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New Threat to Town, School District Budgets: Rising Rates.

Cash-strapped towns and school systems have pulled back on loans

Rising interest rates are squeezing cash-strapped towns and school systems that use short-term borrowing to keep cash flowing while they wait for property tax dollars to come in.

A-rated cities and school districts are paying 3.16% for a one-year loan issued March 3, compared with 0.21% at the beginning of 2022, according to data from Refinitiv MMD. In places where local budgets are already burdened by inflation, rising borrowing costs add to the pressure to raise taxes or cut services.

For most of the past decade, short-term borrowing cost almost nothing and offered an easy solution for places with limited reserves and slow-to-arrive revenues. Altogether municipalities generally issue several billion dollars in short-term debt a month to cover day-to-day expenses like keeping traffic lights on and roads plowed.

Continue reading.

The Wall Street Journal

By Heather Gillers

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