ZIEGLER INVESTMENT BANKING
K-12 & CHARTER SCHOOL FINANCE Z-NEWS
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FEATURED ARTICLE

Private Activity Bonds – Keys to Funding School Choice

In December 2024, the Congressional Budget Office (CBO) released a report proposing the elimination of tax exemptions for new qualified private activity bonds (PABs) as a measure to reduce the federal budget deficit. This proposal could significantly impact charter/private K-12 schools, which have increasingly relied on tax-exempt PABs to finance their facilities. Over the last decade, charter schools raised approximately $34 billion through such bonds to build, expand, and upgrade their facilities, according to our database. And that doesn't include private K-12 schools that have also accessed the tax-exempt bond market.

PABs are a form of tax-exempt municipal bond issued by state and local governments to finance private-sector projects that serve a public purpose. Unlike traditional municipal bonds, which fund government-owned infrastructure such as highways and schools, PABs help finance projects involving private investment, such as hospitals, airports, affordable housing, and charter/private K-12 schools.

The tax-exempt status of PABs lowers borrowing costs for private entities involved in these projects, making infrastructure development more affordable and attractive to investors. This public-private financing mechanism has played a crucial role in expanding essential services and infrastructure across the country.

For charter/private K-12 schools, securing affordable financing for facility development is one of the biggest challenges. PABs have been a lifeline, providing access to tax-exempt financing that allows schools to build, expand, and renovate facilities at lower borrowing costs. By reducing interest rates, PABs enable charter/private K-12 schools to put more resources into classrooms, teachers, and student success rather than debt service. Through these bonds, charter/private K-12 schools have been able to finance new campuses, upgrade technology, and provide better learning environments for students.

The loss of PABs for charter/private K-12 schools would result in devastating consequences, including:

Elevated Interest Rates. Taxable bonds typically carry higher interest rates compared to tax-exempt bonds. This increase in interest rates leads to higher annual debt service payments for charter/private K-12 schools. Consequently, a larger portion of the school's budget is allocated to debt repayment, reducing funds available for educational programs and operations.

Shortened Loan Terms. Taxable financing often comes with shorter loan terms. This requires charter/private K-12 schools to repay their debts more quickly, resulting in higher annual payments. The increased financial burden can strain the school's budget, potentially affecting its financial stability and ability to invest in long-term projects.

Perceived Credit Risk. Investors may perceive charter/private K-12 schools as higher-risk borrowers, especially if they are newly established or have limited financial histories. This perception can make it more challenging for charter/private K-12 schools to secure financing in the taxable bond market, limiting their ability to acquire or improve facilities.

Reduced Financial Flexibility. Higher costs and shorter terms associated with taxable financing reduce the financial flexibility of charter/private K-12 schools. This limitation can hinder their ability to respond to unforeseen expenses or invest in opportunities that could enhance educational offerings.

Project Delays and Downsizing. Without access to tax-exempt financing, many charter/private K-12 schools may be compelled to delay or scale back their facility projects. The higher costs associated with taxable bonds can strain budgets, limiting the scope of educational opportunities they can offer.

Charter/private K-12 school leaders, board members, and advocates need to make their voices heard. Now is the time to reach out to Congress and highlight the importance of PABs for charter/private K-12 school facilities. Here's how you can help:

Contact Your Elected Officials. Call or email your senators and representatives to express your support for PABs. Let them know how tax-exempt financing has allowed your school to grow and serve more students. Emphasize the impact that losing this tool would have on your ability to provide high-quality education.

Share Your Story with GFOA. **The Government Finance Officers Association (GFOA)** is collecting stories about how municipal

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bonds — like PABs — have helped communities build critical infrastructure, including schools. Charter/private K-12 schools should participate to ensure that their voices are included in this national advocacy effort. Visit Built by Bonds to submit your story and show the real impact of PABs on education.

Join Advocacy Efforts. Charter school networks, finance professionals, and industry groups are mobilizing to protect tax-exempt financing. Connect with organizations working to ensure that PABs remain available for education projects.

