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Yearend Sales Boost 2017 U.S. Muni Bond Supply to \$410 bln.

CHICAGO, Jan 2 (Reuters) - U.S. states, cities, schools and other issuers sold \$410 billion of debt in 2017, with 14.5 percent of the total hitting the municipal market in December ahead of federal tax changes, according to Thomson Reuters data on Tuesday.

The supply, which was 3.2 percent lower than in 2016, got a last-minute boost from issuers racing to the market in late November and in December to sell certain types of tax-exempt bonds at risk in federal tax legislation signed into law on Dec. 22 by President Donald Trump.

December's \$59.56 billion of long-term debt was a monthly record for the \$3.8 trillion market, beating the \$57 billion sold in December 1985 ahead of 1986 federal tax changes, Thomson Reuters data showed.

Bank of America Merrill Lynch was the top underwriter of municipal bonds last year with nearly \$63.2 billion in 547 deals. Citigroup followed with \$46.67 billion 518 deals.

California was 2017's biggest issuer with \$8.87 billion of debt sold, followed by New York State Dormitory Authority with \$7.43 billion, and New York City Transitional Finance Authority with \$6.5 billion. Illinois ranked fourth with \$6.25 billion. The state sold \$6 billion of general obligation bonds in October to raise money to shrink its enormous pile of unpaid bills from vendors and service providers.

(Reporting by Karen Pierog; Editing by Tom Brown and Richard Chang)