁾	-	-	-	-
2002-2003 ⁽²⁾	-	-	4.4100%	185,067,841
2003-2004 to 2007-2008 ⁽¹⁾	-	-	-	-
2008-2009 ⁽³⁾	-	-	17.9000%	1,134,872,220
2009-2010 ⁽⁴⁾	20.5164%	153,709,068	9.5000%	542,084,273
2010-2011	15.0000%	250,152,394	3.0000%	164,039,534
2011-2012	10.6200%	186,989,003	-	-
2012-2013 to 2024-2025 ⁽¹⁾	-	-	-	-

Note (1) No proration in either fund

Note (2) Funds from the ETF Rainy Day Account were used to offset a portion of proration in the ETF during 2002-2003. See "Alabama Trust Fund" under Receipts, Disbursements, Taxes and Revenues in this Appendix A.

Note (3) Funds from the ETF Rainy Day Account and the Proration Prevention Account were used to offset a portion of the 17.90%, resulting in an effective rate of 11%.

Note (4) No funds were available in the ETF Rainy Day Account or the Proration Prevention Account to offset the shortage in the ETF. Funds from the General Fund Rainy Day Account were used to offset a portion of the 20.5164%, resulting in an effective rate of 10%.

Source: Department of Finance, Executive Budget Office, State of Alabama

Rolling Reserve Act. In March 2011, the Legislature passed and the Governor signed into law The Education Trust Fund Rolling Reserve Act (as amended, the "Rolling Reserve Act"). The Rolling Reserve Act is designed to reduce the risk of proration in the State's education budget. Proration in the Education Trust Fund occurs when budgeted education spending must be cut mid-year due to lower-than-expected revenues. The education budget process has historically been based on projecting the annual change in Education Trust Fund revenues. The sources of revenue that fund the Education Trust Fund are highly sensitive to changes in the economy and the range of total revenues varies widely from year to year. As a result, accurately projecting the Education Trust Fund revenues each year in order to prepare a workable education spending budget has been difficult. The inability to make accurate revenue projections has led to increased instances of proration in the education budget.

The Rolling Reserve Act caps the education spending at the lesser of (i) an amount equal to the total recurring revenues deposited into the Education Trust Fund in the last completed fiscal

year grossed up by the average growth rate based on the 15 most recently completed fiscal years (excluding the highest and lowest years from the calculation) (the "Fiscal Year Appropriation Cap") and (ii) an amount equal to 106.5% of the base appropriation for the fiscal year ending September 30, 2024 (and declining 0.25% each year until fiscal year 2027 at which point the amount is 105.75% of the base appropriations for the 2027 fiscal year and for each fiscal year thereafter) of the Education Trust Fund appropriations for the then current fiscal year that were enacted in a prior legislative session, excluding reversions reappropriated and any supplemental appropriations (the "Secondary Spending Limit"). If new recurring revenue measures are enacted that will be deposited into the Education Trust Fund, or if existing revenue sources are amended to increase the amount of money deposited into the Education Trust Fund, for the first time during the year for which the Fiscal Year Appropriation Cap is being calculated, then 95 percent of the amount projected in the enacted fiscal note accompanying the legislative act creating the new recurring revenue shall be added or subtracted as a part of the Fiscal Year Appropriation Cap for such fiscal year. If a recurring revenue source to the Education Trust Fund is removed or reduced during the year for which the Fiscal Year Appropriation Cap is being calculated, the negative impact, based on the enacted fiscal note, of the removal or reduction of the recurring revenue shall be included in the calculation of the Fiscal Year Appropriation Cap for such fiscal year. Certain nonrecurring revenues are also added or subtracted as a part of the calculation of the Fiscal Year Appropriation Cap for the fiscal year in which the nonrecurring revenue is deposited into the Education Trust Fund.

Pursuant to the Rolling Reserve Act and Section 260.02 to the State Constitution, the State Finance Director and the Legislative Fiscal Officer are each required to estimate the Fiscal Year Appropriation Cap, the Secondary Spending Limit and the available revenue for the Education Trust Fund at the beginning of each regular session of the Legislature. If the average estimated available revenue is less than the Fiscal Year Appropriation Cap or the Secondary Spending Limit, the Legislature may not appropriate more than lesser of the average estimated available revenue, the Fiscal Year Appropriation Cap or the Secondary Spending Limit. The budget process required by the Rolling Reserve Act was implemented beginning with the 2013 fiscal year budget and has evolved to the current process through subsequent legislation.

Under the Rolling Reserve Act, Education Trust Fund revenues over and above the budgeted amount are to be transferred to the Education Trust Fund Rainy Day Account (the "Rainy Day Account") until the Rainy Day Account has been reimbursed in full for any prior withdrawals. The Rainy Day Account currently gives the State the power to temporarily transfer money from the Alabama Trust Fund to prevent proration of the Education Trust Fund, but the money must be reimbursed within 6 years of its transfer. There is not currently an amount outstanding to be repaid to the Education Trust Fund Rainy Day Account.

Once the Rainy Day Account has been fully repaid, any remaining revenues will either remain in the Education Trust Fund and be treated as nonrecurring revenues or transferred to the following savings accounts established by the Rolling Reserve Act: the Education Trust Fund Budget Stabilization Fund (the "Budget Stabilization Fund"), the Education Trust Fund Advancement and Technology Fund (the "Advancement and Technology Fund") and the Educational Opportunities Reserve Fund (the "Educational Opportunities Reserve Fund"). Money in the Budget Stabilization Fund may be withdrawn only to prevent proration in the Education Trust Fund. If any excess revenues remain in the Education Trust Fund at the end of a fiscal year, and the Rainy Day Account has been repaid in full, an amount up to 1% of the prior year's

appropriations shall be transferred to the Budget Stabilization Fund annually until the Budget Stabilization Fund reaches 10% of the prior year's total appropriations from the Education Trust Fund. If any such excess revenues remain after the transfer described in the preceding sentence, 50% of such remaining funds are to be transferred to the Advancement and Technology Fund (not to exceed \$1 billion in any fiscal year), 20% of such excess remaining revenues are to be transferred to the Educational Opportunities Reserve Fund and the balance of the remaining excess revenues are to remain in the Education Trust Fund as nonrecurring revenues. The Advancement and Technology Fund was established for repairs and deferred maintenance of public education facilities, capital outlay, instructional support, insuring facilities, certain transportation purposes, school security measures and purchasing education technology and equipment. Moneys in the Advancement and Technology Fund shall not be used for the payment of debt service. The Educational Opportunities Reserve Fund was established to provide moneys for one-time funding for the following purposes: (1) to offset a reduction in revenues to the Education Trust Fund that could negatively impact funding for budgeted obligations from the Education Trust Fund for the current fiscal year as certified by the Director of Finance and the Legislative Fiscal Officer; (2) to provide funding for unanticipated obligations, and to sustain required programmatic increases for existing obligations paid from the Education Trust Fund in the event of a change in economic conditions; (3) to provide funding to maintain prior year appropriation levels if the computation of the Fiscal Year Appropriation Cap or Secondary Spending Limit is less than Education Trust Fund base appropriations for the previous fiscal year, not to exceed the difference between the two figures; and (4) for start-up transitional support for initiatives that provide access to enhanced educational opportunities to all public K-12 or higher education students in the State. Amounts in the Educational Opportunities Reserve Fund shall not be appropriated for any of the following purposes: repairs or deferred maintenance for facilities, capital outlay, pay raises or bonuses for educational personnel or retirees, or to provide educational support for ongoing expenditures other than as specified in the preceding sentence; provided, funds may be appropriated to maintain Foundation Program State funding in extraordinary situations.

RECEIPTS, DISBURSEMENTS, TAXES AND REVENUES

General

Revenues are collected by nearly every State entity. Table 21 shows the total receipts and disbursements only for those governmental and expendable trust funds operating from the State Treasury. Table 21 does not include the activities of funds operating outside the State Treasury, such as the Alabama State Port Authority, the Alabama Housing Finance Authority, or the various colleges and universities. Table 21 also does not include the activities of any agency funds, proprietary funds or similar pension and nonexpendable trust funds. Agency funds involve moneys held for other funds or individuals and thus do not generate revenues or expenditures for the State. Proprietary funds generally involve functions that are financed by charges to the governmental funds for services such as the motor pool, print shop or self-insurance funds for State property and employee's health insurance. Pension trust funds are financed partly by charges to the governmental funds and partly by investment earnings. The net effect of some proprietary and similar trust funds is included in Table 21. The taxes and licenses collected by the Alcoholic Beverage Control Board ("ABC") are recognized in governmental funds, and the net profits are required by law to be transferred to various governmental funds. Therefore, the net earnings generated by ABC are included in Table 21. Similarly, the Alabama Trust Fund transfers to the

General Fund a portion of 5% of the invested assets' average market value from the three previous fiscal years plus 33% of the Oil & Gas payments received for the fiscal year ending one year prior, and this transfer is reflected in Table 21 as an Other Financing Source. Because the State records its revenues on a modified cash basis, the information includes encumbered funds, cash owed to local governments, the federal government and other items which are already obligated. It should also be noted that only a small portion of the receipts shown in Tables 21 and 22 are deposited into the General Fund.

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Table 21.
Schedule of Receipts and Disbursements (Cash Basis)
Governmental Fund Types (State Treasury Funds Only)
(amounts in thousands)

Receipts:	2025	%	2024	%	2023	%	2022	%	2021	%
Taxes	16,440,128	42.3%	\$15,942,729	40.4%	\$15,631,609	45.7%	\$15,806,913	39.1%	\$13,389,898	36.5%
Licenses, Permits and Fees	1,015,500	2.6%	1,013,399	2.6%	1,016,514	3.0%	1,005,698	2.5%	939,988	2.6%
Fines and Forfeits	221,498	0.6%	248,205	0.6%	270,245	0.8%	222,316	0.6%	251,201	0.7%
Federal Funds	13,665,971	35.1%	14,695,348	37.2%	14,815,340	43.3%	16,378,684	40.6%	13,898,260	37.9%
Investment Income	563,903	1.5%	607,664	1.5%	449,849	1.3%	449,102	1.1%	26,057	0.1%
Other Revenues	1,610,668	4.1%	1,563,048	4.0%	1,308,693	3.8%	1,392,732	3.5%	1,117,795	3.1%
Other Financing Sources	5,377,374	13.8%	5,419,754	13.7%	690,935	2.0%	5,138,458	12.7%	7,075,671	19.3%
Total Receipts	\$38,895,042	100.0%	\$39,490,144	100.0%	\$34,183,185	100.0%	\$40,393,903	100.0%	\$36,698,870	100.0%
Disbursements:										
Economic Development & Regulation	322,115	0.8%	264,935	0.7%	280,307	0.7%	247,781	0.7%	276,830	0.8%
Education and Cultural Resources	14,048,476	35.6%	14,548,342	36.6%	12,799,880	33.8%	11,544,538	32.8%	9,557,938	28.5%
Natural Resources and Recreation	326,233	0.8%	314,460	0.8%	264,026	0.7%	266,388	0.8%	249,648	0.7%
Health - Physical and Mental	12,720,658	32.2%	12,418,873	31.2%	11,834,120	31.2%	10,742,812	30.5%	10,003,789	29.8%
Social Services	4,084,292	10.3%	4,024,634	10.1%	4,708,310	12.4%	4,537,751	12.9%	3,832,396	11.4%
Protection of Person and Property	2,168,357	5.5%	2,043,514	5.1%	2,371,964	6.3%	2,930,782	8.3%	3,003,873	9.0%
Transportation	2,484,084	6.3%	2,365,200	5.9%	2,043,857	5.4%	2,008,659	5.7%	2,162,785	6.5%
General Government	2,548,996	6.5%	2,924,008	7.4%	2,710,166	7.2%	1,953,614	5.6%	1,618,528	4.8%
Capital Outlay	161,888	0.4%	167,456	0.4%	153,520	0.4%	222,338	0.6%	1,835,247	5.5%
Debt Service	626,643	1.6%	727,229	1.8%	758,880	2.0%	760,713	2.2%	1,014,834	3.0%
Total Disbursements	\$39,491,742	100.0%	\$39,798,651	100.0%	\$37,925,030	100.0%	\$35,215,376	100.0%	\$33,555,868	100.0%

Source: State Comptroller's Office.

Table 22.
Summary of Revenues by Principal Sources (Cash Basis)
Governmental Funds in State Treasury
(amounts in thousands)

Taxes:	2025	2024	2023	2022	2021
General Sales Tax (4% on gross retail sale of merchandise)	\$3,147,651	\$3,095,787	\$3,220,325	\$3,219,137	\$2,904,879
General Use Tax	1,154,607	1,051,757	985,468	991,973	747,087
Income Tax (2% to 5% personal, 6.5% net corporate income)	7,539,216	7,311,165	7,076,130	7,226,604	5,687,912
Property Tax Relief	84,920	78,161	70,196	63,542	60,764
General Property Tax	574,208	547,997	489,127	450,357	412,709
Gasoline Taxes (.16 per gallon; .03 aviation; .01 jet)	727,001	718,209	691,417	682,236	633,703
Utilities Tax (6% telephone, 4% other)	439,912	440,726	436,864	470,007	394,506
Insurance Premium Tax (1% to 6%)	695,238	614,922	565,444	561,847	470,041
Liquor & Wine Tax (totals 56%, collected by ABC stores)	214,654	216,178	212,697	200,213	191,825
Tobacco & Cigarette Taxes (21.25 mills per cigarette)	123,793	131,222	144,783	164,104	170,402
Corporation Taxes (privilege, 25 cents to \$1.75 per \$1,000 net worth)	136,327	136,022	135,721	130,423	130,121
State Beer Tax (.05 per 12 oz.)	50,840	53,653	56,493	60,433	58,610
Public Utilities (2.2%)	169,351	169,524	171,657	154,522	154,173
Motor Fuel Tax (diesel .17 per gallon)	278,606	270,009	263,151	261,806	239,401
Tennessee Valley Authority (payments in-lieu of all state taxes)	91,569	93,542	96,364	98,216	80,128
Leasing / Renting Tangible Personal Property - (4% most items)	106,650	108,972	101,923	108,313	91,707
Production Privilege Tax (Oil & Gas Severance)	25,461	28,337	44,941	59,135	29,538
Financial Institutions Excise Tax (6.5% of net income)	101,591	94,075	166,693	157,892	184,335
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc.)	99,292	89,439	90,212	122,491	112,457
Coal Severance Tax (0.335 per ton)	4,539	4,143	3,638	3,090	3,372
Forestry Severance Tax	5,708	5,923	5,667	6,998	5,858
Inheritance Tax (amount of federal credit)	-	-	-	-	-
Contractors Gross Receipts Tax (5% or gross receipts)	42,168	38,566	36,985	36,164	33,116
Lodgings Tax (4% or 5% of charge)	121,132	116,105	114,391	113,463	87,406
Hydroelectric Companies (tax on 2/5 mill per KWH, 2.2%/dollar)	1,158	9	1,326	1,371	2,745
Lubricating Oil Tax (.06 per gallon)	1,677	1,726	1,353	1,734	1,639
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	18,215	11,267	8,258	5,221	4,112
Court Cost Taxes	21,509	20,988	20,852	20,559	20,949
Medicaid Taxes	406,276	440,214	370,107	386,320	432,794
Cellular Telephones (6%)	22,474	21,160	21,129	22,673	20,663
Ground Materials Severance Tax	40	-	109	-	100
Vapor Products	3,837	3,565	3,426	4,036	2,807
Miscellaneous Taxes	30,508	29,366	24,761	22,033	20,039
Total Taxes	\$16,440,128	\$15,942,729	\$15,631,608	\$15,806,913	\$13,389,898
Licenses, Permits and Fees					
Conservation Licenses (fishing, hunting, boat registration, etc.)	45,102	41,772	41,249	42,319	38,530
Drivers Licenses & Fees	77,087	71,643	70,132	69,781	65,327
Petroleum Products Inspection Fees	59,304	59,173	58,089	58,652	58,935
Agricultural License, Permits, Fees	17,730	17,912	15,813	17,832	17,044
Wholesale Oil Company License	8,953	8,903	8,869	8,838	8,212

