Bond Case Briefs

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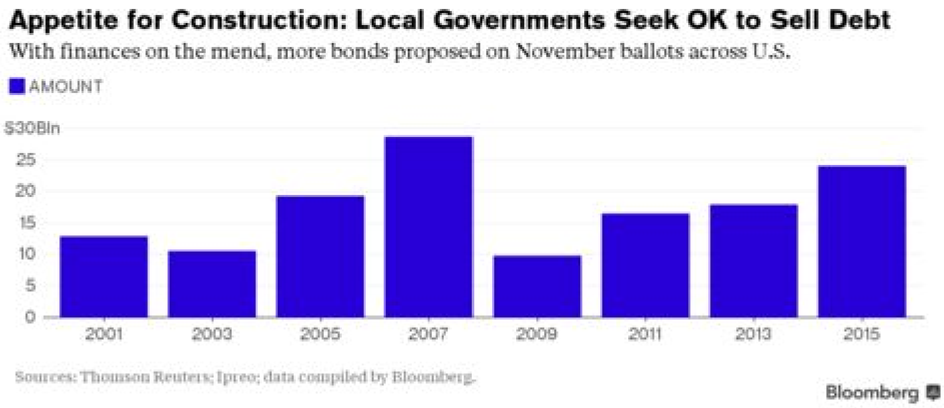
U.S. Voters Approve $10 Billion of Bonds in Top Ballot Contests.

U.S. voters approved more than $10 billion of new municipal bonds for local governments, with returns showing strong support for large debt issues for Dallas schools, Houston roads and Denver's stock show and convention facilities.

With interest rates near 50-year lows, localities nationwide sought authority Tuesday to issue $24 billion of debt for water systems, roads and economic development, according to Ipreo, a New York-based financial-market data provider. It was the most in an odd-year November election since 2007, before the worst recession since the 1930s cut tax revenue and pushed states and cities into a period of austerity.



While municipalities have been borrowing to take advantage of low rates to cut the cost of existing debt, they've been reluctant to take on new obligations. Borrowing costs have averaged just under 4 percent since 2012, the lowest since the mid-1960s, according to the Bond Buyer's index of 20-year yields.

"The best case would be a wave of supply that pushes yields and spreads meaningfully higher," said Matt Fabian, a managing director at Concord, Massachusetts-based research firm Municipal Market Advisors. "Unfortunately we are probably stuck with low yields for a while, regardless of what supply might come."

Dallas Schools

A strengthening economy gave government officials confidence to ask voters for permission to borrow. The approved borrowings would make a small contribution toward some of the $3.6 trillion of investment in infrastructure that the American Society of Civil Engineers estimates the U.S. needs by 2020.

For Dallas Independent School District, the $1.6 billion of new debt will be used to replace and renovate schools that are more than a half-century old. Denver voters approved $778 million of debt to upgrade a facility for the National Western Stock Show and for improvements to a convention center. Meanwhile in Harris County, where Houston is located, voters approved $848 million of debt for road improvements, parks and flood control, according to county election returns.

Debt sales were also approved for the Aldine Independent School District, North East Independent School District and Conroe Independent School District, all in Texas, and the Fairfax County schools in Virgina. Nine Texas districts were among the largest approved.

Voters in Maine, the only state with bond questions on its ballot, also supported $100 million of debt for transportation and senior housing.

Rejected Proposals

Two of the largest issues that failed to pass included $816 million of bonds in Pima County, Arizona, which sought to use the proceeds for roads and highways, economic development and tourism, and other purposes. In Travis County, Texas, voters rejected $287.3 million for a new courthouse in downtown Austin.

Six years after the recession ended, state tax revenue is only 5 percent over the prior peak and far lower than in past recoveries, according to data released in July by the Nelson A. Rockefeller Institute of Government, which tracks state and local revenue and spending. The long recovery from the recession that began in late 2007, followed by a sustained decline in investment by state and local governments in infrastructure, has created demand, said Donald Boyd, director of fiscal studies at the Rockefeller Institute.

The record for bond proposals in a November general election was in 2006, when municipalities asked for $78.6 billion and voters approved $69.6 billion, according to Ipreo. November general-election ballots typically contain more debt in even years, when congressional and presidential elections are held, than in odd-numbered ones. Last year voters were asked to decide on $44 billion of bonds, more than twice the amount sought in 2010, and passed about 85 percent, according to Ipreo.

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