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WSJ: Trump's War Against Higher Education Hits the Sector's Bonds

Analysis say the threat is contributing to an increase in the yields investors are demanding to finance higher education

The Trump administration's moves against prominent colleges and universities have spread concerns that a wide swath of higher-education institutions could see their borrowing costs rise, while some investors could end up with a win.

President Trump and the Republican-controlled Congress have discussed increasing taxation on, limiting tax benefits for and curbing federal funds to colleges and universities. The rising hostility has municipal-bond investors worried that higher-education institutions could lose an exemption that allows the buyers of their bonds to avoid federal income taxes on their returns.

The threat is contributing to an increase in the yields investors are demanding to finance higher education, according to analysts and portfolio managers. That means costs of capital investments, such as the construction of a new dorm or cafeteria, could go up, likely increasing tuition expenses.

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