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## S&P: The Updated General Obligation Criteria Reflect the U.S. Local Government Sector's Strength and the Importance of Qualitative Analysis.

In the past year, Standard & Poor's Ratings Services applied its general obligation (GO) local government criteria to more than 4,000 U.S. local government issuer credit ratings and ratings on GO bonds issued by municipal governments that are not special purpose districts. We included cities, counties, towns, villages, townships, and boroughs. Of those local government ratings, 55% did not change. We raised 41% of our ratings and lowered 4%. Most of the ratings changes (69%) were by one notch (see chart 1), which closely matches our expectations from when we released our criteria on Sept. 12, 2013. However, overall rating actions do differ slightly from our estimates we gave when we released the criteria (60% unchanged, 30% upgraded, and 10% downgraded). We attribute the difference to qualitative analysis and updated information

When we first envisioned the criteria update, we had three key goals in mind. First, we wanted to facilitate greater comparability of ratings across geographies and sectors by recognizing and incorporating the overall strength and stability that the local government sector has demonstrated. Second, we sought to enhance the transparency of our ratings methodology, including a clear explanation of qualitative adjustments — which go beyond the numbers and can have a significant impact on an issuer's creditworthiness. Finally, we wanted to formalize and make explicit the forward-looking components of our analysis.

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