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Fitch Updates U.S. Public Finance Charter School Rating Criteria.

Fitch Ratings-New York-24 October 2018: Fitch Ratings has released an exposure draft detailing proposed changes to its rating criteria for U.S. Public Finance Charter Schools.

“The criteria revisions aim to communicate Fitch’s credit evaluations more clearly and better express the characteristics that affect a credit’s relative resilience through the business cycle. Fitch believes that this will facilitate a more forward-looking, predictable approach to ratings,” said Amy Laskey, Fitch Managing Director.

The proposed criteria revisions are expected to trigger downgrades among up to one half of the 15 charter schools rated by Fitch. These do not include charter schools whose debt repayment is supported by a state moral obligation; those ratings will continue to be based on the relevant state’s credit quality. Fitch’s small portfolio of charter school ratings is not representative of the overall charter school credit universe.

Proposed changes include:

- Introduction of three key rating factors: revenue defensibility, operating risk, and financial profile;
- Individual assessments for each key rating factor;
- Financial profile alignment with business profile in rating assessment;
- Incorporation of FAST – States and Locals, an issuer specific scenario analysis tool measuring the effect of a moderate economic downturn on revenues and financial profile.

Fitch explicitly does not weight the assessments of individual key rating factors in coming to an overall rating conclusion. The ratings are not formulaic or model driven; they require qualitative judgment to place metrics in an overall context for each issuer.

Fitch invites feedback from market participants at criteria.feedback@fitchratings.com during the comment period, which ends Dec. 1, 2018.

Fitch will host a teleconference on the proposed criteria changes on Nov. 8 at 2:00 p.m. Eastern Time. To register, visit

<https://event.on24.com/wcc/r/1866694/596D9033DBA4A271EE6ADD55E1B734B7>

For more information, the full special reports titled “Exposure Draft: U.S. Public Finance Charter School Rating Criteria” and “Proposed U.S. Public Finance Charter School Rating Criteria: FAQs” are available at www.fitchratings.com.

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