Motor Vehicle Licenses	220,135	208,234	210,031	222,236	204,762
Privilege License	153,347	154,603	142,071	158,188	136,608
Court Fees	81,297	81,381	77,047	74,932	70,559
Alcoholic Beverage Licenses	2,853	2,868	2,799	2,792	2,595
Insurance Corporation Licenses and Fees	1,455	1,494	1,488	1,967	1,398
Miscellaneous License, Permits, Fees	348,237	365,416	388,926	348,161	336,018
Total Licenses, Permits and Fees	\$1,015,500	\$1,013,399	\$1,016,514	\$1,005,698	\$939,988
Fines & Forfeitures:					
Court Fines & Forfeits	21,160	21,705	21,841	21,298	21,811
Tobacco Settlement	91,854	96,793	108,540	118,916	115,905
Miscellaneous Fines & Forfeits	108,484	129,707	139,864	82,102	113,485
Total Fines and Forfeitures	\$221,498	\$248,205	\$270,245	\$222,316	\$251,201
Federal Funds	\$13,665,971	\$14,695,348	\$14,815,341	\$16,378,684	\$13,898,260
Investment Income	\$563,903	\$607,661	\$449,849	\$449,102	\$26,057
Other Revenues	\$1,610,668	\$1,563,048	\$1,308,693	\$1,392,732	\$1,117,795
Total Revenues	\$33,517,668	\$34,070,390	\$33,492,250	\$35,255,445	\$29,623,199

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State Taxes and Other Major Sources of Revenues and Income

The following is a description of the major State taxes and other major sources of revenues and income. Not all of the taxes or revenues are deposited into the General Fund. No assurance can be made that any of these specific sources or revenues or income will be available in the future.

Ad Valorem Taxes. Ad valorem taxes in Alabama are computed by multiplying the tax rate by an assessed value for the taxable property. This assessed value is determined by the tax assessor or revenue commissioner of the county in which such property is located (or by the State Department of Revenue in the case of railroad property and utility property) as a specified percentage (the "Assessment Ratio") of the fair and reasonable market value of such property or, in certain circumstances, its current use value. The assessment of property in Alabama for ad valorem taxes has been significantly affected by several judicial decisions and two amendments to the State Constitution — the first adopted in 1973 and the second adopted in 1978 — which have caused significant differences from year to year in the determination of the assessed value of property. Since revenues from ad valorem taxes approximate only 2% of all taxes raised annually by the State, the changes in the method of determining assessed valuation have not significantly affected the revenues of the State.

Under current law, all property is divided into four classes, and the Assessment Ratio applicable to each class of property for purposes of State taxation is as follows:

Class I	All property owned by utilities	30%
Class II	All property not otherwise classified	20
Class III	All agricultural, forest and single-family, owner-occupied residential property and historic buildings and sites	10
Class IV	Private passenger automobiles and pickup trucks owned and operated by an individual for personal or private use	15

An owner of Class III property may elect to have such property appraised for assessment at its "current use value" rather than its "fair and reasonable market value."

The following table shows the assessed valuation by categories of property taxed for the fiscal years indicated. Valuation of motor vehicles is for the preceding year. Assessed valuation used in computing penalties for late payment of taxes is not included in the values shown for any category of property. The total market value of all assessed property in the State in the Tax Year ended September 30, 2024 was \$793,813,100,127.

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Table 23.
Assessed Valuation of Property
Subject to Ad Valorem Taxation by Categories⁽¹⁾
(in thousands)

Tax Year	Real Property	Personal Property	Public Utilities	Motor Vehicles	Total Assessed Valuation
2014	\$48,201,732	\$ 9,050,392	\$4,690,593	\$ 7,247,616	\$ 69,190,333
2015	49,428,796	8,822,824	4,790,676	7,591,191	70,633,487
2016	50,965,077	9,791,802	4,903,096	8,074,544	73,734,519
2017	52,734,517	9,922,057	5,081,063	7,819,825	75,557,462
2018	55,208,427	10,162,755	5,096,533	7,119,140	77,586,855
2019	59,026,902	10,704,890	5,187,788	7,597,282	82,516,862
2020	61,856,336	11,163,586	5,304,353	8,018,870	86,343,145
2021	65,352,015	11,945,942	5,550,077	8,964,516	91,812,550
2022	73,198,104	12,878,231	5,833,777	9,563,699	101,473,812
2023	83,044,764	14,208,041	5,981,245	11,810,831	115,044,882
2024	88,297,121	15,160,882	6,262,762	11,458,712	121,179,476

Total Market Value for Tax Year 2024 = \$793,813,100,127.

(1) Amounts in this table are compiled from unaudited abstract reports submitted by local revenue offices.

Alabama Trust Fund. The State Lands Division manages oil, gas and mineral interests owned by the State. Alabama authorizes the Commissioner of Conservation and Natural Resources to lease, upon such terms as he or she may approve, certain waters of the State, adjacent land and submerged lands in the Gulf of Mexico, for the exploration, development and production of oil, gas and other minerals. All lands proposed to be leased by the Lands Division must be leased only upon the basis of competitive bids.

Currently, the State owns oil and gas interests on small upland tracts, submerged river bottoms and in an offshore area. The most significant are the natural gas reserves lying within the three-mile offshore area of Mobile and Baldwin Counties. Major discoveries of natural gas in the 1980s led to the development of an array of natural gas reservoirs which occur some 19,000 feet below sea level. Most of these "deep discoveries" were developed by major natural gas producers.

Originally, revenues generated from the lease of any submerged lands in the Gulf of Mexico, less the cost of administration referred to below, were paid by the Commissioner of Conservation and Natural Resources to the State Treasurer to become a part of the General Fund. The Lands Division was entitled to 10% of all revenues, including royalties, as the cost of administration.

Pursuant to an amendment to the State Constitution adopted in 1982, an irrevocable permanent trust fund named the Alabama Heritage Trust Fund (the "Heritage Trust Fund") was created into which there was to be deposited the proceeds received by the State from January 1, 1981, through October 31, 1981, for the rights to explore and drill for oil and gas in any offshore area. A subsequent amendment to the State Constitution adopted in 1985 created a new trust fund

known as the Alabama Trust Fund and provided for the dissolution of the Heritage Trust Fund and the transfer of its assets into the Alabama Trust Fund.

In addition to the funds transferred from the Heritage Trust Fund, the initial trust capital of the Alabama Trust Fund consisted of an amount equal to the sum of all proceeds of any oil and gas capital payments paid to the State pursuant to sealed bids received on August 14, 1984, plus certain other revenues payable to the State for the lease of State lands. The Division of Lands was entitled to 4% of the \$347,483,000 which was received by the State pursuant to the sealed bids awarded on August 14, 1984. The Alabama Trust Fund is augmented by all proceeds of any oil and gas capital payments, as defined in the constitutional amendment pursuant to which the Alabama Trust Fund was created (the "Amendment") subsequent to August 14, 1984; provided, however, that the Division of Lands of the Department of Conservation and Natural Resources is entitled to 1% of all proceeds of any oil and gas capital payments, as defined in the Amendment, subsequent to August 14, 1984. "Oil and Gas Capital Payment" is defined in the Amendment as follows: "any payment, including any royalty payment, received after August 1, 1984, by the State or any agency or instrumentality thereof as all or part of the consideration for the sale, leasing or other disposition by the State or any agency or instrumentality thereof of any right to explore and drill for or to produce oil, gas or other hydrocarbon minerals in any area on the water side of the high water mark of Mobile Bay or in any other offshore area and shall include any revenue received by the State from federal oil and gas leases off the coast of Alabama. Any royalty or other payment, with the exception of any taxes heretofore or hereafter levied that is based upon or determined with respect to, the production of oil, gas or other hydrocarbon minerals and that is paid to the State or any agency or instrumentality thereof regardless of the time of such payment shall be considered an oil and gas capital payment." The Amendment provided that the trust capital is to be held in perpetual trust and may not be appropriated by the Legislature or expended or disbursed for any purpose other than to acquire eligible investments in accordance with the provisions of the Amendment. Any trust income derived from the investment of trust capital is to be paid directly into the General Fund and is subject to appropriation and withdrawal by the Legislature. The Amendment required that 10% of trust income be reinvested in the Alabama Trust Fund. However, a subsequent amendment to the State Constitution, pursuant to which the Forever Wild Land Trust was created, redirected the 10% of income from the Alabama Trust Fund to the Forever Wild Land Trust, up to a maximum of \$15 million in any one fiscal year. (See "Alabama Trust Fund Distributions" and "Education Trust Fund Rainy Day Account" later in this section for subsequent changes to the Alabama Trust Fund.)

The following table sets forth the fund balance of assets in the Alabama Trust Fund for the fiscal years shown.

Table 24.
Fund Balance of Assets in the Alabama Trust Fund
(in Millions)

Fiscal year ending Sept 30	Fund Balance
2015	\$2,627
2016	2,733
2017	3,194
2018	3,283
2019	3,334
2020	3,439
2021	3,922
2022	3,158
2023	3,470
2024	4,003
2025	4,255

Source: State of Alabama; State Treasurer's Office.

Alabama Trust Fund Distributions. To provide a more steady and reliable revenue stream to the State General Fund, rather than relying on unstable capital gains from the Alabama Trust Fund, the Legislature passed, the Governor signed, and the people approved Constitutional Amendment 856 to the State Constitution. Prior to this change, Amendment 666 to the State Constitution stated that in any year when trust income exceeded \$60,000,000, 10% shall be transferred to the Municipal Government Capital Improvement Trust Fund, 10% shall be transferred to the County Government Capital Improvement Trust Fund, up to 10%, but no more than \$15,000,000, shall be transferred to the Forever Wild Land Trust, one-fourth of 1% (increasing one-fourth of 1% each fiscal year), but no more than \$5,000,000, shall be transferred to the Senior Services Trust Fund, with the remainder to the State General Fund. Oil and gas royalties were to be distributed as follows: 1% to the Land Division of the Department of Conservation and Natural Resources, of the 99% remainder, 65% to the Alabama Trust Fund, 28% to the Capital Improvement Trust Fund, and 7% to be split 50% to the Municipal Government Capital Improvement Trust Fund and 50% to the County Government Capital Improvement Trust Fund. In addition, the Alabama Trust Fund Board, with a majority of members present making a quorum, and with majority vote of members present, could transfer up to 75% of realized and unrealized capital gains, with 10% each transferred to the Municipal Government Capital Improvement Trust Fund and the County Governmental Capital Improvement Trust Fund and the remainder (80%) to the State General Fund.

Amendment 856 changed the distribution of 33% of the oil and gas capital payments paid into the Alabama Trust Fund for the fiscal year ending one year prior to the beginning of the fiscal year for which the distribution is being made plus 5% of the average market value of the invested assets of the Alabama Trust Fund as of the end of the three fiscal years ending prior to the beginning of the fiscal year for which the distribution being made. Such funds are now distributed as follows: 10% to the County Government Capital Improvement Trust Fund, 10% to the

Municipal Government Capital Improvement Trust Fund, 10%, but not more than \$15,000,000 in any one year, will go to the Forever Wild Land Trust, 1%, but not more than \$5,000,000 in any one year, will go to the Senior Services Trust Fund, with the remainder to the State General Fund. The distributions may be reduced (either a smaller percentage of oil and gas payments, a smaller percentage of average amount of invested assets, or both) due to detrimental financial or market conditions if approved by a two-thirds vote of the entire board membership.

Amendment 856 also allowed for three transfers from the Alabama Trust Fund to the State General Fund for each of the fiscal years 2013 through 2015 in the amount of \$145,796,943 annually.

Pursuant to Act No. 2013-6 duly adopted during the 2013 Regular Session of the Alabama Legislature, the Legislature shall provide for the repayment of all funds transferred from the Alabama Trust Fund to the State General Fund pursuant to Amendment 856 not later than September 30, 2026. Such funds were repaid in full by the end of 2023.

Act No. 2016-469 created the Alabama Economic Settlement Authority and allowed the Authority to issue bonds repayable from the State's economic settlement with BP. A portion of the proceeds from any such bonds were required to be used to repay amounts owed by the State to the General Fund Rainy Day Account and to the Alabama Trust Fund. The Act also amended the People's Trust Act to modify the repayment schedule required by that Act. All amounts owed to the Alabama Trust Fund will now be repaid no later than September 30, 2033.

Education Trust Fund Rainy Day Account. Amendment 709 to the State Constitution established an Education Trust Fund Rainy Day Account within the Alabama Trust Fund in 2002. The Amendment authorized a one-time transfer from the Alabama Trust Fund to the Education Trust Fund Rainy Day Account of up to six percent of the Education Trust Fund's appropriation for the fiscal year ended September 30, 2002.

On June 17, 2002, a transfer of approximately \$248 million was made from the Alabama Trust Fund to the Education Trust Fund Rainy Day Account. During fiscal year 2003, proration in the Education Trust Fund was declared and \$179,993,229 was transferred from the Education Trust Fund Rainy Day Account to the Education Trust Fund to lessen the effects of proration. These funds were fully repaid prior to the end of fiscal year 2007.

Amendment 803 to the State Constitution, ratified in November 2008, repealed Amendment 709 and established an Education Trust Fund Rainy Day Account and a General Fund Rainy Day Account within the Alabama Trust Fund. In any year in which the Governor declares that proration would occur, the Education Trust Fund Rainy Day Account or the General Fund Rainy Day Account shall be credited with funds from the Alabama Trust Fund. However, withdrawals from the Education Trust Fund Rainy Day Account are limited to 6.5 percent of the previous fiscal year's appropriations, less any previous withdrawals not repaid, and the General Fund Rainy Day Account withdrawals are limited to 10 percent of the previous fiscal year's appropriations, less any previous withdrawals not repaid. The Education Trust Fund Rainy Day Account must be repaid within six years and the General Fund Rainy Day Account must be repaid within ten years.

The Education Trust Fund Rainy Day Account was depleted in fiscal year 2009, and as of July 2015, the entire balance had been repaid to the Account. The General Fund Rainy Day Account was depleted in fiscal year 2010. As of December 15, 2016, the entire balance had been repaid to the General Fund Rainy Day Account.

