

# ZIEGLER INVESTMENT BANKING

K-12 & CHARTER SCHOOL FINANCE Z-NEWS

FEATURED ARTICLE

## CHARTER SCHOOL INDUSTRY HIGHLIGHTS: CHARTER SCHOOLS AS THE SOLUTION TO REVERSE LEARNING LOSS CAUSED BY THE PANDEMIC

At Ziegler’s Charter School Investor Workshop, investors were surprised when they examined the latest national test results that showed a decline in the standard of educational achievement. The pandemic had devastatingly impacted student learning. Recent data from the National Assessment of Educational Progress (NAEP) indicated a significant learning loss, underscoring the need for immediate and effective interventions. John Binnert, Executive Director of Cottonwood Classical Preparatory School, and Dr. Monica Knight, Director of Special Projects for Green Apple School Management, cited a study by CREDO at Stanford to present charter schools as a viable solution according to their performance relative to traditional public schools.

NAEP results reveal the magnitude of the recent educational downturn. Each point reduction on the NAEP scores translates to about three weeks of learning delays. In 2022, the average NAEP Math scores saw a decline: 4th graders fell by 5 points and 8th graders by a startling 8 points. When we unpack these figures, we find that on average, students lagged 15-24 weeks behind in math alone that year.

The story in reading is slightly better but still worrying. For 4th and 8th grade students, average NAEP Reading scores in 2022 dropped by 3 points. This translates to students being approximately 9 weeks behind in reading.

While these NAEP figures are cause for concern, hope emerges from another source. The CREDO study out of Stanford provides a comprehensive look at the potential benefits of charter schools. Examining data from 2015 to 2019, students in charter schools across 31 states (encompassing 81% of tested public school students) exhibited reading and math gains

that surpassed their counterparts in the traditional public school (TPS) they would have otherwise attended.

The advantages of charter school attendance during this period are substantial. On average, attending a charter school over a TPS equates to an additional 16 days of learning in reading and 6 days in math. But this general trend becomes even more pronounced when we consider students in poverty. These students, when enrolled in charter schools, not only caught up with their TPS peers but even exceeded them in learning gains.

The benefits are even more starkly apparent for black students in poverty attending charter schools during the period of study. Their advantage in terms of days of learning is remarkable: an equivalent of 37 days in reading and a nearly equivalent 36 days in math per school year. This not only speaks to the efficacy of charter schools but also their role in addressing educational inequities.

The recent learning losses highlighted by the NAEP scores cannot be understated. They represent a setback in educational achievements and potentially long-term impacts on the students affected. However, the results from the CREDO study shine a light on a potential pathway forward. Charter schools, with their innovative teaching methods and focused approach, offer a beacon of hope. They not only provide an avenue to address these learning losses but also serve as an engine to drive educational equity, particularly for marginalized and impoverished communities. Given these findings, it is evident that investing in and expanding the reach of charter schools should be a central strategy in our efforts to bridge the educational gap and pave the way for a brighter, more inclusive future.

### **Municipal Interest Rates Continue to be Range Bound**

Municipal bond market conditions for charter school borrowers have become more volatile, as investors try to sort out the latest economic data. There are three main factors driving these volatile market conditions:

*...continued*



**JOHN BINNERT**  
Executive Director  
Cottonwood Classical  
Preparatory School



**DR. MONICA KNIGHT**  
Director of Special Projects  
Green Apple School  
Management

### ZIEGLER

One North Wacker Drive | Suite 2000  
Chicago, IL 60606

### CONTACT US

800 366 8899  
askziegler@ziegler.com



CAPITAL :: INVESTMENTS :: ADVICE

- 1) Federal Reserve's Interventions:** Last year the central bank initiated an aggressive monetary policy adjustment, marked by increased short-term rates in an attempt to manage the rapidly changing economic environment. Concurrently, the Federal Reserve is unwinding its vast balance sheet accumulated over the past decade, following its quantitative easing policies. Bowman, in a meeting with the Kansas Bankers Association, indicated that further rate hikes may be necessary to bring inflation closer to the FOMC's 2% target. Since 2022, the Federal Reserve has increased interest rates 11 times, bringing the federal funds rate between 5.25% to 5.5%, the highest in 22 years.
- 2) Continued Inflationary Environment:** While the rate of inflation has decreased over the past year, prices are still rising on a year over year basis for many goods and services. Prices of consumer goods and services have remained high, eroding purchasing power and causing concern among consumers, businesses, and investors alike. This "stickier" inflation scenario has prompted market participants to "park cash" in short-term treasuries and money market accounts.

- 3) Labor Market Weakness:** Nonfarm payrolls increased 187,000 in August, 110,000 fewer jobs than previously reported in June and July. The unemployment rate stands at 3.8%. While job growth is dwindling, indicators like GDP growth and consumer spending are still robust, presenting mixed signals about the economy's strength.

