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Municipal Borrowing at Three-Year Low.

State and local governments are pulling back on bond sales, issuing $250 billion so far this year compared to $287 billion during the same period last year, according to a report by Citigroup.

The biggest reason? Rising interest rates have discouraged refinancing, cutting year-to-date taxable debt issuance to $44 billion from $79 billion last year. (Most municipal bonds pay tax-exempt interest, but early refinancings are not eligible for a federal tax exemption.)

One example: New York state is planning to sell $8.6 billion in bonds in its current fiscal year, down from $11.8 billion last year, according to state documents.

Tax-exempt bond issuance is down slightly this year too. Many cities and counties already flush with stimulus cash may have less need for borrowing. Others, facing rising costs from inflation, may be scaling back their ambitions.

The Wall Street Journal

By Heather Gillers

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