General Fund Budget Reserve Fund. The General Fund Budget Reserve Act, created by Act 2020-115, establishes the General Fund Budget Reserve Fund. Beginning on October 1, 2020, and on October 1 of each fiscal year thereafter, 20% of the ending balance in the General Fund from the previous fiscal year that was unanticipated and unappropriated by the Legislature as a beginning balance in the current fiscal year shall be dedicated to the fund. The Director of Finance shall transfer 20% of this balance by November 15 of each year and shall be made each year when the balance in the General Fund Budget Reserve Fund at the end of a fiscal year is less than \$100 million. The bill authorizes withdrawals to be made from the General Fund Budget Reserve Fund in the event of proration in the General Fund. The Governor must certify to the State Comptroller and notify the Legislature that proration would occur in the General Fund. Any amount in excess of the amount necessary to avoid proration shall be repaid within 30 days after the end of the fiscal year in which withdrawals are made. In addition, amounts in the General Fund Budget Reserve Fund may be withdrawn through an independent supplemental appropriation bill enacted with a recorded vote of at least two-thirds of the membership of each legislative chamber to provide funding necessary for any of the following: (1) to offset a reduction in estimated revenues to the General Fund for the current fiscal year; (2) to fund state employee pay raises or bonuses; (3) to provide funding for unanticipated obligations. However, no funds may be appropriated until the balance of the General Fund Budget Reserve Fund at the end of the previous fiscal year equals or exceeds \$50 million.

Alcoholic Beverage Control Board Revenue. Licenses and associated filing fees are required of distillers, manufacturers, wholesalers and retailers for the privilege of distributing alcoholic beverages within the State. Annual license fees vary with an original application filing fee of \$50. The Alabama Alcoholic Beverage Control Board collects licenses, fees, and liquor, beer, and table wine taxes. Spirituous and vinous liquors are taxed at 56% of cost plus a 35% markup as set by the State, and the taxes, as well as the profits of the Alabama Alcoholic Beverage Control Board, are distributed to the General Fund, the Department of Human Resources, the Special Mental Health Trust Fund, and municipalities and counties in which the sale of alcoholic beverages is permitted by law. The last tax increase was passed in 1988.

Beer Tax and County Licenses. Excise taxes are levied on the sale, storage, or receipt of malt or brewed beverages for the purpose of distribution. The taxes total 5 cents per 12 fluid ounces or fractional part thereof and are collected by the Alabama Alcoholic Beverage Control Board for distribution to the General Fund, the Department of Human Resources, the Alabama Education Trust Fund, and counties in which the sale of alcoholic beverages is permitted by law.

Business Licenses. The State levies, at varying rates, a business privilege license fee on persons, firms, corporations, companies, associations, receivers, or trustees engaged in certain business, vocation, or profession. After distribution to any required regulatory boards and the cost of collection, the receipts are distributed 50% to the General Fund and 50% to the respective counties where such receipts are collected.

Business Privilege Tax. The business privilege tax is levied for the privilege of being organized under the laws of Alabama or doing business in Alabama (if organized under the laws of another state or country). This is an annual tax calculated on taxable Alabama net worth (net worth plus additions, minus exclusions, times the apportionment factor, less deductions). The tax is administered by the State Department of Revenue. A portion of the Business Privilege Tax is distributed to each county and the remainder is distributed to the General Fund.

Cigarette and Tobacco Taxes. A privilege and use tax on tobacco products, including a tax of 33.75 mills per cigarette (\$0.675 per pack), is levied on the sale, storage or distribution of cigarettes by wholesalers and retailers, and varying rates on other tobacco products. This reflects an increase of 12.50 mills per cigarette effective October 1, 2015. The revenues from the 12.50 mill increase are required to be deposited in the General Fund for the Medicaid program. The remaining proceeds derived from the tax levied upon cigarettes are divided among the State Public Welfare Trust Fund, State Medicaid programs, the Special Mental Health Trust Fund, the State Park Fund, the State Health Department, the General Fund and the State Treasurer's Office for payment of maturities of principal and interest on: (1) certain bonds issued by the State Industrial Development Authority, and (2) certain bonds issued by the State or the Alabama Mental Health Finance Authority for the acquisition and construction of mental health facilities. The proceeds derived from the tax levied on tobacco products other than cigarettes are deposited into the General Fund.

Corporation Fees. Fees are charged by the Secretary of State and probate judges for filing documents, issuing certificates, and other services on behalf of corporations. Funds collected by the Secretary of State are divided between the Corporations Fund and the General Fund. Collections by counties are deposited in the county treasuries.

Driver's License Fees, Transcripts and Duplicates. County probate judges collect fees for four-year driver's licenses, eight-year non-driver's identification cards for those less than 62 years of age, transcripts, duplicates and learner's permits. Of the \$36.25 fee for each driver's license, non-drivers identification card, or learner's permit issued, \$1.50 is retained by the county, \$20.76 is deposited into the Public Safety Fund for the Alabama Law Enforcement Agency, \$0.05 to the Alabama Veterans Living Legacy Trust Fund, and the remainder is deposited into the State General Fund.

Federal Funds. Federal funds provided revenues to the State in prior years as shown in Table 21. Federal funds received in recent fiscal years provided the citizens of the State with aid in the areas of health, welfare, education, highways, employment services, disaster recovery, planning, energy and many routine government operations. No assurance can be made that federal funds will continue to be allocated to the State in the amounts received during prior years.

Financial Institutions Excise Tax. A 6.5% excise tax is levied on the net income of any bank, credit union, banking association, trust company, loan company or association, or person or institution coming into competition with the business of national banks. The funds remaining after deducting administrative costs and 0.5% which is distributed to the General Fund, are deposited 25% into the General Fund, 25% to the respective counties and 50% to the respective cities.

Gasoline Tax. Not including the additional tax imposed by the Rebuild Alabama Act (see "Recently Enacted Legislation – Rebuild Alabama Act Gasoline and Diesel Sales Tax" below), a

total of \$0.18 per gallon is now charged on the sale, consumption, distribution, storage or withdrawal from storage of gasoline in the State. After the cost of collection is deducted, the proceeds are distributed in three portions: \$0.07, \$0.05 and \$0.06. A minor portion is distributed to State's Water Safety Fund and the Seafood Fund, and the remainder is divided between the Public Road and Bridge Fund and to the counties. The State Department of Revenue also collects an aviation gasoline tax on the sale, consumption, distribution or storage of gasoline for use as a fuel to propel aircraft. The proceeds, after a deduction for the cost of collection, are allocated to the Alabama Department of Transportation and to political subdivisions operating airports.

Hazardous Waste Fees. The State collects a per ton levy on operators of commercial sites for the disposal of hazardous substances for each ton of hazardous waste or hazardous substance received for disposal and disposed of at such sites, with a portion of the amount collected going to the State's General Fund and a portion going to the county in which the site is located.

Hydroelectric Companies Tax. The State levies a privilege tax on the manufacture and sale of hydroelectric power within the State. The tax is assessed at 2/5 of a mill (0.04%) upon each kilowatt-hour of hydroelectric power and is allocated 42% to the Alabama Education Trust Fund and 58% to the Special Mental Health Trust Fund.

Income Tax. The State levies a personal income tax at a maximum of 5% after specified exemptions and deductions (including federal income taxes paid). Corporate income remaining after the subtraction of statutory deductions (including federal income taxes paid) is taxed at the rate of 6.5%. After deducting costs of collections, and current year refunds, the State Department of Revenue allocates a portion of the income tax revenues to the General Fund, the Soldier's Relief Fund, and the Public School Fund for reimbursement for homestead and other ad valorem tax exemptions and any balance remaining is transferred to the State Treasurer for credit to the Education Trust Fund to be used for payment of public school teachers salaries only.

Insurance Company Licenses and Premium Tax. A license tax, at varying rates, is levied for the purposes of providing insurance within the State, and a premium tax is imposed on the amount of premiums written by an insurer. Capped amounts of \$30,993,296 and \$4,525,338 from Insurance Premium Tax are distributed to the Education Trust Fund and the Special Mental Health Trust Fund, respectively, and the remainder goes to the State General Fund. License renewal fees, Insurance Fraud unit assessments and Title insurance fees are wholly deposited into the Insurance Department Fund. Company fees, producer fees, retaliatory taxes and miscellaneous services collections are split evenly between the Insurance Department Fund and the State General Fund.

Interest on State Deposits. Interest earned by the State Treasurer through the investment of State funds is paid to the State Treasury and, unless otherwise provided for by law, is credited to the General Fund. Because these amounts are not considered to be derived from tax revenues, they are not reflected in Table 21.

Leasing or Renting of Tangible Personal Property. A privilege tax is levied upon persons engaging in leasing or renting tangible personal property. The tax rates are as follows: 4% of gross proceeds from leasing or renting tangible personal property; 1.5% of gross proceeds from renting or leasing automotive vehicles, trucks, semi-trailers or house trailers; and 2% of gross proceeds from renting or leasing linens and garments. All of the proceeds of this tax are distributed to the General Fund.

Lodgings Tax. A privilege tax is levied upon every person or firm that rents or furnishes lodgings or accommodations to transients for a period of less than 180 days for a fee. The tax is levied at the rate of 5% of the charges for accommodation in counties of the geographic region comprising the Alabama mountain lakes area and 4% of the charges for accommodations in all other Alabama counties. One fifth of the 5% tax collected in the Alabama mountain lakes area counties is distributed 50% to the Alabama Mountain Lakes Tourist Association and 50% to the respective 16 counties where the tax is collected for the promotion of tourism and recreation. The balance of the tax collected in the mountain lakes area counties as well as the entire proceeds from the 4% tax levy collected in all other Alabama counties is distributed as follows: 75% to the General Fund and 25% to the Department of Tourism and Travel.

Mortgage Recording Tax. A license tax is collected by the probate judge of each county for filing a mortgage, deed of trust, contract of conditional sale, or similar instrument given to secure payment of any debt incurred in connection with the conveyance or transfer of any real or personal property in the State, or any security agreement or financing statement provided for by the Alabama Uniform Commercial Code. The tax rate is \$0.15 for each \$100 of indebtedness, or fraction thereof. Out of the total amount collected, 5% is retained by the Judge of Probate to cover costs of collection. Two thirds of the net amount collected is deposited into the General Fund and one third into the county treasury.

Motor Fuels Tax. An excise tax is levied upon the sale, consumption, distribution, storage or withdrawal from storage of any motor fuel (primarily diesel) used in the operation of a motor vehicle upon State highways. Not including the additional tax imposed by the Rebuild Alabama Act (see "Recently Enacted Legislation – Rebuild Alabama Act Gasoline and Diesel Sales Tax" below), the State collects two levies (\$0.13 and \$0.06) which total \$0.19 per gallon. The State Department of Revenue collects this tax and, after the cost of collection is deducted, the \$0.13 tax is used for the repayment of Alabama Highway Authority bonds (other than the Series 2025 Bonds being issued pursuant to this Official Statement), if any are outstanding, and the construction and maintenance of roads and bridges. The \$0.06 tax is distributed 4.69% equally among the 67 counties for public road and bridge purposes, 0.93% to incorporated municipalities and the balance to the Department of Transportation for highway purposes.

Motor Vehicle Registrations. An annual license tax or registration fee is required for each motor vehicle operated on the public highways of Alabama. Registration fees are collected by the Judge of Probate of each county and are set at \$23.00 for each passenger automobile, \$15.00 for each motorcycle, \$47.50 to \$210.00 for each motor bus, \$13.00 to \$500.00 for motor homes and \$13.00 to \$890.00 for each commercial car, truck or truck tractor. Fees for buses are based on city population and seating capacity. After the deduction of administrative costs and certain additional amounts collected on cars, trucks and truck tractors, 72% of the proceeds is deposited into the Public Road and Bridge Fund, 21% is distributed to the county or municipality in which the vehicle is located and 7% is distributed by the State Treasurer to the 67 counties on the basis of vehicle registrations. Additional amounts collected on truck and truck tractors are distributed as follows: 64.75% to the Public Road and Bridge Fund and 35.25% among the 67 counties of the State. Also, \$10 in additional fees on private passenger automobiles and trucks are deposited into the General Fund for Department of Public Safety purposes. See also "Recently Enacted Legislation – Battery Electric Vehicle License Tax" below.

Oil and Gas Privilege Tax. The State Department of Revenue collects an annual privilege tax on all persons engaged in the business of producing or severing oil or gas from beneath soil or water. Well units are taxed at a percentage of the gross value of the oil or gas at the point of production. The privilege tax rate varies according to type of well (offshore or onshore), permit date, and well classification (discovery, replacement, development, or occluded gas). The amount collected is divided between the General Fund and the counties where the oil and gas is produced (and the municipalities, if applicable).

Oil and Gas Production Tax. An oil and gas production tax is levied on the production of oil or natural gas severed from any well in Alabama. The tax is 2% of gross value at the point of production. The tax on offshore production, produced from depths greater than 8,000 feet below mean sea level is 1.66% of gross proceeds attributed to the offshore production. Revenues are collected by the Department of Revenue and distributed to the General Fund.

Pari-Mutuel Tax. A 1% tax is levied for businesses operating a dog or horse track, based upon the total amount wagered on all pari-mutuel races (both live and simulcast). In pari-mutuel races, individuals who wager on winners divide the total amount wagered in proportion to their individual wagers, after deduction of authorized taxes, fees, and management expenses. Pari-mutuel tax is collected by the Department of Revenue, and once the cost of collection is deducted, all proceeds are deposited into the State General Fund.

Public Utilities Tax. The State levies a 2.2% tax on each dollar of gross receipts for the preceding year on all persons operating a public utility except railroads, express companies, telephone and telegraph companies. After a deduction for costs of collection, the public utilities tax is distributed as follows: 15% to the General Fund and 85% to the Special Mental Health Trust Fund.

Sales and Use Taxes. The sales tax is a tax imposed on the gross proceeds from the sale of tangible personal property within the State. The use tax is an excise tax on the storage, use or other consumption within the State of tangible personal property purchased outside the State.

After the deduction of collection costs for the sales tax, \$189,000 is distributed to the 67 counties on the basis of population; \$189,000 is distributed to the 67 counties equally; to the extent not replaced from income tax proceeds, the replacement in the public school fund and in the General Fund of amounts lost by exemption of homesteads from ad valorem tax; \$1,322,000 is distributed to the Department of Human Resources for general welfare purposes; varying amounts are distributed to the Department of Conservation and Natural Resources and to the General Fund from the increase in tax receipts due to the cap on license holder discounts; a varying amount for the administration of the Food Stamp Program is distributed to the Department of Human Resources; to the credit of the General Fund of 42% of the tax levied on sales of automotive vehicles, truck trailers, semitrailers, house trailers, and mobile home set-up materials and supplies, and 50% of the tax levied on sales of motorboats not collected by the seller; beginning January 1, 2016, for deposit into the State Treasury to the credit of the State General Fund the tax levied on consumable vapor products; and the balance is deposited into the Education Trust Fund.

