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Fitch Updates Rating Criteria for U.S. State Governments and Territories Criteria.

Fitch Ratings-New York-04 February 2025: Fitch Ratings has updated its rating criteria for U.S. Public Finance State Governments and Territories, replacing the previous criteria from April 2, 2024.

While there are multiple changes (outlined below), they do not materially alter Fitch's approach to rating U.S. state governments and territories from the previous version. As such, Fitch expects no rating changes resulting directly from these criteria changes. The revisions generally provide additional clarity regarding Fitch's current analytical approach. The most notable changes include the following:

- Revised the Key Rating Drivers on page 1 to align presentation with other Fitch rating criteria;
- Added descriptors for 'b'-level assessments;
- Changed discussion of Operating Performance assessments to clarify Fitch's analytical approach including our focus on a state's available fiscal management tools to manage a downturn and our expectations of their willingness to make use of those tools.
- Updated language describing our use of scenario analysis for states including a focus on relative revenue volatility, and more detail around our analysis of reserves including a definition for dedicated operating reserves.
- Revised charts and tables for the Scenario Analysis to be included in rating reports to focus on components which are more useful to our analytical approach including showing available fund balance as percentage of spending rather than net change in fund balance as percentage of spending.

The updated criteria report is available at www.fitchratings.com.

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