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U.S. Municipal Bond Issuance Totals Nearly $12 Billion Next Week.

NEW YORK (Reuters) – U.S. municipal bond and note issuance were expected to total about $11.77 billion next week, according to Thomson Reuters data, a larger-than-usual amount ahead of the holiday season as issuers mull potential changes to the federal tax code.

This past week, U.S. municipal bond market supply totaled more than $20 billion for a second straight week as investors accelerated debt sales in case the U.S. Congress votes to eliminate federal tax breaks for private activity bonds (PABs) and advance refunding bonds starting in 2018.

The elimination would mean higher borrowing costs for nonprofits and other entities that issue PABs. It would also remove a way that all muni issuers can take advantage of lower interest rates to save money.

“Really it has been the concern about whether (there will be) a repeal of private activity bonds and advance refunding that has just driven a surge in volume during what is typically a quiet time,” said Erin Ortiz, a managing director and municipal research analyst at Janney Montgomery Scott in Philadelphia.

Republican lawmakers are expected to release details on a final tax bill later on Friday.

Muni bond and note issuance from the beginning of the year to Thursday totaled about $434.2 billion, according to Thomson Reuters data. November and December issuance accounts for nearly 20 percent of that total even though December is only half over.

A $1 billion bond sale by Houston pricing through Barclays tops next week’s negotiated deal calendar.

The taxable pension bonds, which were approved by Houston voters last month, are a critical part of a 30-year cost-saving plan signed into law in May by Texas Governor Greg Abbott to address the city’s $8.2 billion unfunded pension liability.

The bonds, rated Aa3 by Moody’s Investors Service and AA by Fitch Ratings, are structured with serial maturities from 2020 through 2032 and term bonds due in 2037 and 2047, according to the preliminary official statement.

A handful of negotiated deals on next week’s calendar total more than $600 million.

The Railsplitter Tobacco Settlement Authority in Illinois will issue about $678.6 million of revenue bonds, the Metropolitan Transportation Authority in New York will sell $608.8 million of transportation revenue refunding bonds, and Virginia’s Housing Development Authority is set to issue $600 million in rental housing bonds.

The week’s largest competitive deal comes from the City of Virginia Beach for $69.7 million of

general obligation public improvement refunding bonds, expected to sell Tuesday.

By Stephanie Kelly

(Reporting by Stephanie Kelly; Editing by Daniel Bases and J.S. Benkoe)

Dec. 15, 2017, at 2:18 p.m.

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