After deduction of collection costs for the use tax, (i) 42% of the use tax proceeds on automotive vehicles, truck trailers, semi-trailers, house trailers and mobile homes is deposited into the General Fund and 58% is deposited into the Education Trust Fund, (ii) 50% of the tax proceeds

on uses of motorboats not collected by the seller is deposited into the General Fund and 50% are deposited into the Education Trust Fund, (iii) 75% of the remote use tax amounts (collected from out-of-state vendors who do not have nexus in the State and from consumers on individual tax returns) is deposited into the General Fund and 25% is deposited into the Education Trust Fund, and (iv) 53% of the remaining use tax proceeds is deposited into the General Fund and 47% are deposited into the Education Trust Fund. Effective January 1, 2016, per Act 2015-535, taxes collected through the sales of consumer vapor products are deposited 100% into the State General Fund. See "RECEIPTS, DISBURSEMENTS, TAXES AND REVENUES - State Taxes and Other Major Sources of Revenues and Income – *Remote Sales/Use Tax*" herein for information regarding the distribution of remote sales/use tax proceeds.

An act passed during the 2006 Regular Session of the Alabama Legislature created a sales tax holiday that exempts from the State sales tax the purchase of selected products (computers, clothes, school supplies, etc.) up to a maximum cost, for the first weekend in August each year.

Tennessee Valley Authority Payments. The Tennessee Valley Authority ("TVA") makes payments in lieu of all taxes to the states where its power properties and operations are located. TVA pays 5% of its gross revenues from the sale of power in the preceding fiscal year to such states on a proportionate basis. The amounts received by the State from TVA's payments in lieu of taxes are distributed as follows: 83% to counties served by TVA and the remainder to the State. The State's share is required to be deposited into a special fund held by the State Treasurer (the "Special Fund") for the Alabama Incentives Financing Authority Bonds. If directed by a resolution of the Board of Directors of the Alabama Incentives Financing Authority, the State Treasurer must transfer from the Special Fund to the General Fund moneys and securities the Board of Directors determines are not needed to meet obligations of the Alabama Incentives Financing Authority.

Utility Gross Receipts Tax and Utility Service Use Tax. The State Department of Revenue collects a privilege tax on every utility furnishing utility services in the State. For every utility furnishing electricity, domestic water or natural gas, the tax rate is 4% on the first \$40,000 of monthly sales, 3%, on the next \$20,000 of monthly sales and 2% on all monthly sales above \$60,000. For every utility furnishing telegraph or telephone services, the rate is 6% on all monthly sales. After a deduction for cost of collection and \$14,600,000 for deposit into the Special Mental Health Trust Fund, the proceeds from this tax are deposited into the Education Trust Fund. The Utility Service Use Tax, complementary to the Utility Gross Receipts Tax, is levied on the sales price of utility services stored, used or otherwise consumed in Alabama, regardless of whether the utility is engaged in business in Alabama, at the same rates as the Utility Gross Receipts Tax. After a deduction for cost of collection, the proceeds of this tax are deposited into the Education Trust Fund.

Recently Enacted Legislation

Alabama Accountability Act. The Alabama Accountability Act of 2013 (Act No. 2013-64, 2013-265, 2015-434), among other things, (1) allows for flexibility contracts between the State Board of Education and local public school districts in order to enhance innovation in Alabama public schools, (2) creates income tax credits for families with students in a failing school to attend a nonpublic school or non-failing public school, and (3) creates income tax credits for taxpayers who donate to a nonprofit organization that provides scholarships for students to attend a nonpublic school or non-failing public school.

The income tax credits for families with students in a failing school are refundable tax credits, which means that, if the Alabama income taxes owed by the family are less than the total credit allowed under the act, the family is entitled to a refund or rebate equal to the balance of the unused credit. The act provides that these refunds or rebates are to be paid out of sales tax collections of the Education Trust Fund. In the fiscal year ended September 30, 2025, \$246,381.00 was paid from sales tax collections. The act provides for no limit on these tax credits. The income tax credits for taxpayers who donate to nonprofit scholarship organizations are not refundable tax credits; further, the act limits these tax credits to \$30,000,000 per year.

Remote Sales/Use Tax. Under Act No. 2012-599 of the Alabama Legislature, if any national agreement for the collection of sales and use taxes from remote sellers establishes a national tax rate or requires the State to establish a single statewide rate on remote sales, the distribution of remote sales and use tax proceeds would be as follows: 50% to the State (with 75% thereof deposited into the State General Fund and 25% thereof deposited into the Education Trust Fund); 25% to the municipality in which the delivery was made, if the delivery is made within a municipality; and the remainder to the county in which the delivery is made.

Act No. 2015-448 of the Alabama Legislature allows all remote sellers who make retail sales into Alabama to enter into voluntary agreements with the State, under which they would agree to collect and pay to the State a flat 8% sellers use tax on all sales made into Alabama. The amounts collected pursuant to these agreements are distributed 50% to the State, 25% among the counties in the State and 25% among the municipalities in the State. The State's share of the amounts collected pursuant to these agreements is deposited 75% to the State General Fund and 25% to the Education Trust Fund.

Effective January 1, 2019, Act 2018-539 of the Alabama Legislature established the distribution of the proceeds from the Simplified Sellers Use Tax Remittance Program's statewide 8% tax. The proceeds of such tax will be distributed as follows: 50% to the State (with 75% thereof deposited into the State General Fund and 25% thereof deposited into the Education Trust Fund); 30% to Alabama municipalities, based on census population percentages; and 20% to Alabama counties, based on census population percentages. Also, effective January 1, 2019, a cap of \$8,000 was placed on the discount for timely remittance of the Simplified Sellers Use Tax collections.

Rebuild Alabama Act Gasoline and Diesel Tax. Pursuant to Act No. 2019-2 of the Alabama Legislature, the tax on gasoline and diesel fuel increased by (1) \$0.06 on each net gallon of gasoline and diesel fuel on September 1, 2019, (2) an additional \$0.02 on each net gallon of gasoline and diesel fuel on October 1, 2020 (i.e., an aggregate increase of \$0.08 per net gallon) and (3) an additional \$0.02 on each net gallon of gasoline and diesel fuel on October 1, 2021 (i.e., an aggregate increase of \$0.10 per net gallon). Beginning October 1, 2023, and on July 1 of every other year thereafter, the tax rate will be adjusted by the percentage change in the yearly average of the National Highway Construction Cost Index (NHCCI) for the most recent period ending December 31, compared to the base year average, which is the average for the 12-month period ending December 31, 2020 and rounded to the nearest whole cent. The maximum amount or increase or decrease in the tax rate will not exceed \$0.01 per net gallon and will take effect every other year. Up to \$750,000 per month of the additional gasoline tax and up to \$230,000 per month of the additional diesel tax are distributed to pay debt service on bonds issued by Alabama Highway Finance Corporation in a par amount not to exceed \$150,000,000. The remaining proceeds from the additional taxes are distributed (1) 66.67% to the Alabama Department of

Transportation to be used various transportation infrastructure projects, (2) 25% among the counties of the State to be used various transportation infrastructure projects and (3) 8.33% among the municipalities of the State to be used various transportation infrastructure projects.

Battery Electric Vehicle License Tax. Pursuant to Act No. 2019-2 of the Alabama Legislature, an annual license tax and registration fee of \$200 is imposed on each battery electric vehicle operate on the public highways of the State and an annual license tax and registration fee of \$100 is imposed on each plug-in hybrid electric vehicle operated on the public highways of the State. Such fees are effective January 1, 2020. Beginning July 1, 2023 and every fourth year thereafter, the additional annual license tax and registration fee will increase by \$3. Such fees are subject to reduction in the event certain federal surcharge or registration fees are imposed on such vehicles and such amounts are used solely for highway transportation purposes in the State. The first \$150 collected from the annual license tax and registration fee on each battery electric vehicle and the first \$75 collected from the annual license tax and registration fee on each plug-in hybrid electric vehicle will be distributed 66.67% to the State, 25% among the counties of the State and 8.33% among the municipalities of the State for public road, highway and bridge projects. The remainder of the annual fees collected will be deposited in the Rebuild Alabama Fund and used by the Alabama Department of Transportation to fund electric vehicle transportation charging infrastructure until the number of registrations of battery electric vehicles and plug-in hybrid electric vehicles reaches 4% of the total annual registration of motor vehicles in the State, at which point the annual fees will be reduced to \$150 and \$75, respectively.

Sales and Use Tax on Food. Pursuant to Act No. 2023-554, the State sales and use tax rates on food were reduced from 4 percent to 3 percent on September 1, 2023, and were further reduced to 2 percent on September 1, 2025.

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STATE RETIREMENT PROGRAMS

General

The State is one of many participants in three statewide retirement pension benefit programs provided through the Retirement Systems of Alabama ("RSA" or the "Systems") and two healthcare benefit programs. Teachers' Retirement System ("TRS" or the "Teachers' System"), Employees' Retirement System ("ERS" or the "Employees' System"), and Judicial Retirement Fund ("JRF") operate under common management and are collectively referred to as RSA. Each of the three retirement pension programs is a defined benefit program, whereby the investment risk of the program is borne by the employer.

The Systems are funded by (1) employee contributions, (2) appropriations by the Legislature from the Education Trust Fund, the General Fund and other funds from local units who are responsible for employer contributions, and (3) earnings on investments. Active members participate in the Systems as a condition of employment with concurrent contributions made on their behalf by their respective employer.

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control.

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, under the provisions Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of the ERS is vested in its Board of Control.

The JRF, a cost-sharing multiple-employer public employee retirement plan, was established as of September 18, 1973, pursuant to Act 1173 of the Legislature of 1973 (codified at Title 12, Chapter 18 of the Code of Alabama (1975)) for the purpose of providing retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act 1205 of the Legislature of 1975 (codified at Title 12, Chapter 19, Articles 3 and 4 of the Code of Alabama (1975)) enlarged the scope and coverage of the JRF to include District and Probate Judges. Act 498 of the Legislature of 2015 (codified at Title 12, Chapter 18, Article 7 of the Code of Alabama (1975)) established the Judges' and Clerks' Plan within the JRF for any Judge or Clerk who was first elected or appointed on or after November 8, 2016, and was not a member of the JRF or the Clerks' and Registers' Supernumerary Fund prior to that date. Act 498 of the Legislature of 2015 (codified at Section 12-17-22 of the Code of Alabama (1975)) established the District Attorneys' Plan with the JRF for any District Attorney serving in the capacity of District Attorney on or after November 8, 2016. The responsibility for the general administration and operation of the JRF is vested in the Board of Control of the ERS.

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by state law. Changes to benefits, including ad hoc cost of living adjustments, must be established by statute. For employees hired prior to January 1, 2013 (Tier 1), benefits for TRS and ERS members vest after 10 years of creditable service. Tier 1 teachers and state employees who retire after age 60 (52 for State Police) with 10 years of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service retirement benefits are based on a guaranteed minimum or a formula method with the member receiving payment under the method which yields the highest monthly benefit. Under the formula method, Tier 1 members of TRS and ERS (except State Police) are allowed 2.0125 percent of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875 percent for each year of State Police service in computing the formula method. Disability retirement benefits are calculated in the same manner.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS and ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS and ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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At September 30, 2025, the number of participating employers in each system was as follows.

Table 25.
Participating Employers by System
As of September 30, 2025

	TRS	ERS	JRF
Cities	-	311	-
Counties	-	66	67
Other Public Entities	-	513	-
Universities	13	-	-
Postsecondary Institutions	25	-	-
City and County Boards of Education	139	-	-
State Agencies and Other	46	1	1
Total	223	891	68

Source: Retirement Systems of Alabama's Annual Comprehensive Financial Report for the fiscal year ended September 30, 2025.

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The following table shows the number of active and retired members in the various state and local participating units of the Systems.

Table 26.
Number of Active and Retired Members
As of September 30, 2025

	TRS	ERS	JRF	Total Members	ERS		
					State Employees	State Police	Local Member
Retirees and beneficiaries receiving benefits	109,148	58,714	460	168,322	25,231	1,006	32,477
Terminated employees entitled to benefits but not yet receiving benefits	33,948	32,782	13	66,743	8,198	62	24,522
Non-vested inactive members who have not contributed for more than 5 years	36,195	26,771	23	62,989	26,771	0	0
Active Members	139,642	88,806	387	228,835	27,762	765	60,279
Post DROP employees in active service	164	107	0	271	76	0	31
Total	319,097	207,180	883	527,160	85,388	1,796	113,083

Source: Retirement Systems of Alabama's Annual Comprehensive Financial Report for the fiscal year ended September 30, 2025.

Benefits Provided

The Systems provide retirement, disability, and death benefits. The benefits are available to members at varying times during their creditable service. For Tier 1 members, retirement benefits are available after 25 years of creditable service or after 10 years of creditable service and attainment of age 60. Tier 1 members of the Systems are vested after accumulating ten (10) years of creditable service.

Tier 2 members are also provided retirement, disability and death benefits. For Tier 2 members, retirement benefits are available after ten (10) years of creditable service and attainment of age 62. Tier 2 members of the Systems are vested after accumulating ten (10) years of creditable service.

Members are eligible to participate in one of two health insurance plans. For a discussion of health benefits provided, see "Other Post-Employment Benefits" below.

DROP Program

Operation of the State's Deferred Retirement Option Program ("DROP") commenced in June 2002. DROP was a retirement program designed to keep highly experienced employees from taking early retirement. DROP allowed state and education employees who were eligible for retirement to defer receipt of their retirement allowance and continue employment for a period of not less than 3 years nor more than 5 years. At the end of the period, the member could withdraw from active service and receive his or her normal retirement benefit calculated at the time of enrollment in DROP, plus a lump sum payment comprised of the deferred retirement benefits, employee contributions made while participating in DROP, and interest earned on DROP deposits. DROP participation was available to eligible members who had at least twenty-five years of

service (exclusive of sick leave), were at least 55 years of age, and were eligible for service retirement.

In March 2011, the Alabama Legislature voted to repeal DROP and the Governor signed Act No. 2011-27 effecting the repeal. The repeal of DROP was effective March 24, 2011, with no new participants allowed to enter DROP with an effective participation date after June 1, 2011.

PLOP Program

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in DROP is not eligible to receive a PLOP distribution.

Annual Valuation and Unfunded Accrued Liability

The Code of Alabama (1975) requires an annual actuarial valuation of TRS, ERS, and JRF by a competent actuary. Valuations are released approximately one year after the valuation date. The System actuary is currently Cavanaugh Macdonald Consulting, LLC ("Cavanaugh"). Cavanaugh prepared actuarial valuations as of September 30, 2025, for TRS, ERS, and JRF and provided those results to RSA in Spring 2026.

In connection with the Systems' pension programs, the State is pooled with certain local governments and municipalities, universities, colleges and community colleges, boards and authorities, non-profit agencies, parks, libraries and other affiliated groups. Because the Systems' assets and liabilities are pooled on a program-wide basis, the State is pooled with all Alabama local governments in connection with the Systems.

An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits. The actuarial reports for each annual valuation contain information about periodic adjustments to valuation methods used for determining UAL.

The following methods and assumptions adopted by the RSA are the basis for the actuarial valuations of the related pension benefit programs.

