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Chicago Schools' Bond Penalty Widens as $734 Million Gap Looms.

Takeaways by Bloomberg AI

- Municipal investors are demanding a bigger premium on the debt of Chicago's junk-rated school district, which must close a $734 million deficit before the end of the month.
- The spreads on Chicago Board of Education bonds are wider relative to the first quarter, with the spread on debt due in 2047 jumping to 1.72 percentage points over benchmark munis.
- Dennis Derby, a portfolio manager for Allspring Global Investments, said the district's budget struggles and Chicago's own deficits are contributing to the weakness, and that his company will be reviewing the budget to see what the district has planned.

Municipal investors are starting to demand a bigger premium on the debt of Chicago's junk-rated, cash-strapped school district, which must figure out how to close a $734 million deficit before the end of this month.

The spreads on several of the most actively traded Chicago Board of Education bonds are as much as a third of a percentage point wider relative to the first quarter, according to trading data compiled by Bloomberg.

Continue reading.

Bloomberg CityLab

By Shruti Singh

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