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Puerto Rico Biggest Muni Issuer, BofA Top Underwriter so far in 2014.

(Reuters) - Fiscally troubled Puerto Rico was the biggest issuer of bonds in the U.S. municipal market in the first half of 2014 with a single \$3.5 billion bond sale in March, according to Thomson Reuters data on Tuesday.

The cash-strapped U.S. commonwealth sold the general obligation bonds to restructure some existing debt and boost liquidity at its Government Development Bank. More recently, the island's government roiled the muni market by passing a law that could allow its bond-issuing public corporations to adjust their debts through a bankruptcy-like process.

California was the second biggest issuer so far this year, selling \$2.56 billion of debt in three deals, followed by the Texas Transportation Commission, which sold \$2.43 billion of debt in three deals.

Overall issuance of debt by states, cities, schools and others totaled \$143.5 billion, a 15.7 percent drop from the same period in 2013, Thomson Reuters reported.

Bank of America Merrill Lynch was the top senior underwriter of muni debt with 178 deals totaling \$19.3 billion. J.P. Morgan Securities ranked second with \$16.1 billion of debt in 149 deals.

Insured muni bonds totaled nearly \$7.3 billion, up 29.4 percent from the same period last year. Assured Guaranty Municipal was the top insurer.

Letter of credit-backed debt jumped by nearly 75 percent to \$1.45 billion with Royal Bank of Canada the top provider.

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(Reporting by Karen Pierog; Editing by Chizu Nomiya)