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Fitch Ratings Releases Final Revised USPF Tax-Supported Rating Criteria.

Link to Fitch Ratings' Report(s): [U.S. Public Finance Tax-Supported Rating Criteria](#)

Fitch Ratings-New York-10 January 2020: Fitch Ratings has released its revised "U.S. Public Finance Tax-Supported Rating Criteria," with modest changes to the exposure draft published on July 23, 2019. Fitch has concurrently released "Feedback Report - Comments on Exposure Draft: U.S. Public Finance Tax-Supported Rating Criteria", which summarizes feedback received during the exposure draft period and highlights changes made in the final criteria based on that feedback. The previous versions of tax-supported criteria have been retired.

"We embarked on this criteria revision after the First Circuit ruling upended the long-established belief in the municipal market that the payment of special revenue debt would continue during an automatic stay period," said Amy Laskey, Managing Director. "Fitch thinks the decision, having stood through two courts, substantially erodes the ability to confidently say that any legal protection can provide full insulation from the operating risk of the related municipality.

"As a result of this erosion of confidence, the criteria now limits the relationship between security ratings and the related government's Issuer Default Rating."

The revised criteria also clarify the relationship between the issuing entity and any related local government. This relationship limits the rating on revenue bonds with strong independent credit characteristics that are issued by enterprises of a local government with weaker general credit quality.

Fitch's fundamental methodology for rating local government debt has not changed, and Fitch expects approximately 20 ratings will be affected in sectors including utilities, school districts and other special districts.

As a result of the criteria change, affected ratings will be placed on either Rating Watch Negative, indicating a preliminary assessment that the distance between a security rating and the related general government credit quality is greater than is permissible, or Under Criteria Observation, indicating there is a potential credit impact, but the impact is more uncertain. Fitch will release a list of affected credits within the next week.

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