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Charter Schools, Colleges Push Muni Debt Distress Near Record.

Municipal bonds issued for riskier projects like charter schools and small colleges may break a 12-year record for distress as pandemic aid dries up and inflation raises the cost of labor and supplies.

So far this year, 46 borrowers have become impaired, meaning they have defaulted on their debt, used reserves to make payments or missed financial metrics required by bondholders, according to Municipal Market Analytics. Last year, the independent research firm tallied 47 impairments in the first quarter, the most since 2012.

Much of the stress has come in the form of borrowers missing targets for debt-service coverage or the amount of cash on hand. Charter schools, which are privately run but taxpayer funded, are showing the most strain, with 15 impairments. Last year, a record 45 charter schools reported distress, according to MMA.

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