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Charter Schools Get Squeezed in Retreat From Low-Rated Debt.

A slowdown could add to pressure on a sector facing belt-tightening

At the Academy for Sciences & Agriculture, highlights of 2023 include improved reading scores and a high-school play based on the board game Clue. Investors are chewing over a less upbeat development at the Minnesota charter school, though: a missed bond payment.

At charter schools, as elsewhere, boom times have given way to belt-tightening, raising questions about who will survive. Higher salaries and dwindling federal Covid aid are stretching revenues and squeezing budgets. Repayment problems are rising in the $30 billion market for the low-rated bonds sold by K-12 public charter schools, according to research firm Municipal Market Analytics.

At the same time, higher rates on ultrasafe bonds have sapped investor interest in risky charter-school debt, limiting stressed schools' access to new financing. Charter-school bond issuance dropped to $2.8 billion this year through Dec. 13 after averaging $4 billion to $5 billion since 2019, according to a Municipal Market Analytics analysis of Bloomberg data.

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By Heather Gillers

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