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Fitch Ratings Publishes Exposure Draft & RFC on USPF Dedicated Tax and Revenue Bond Rating Criteria

Related Content: Exposure Draft: U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria

Fitch Ratings-New York/San Francisco-08 January 2026: Fitch Ratings has published an exposure draft detailing a proposed revision to its rating criteria for dedicated tax and revenue bonds (DTRBs) for U.S. state and local governments and territories. DTRBs are payable from specific pledged taxes, fees, charges, or other governmental revenues and are not covered by a full faith and credit pledge.

This exposure draft will be published as a new rating criteria report following the conclusion of the comment period. The proposed criteria will apply to the assignment of new ratings and the monitoring of existing ratings.

During the consultation period, Fitch will continue to apply the Dedicated Tax Bonds sections of the "U.S. Public Finance Local Government Rating Criteria" and the "U.S. Public Finance State Governments and Territories Rating Criteria" to existing and new ratings. The Dedicated Tax Bonds sections from these criteria will be removed concurrent with the publication of the finalized "U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria."

The proposed methodology broadly retains the existing analytical and assessment framework for rating DTRBs, with some modifications:

–Enhance the transparency and clarity of the resilience analysis by introducing standardized and category-specific revenue stress guidance;

–Replace the "Growth Prospects for Revenues" and "Sensitivity and Resilience" Key Rating Drivers with "Revenue Risk" and "Resilience";

–Enhance the guidance for assessing the performance of the pledged revenue stream over time (Revenue Risk) to include assessments of the pledged revenue type and revenue volatility in addition to revenue growth prospects;

–Measure Resilience based on the coverage of Maximum Annual Debt Service from stressed pledged revenues rather than the level of the coverage cushion as a multiple of the FAST revenue stress and largest cumulative revenue decline history;

–Eliminate the use of the Fitch Analytical Stress Test (FAST) model;

–Extend descriptions of non-investment-grade attributes to 'b' or lower for each KRD;

–Replace the Asymmetric Additional Risk Considerations, which were limited to only below standard or negative rating considerations, with the Additional Credit Factors, which may have a positive or negative effect on the final rating;

–Simplify the analysis of exposure to related government operations by explaining the limited circumstances in which Fitch will take recovery prospects into account, rather than strictly assessing probability of default, and in which various structural protections obviate the need to analyze pledged revenue risk and resilience.

Fitch estimates that approximately 20% of covered security ratings could be affected, with slightly more upgrades than downgrades expected. Most rating changes are expected to be within a range of one to three notches.

We invite feedback on the proposed criteria. Comments should be sent to criteria.feedback@fitchratings.com by Feb. 15, 2026.

Fitch will publish in full any written responses it receives on its website, including the names and addresses of the respondents unless the response is clearly marked as confidential.