Fitch Ratings Publishes U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria.

Fitch Ratings-New York/San Francisco-01 May 2026: Fitch Ratings has published its "U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria". The criteria updates and replaces the "Exposure Draft: U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria" from January 2026.

The new criteria report sets out Fitch's methodology for assigning new ratings and monitoring existing ratings on 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.

The new criteria replaces 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," which have been removed concurrent with this publication.

The new criteria broadly retains the existing analytical and assessment framework for rating DTRBs, with some notable revisions including:

–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 (KRD) 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;

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

–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;

–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 approximately 20% of its DTRB ratings may change because of the new criteria, with a slightly higher ratio of upgrades to downgrades possible. Most rating changes are expected to be within a range of one to three notches. We will place the ratings of issuers that may be affected Under Criteria Observation (UCO) within five business days.

The ratings placed on UCO will require additional information and analysis to fully assess the effect of the new criteria on the ratings, if any. Not all the ratings placed on UCO will be changed. Existing ratings, Outlooks and Rating Watches remain unchanged by the placement on UCO. Each UCO review will consider changes in the underlying credit profile in addition to the application of the new criteria. Fitch will review all the ratings designated as UCO as soon as practicable but no later than six months from the date of the criteria release.