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Table 27.
Pension Assumption Method

Actuarial Cost Method:	
TRS	Entry Age Normal
ERS	Entry Age Normal
JRF	Entry Age Normal
UAL Amortization Method:	
TRS	Level Percent Closed
ERS State & Local Employees	Level Percent Closed
ERS State Police	Level Percent Closed
JRF	Level Percent Closed
Amortization Period ⁽¹⁾ :	
TRS	22.9 years
ERS State Employees	22.9 years
ERS State Police	16.8 years
ERS Local Employees	Within 30 years - varies by employer
JRF	14.7 years
Asset Valuation Method:	Five-Year Market Related Value
Investment Rate of Return ⁽¹⁾ :	
TRS	7.45%
ERS	7.45%
JRF	7.40%
Payroll Growth Rate ⁽²⁾ :	
TRS	3.250% - 5.000%
ERS State & Local Employees	3.250% - 6.000%
ERS State Police	4.000% - 7.750%
JRF	2.750%
Inflation Level:	
TRS and ERS	2.500%
JRF	2.750%
Cost of Living Adjustments:	
TRS and ERS	None
JRF	2.750% per year for certain members hired prior to July 30, 1979, and for spouses benefits subject to increase

Note (1) See actuarial reports for additional information.

Note (2) Includes inflation.

Sources: Actuarial reports for ERS, TRS, and JRF, as of 9/30/2025.

State law provides that the RSA Boards of Control engage an actuary to prepare an annual valuation of the assets and liabilities of each of the various retirement plans. The actuary determines the "unfunded actuarial liability."

On June 25, 2012, GASB approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new standards are set forth in GASB Statements 67 and 68. The changes impact the accounting treatment of most pension plans in which state and local governments participate. While these new accounting standards change financial statement reporting requirements, they do not impact the funding requirements for members, employers or the State. The impact of the new GASB financial reporting requirements are reflected in the RSA's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2023.

Teachers' Retirement System

Actuarial Valuations. The table below reflects the unfunded actuarial accrued liability, actuarial value of assets and funded ratio of the TRS as of the actuarial valuation dates shown.

Table 28.
Historical Funded Status
Teachers' Retirement System
(includes non-State obligated portion)
(dollar amounts in millions)

Valuation Date (September 30)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (%) (a/b)
2025	\$32,265	\$47,194	\$14,929	68.4%
2024	30,187	45,696	15,509	66.1%
2023	28,766	44,175	15,409	65.1%
2022	28,518	42,552	14,034	67.0%
2021 ⁽¹⁾	28,154	40,107	11,953	70.2%
2020	26,684	37,753	11,069	70.7%
2019	25,821	37,215	11,394	69.4%
2018 ⁽¹⁾	25,006	35,628	10,622	70.2%
2017 ⁽¹⁾	23,887	34,688	10,801	68.9%
2016 ⁽¹⁾	22,646	33,144	10,498	68.3%

Note (1) Reflects changes in actuarial assumptions or methods.

Source: Teachers' Retirement System of Alabama – Actuarial Valuation Report prepared as of September 30, 2025.

Cash Flow Analysis. The table below reflects a cash flow analysis for the Teachers' System for the fiscal years shown below.

Table 29.
History of Additions and Deductions
Teachers' Retirement System
(dollar amounts in millions)

	2025	2024	2023	2022	2021	2020	2019
Employee Contributions	643.8	625.3	596.8	563.1	525.7	515.0	522.9
Employer Contributions	1,167.4	1,066.1	1,008.4	932.3	874.4	862.5	869.3
Investment Income	3,187.3	5,712.3	3,335.2	(3,876.9)	5,727.8	1,374.4	614.4
Other Income/Transfers	0.0	0.7	0.5	58.7	0.4	0.6	--
Total Additions	4,998.5	7,404.4	4,940.9	(2,322.7)	7,128.3	2,752.5	2,006.6
Total Deductions ⁽¹⁾	2,846.9	2,765.7	2,673.6	2,658.3	2,512.8	2,425.5	2,322.7
Net Increase (Decrease)	2,151.6	4,638.7	2,267.3	(4,981.1)	4,615.5	327.0	(316.1)

Note (1) Includes payments to retirees and beneficiaries, as well as administrative expenses.

Note: Totals may not add due to rounding.

Source: Teachers' Retirement System of Alabama – Actuarial Valuation Report prepared as of September 30, 2025.

Employees' Retirement System

Actuarial Valuations. The table below reflects the unfunded actuarial accrued liability, actuarial value of assets and funded ratio of the ERS as of the actuarial valuation dates shown.

Table 30.
Historical Funded Status
Employees' Retirement System – Total All Groups
(includes non-State obligated portion)
(dollar amounts in millions)

Valuation Date (September 30)	Actuarial Value of Assets ⁽¹⁾ (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (%) (a/b)
2025 ⁽⁵⁾	\$16,657	\$25,289	\$8,632	65.9%
2024	15,461	24,277	8,816	63.7%
2023 ⁽⁴⁾	14,653	23,111	8,458	63.4%
2022	14,505	22,096	7,591	65.6%
2021 ^(1, 2, 3)	14,291	21,105	6,814	67.7%
2020	13,491	19,786	6,295	68.2%
2019	12,646	18,544	5,898	68.2%
2018 ⁽¹⁾	12,241	17,830	5,589	68.7%
2017 ⁽¹⁾	11,691	17,251	5,560	67.8%
2016 ⁽¹⁾	11,082	16,728	5,646	66.2%

Note (1) Reflects changes in actuarial assumptions and methods.

Note (2) Reflects impact of Act No. 2019-132.

Note (3) Reflects impact of Act 2022-351 and Act 2022-185

Note (4) Reflects impact of Act 2023-73

Note (5) Reflects impact of Act 2026*608

Source: Employees' Retirement System of Alabama – Actuarial Valuation prepared as of September 30, 2025.

Cash Flow Analysis. The table below reflects a cash flow analysis for the Employees' System for the fiscal years shown below.

Table 31.
History of Additions and Deductions
Employees' Retirement System
(dollar amounts in millions)

	2025	2024	2023	2022	2021	2020	2019
Employee Contributions	391.0	362.6	334.5	309.7	286.4	324.3	254.4
Employer Contributions	745.5	669.0	593.2	559.9	516.4	810.8	467.6
Investment Income	1,681.8	2,936.4	1,653.9	(1,945.5)	2,861.0	723.6	320.6
Other Income & Transfers	0.3	0.3	.2	2.8	0.3	0.4	--
Total Additions	2,818.6	3,968.3	2,581.8	(1,073.0)	3,663.9	1,859.1	1,048.6
Total Deductions ⁽¹⁾	1,536.4	1,489.5	1,447.6	1,407.2	1,335.1	1,277.1	1,194.5
Net Increase (Decrease)	1,282.2	2,478.8	(1,134.2)	(2,480.3)	2,328.9	582.0	(151.9)

Note (1) Includes payments to retirees and beneficiaries, as well as administrative expenses

Note: Totals may not add due to rounding

Source: Employees' Retirement System of Alabama – Actuarial Valuation prepared as of September 30, 2025.

Unfunded Accrued Liability – State and Local Obligations. The statute creating the ERS, which allows covered local government employees to elect to participate in the ERS, provides that, notwithstanding anything to the contrary, the ERS shall not be liable for the payment of any pensions or other benefits on account of employees of any local government, whether active or retired, for which reserves have not been previously created from funds contributed by each such local government for the employees of that local government. For that reason, among others, the following table separately reflects the unfunded accrued liability of the ERS, as determined by the actuary, for state employees and State Police and the total unfunded accrued liability for all covered employees, as of the annual valuation dates shown.

Table 32.
Unfunded Accrued Liability – Employees' Retirement System
(dollar amounts in millions)

Valuation Date (September 30)	Unfunded Liability for State Employees and State Police	Unfunded Liability for All Groups
2025	\$4.382	\$8,632
2024	4,462	8,816
2023	4,285	8,458
2022	3,930	7,591
2021	3,555	6,814
2020	3,371	6,295
2019	3,293	5,898
2018	3,115	5,589
2017	3,095	5,560
2016	3,079	5,646

Source: Employees' Retirement System of Alabama – Actuarial Valuation prepared as of September 30, 2025.

The funded status of the pension programs may change depending on the market performance of the securities that RSA is invested in, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of RSA. Additionally, the market value of the investments held by RSA is determined using various sources. For descriptions of the methodologies applied to determine the market value of RSA's investments, refer to the Retirement Systems of Alabama's Annual Comprehensive Financial Report. No assurance can be given that the UAL of the pension programs and the State's contribution rates will not materially increase.

Judicial Retirement Fund

Actuarial Valuations. The table below reflects the unfunded actuarial accrued liability, actuarial value of assets and funded ratio of the JRF as of the actuarial valuation dates shown.

Table 33.
Historical Funded Status
Judicial Retirement Fund
(includes non-State obligated portion)

(dollar amounts in millions)

Valuation Date (September 30)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (%) (a/b)
2025	\$366	\$581	\$215	63.0%
2024	347	567	221	61.1%
2023	333	556	223	59.9%
2022	335	545	210	61.5%
2021 ⁽¹⁾	334	500	163	66.8%
2020	319	482	165	66.1%
2019	311	476	165	65.3%
2018 ⁽¹⁾	305	458	153	66.7%
2017 ⁽²⁾	293	448	155	65.4%
2016 ⁽¹⁾	280	447	167	62.6%

Note (1) Reflects changes in actuarial assumptions and methods.

Note (2) Reflects changes in benefit structure beginning November 8, 2016.

Source: Alabama Judicial Retirement Fund – Actuarial Valuation prepared as of September 30, 2025.

Special Payments. In addition to these contributions to the Judicial Retirement Fund, there are certain supernumerary and other eligible persons, who are receiving special payments which are, or might be construed to be, pensions. The present total of all such payments is not considered to be material to the State.

Cash Flow Analysis. The table below reflects a cash flow analysis for the Judicial Retirement Fund for the fiscal years shown below.

Table 34.
History of Additions and Deductions
Judicial Retirement Fund
(dollar amounts in millions)

	2025	2024	2023	2022	2021	2020	2019
Employee Contributions	5.2	5.2	5.0	4.7	4.3	4.2	4.1
Employer Contributions	22.5	22.5	21.6	20.6	18.3	18.1	18.0
Investment Income	37.3	69.6	42.8	(51.8)	63.7	23.2	11.0
Other Income & Transfers	--	--	--	--	--	--	--
Total Additions	67.0	97.3	69.4	(26.5)	86.3	45.5	33.1
Total Deductions ⁽¹⁾	45.2	43.7	43.4	41.3	39.5	39.4	37.9
Net Increase (Decrease)	21.8	53.6	26.0	(67.8)	46.8	6.1	(4.8)

Note (1) Includes payments to retirees and beneficiaries, as well as administrative expenses

Note: Totals may not add due to rounding

Source: Alabama Judicial Retirement Fund – Actuarial Valuation prepared as of September 30, 2025.

Total Unfunded Liability of System

The following table depicts the unfunded actuarial accrued liability ("UAAL") for both the State-obligated and non-State obligated portions for the Systems.

Table 35.
Pension Unfunded Accrued Liability
As of September 30, 2025

	State	Local	Total
TRS ⁽¹⁾	\$14,929	0	\$14,929
JRF ⁽²⁾	215	0	215
ERS ⁽³⁾ :			
Employees	3,998	0	3,998
Local Government	0	4,250	4,250
State Policemen	383	0	383
Total Unfunded Actuarial	\$19,525	\$4,250	\$23,775
Accrued Liability			

Sources: 2025 Actuarial Valuations.

Employer Contributions

Sufficiency of Contributions. As required by the Code of Alabama (1975), the TRS, ERS, and JRF provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs. At the end of each fiscal year, the latest actuary-provided valuations determine employer contribution rates, which are effective for the following year. The employer contributions are made from funds on deposit in the Education Trust Fund, the General Fund, earmarked State funds, and from other funds provided by local units.

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Contribution Rates. The following table shows the State's employer contribution rates expressed as a percentage of the actuarially determined covered payroll for System pension costs.

Table 36.
Employer Retirement Contributions

Fiscal Years	Teachers ⁽¹⁾		State Employees ⁽¹⁾		State Police ⁽¹⁾		Judicial ⁽²⁾		
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Groups 1 & 2	Group 3 Judges & Clerks	District Attys
2028	14.66%	13.70%	17.15%	16.85%	58.82%	56.41%	47.99%	47.99%	19.77%
2027	14.66%	13.70%	17.15%	16.85%	58.82%	56.41%	47.99%	47.99%	19.77%
2026	14.57%	13.61%	17.34%	17.08%	60.35%	57.94%	48.33%	43.76%	19.77%
2025	13.57%	12.60%	16.26%	16.02%	56.68%	48.20%	45.48%	41.05%	19.77%
2024	15.59%	11.57%	16.00%	15.76%	53.38%	44.84%	42.47%	37.72%	19.77%
2023	12.59%	11.44%	14.82%	14.44%	51.67%	42.86%	42.10%	37.34%	19.77%
2022	12.43%	11.32%	14.83%	14.44%	52.22%	42.86%	42.10%	37.47%	19.77%
2021	12.36%	11.22%	14.64%	14.24%	51.75%	42.89%	40.80%	35.61%	19.77%
2020	12.43%	11.34%	15.24%	14.87%	52.29%	45.56%	40.40%	35.05%	19.77%
2019	12.41%	11.35%	14.51%	14.14%	50.08%	43.43%	41.40%	34.32%	19.77%
2018	12.24%	11.01%	13.94%	13.29%	44.44%*	39.29%*	40.09%	34.32%	19.77%
2017	12.01%	10.82%	13.89%	13.25%	57.25%	53.55%	40.65%	34.32%	19.77%
2016	11.94%	10.84%	14.57%	14.09%	42.61%	38.98%	40.98%		
2015	11.71%	11.05%	13.45%	13.31%	38.37%	32.45%	35.24%		
2014	11.71%	11.08%	12.02%	11.96%	35.81%	29.52%	35.24%		
2013	10.08%	9.44%	10.12%	10.04%	31.61%	25.32%	32.06%		
2012	10.00%		9.42%		29.92%		24.35%		
2011	12.51%		11.94%		30.57%		24.20%		
2010	12.51%		11.94%		30.57%		24.20%		
2009	12.07%		11.88%		30.99%		23.23%		
2008	11.75%		10.26%		30.42%		23.23%		
2007	9.36%		7.78%		24.12%		22.50%		
2006	8.17%		6.77%		21.36%		21.93%		
2005	7.03%		5.57%		18.03%		21.93%		
2004	6.56%		4.19%		13.87%		21.93%		
2003	5.02%		3.95%		9.24%		21.19%		
2002	5.96%		3.95%		9.24%		21.19%		
2001	6.38%		4.08%		9.45%		21.19%		
2000	6.38%		4.08%		9.45%		21.19%		

Note (1) Act No. 2012-377 created a Tier 2 defined benefit plan for all TRS and ERS members hired on or after 1/1/13. New members and their employers will pay lower contribution rates. However, new members will not be able to draw a retirement benefit until they reach age 62. State Police, law enforcement, firefighters and correctional officers will be able to draw a benefit at age 56.

Note (2) Act 2015-498 established a new group (Group 3) of members within JRF, which consists of all Justices, Judges and Circuit Clerks first elected or appointed, and District Attorneys serving in the capacity of District Attorney, on or after November 8, 2016, Group 3 members are eligible for retirement at age 62 with 10 or more years of creditable service and are entitled to an annual retirement benefit, payable monthly for life.

Source: Actuarial reports for TRS, ERS, and JRF.

