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## Chicago Schools Sell Upsized Bond Deal Ahead of Schedule.

CHICAGO, May 17 (Reuters) – The junk-rated Chicago Public Schools (CPS) on Thursday more than doubled a planned bond refinancing issue to $561 million and accelerated its pricing amid rising rates in the U.S. municipal market.

The district had initially sized the issue at $260 million and set a tentative pricing date for next Tuesday through senior underwriter Loop Capital Markets.

"I guess they are taking advantage of the market while rates are increasing," said Daniel Berger, Municipal Market Data's (MMD) senior market strategist.

The 10-year bond yield on MMD's benchmark triple-A scale has climbed 10 basis points since Monday.

There was no immediate comment from CPS on the bond pricing.

Yields in the deal topped out at 4.95 percent for general obligation bonds due in 2035 with a 5 percent coupon, according to a repricing released by underwriters. Insurance by Assured Guaranty Municipal Corp on an additional 2035 maturity produced a lower yield of 4.05 percent.

Spreads over MMD's scale ranged from 193 basis points to 224 basis points for uninsured bonds and were as high as 135 basis points for insured bonds.

Escalating pension payments have led to junk credit ratings, drained reserves and debt dependency for CPS, the country's third-largest public school system.

School officials have touted an improved financial outlook under a new Illinois school funding formula enacted last year that boosted the flow of state funding to CPS by $450 million.

The district still has an "extremely weak cash position," according to S&P Global Markets, which last week rated the bonds at 'B' with a positive outlook.

The sale came a day after the Illinois State Board of Education placed the district's special education services under supervision after finding some CPS policies and practices violated a federal law protecting disabled children's' right to a free and appropriate public education.

(Reporting by Karen Pierog, editing by G Crosse)