In the face of these intertwined factors, market reactions have been varied, with some investors seeking refuge in traditionally safer assets, while others are taking advantage of the situation to reassess and diversify their portfolios.

While market uncertainty remains, there is still plenty of capital for charter school borrowers to access, albeit at interest rates are higher than the historical lows of two years ago. The 30-Year MMD, the market benchmark index for municipal borrowers, remains at 3.92%, higher than its 20-year average of 3.47%.

**DAVID SHIN**  
VICE PRESIDENT  
K-12 & CHARTER SCHOOL FINANCE  
[dshin@ziegler.com](mailto:dshin@ziegler.com)

## ZIEGLER FINANCING

# ZIEGLER CLOSES FINANCING FOR ORANGE COUNTY EDUCATIONAL ARTS ACADEMY

Ziegler is pleased to announce the successful closing of the Orange County Educational Arts Academy (OCEAA) \$8,995,000 Series 2023A tax-exempt and \$360,000 Series 2023B taxable issues.

Orange County Educational Arts Academy (the "School") is a charter school in Santa Ana, CA that began operations in the fall of 2005 and today serves approximately 606 students in grades TK-8. The School operates pursuant to a charter contract with the Board of Education of the Santa Ana Unified School District, which has been renewed three times. The School provides a Two-Way Bilingual Immersion Program following the EL model, with students receiving education in both Spanish and English.

The Borrower issued bonds in 2008 to fund costs to acquire and renovate the School's facilities located at 826 North Broadway in Santa Ana. Proceeds of the Series 2023 bonds refunded the outstanding 2008 bonds, and provided an additional \$1.5 million in funds for a new project.

Originally scheduled to price on May 17, the pricing was moved forward a day on the recommendation of Ziegler's Underwriter. Ziegler's trading desk, working closely with the Municipal Advisor, Campanile, released initial pricing thoughts designed to involve as many funds as possible, with the strategy of attracting attention and re-pricing with a lower rate. The strategy was successful, with the bonds pricing at a top yield of 5.875% on a non-rated basis. The final pricing, combined with a grant-funded Debt Service

Reserve Fund and a 30-year term, resulted in new financing that provides the Borrower with over \$180,000 per year in annual cash-flow savings compared to the 2008 Bonds, even with approximately \$1.5 million in new money.

With over 100 years of raising capital for communities, Ziegler is a recognized leader in the educational sector throughout the U.S. We continue that tradition with our dedicated services to the national charter school market. Ziegler provides its charter school clients with capital for financing new construction, refinancing existing debt, or advising on future developments. As one of the few financial services firms in the country with a dedicated team of charter school finance professionals, Ziegler can offer unbiased advice to help advance our mission.

For more information about Ziegler, please visit us at [www.ziegler.com](http://www.ziegler.com).

## ABOUT ZIEGLER

*Ziegler is a privately held, national boutique investment bank, capital markets, and proprietary investments firm. It has a unique focus on healthcare, senior living, and education sectors, as well as general municipal and structured finance. Headquartered in Chicago with regional and branch offices throughout the U.S., Ziegler provides its clients with capital raising, strategic advisory services, fixed income sales, underwriting, and trading as well as Ziegler Credit, Surveillance and Analytics. To learn more, visit [www.ziegler.com](http://www.ziegler.com).*

## FEATURED FINANCINGS



AMERICAN LEADERSHIP  
ACADEMY

American Leadership  
Academy  
Mesa, Arizona

**New Money/Refunding**

AUGUST 2023

**\$141,505,000**



Global Academy of  
South Carolina  
Spartanburg, South Carolina

**New Money  
Acquisition/Renovation**

AUGUST 2023

**\$30,370,000**



Monocacy Montessori  
Communities  
Frederick, Maryland

**New Money**

JUNE 2023

**\$17,140,000**

## OUR TEAM

**SCOTT ROLFS**

MANAGING DIRECTOR &  
PRACTICE HEAD  
414 978 6556  
srolfs@ziegler.com

**WES BRADISH**

MANAGING DIRECTOR  
312 705 7230  
wbradish@ziegler.com

**WILL FOSSEL**

SENIOR VICE PRESIDENT  
312 705 7236  
wfossel@ziegler.com

**ERIN WAIT**

VICE PRESIDENT  
414 978 6578  
ewait@ziegler.com

**DAVID SHIN**

VICE PRESIDENT  
312 705 7292  
dshin@ziegler.com

**MICHAEL KNAB**

ASSISTANT VICE PRESIDENT  
414 978 6532  
mknab@ziegler.com

**NICOLE OSTANSKI**

ANALYST  
312 596 1589  
nostanski@ziegler.com