Future Increases in Benefits

There is, of course, no guarantee that future legislation will not provide further increases in benefits without providing for either corresponding increases in member contributions or increases in taxes to fund the increased level of benefits, the net effect of which could be the disbursement of a higher proportion of the State's assets to fund the Systems than that represented by the contributions by the State for the most current fiscal year.

Solvency Tests

Tables 37, 38 and 39 that follow reflect a 10-year history of solvency for each of the Teachers' System, the Employees' System, and the Judicial Retirement Fund.

Table 37.
Teachers' Retirement System of Alabama
Solvency Test
2016-2025

(dollar amounts in thousands)

Aggregate Accrued Liabilities for							
Valuation Date (September 30)	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets ⁽²⁾		
					A	B	C
9/30/2025	\$7,857,852	\$26,396,009	\$12,939,921	\$32,264,475	100.0%	92.5%	0.0%
9/30/2024	7,573,432	25,298,757	12,823,942	30,186,645	100.0%	89.4%	0.0%
9/30/2023	7,232,215	24,478,101	12,465,011	28,765,970	100.0%	88.0%	0.0%
9/30/2022	6,865,652	23,899,984	11,786,733	28,518,292	100.0%	90.6%	0.0%
9/30/2021 ⁽¹⁾	6,589,860	23,111,616	10,405,330	28,154,229	100.0%	93.3%	0.0%
9/30/2020	6,356,922	21,781,149	9,614,729	26,681,239	100.0%	93.3%	0.0%
9/30/2019	6,100,489	21,093,665	10,021,316	25,821,326	100.0%	93.5%	0.0%
9/30/2018 ⁽¹⁾	5,788,187	20,511,811	9,328,400	25,006,419	100.0%	93.7%	0.0%
9/30/2017 ⁽¹⁾	5,504,125	19,886,016	9,297,737	23,887,077	100.0%	92.4%	0.0%
9/30/2016 ⁽¹⁾	5,197,469	19,257,160	8,689,205	22,645,512	100.0%	90.5%	0.0%

Note (1) Reflects changes in actuarial assumptions.

Note (2) Column A represents the percentage of Active Member Contributions, as shown in (1), covered by the Reported Assets. Column B represents the percentage of the amounts owed to Retirants and their Beneficiaries covered by Reported Assets after accounting for the payment of amounts constituting Active Member Contributions, as shown in (1). Column C represents the percentage of amounts owed to Active Members covered by Reported Assets after accounting for the payment of amounts constituting Active Member Contributions, as shown in (1) and amounts owed to Retirants and their Beneficiaries, as shown in (2)

Source: Teachers' Retirement System of Alabama – Actuarial Valuation Report prepared as of September 30, 2025.

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Table 38.
Employees' Retirement System of Alabama
Solvency Test
2016-2025

(dollar amounts in thousands)

Aggregate Accrued Liabilities for							
Valuation Date (September 30)	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets ⁽²⁾		
					A	B	C
9/30/2025	\$3,974,263	\$13,583,204	\$7,731,639	\$16,656,917	100.0%	93.4%	0.0%
9/30/2024	3,762,056	13,109,667	7,405,243	15,460,671	100.0%	89.2%	0.0%
9/30/2023	3,571,121	12,644,779	6,894,963	14,653,181	100.0%	87.6%	0.0%
9/30/2022	3,406,262	12,265,708	6,423,967	14,504,813	100.0%	90.5%	0.0%
9/30/2021 ⁽¹⁾	3,292,498	11,794,825	6,017,619	14,291,093	100.0%	93.2%	0.0%
9/30/2020	3,207,292	10,984,239	5,594,541	13,491,176	100.0%	93.3%	0.0%
9/30/2019 ⁽¹⁾	3,038,594	10,300,063	5,204,885	12,645,789	100.0%	93.6%	0.0%
9/30/2018 ⁽¹⁾	2,922,432	9,944,503	4,962,800	12,240,597	100.0%	93.7%	0.0%
9/30/2017 ⁽¹⁾	2,817,368	9,567,278	4,866,189	11,690,952	100.0%	92.7%	0.0%
9/30/2016	2,707,129	9,209,857	4,811,023	11,082,280	100.0%	90.9%	0.0%

Note (1) Reflects changes in actuarial assumptions and methods.

Note (2) Column A represents the percentage of Active Member Contributions, as shown in (1), covered by the Reported Assets. Column B represents the percentage of the amounts owed to Retirants and their Beneficiaries covered by Reported Assets after accounting for the payment of amounts constituting Active Member Contributions, as shown in (1). Column C represents the percentage of amounts owed to Active Members covered by Reported Assets after accounting for the payment of amounts constituting Active Member Contributions, as shown in (1), and amounts owed to Retirants and their Beneficiaries, as shown in (2).

Source: Employees' Retirement System of Alabama – Actuarial Valuation prepared as of September 30, 2025.

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Table 39.
Judicial Retirement Fund
Solvency Test
2016-2025
(dollar amounts in thousands)

Valuation Date (September 30)	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets ⁽²⁾		
	(1)	(2)	(3)		A	B	C
	Active Member Contributions	Retirants and Beneficiaries	Members (Employer Financed Portion)				
9/30/2025	\$53,952	\$401,613	\$126,110	\$366,323	100.0%	77.8%	0.0%
9/30/2024	57,031	367,275	143,016	346,643	100.0%	78.9%	0.0%
9/30/2023	51,331	375,785	129,357	333,185	100.0%	75.0%	0.0%
9/30/2022	51,509	357,653	135,356	334,668	100.0%	79.2%	0.0%
9/30/2021 ⁽¹⁾	47,304	343,885	108,727	333,779	100.0%	83.3%	0.0%
9/30/2020	43,899	338,492	99,472	318,673	100.0%	81.2%	0.0%
9/30/2019	40,993	338,734	96,102	310,689	100.0%	79.6%	0.0%
9/30/2018 ⁽¹⁾	48,609	296,550	112,675	305,397	100.0%	86.6%	0.0%
9/30/2017	44,792	296,231	107,423	293,090	100.0%	83.8%	0.0%
9/30/2016 ⁽¹⁾	45,900	280,836	120,184	279,807	100.0%	83.3%	0.0%

Note (1) Reflects changes in actuarial assumptions and methods.

Note (2) Column A represents the percentage of Active Member Contributions, as shown in (1), covered by the Reported Assets. Column B represents the percentage of the amounts owed to Retirants and their Beneficiaries covered by Reported Assets after accounting for the payment of amounts constituting Active Member Contributions, as shown in (1). Column C represents the percentage of amounts owed to Active Members covered by Reported Assets after accounting for the payment of amounts constituting Active Member Contributions, as shown in (1), and amounts owed to Retirants and their Beneficiaries, as shown in (2).

Source: Alabama Judicial Retirement Fund – Actuarial Valuation prepared as of September 30, 2025.

Other Post-Employment Benefits (OPEB)

The State Employees' Health Insurance Plan ("SEHIP") provides health insurance benefits for active and retired State employees, State Police and local participating entities and is governed by the SEHIP Board of Control (the "SEHIP Board"). The Public Education Employees' Health Insurance Plan ("PEEHIP") provides health insurance benefits for active and retired education employees and is governed by the PEEHIP Board of Control (the "PEEHIP Board"). Employees covered under these two plans who retire from active service and begin receiving monthly benefits from the Employees' System or from the Teachers' System may elect to continue coverage under the group insurance plan by consenting to have deducted from their monthly benefit payment the difference in the total cost of their insurance coverage and the portion authorized to be expended by the SEHIP or the PEEHIP for coverage of such retired employees.

The State established the Alabama Retired State Employees' Health Care Trust and the Alabama Retired Education Employees' Health Care Trust Fund for the purposes of accumulating assets to fund retiree and Other Post-Employment Benefits ("OPEB"). The education employee

trust is a multiple employer cost-sharing plan while the State employees' trust is a single employer plan.

The Code of Alabama (1975) authorizes the employer contributions to SEHIP and PEEHIP. The Legislature is not legally required to follow the recommendations of the actuaries or the Governor in determining the State's contribution to the plans. The Legislature sets the amounts employers pay on behalf of each active member in the annual appropriations bills. A portion of the premium is used to assist in funding retiree and dependents' benefits. The Fiscal year 2025 rates are \$977 per active member per month for SEHIP and \$800 per active member per month for PEEHIP.

PEEHIP received \$15,380,000 and SEHIP received \$6,971,447 from the State of Alabama through the Federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in fiscal year 2021.

The following table lists the number of participants by status.

Table 40.
Number of Active and Retired Employees

	PEEHIP⁽²⁾	SEHIP⁽³⁾
Active Members	138,544	30,117
Retired Members	102,061	21,664
Inactive Members ⁽¹⁾	7,060	1,476
Spouses/Survivors	2,946	1,785
Total	250,511	55,042

(1) Entitled to, but not yet receiving benefits.

(2) As of September 30, 2025.

(3) As of September 30, 2024

Sources: 2025 PEEHIP Actuarial Valuation Report page 1 -

<https://www.rsa-al.gov/employers/financial-reports/> and the 2024

SEHIP Actuarial Valuation.

The cost of retired teachers' health care benefits is recognized as an expenditure to PEEHIP as claims are incurred. The cost of benefits is paid from the regular appropriations made to individual education entities. As of the latest GASB Statement No. 74, the total members including active and retirees numbered approximately 250,511.

The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$186.12 was on behalf of retired members of PEEHIP for fiscal year 2025. Retirees who are eligible for Medicare benefits must pay \$25.00 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$190.00 per month for the coverage. Additionally, premiums are paid for dependents. Retirees have the option to use this insurance to purchase two plans of insurance offered by PEEHIP with no out-of-pocket cost. Total premiums paid to PEEHIP by retirees for insurance coverage was \$125,778,000 for fiscal year 2025 to cover themselves and their dependents. The State may also make additional contributions. No funds were contributed for the fiscal years 2009 through 2025.

In 2011, the Alabama Legislature signed into law Act No. 2011-704, which establishes changes to the retiree sliding scale premium calculation for PEEHIP members retiring on or after January 1, 2012. The law requires an employee who retires with less than 25 years of service to pay 4% of the employer share for each year under 25 years of service (years of service premium) instead of the 2% under the previous law. The law also requires an employee who retires before becoming eligible for Medicare to pay 1% of the employer share for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). The additional premium amounts for members retiring on or after January 1, 2012, was phased in over a five-year period. For 2012, the subsidy premium amount was \$97.65 per month. For 2016, the subsidy premium amount was \$147.52 per month. For 2017, the subsidy premium was \$157.42 per month. For 2018, the subsidy premium amount was \$172.81 per month. Once the retiree becomes eligible for Medicare, the age and subsidy premium will no longer apply. However, the years of service premium will continue to be in effect throughout retirement.

The State provides healthcare benefits for retired State employees through SEHIP. The cost of benefits is recognized as an expense in the month in which it is incurred, including an estimate of claims incurred but not reported. For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. For retirees who retired after September 30, 2005 through December 31, 2011, the State went to a sliding scale premium structure based on the years of service. For employees retiring with 25 years of service, the State pays 100% of the State's share premium. For each year of service less than 25, the State share is reduced by 2% and the retiree share is increased accordingly. For each year of service more than 25, the State share is increased by 2% and the retiree share is reduced accordingly.

In 2011, the Alabama Legislature signed into law Act No. 2011-698, which is similar to the PEEHIP law, and states that all SEHIP participants retiring after December 31, 2011 will be subject to a sliding scale premium calculation based on years of creditable coverage in SEHIP. For each year of creditable coverage less than 25, the State share is reduced by 4% and the retiree share is increased accordingly. For each year of creditable coverage more than 25, the State share is still increased 2% and the retiree share is reduced accordingly. The law also states that employees retiring after December 31, 2011, will be subject to a sliding scale premium calculation based on the difference between the age of the employee at retirement and the Medicare entitlement age.

Cavanaugh Macdonald Consulting, LLC provides to the Alabama State Employees' Insurance Board and to the Alabama Public Education Employees' Health Insurance Board reports on the actuarial valuations of the retiree medical plans by fiscal year. The most recently available PEEHIP Actuarial Study and GASB Statement No. 74 are available at www.rsa-al.gov. The most recently available SEHIP Actuarial Study and GASB Statement No. 74 are available at www.alseib.org.

Actuarial Assumptions. The following methods and assumptions are the basis for the actuarial valuations of the related OPEB programs.

**Table 41.
OPEB Assumptions**

	PEEHIP	SEHIP
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level percent of pay, closed	Level of percent pay, open
Remaining Amortization Period	16 years	30 years
Asset Valuation Method	Market Value of Assets	
Actuarial Assumptions:		
Investment Rate of Return	5.00%, including inflation	7.25%, including inflation
Medical Cost Trend Rate:		
Medicare		
Eligible	7.00%	Note (1)
Pre-Medicare	7.00%	6.50%
Ultimate Trend Rate:		
Medicare		
Eligible	4.50%	4.50% in 2025
Pre-Medicare	4.50%	4.50% in 2029
Inflation		
Assumption	2.50%	2.50%
Year of Ultimate Trend Rate		
Pre-Medicare	2036	2033
Medicare		
Eligible	2036	2043
Dental Trend Rate	2.00%	4.50%
Vision Trend Rate	2.00%	4.50%

Note (1) Initial Medicare claims are set based on scheduled increases through plan year 2025 with an assumed 0% increase for the upcoming 2026 – 2028 contract negotiation period.

Sources: 2025 PEEHIP Actuarial Valuation Report page 9 - <https://www.rsa-al.gov/employers/financial-reports/> and SEHIP GASB Statement No. 75 prepared as of September 30, 2023 for financial reporting as of September 30, 2024.

In response to changes in GASB statements 43 and 45 and to recent actuarial valuations, the State pursued options to establish both a statutory trust fund and a constitutional trust fund for each health plan to fund its liabilities. The Director of Finance formed a committee from his senior staff to work with the insurance board staffs and outside legal counsel to draft a plan and legislation that was presented to and approved by the two boards and the Legislature (Act No. 2007-11). The legislation involved both a bridge trust fund and a constitutional trust fund for each health plan. All monies for funding this liability would initially be deposited into a bridge trust fund created by statute and later transferred into an irrevocable and permanent trust fund created by constitutional amendment. Each health board was given power and responsibility for managing its bridge and permanent funds.

Actuarial Valuations. The funded status of each plan (including non-State obligated) as of the latest actuarial valuations (September 30, 2025 for PEEHIP and September 30, 2024 for SEHIP) is as follows.

Table 42.
Schedule of OPEB Funding Progress
(Dollar Amount in Thousands)

Actuarial Valuation Date (September 30)	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
Public Education Employees' Health Insurance Plan				
2025	\$2,625,976	\$11,230,425	\$8,604,449	23.40%
2024	2,357,479	9,995,709	7,638,231	23.60%
2023	1,877,790	4,829,280	2,951,490	38.90%
2022	1,633,721	4,540,864	2,907,143	36.00%
2021	1,922,098	4,135,731	2,213,633	46.50%
2020	1,601,750	6,016,482	4,414,732	26.60%
2019	1,477,077	5,758,609	4,281,532	25.60%
2018	1,428,803	8,666,972	7,238,169	16.50%
2017	1,348,563	8,481,844	7,133,281	15.90%
2016	1,240,200	7,919,752	6,679,552	15.70%
State Employees' Health Insurance Plan				
2024	\$305,733	\$1,509,337	\$1,203,604	20.30%
2023	243,576	1,125,463	881,887	21.60%
2022	211,805	1,126,744	914,939	18.80%
2021	248,143	1,141,159	893,015	21.74%
2020	205,730	1,601,590	855,860	19.38%
2019	190,855	1,547,639	1,356,784	12.33%
2018	184,178	1,547,765	1,363,587	11.90%
2017	168,278	2,430,351	2,262,073	6.92%
2016 ⁽¹⁾	150,388	2,346,946	2,196,558	6.41%
2015	149,258	2,948,052	2,798,793	5.06%

Note (1) – Reflects the impact of the Medicare Advantage plan and five year experience study.

