



## **Methodology RFC Announcement: Moody's proposes updates to its US public finance special tax methodology**

NOTE: On January 16, 2024, the press release was corrected as follows: In the eighth paragraph, the first sentence was changed to: "Market participants are invited to comment on the Request for Comment by March 18, 2024, no later than 11:59 p.m. US Eastern time, by submitting their responses on the Request for Comment page on <https://ratings.moody.com>." Revised release follows.

New York, January 16, 2024 - Moody's Investors Service is seeking feedback from market participants on proposed changes to its methodology for US public finance special taxes. Unless changes are made following the comment period, this updated credit rating methodology will be adopted as proposed and replace the version published on January 26, 2021.

Moody's currently uses the US public finance special tax methodology to assign ratings to debt instruments secured by a pledge of non-property taxes by all US state and local governments. Moody's general proposal is to assign ratings to most of these debt instruments using the applicable methodologies for US states, US cities and counties and US K-12 public school districts, by updating those methodologies to include approaches for assigning special tax instrument ratings. Moody's would continue to use the US public finance special tax methodology to assign ratings to special tax debt instruments of special purpose districts and certain other types of issuers, and Moody's proposes no analytical changes to that approach.

Under its proposal, Moody's would make the following changes: Expand the types of instruments rated using methodologies for US states and territories, cities and counties and K-12 public school districts to include certain special tax debt instruments of these issuers. This proposal reflects the close linkages between many special tax debt instruments and the issuing governments, Moody's view that the general operational and financial profiles of the governments are a primary driver of credit strength or weakness of these instruments, and the importance of considering the characteristics of a particular special tax revenue security pledge in this context. Moody's would assign individual debt instrument ratings at the same level, or higher or lower than the issuer rating, to reflect its assessment of differences in expected loss related to a special tax instrument's priority of claim as well as the specific pledge included in the instrument's terms. Moody's currently assigns ratings to these instruments using the US public finance special tax methodology.

The proposal would also expand the existing instrument rating sections in methodologies for US states and territories, cities and counties, and K-12 public school districts to include Moody's approach to rating certain special tax debt instruments relative to an issuer rating.

Under the proposal, Moody's would also narrow the scope of the existing US public finance special tax methodology and maintain the current approach.

If the methodology is adopted as proposed, Moody's expects that 50% of special tax ratings that would be rated using these methodologies would change. Most of the rating changes would be upgrades, and most would be by one notch.

This expected rating impact only reflects the methodological changes noted above and does not incorporate potential impact from other factors, including prevailing market conditions or factors

specific to a particular issuer or transaction, such as financial metrics or qualitative considerations, that may be relevant to the rating analysis.

Market participants are invited to comment on the Request for Comment by March 18, 2024, no later than 11:59 p.m. US Eastern time, by submitting their responses on the Request for Comment page on <https://ratings.moodys.com>. The Request for Comment page can be accessed at: <https://ratings.moodys.com/request-for-comment>.

This press release is not intended to provide a summary of the proposed update to the methodology in the Request for Comment. For a full explanation of the proposal, please consult Moody's Request for Comment titled "US Public Finance Special Tax Methodology: Proposed Methodology Update" that can be accessed at: [https://ratings.moodys.com/documents/PBM\\_1371725](https://ratings.moodys.com/documents/PBM_1371725)

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