

Municipal bonds sold, by type—1965

[Thousands—par value]

Type	Amount	Number of issues
G.O.—unlimited tax.....	\$6,730,575	4,515
G.O.—limited tax.....	429,830	311
Total G.O.'s.....	7,160,405	4,826
Utility revenues.....	1,143,610	594
Quasi-utility revenues.....	1,542,050	340
Special tax revenues.....	205,062	56
Rental revenues.....	626,004	260
Total revenues.....	3,516,726	1,250
New Housing Authority.....	464,045	127
Grand total.....	11,141,176	6,203

Source: IBA Statistical Bulletin No. 38, March 1966.

Recently, agency ratings have come under close scrutiny by various members of the financial community. A major criticism has concerned the thousands of issues not rated each year. An official at Standard & Poor's has estimated the cost of rating a community to be in the neighborhood of \$2,000. It is understandable that Moody's and Standard & Poor's must make arbitrary decisions about which credits are to be rated. The rating agencies are not public institutions and are not supported as such. Unfortunately, however, they have come to be looked upon by the public as official agencies, for they do perform a public function. Often, the lack of a rating can seriously jeopardize a community's credit position. Funds may not be as readily available or as inexpensive to the unrated town as they are to its neighbor whose bonds do have a rating. A higher cost of borrowing is necessarily equated with a lesser amount of services a community may provide. Many feel that the agencies have neither the staffs nor the money necessary to insure that public financing always assured to qualified borrowers at equitable interest costs. Proper ratings will not alone determine this assurance, but no rating at all will certainly have a detrimental effect.

The rating agencies have also been criticized for the kind of information upon which ratings are based. The agencies are constantly asking municipalities to supply complete and current information. In the course of a year Moody's receives reports from over 12,000 municipalities. Ratings are not given and are withdrawn when information supplied is not complete enough so that an evaluation can be made. The agencies must, in large measure, rely upon fiscal officers. Unless an agency representative visits each community personally (an almost impossible task under present agency procedures), there can be no assurance that information supplied is complete and not biased, if only for lack of any uniform system for financial reporting among the several States. Two questions arise:

(1) With so many thousands of reports to cover and so few staff men to review them, can the agencies be sure that the information received is complete? Or can some information be left out and a rating still given?