Sources - Actuarial Reports for PEEHIP as of September 30, 2025 and SEHIP as of September 30, 2024.

Sections 36-36-1 through 36-36-11 of the Code of Alabama (1975), authorize and direct the SEHIP Board and the PEEHIP Board to create irrevocable trusts for the purpose of holding, investing, and distributing assets to be used for certain post-employment health care benefits. Constitutional Amendment No. 798, which was ratified on June 5, 2007, further protects the trust funds and requires they be used exclusively for the purpose of providing health care benefits to retired State and education employees. The PEEHIP Board made transfers totaling \$621 million

into the Alabama Retired Education Employees' Health Care Trust Fund. The net assets of the trust fund at September 30, 2025, were \$2,626 million. The SEHIP Board has made transfers of \$96.75 million into the Alabama Retired State Employees' Health Care Trust Fund as of September 30, 2013. The fair market value of the trust fund at September 30, 2019 was \$190.9 million. Because of the establishment of and deposits to the trust funds, the discount rate used beginning with the September 30, 2006 valuations was increased from 4% to 5%. The discount rate for both trust funds remains at 5%.

Unfunded Accrued Liability. The actuarially-determined total UAAL calculation of each plan (including non-State obligated) as of the latest actuarial valuations (September 30, 2025 for PEEHIP and September 30, 2024 for SEHIP) is as follows.

Table 43.
OPEB Unfunded Actuarial Accrued Liability
As of latest actuarial valuation

	Total
PEEHIP	\$8,604,448,718
SEHIP	1,203,604,707
	<u>\$9,808,053,425</u>

A portion of such UAAL is attributed to local governments and other participants.

Annual Required Contribution. The State's annual OPEB expense is based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over thirty years. Significant assumptions used in the actuarial valuation are described above.

The actuarially determined total ARC calculation of each plan (including non-State obligated) as of the latest actuarial valuations (September 30, 2025 for PEEHIP and September 30, 2024 for SEHIP) is as follows.

Table 44.
OPEB Annual Required Contribution
As of latest actuarial valuations (September 30, 2024)

Total	
PEEHIP	\$296,142,439 ⁽¹⁾
SEHIP	77,376,776 ⁽²⁾
	<u>\$373,519,215</u>

A portion of such required contribution is attributed to local governments and other participants.

Additional Information

Additional information respecting the Retirement Systems of Alabama, including Annual Reports and Annual Comprehensive Financial Reports, may be viewed and downloaded at the Retirement Systems website: <http://www.rsa-al.gov>.

LITIGATION

No litigation is pending or threatened to restrain or enjoin the authorization, sale or delivery of the Bonds. The Attorney General's Office has reviewed the status of pending lawsuits and reports that, except in the matter listed below, an adverse decision in any one of the pending cases would not expose the State to a loss contingency of \$20,000,000 or more:

- *Star Lite Solutions, LLC and its Sole Member, Jeff Stough v. ALDOR*, Alabama Tax Tribunal, S. 25-0669-LP. The Taxpayer operated with others a casino in Knoxville, Alabama named "Palace Bingo" that failed to file sales (amusement) tax returns for the period of October 1, 2019, through June 30, 2023. The Taxpayer asserts that the Sheriff of Greene County is the only authority that can regulate bingo in Greene County and the assessment is therefore without jurisdiction. Because the Taxpayer failed to prove that the bingo being played at Palace Bingo was qualified as legal bingo that was exempt from taxation, the Department calculated the tax on gross wagers. A Final Assessment was entered on September 2, 2025, in the amount of \$133,060,792.10. The appeal is currently pending before the Alabama Tax Tribunal.

APPENDIX B

[Closing Date]

Holders of the Series 2026A-2 Bonds
referred to below

Re: [Amount]* General Obligation Bonds, Series 2026A-2, issued by the State of Alabama

We have acted as bond counsel in connection with the issuance of the above-referenced warrants (the “Series 2026A-2 Bonds”) by the State of Alabama (the “State”). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Series 2026A-2 Bonds are being issued under and pursuant to Sections 219.04, 219.041 and 219.042 of the Constitution of Alabama of 2022, as amended (collectively, the “Authorizing Law”) and a resolution (the “Bond Resolution”) duly adopted by the Bond Commission (the “Bond Commission”) constituted pursuant to the Authorizing Law.

As to various questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation. In connection with the rendering of this opinion, we have served as counsel to the Bond Commission.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bond Resolution has been duly adopted by the State, acting by and through the Bond Commission, and constitutes a valid and binding obligation of the State enforceable against the State in accordance with the terms thereof.

2. The Series 2026A-2 Bonds have been duly authorized and executed by the State and are valid and binding general obligations of the State for the payment of which the State has validly and irrevocably pledged its full faith and credit.

3. Interest on the Series 2026A-2 Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2026A-2 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The State, acting by and through the Bond Commission, has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2026A-2 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026A-2 Bonds.

4. Interest on the Series 2026A-2 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. However, interest on the Series 2026A-2 Bonds may be taken into account for purposes of the alternative minimum tax imposed on applicable corporations pursuant to Section 55(b)(2) of the Internal Revenue Code, as amended by the Inflation Reduction Act of 2022.

5. Interest on the Series 2026A-2 Bonds is exempt from State of Alabama income taxation.

We express no opinion regarding any federal or state tax consequences of acquiring, carrying, owning, or disposing of the Series 2026A-2 Bonds, other than the opinions expressed in paragraphs 3, 4 and 5 above. Owners of the Series 2026A-2 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2026A-2 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The rights of the holders of the Series 2026A-2 Bonds and the enforceability of the Series 2026A-2 Bonds and the Bond Resolution may be limited by (1) bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, (2) general principles of equity, including the exercise of judicial discretion in appropriate cases and (3) the valid exercise of the constitutional powers of the United States of America and the sovereign and police powers of the State.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2026A-2 Bonds.

This opinion is rendered solely for your benefit. It is not to be relied upon by any other person or for any other purpose. This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Faithfully yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

The State of Alabama (the "State"), acting by and through the Bond Commission (the "Bond Commission") constituted pursuant to the Authorizing Amendment referred to below, has entered into this Agreement for the benefit of the holders of its \$_____ General Obligation Bonds, Series 2026A-2 (the "Bonds"). The State is the Obligated Person with respect to the Bonds.

Recitals

A. The Bonds are being issued pursuant to Amendment No. 666 (also known as Section 219.04 of the Constitution of Alabama of 2022), Amendment No. 796 (also known as Section 219.041 of the Constitution of Alabama of 2022) and Amendment No. 880 and Amendment No. 887 (also know as Section 219.042 of the Constitution of Alabama of 2022) to the Constitution of Alabama, as amended (collectively, the "Authorizing Amendment") and a resolution (the "Resolution") adopted on February 24, 2026, by the Bond Commission.

B. An Official Statement dated _____, 2026 (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the State.

NOW, THEREFORE, for and in consideration of the premises, the State hereby covenants, agrees and binds itself as follows:

1. Financial Statements; Financial Information and Operating Data.

(a) The State, acting by and through the Bond Commission, will provide, when and if available, to the Municipal Securities Rulemaking Authority (the "MSRB") the Annual Comprehensive Financial Report ("ACFR") of the State, which includes the State's audited financial statements, prepared in accordance with generally accepted accounting principles as applicable to the State and Government Auditing Standards issued by the Comptroller General of the United States, as such standards may be modified from time to time. The ACFR includes financial information and operating data relating to the State of the type found in Appendix A to the Official Statement. If the Bond Commission is unable to provide the State's ACFR within 270 days of the end of the fiscal year of the State, the Bond Commission shall file unaudited financial statements of the State prepared in accordance with generally accepted accounting principles by such date and will file the ACFR containing the State's audited financial statements, when and if available.

(b) If the Bond Commission is unable to provide the State's financial statements (either audited or unaudited being sufficient for purposes of this subsection) by the date required in subsection (a), the Bond Commission shall send a notice to the MSRB, by the date such financial statements were to be provided, in substantially the form attached as Exhibit A hereto.

(c) If the State's fiscal year is changed subsequent to the execution of this Agreement, the Bond Commission shall provide timely notice of the change to the MSRB stating that the State's fiscal year has changed and specifying the new period constituting the State's fiscal year.

2. Event Notices. The State, acting by and through the Bond Commission, agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications of the rights of holders of the Bonds, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of the obligated person;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement

to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

3. Additional Information. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the State chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the State shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

4. Form and Method of Filing. All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at <http://emma.msrb.org> accompanied by identifying information as prescribed by the MSRB, unless the MSRB shall subsequently specify alternative filing methods. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

5. Beneficiaries; Limitation of Remedies Hereunder. This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the limitations herein. The State shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the State of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the State to obtain performance of the State's obligations hereunder. No failure by the State to comply with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Resolution.

6. Responsibility for Compliance.

(a) No person (including, without limitation, officers or employees of the State or the Bond Commission) other than the State shall have any liability or responsibility for compliance by the State with its obligations under this Agreement.

(b) The State will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the State to assist in the performance of the State's obligations.

7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the State may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

8. Termination. The State reserves the right to terminate its obligation to provide the State's ACFR and notices of Listed Events, as set forth above, if and when the State no longer remains an obligated person with respect to any of the Bonds within the meaning of the Rule.

9. Contract Formed. This Agreement shall constitute a contract between the State and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

10. Governing Law. This Agreement shall be governed by the laws of the State of Alabama.

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IN WITNESS WHEREOF, this Agreement has been duly authorized by the Bond Commission and has been executed by and on behalf of the State by its duly authorized officers, all as of ____ day of _____, 2026.

STATE OF ALABAMA

By: _____
Secretary of the Bond Commission and Director of
Finance of the State of Alabama

EXHIBIT A

NOTICE OF FAILURE TO FILE
ANNUAL FINANCIAL INFORMATION

Name of Issuer: State of Alabama

Bond Issues: \$_____ General Obligation Bonds, Series 2026A-2

Date of Issuance: _____, 2026

NOTICE IS HEREBY GIVEN that the State has not provided its financial statements as required by the Continuing Disclosure Agreement executed by on _____, 2026 with respect to the above-named Bonds. The State anticipates that such financial statements will be filed by _____.

Dated: _____

APPENDIX D

NOTICE OF SALE

STATE OF ALABAMA

\$37,530,000*
GENERAL OBLIGATION BONDS
SERIES 2026A-2
Dated the Date of Initial Delivery

STATE OF ALABAMA (the “State”), acting by and through the Amendment 666 Bond Commission (the “Bond Commission”), invites bids for the purchase of its \$[Amount]* General Obligation Bonds, Series 2026A-2 (the “Series 2026A-2 Bonds” or the “Bonds”). Bids will be received electronically (as described in further detail below) by the State, acting by and through the Bond Commission, via the PARITY® electronic bidding system at or before the date (the “Bid Date”) and time specified below:

**Bid Date and Time: October 14, 2026
 9:30 a.m., Central Time**

Dates and Places of Payment

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and will be dated the date of their delivery (expected to be on or about November 4, 2026). Interest on the Bonds will be payable on each May 1 and November 1, beginning May 1, 2027. The principal of the Bonds will be payable at the office of the State Treasurer in Montgomery, Alabama, on the dates shown herein.

Book-Entry Form Only

The Bonds, when issued, will be issued in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payment of principal and interest will be made directly to DTC or such nominee. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of Direct Participants and Indirect Participants of DTC.

Principal Amortization

The Bonds will be subject to principal amortization either through serial maturities or mandatory redemptions (see “Serial Bonds and/or Term Bonds” below for additional information regarding mandatory

redemption, including which principal amounts may be combined into term bonds) on the following dates in the following amounts:

Year (November 1)	Series 2026A-2 Bonds*
2027	\$1,725,000
2028	1,810,000
2029	1,905,000
2030	2,000,000
2031	2,105,000
2032	2,210,000
2033	2,325,000
2034	2,445,000
2035	2,570,000
2036	2,700,000
2037	2,840,000
2038	2,985,000
2039	3,140,000
2040	3,300,000
2041	3,470,000

Reservation of Right to Reduce or Increase Annual Principal Amounts

The principal amortization schedule may be changed by the State, acting by and through the Bond Commission, prior to the time bids are to be received (such principal amortization schedule, as adjusted (if applicable), is herein referred to as the “Initial Amounts”), and such changes, if any, will be communicated by the PARITY® electronic bidding system or by IPREO not later than 3:00 p.m., Central Time, on the last Calendar Date prior to the Bid Date. Bidders may not adjust principal amounts or maturity dates.

After selecting the winning bid, the State, acting by and through the Bond Commission, will determine the final aggregate principal amount of the Bonds and each final annual principal amount of the Bonds (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts of the Bonds, the State, acting by and through the Bond Commission, will not increase or reduce any annual principal amount of such series by more than 20% of such Initial Amount, and will not increase or reduce the total aggregate principal amount of such series by more than 25% of the aggregate Initial Amounts. ANY DETERMINATION BY THE STATE, ACTING BY AND THROUGH THE BOND COMMISSION, OF THE FINAL AMOUNTS WITHIN THESE PARAMETERS SHALL BE BINDING UPON THE SUCCESSFUL BIDDER. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL OFFERING PRICES TO THE PUBLIC AS A RESULT OF ANY CHANGES MADE TO THE INITIAL AMOUNTS WITHIN THESE LIMITS.

In the event that the Final Amount is revised after the award, the interest rate and offering price to the public (as a percentage of principal) for each maturity submitted by the winning bidder shall be held constant. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Final Amounts. Such adjusted bid price (“Adjusted Bid Price”) will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the underwriter’s discount per \$1,000 of par amount from the underwriter’s discount which would have been

* Preliminary, subject to change.

received based on the purchase price in the winning bid and the initial public offering prices. The Final Amounts and the Adjusted Bid Price for the Final Aggregate Principal Amount will be communicated to the successful bidder within three hours of the time established for receipt of bids; although the official award of the Bonds shall be subject to the approval and acceptance by the State, acting by and through the Bond Commission, as described herein under the heading “Award”.

Serial Bonds and/or Term Bonds

Subject to the provisions regarding interest rate restrictions set forth below under “Bidding Conditions Relating to the Bonds,” bidders may provide that the Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts, maturing on or after August 1, 2035, be combined into one or more Term Bonds.

Term Bond Mandatory Redemption

If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory redemption commencing on November 1 of the first year which has been combined to form such term bond and continuing on November 1 in each year thereafter until the stated maturity date of that term bond, on which date the remaining balance thereof shall be payable. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the table above under the caption “Principal Amortization” as adjusted as provided herein. Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the Bonds then subject to redemption. See “DESCRIPTION OF THE BONDS – Redemption of Bonds Prior to Maturity” for a description of the manner in which optionally redeemed term bonds may be credited against the mandatory redemption requirements.

