# Charter Schools … Bucking the 2022 Trend?

Investors have identified charter schools as a sector that they are relatively less concerned about when compared to other high yield sectors and a sector to which they are interested in adding exposure in the Hilltop High Yield 2022 and 2021 Surveys. Some investors see charter schools as recession proof as the charters are tuition free for parents, and funding, predominantly state aid, is typically determined by enrollment which has been growing. This is not to say that states in the past have not reduced funding at the charter school level to meet budgetary needs which can impair credit quality. However, at this point, state coffers are generally robust, having benefitted from federal covid relief aid and generally positive revenues associated with income taxes and sales tax revenues adding to the expectation of medium term stability for the charter school sector.

Despite investor receptivity for charter school debt, the financial markets in 2022 have experienced significant volatility which has altered pricing and rendered it more expensive and far more difficult to successfully complete financings. To date, we have seen yields on tax exempt senior project finance bonds exceed 10% and we have seen transactions in the Project Finance, Senior Living, Higher Education and even Charter School sectors that have not been completed. This article compares charter school issuance between the first five months of 2022 and 2021 to determine what trends can be isolated year to date given market volatility and negative fund flows which has significantly increased the cost of capital.

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