Private Activity Bonds have helped charter/private K-12 schools thrive, providing the financing needed to build high-quality educational facilities across the country. If their tax-exempt status is removed or limited, it will directly impact schools, students, and communities. By reaching out to lawmakers and sharing your story through GFOA's Built by Bonds campaign, charter/private K-12 schools can help protect this critical funding tool for future generations.

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ZIEGLER FINANCING

ZIEGLER CLOSES $67,205,000 FINANCING FOR PLATO ACADEMY IN HILLSBOROUGH, PASCO, AND PINELLAS COUNTIES IN FLORIDA

Plato Academy Schools operates nine public charter schools located in Hillsborough, Pasco, and Pinellas Counties, Florida. Plato opened its first school in 2004 serving 56 students in grades K-2. As of October 2024, the Plato Schools have grown to serve approximately 3,800 students in grades K-9 for the 2024-25 school year. The schools assist students in achieving their full potential by requiring and nurturing high academic and behavioral standards in a safe, supporting, challenging and enthusiastic environment, providing a well-rounded K-9 education fortified by a study of the Greek language and culture, and fostered by a commitment and cooperative effort among the school, students, parents, and community. Six of the nine Plato Schools have achieved high-performing status. Plato Schools has also met the requirements to be designated as a High Performing Charter School System and has requested formal recognition of this status from the Florida Department of Education.

On the date of issuance of the Series 2024 Bonds (the "Bonds"), the School acquired the Trinity and St. Petersburg facilities for $29,950,000 and refinanced a 2022 note used to acquire the Clearwater, Pinellas Park, and Tampa facilities for $30,554,821. The Series 2024 Bonds were non-rated and issued through The Capital Trust Authority. Ziegler structured the bonds to achieve a level debt service through final maturity on December 15, 2059. Bonds are callable at par on 12/15/2031.

The transaction received strong investor demand, with an aggregate oversubscription of 2.9x, reflecting the market's confidence in Plato Academy Schools' credit profile and long-term sustainability. Ziegler's strategic approach to marketing the bonds prioritized broad investor outreach, ensuring participation from a diverse range of institutional investors. By the end of the order period, Ziegler successfully generated orders from five institutional investors, demonstrating the firm's commitment to expanding the investor base and enhancing market access for charter school financings.

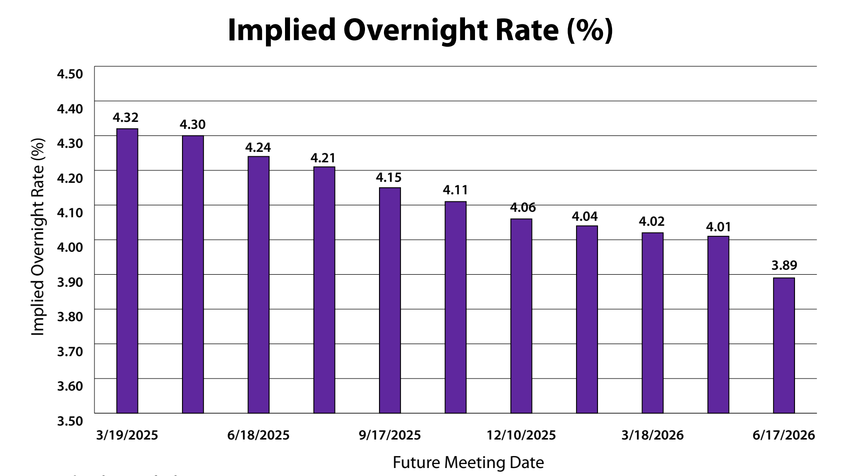
The final pricing structure for the Series 2024 Bonds is as follows:

Maturity	MMD	Par Amount	Coupon	Yield	Spread to MMD
Series 2024					
12/15/2034	2.76%	7,635,000	4.250%	4.290%	1.53%
12/15/2044	3.32%	14,455,000	5.000%	4.900%	1.58%
12/15/2054	3.60%	23,750,000	5.125%	5.180%	1.58%
12/15/2059	3.65%	21,365,000	5.125%	5.230%	1.58%
		$ 67,205,000			