The amount of any term bond to be redeemed or paid in any year shall be equal to the principal amount specified for such year as set forth in the table above under the caption “Principal Amortization” as the same shall be adjusted to reflect the Final Amounts.

Optional Redemption

Those of the 2026A-2 Bonds having stated maturities on November 1, 2037, and thereafter, maybe redeemed at the option of the State (upon the direction of the Bond Commission) in whole or in part (and if in part, in multiples of \$5,000), on November 1, 2036, and on any date thereafter, from such maturity or maturities as the State (upon the direction of the Bond Commission) shall determine and by lot within each maturity, at a redemption price for each Series 2026A-2 Bond called for redemption equal to 100% of the principal amount redeemed plus accrued interest to the redemption date.

Purpose

The Series 2026A-2 Bonds are being issued (i) to make grants in connection with economic development projects and the recruitment of industrial prospects to the State and (ii) to pay the costs of issuing the Series 2026A-2 Bonds.

Security

The Bonds will constitute general obligations of the State for the payment of which its full faith and credit are irrevocably pledged. See “SECURITY AND SOURCE OF PAYMENT OF THE BONDS” in the Preliminary Official Statement of which this Notice of Sale is a part.

Bidding Conditions Relating to the Bonds

Bidders must bid to purchase all and not part of the Bonds and must submit their bids electronically via the PARITY® electronic bidding system, as hereinafter described. Any bid for less than all of the Bonds will be disqualified. Bidders must specify a rate of interest for each maturity of the Bonds, and no zero rate (0.00%) of interest may be specified. All Bonds of the same maturity must bear the same rate of interest.

Bidders may bid to purchase the Bonds from the State at discount or at a premium; provided that

- (i) no bid to purchase the Bonds will be considered if, for any maturity of the Bonds, the bid is at a price less than 98.5% of the par amount of such maturity;
- (ii) no bid will be considered to purchase the Bonds if the aggregate bid is at a price less than 99.0% of the total principal amount; and
- (iii) No bid will be considered if the coupon interest rate for any Bonds maturing or subject to mandatory redemption on November 1, 2037, or any date thereafter, is less than 5.00%.

Due to adjustments made after the bids are received, the Adjusted Bid Price may be less than 99.0% of the Final Aggregate Principal Amount.

Special Terms, Covenants or other Requirements Not Permitted

No bidder will be allowed to specify (either before or after the award of the Bonds) pricing or other contractual terms other than the regular interest rates and purchase price per this Notice of Sale.

Form of Bids

Bids for all of the Bonds must be submitted in electronic form via PARITY® in the manner described below by not later than 9:30 a.m., Central Time, on October 14, 2026. No bid will be accepted unless such bid is for all of the Bonds.

No bid will be received after 9:30 a.m. Central Time, on October 14, 2026. To the extent any instructions or directions set forth in PARITY® conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY®, potential bidders may contact PFM Financial Advisors LLC, Huntsville, Alabama, financial advisor to the State, at (256) 419-2912, or PARITY® at i-Deal, (212) 849-5021.

Every bid must be unconditional, irrevocable and in accordance with the terms and conditions set forth in this notice.

Disclaimer

Each bidder shall be solely responsible for making the necessary arrangements to access the PARITY® system for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the State nor PARITY® shall have any duty or obligation to provide or assure such access to any bidder, and neither the State nor PARITY® shall be responsible for the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, the PARITY® system. The State is authorizing the use of PARITY® as a communication mechanism to conduct electronic bidding for the Bonds but such system is not an agent of the State. The State is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the specifications set forth in “Bidding Conditions Relating to

the Bonds” hereinabove and “Award” hereinbelow. All costs and expenses incurred by bidders in connection with their registration via PARITY® are the sole responsibility of such bidders.

Award

The Bonds will be awarded to the bidder submitting a bid in conformance with this Notice of Sale that produces the lowest true interest cost (TIC) to the State for all of the Bonds. The true interest cost (expressed as an annual interest rate) will be the rate necessary, when using a 360-day year and semiannual compounding, to discount the debt service payments from the payment dates to the dated date of the Bonds and to the purchase price. If two or more conforming bids resulting in identical amounts for the lowest true interest cost are received, the State, acting by and through the Bond Commission, will determine which bid, if any, will be accepted, and its determination is final.

If satisfactory bids are received for the Bonds, the bidder submitting the qualifying bid resulting in the lowest true interest cost for the Bonds will be advised as early as possible following the time established for the receipt of bids for the Bonds, but in no event later than 11:00 a.m., Central Time, on the Bid Date, that it is the apparent successful bidder, subject to the official award of the Bonds as provided in the following sentence. If satisfactory bids are received, the Bond Commission will officially award the Bonds to the responsible bidder submitting the bid resulting in the lowest true interest cost for the Bonds by 4:00 p.m., Central Time, on the Bid Date and such official award will be communicated to the successful bidder in writing as soon as practicable, but in no event after 6:00 p.m. Central Time, on the Bid Date. The written bid award will reflect whether the competitive sale requirements have been satisfied, and, if not, will contain representations by the successful bidder as to which maturities satisfy the 10% Test and which maturities are subject to the hold-the-offering-price rule.

Diversity

It is the intent of the State, acting by and through the Bond Commission, that appropriate consideration be given to firms that reflect the racial and ethnic diversity of the State of Alabama. The State, acting by and through the Bond Commission, requests and strongly urges bidders to include such firms in their management group or syndicate.

Delivery and Payment

Delivery of the Bonds is expected to occur on or about November 4, 2026 (the “Closing Date”). The Bonds will be delivered through DTC in New York, New York. The successful bidder shall pay for the Bonds on the date of delivery in immediately available federal funds. Any expense of providing federal funds shall be borne by the purchaser. Payment on the delivery date shall be made in an amount equal to the Adjusted Bid Price (i.e., the purchase price) for the Final Aggregate Principal Amount of the Bonds.

Right to Reject Bids; Waive Irregularities

The State, acting by and through the Bond Commission, reserves the right to reject any and all bids and to waive any irregularity or informality in any bid.

Bond Insurance

The successful bidder may purchase municipal bond insurance, if available, for some or all of the Bonds. However, the delivery of the Bonds shall not be conditioned upon the issuance of any such insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy, including payment for any legal opinion to be delivered to any insurer,

shall be the sole responsibility of the bidder. In particular, the State shall have no obligation to enter into any additional agreements with respect to the provision of any such insurance. FAILURE OF AN INSURANCE PROVIDER TO ISSUE A POLICY OF MUNICIPAL BOND INSURANCE SHALL NOT JUSTIFY FAILURE OR REFUSAL BY THE SUCCESSFUL BIDDER TO ACCEPT DELIVERY OF, OR PAY FOR, THE BONDS, OR ANY PORTION THEREOF. The winning bidder must notify the State within 15 minutes of being notified that it is the apparent winning bidder if it wants information regarding municipal bond insurance it has purchased for the Bonds to be included in the final Official Statement.

Undertakings of the Successful Bidder

The successful bidder shall, within 30 minutes after being notified that such bidder's bid is the apparent winning bid, advise the Bond Commission of the initial offering prices of the Bonds to the public. By submitting a bid, the successful bidder represents that it (together with any other underwriters in the underwriting syndicate) has offered or will offer the Bonds to the public on or before the date of award at such initial offering prices.

The successful bidder shall assist the Bond Commission in establishing the issue price of the Bonds and shall execute and deliver to the Bond Commission on or prior to the Closing Date an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit 1, with such modifications as may be appropriate or necessary in the sole judgment of Bond Counsel. In the event the competitive sale requirements (as defined below) are not satisfied, the successful bidder must, prior to the delivery of the Bonds, deliver a certificate in form satisfactory to Bond Counsel establishing the initial offering price of the Bonds, with such modifications as may be appropriate or necessary in the sole judgment of Bond Counsel. All actions to be taken by the Bond Commission under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Bond Commission by the State's municipal advisor (PFM Financial Advisors LLC).

The Bond Commission expects that the competitive sale requirements (the "competitive sale requirements") set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the sale of the Bonds because:

- (1) the Bond Commission has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders will have an equal opportunity to bid;
- (3) the Bond Commission may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Bond Commission anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds. By submitting a bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds and that it will be an "underwriter" (as defined below) that intends to reoffer the Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the Bond Commission shall so advise the successful bidder on the Bid Date prior to the award of the Bonds. The successful bidder shall

advise the Bond Commission which maturities, if any, of the Bonds satisfy the 10% test as of the date and time of the award of the Bonds, and the successful bidder shall be subject to the “hold-the-offering-price rule” for all other maturities. As used herein, “10% test” means the first price at which at least 10% of a maturity of the Bonds is sold to the public.

For those maturities of the Bonds that do not satisfy to 10% test (the “hold-the-offering-price maturities”), the successful bidder will be required to follow hold-the-offering-price rule and to provide certification, together with appropriate supporting documents, to the Bond Commission that the hold-the-offering-price rule has been followed. For the hold-the-offering-price maturities, the successful bidder shall agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any hold-the-offering-price maturity to any person at a price that is higher than the initial offering price to the public for such maturity during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth business day after the sale date; or
- (ii) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public (the provisions of this sentence being the “hold-the-offering-price rule”).

For each hold-the-offering-price maturity, the successful bidder shall promptly advise the Bond Commission when the underwriters have sold 10% of that maturity to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth business day after the sale date.

If the competitive sale requirements are not met, by submitting a bid each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder and any other underwriter is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter in the syndicate with the bidder, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each hold-the-offering-price maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of such hold-the-offering-price maturity or all Bonds of that hold-the-offering-price maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each hold-the-offering-price maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that hold-the-offering-price maturity or all Bonds of that hold-the-offering-price maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or a related party,

(ii) “related party” for this purpose generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly,

(iii) “sale date” means the date that the Bonds are awarded by the Bond Commission to the successful bidder, and

(iv) “underwriter” means (A) any person that agrees pursuant to a written contract with the Bond Commission (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public).

The Bond Commission acknowledges that, in making the representations set forth above, the successful bidder may rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Bond Commission further acknowledges that each underwriter comprising a syndicate with the bidder shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no such underwriter shall be liable for the failure of any other such underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

Bids will not be subject to cancellation in the event the competitive sale requirements are not met. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the 10% test or the hold-the-offering-price rule in order to establish the issue price of the Bonds.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, the State, acting by and through the Bond Commission, will undertake, pursuant to an agreement of the State entered into in connection with the issuance of the Bonds, to provide annual reports and notices of certain events on behalf of the State. A description of this undertaking is set forth in the Preliminary Official Statement of the State respecting the Bonds and will also be set forth in the final Official Statement with respect thereto.

Legal Opinions and Closing Certificates

The Bonds will be sold subject to the approving opinion of Maynard Nexsen PC, as Bond Counsel to the Bond Commission.

It shall be a condition of the obligation of a purchaser to accept delivery of and to pay for the Bonds that, contemporaneously with such delivery and payment, there shall be furnished to the successful bidder, without expense to it, the opinion of Bond Counsel and standard closing and delivery papers, including (i) a customary no-litigation certificate; (ii) a certificate of an authorized officer of the State, acting by and

through the Bond Commission, to the effect that, to the best knowledge of such officer, the Official Statement used in connection with the Bonds did not on the date of delivery of such bonds: (a) contain any untrue statement of a material fact; or (b) omit to state a material fact necessary in order to make the statements therein contained, in light of the circumstances under which they were made, not misleading; (iii) a certificate of the State, acting by and through the Bond Commission, stating that, on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause such bonds to be arbitrage bonds; and (iv) a letter from Balch & Bingham LLP, Disclosure Counsel to the Bond Commission, to the effect that nothing has come to such counsel's attention that would lead such counsel to believe that the Official Statement (excluding any information relating to financial or statistical data contained in the Official Statement, including the appendices thereto, as to which no view will be expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Conflict Waiver

Maynard Nexsen PC and Balch & Bingham LLP are serving as Bond Counsel and Disclosure Counsel, respectively, to the Bond Commission in connection with the issuance and sale of the Bonds. By placing a bid, each bidder represents that it understands that Maynard Nexsen PC, in its capacity as Bond Counsel, and Balch & Bingham LLP, in its capacity as Disclosure Counsel, represent the Bond Commission, and the successful bidder agrees to waive any conflict of interest that Maynard Nexsen PC's and/or Balch & Bingham LLP's involvement in connection with the issuance and sale of the Bonds to such successful bidder presents.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute a cause for a failure or refusal by the purchasers thereof to accept delivery of or pay for the Bonds. All expenses pertaining to the printing of CUSIP numbers on the Bonds will be paid for by the State. The CUSIP Service Bureau charge for the assignment of said numbers shall be paid for by the successful bidder. PFM Financial Advisors LLC will request the assignment of CUSIP numbers no later than one business day after dissemination of this Notice of Sale in accordance with MSRB Rule G-34.

Official Statement

A Preliminary Official Statement dated October 8, 2026, has been "deemed final" by the State, acting by and through the Bond Commission, for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, although subject to revision, amendment and completion in a final Official Statement in conformance with such rule. The State, acting by and through the Bond Commission, will provide the successful bidder such reasonable number of printed copies of the final Official Statement as such bidder may request, no later than seven (7) business days after the day the Bonds are awarded. Up to one hundred (100) copies of the final Official Statement will be furnished without cost to the successful bidder of the Bonds and further copies, if desired, will be made available at the successful bidder's expense.

Right to Modify or Amend

The State, acting by and through the Bond Commission, reserves the right to modify or amend this Notice of Sale; however, such modifications or amendments shall be made not later than 3:00 p.m., Central Time, on the last business day prior to the bid opening and communicated through the PARITY® electronic bidding system or IPREO.

Postponement

The State, acting by and through the Bond Commission, reserves the right to postpone, from time to time, the date established for the receipt of bids for the Bonds. Any such postponement will be announced by the PARITY® electronic bidding system or IPREO, not later than 3:00 p.m., Central Time, on the last business day prior to any announced date for receipt of bids.

Additional Information

Copies of the Notice of Sale and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the Municipal Advisor to the State, PFM Financial Advisors LLC, 116 Jefferson Street, Suite 301, Huntsville, AL 35801 (phone: (256) 419-2912 or email: mccoymj@pfm.com).

STATE OF ALABAMA

By: /s/Doryan Carlton
Secretary, Amendment 666 Bond Commission

Dated: October 8, 2026

Exhibit 1

Form of Issue Price Certificate

\$[Amount]
STATE OF ALABAMA
GENERAL OBLIGATION BONDS
SERIES 2026A-2

The undersigned, on behalf of [NAME OF UNDERWRITER] (the “Purchaser”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) by the State of Alabama (the “Issuer”). The Bonds were sold to the Purchaser pursuant to a competitive sale on the Sale Date.

[Competitive Sale Requirements Met]

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by Purchaser to purchase the Bonds.

(b) Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Purchaser constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [DATE].

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the

initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Maynard Nexsen PC in connection with rendering its opinion that the interest on the Bonds is excludable from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [ISSUE DATE].

[PURCHASER]

By: _____

Title: _____

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)