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Higher Yields, Higher Risks? The Changing Landscape of Education Municipal Bonds.

When investors think about municipal bonds, they often go right to state-issued general obligation bonds – the kind of debt backed by the taxing authorities of the state or city. However, the muni market is vast and features plenty of different subtypes. One of the biggest is education bonds. Public school districts, charter schools, private schools, colleges, universities, and community colleges often head to the municipal market to borrow muni. And historically, these bonds have been a good deal for investors.

But now, a threat could be emerging to the sleepy education bond sector.

With the Trump Administration's plans to dismantle the Department of Education and education funding, analysts and pundits are now starting to wonder what the effect on municipal bonds could be.

Trump's Plan

Established in 1979, the Department of Education oversees funding for public schools, administers student loans, and runs various programs that help low-income students. However, the department does not operate schools or set the curriculum, which is a common misconception. States and local school districts are responsible for that.

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