THE MARKETS

HOT INFLATION REPORT SUGGESTS MORE GRADUAL DECLINE IN RATES

A hotter-than-expected inflation report at the start 2025 suggests that the Federal Reserve is likely to keep interest rates higher for longer, a shift that could impact financing options for educational borrowers. Fed Chair Jerome Powell reinforced this cautious stance in congressional testimony last week, stating, *"I would say we're close but not there on inflation. We want to keep policy restrictive for now."*

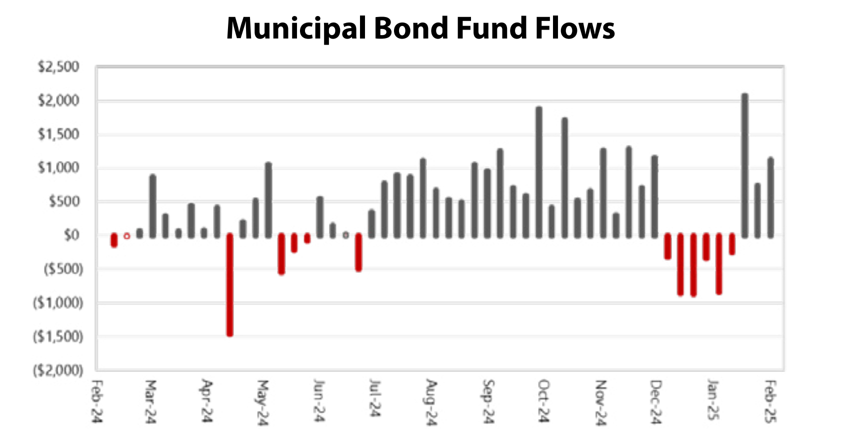


Source: Bloomberg as of February 12, 2025

This announcement follows the latest Consumer Price Index (CPI) data, which showed inflation rising faster than expected in January. On a core basis — excluding food and energy — prices increased 0.4% over the previous month, marking the largest jump since April 2023. Year-over-year, core inflation rose to 3.3%, up from 3.2% in December.

As a result, financial markets have scaled back expectations for rate cuts in 2025. Initially, economists anticipated multiple reductions, but now forecasts have been reduced to just one, potentially in the second half of the year — if inflation continues to trend downward.

The chart to the right provides a detailed forecast of market predictions for the Federal Open Market Committee (FOMC) overnight rate over the coming months based on data from the futures market.



Source: LipperFM data service as of February 7, 2025

Another factor to consider is municipal fund flows. Inflows provide bond funds with more cash that they need to be deployed, potentially leading investors to be more aggressive in pricing and/covenants. Municipal funds have seen $22.39 billion net inflows over the past 12 months. For the week ending February 7, 2025, municipal bond funds saw $1.124 billion inflows. In 2025, there have been 3 weeks of inflows and 3 weeks of outflows. In 2024, there were 41 weeks of inflows and 11 weeks of outflows. In 2023, there were 11 weeks of inflows and 41 weeks of outflows.

RECENT PRICINGS

Noble Network of Charter Schools, IL (4.320% / BBB / 14-year)
Buckeye Community School, OH (6.875% / NR / 35-year)
Plato Academy Schools, FL (5.230% / NR / 35-year)
Bonnie Cone Schools, NC (5.690% / NR / 35-year)

FEATURED FINANCINGS

Noble Network of Charter Schools	Buckeye Community School	Plato Academy Charter Schools	Bonnie Cone Classical Academy
Chicago, Illinois	Marion, Ohio	Tampa, Florida	Huntersville, North Carolina
Refunding	**New Money Acquisition/Construction**	**Acquisition/Refunding**	**New Money/Acquisition**
FEBRUARY 2025	DECEMBER 2024	DECEMBER 2024	OCTOBER 2024
$28,720,000	$13,535,000	$67,205,000	$65,130,000

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