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Chicago Schools Sell $1 Billion Bonds With Lower Market Penalty.

CHICAGO — The junk-rated Chicago Board of Education completed an up-sized bond sale on Thursday with a pricing that indicated an easing in the municipal market penalty the district has been forced to pay due to its deep financial problems.

The new and refunding general obligation bond issue was increased to $1.025 billion from $857.5 million. Yields in the deal topped out at 4.80 percent for bonds due in 2046.

Greg Saulnier, an analyst at Municipal Market Data (MMD), said spreads over MMD's benchmark triple-A yield scale narrowed to 213 basis points for the deal's long bonds from around 230 basis points in secondary market trading. He added that the school system was also able to offer lower coupons of 5 percent throughout the deal.

A July bond sale for the Chicago Public Schools (CPS) included heftier 7 percent coupons.

"(CPS) should realize a fair amount of savings from tighter spreads and lower coupons," Saulnier said.

The district did not respond to requests for comment about the bond sale.

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

The formula, which was enacted in August, allocates an additional $450 million to CPS in the current fiscal year from new state money for operations and pensions and a local property tax increase.

On Wednesday, CPS sold nearly $65 million of A-rated capital improvement tax bonds with a top yield of 3.94 percent for bonds due in 2046 with a 5 percent coupon.

Yields in both deals were lowered in repricings through senior underwriter J.P. Morgan Securities.

By REUTERS

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(Reporting by Karen Pierog; Editing by Lisa Shumaker)