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'Woke Bond Rating'? The Muni Finance Fight Over ESG Scores.

Utah officials recently lashed out at a rating agency's use of environmental, social, governance rankings. Investors have an appetite for the metrics, but critics say they're too subjective.

Welcome back to another edition of Route Fifty's Public Finance Update! I'm Liz Farmer and this week, I'm looking at the latest squabble over ESG evaluation—assessing governments' long-term environmental, social or governance risks. As always, send feedback and tips to: publicfinance@routefifty.com.

ESG evaluation has always been a somewhat contentious issue in the investment community because data on those metrics are not standardized. But a recent move by S&P Global to assess states' ESG exposure is sparking new debate, and has conservative lawmakers and interest groups fighting back in one of the most concerted efforts yet to discredit the practice.

At issue are new "ESG credit indicators" S&P released in late March. Each state was given a report card on its environmental, social and governance factors and assigned a ranking of 1 (positive) to 5 (very negative) on each factor. States all generally scored twos and threes for each category. "ESG credit indicators," said S&P in a recent FAQ, "provide additional transparency on what's already incorporated into our credit rating analysis."

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MAY 17, 2022

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