Data Description Sheet

Do rating agencies benefit from providing higher ratings? Evidence from the consequences of municipal bond ratings recalibration☆

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1. *A description of which author(s) handled the data and conducted the analyses.*

   Joseph Weber, Reining Petacchi, and Jacquelyn Gillette handled the data, and Reining Petacchi and Jacquelyn Gillette performed the empirical analyses.

2. *A detailed description of how the raw data were obtained or generated, including data sources, the specific date(s) on which data were downloaded or obtained, and the instrument used to generate the data (e.g., for surveys or experiments). We recommend that more than one author is able to vouch for the stated source of the raw data.*

   The primary sources of data are the Texas Bond Review Board website (http://www.brb.state.tx.us), and the California State Treasurer Debt Watch website (http://debtwatch.treasurer.ca.gov). Joe downloaded the data from each of these websites in March 2017 (last access August 2018). The raw data from Texas was provided in Excel, where each year is a separate excel file and lists the bond issuances in groups by bond sector. Joe transformed the raw data to provide a column showing the bond sector for each bond issuance and deleted the rows providing the subtotals by bond sector type. The data provided from California did not need to be transformed to provide the bond sector in a column format. Jacquelyn Gillette spoke with Justin Groll and Braxton Parsons at the Texas Bond Review Board regarding the variable definitions and data collection process for the raw Texas data.

   Jacquelyn Gillette and Reining Petacchi transformed the raw data to the final sample used in our analyses (as described in Section [4] of the paper and shown in the code provided labeled "BGPW_final"). In addition, Jacquelyn and Reining performed the empirical analyses (e.g., descriptive statistics, figures, tables, and regressions). Joe, Reining, and Jacquelyn frequently collaborated in handling the data, and a shared dropbox folder among all of the co-authors housed the raw data, the transformed data used in the analyses, and all of the SAS and STATA codes.

   In the online appendix, we analyze changes in bond yields as a result of the recalibration. Bond yields are obtained from the Mergent Municipal Bond Securities database, which was purchased by the MIT Sloan School of Management. Reining Petacchi and Jacquelyn Gillette joined the Texas and California data to the Mergent Municipal Bond Securities Database for this analysis, as described in the online appendix.

3. *If the data are obtained from an organization on a proprietary basis, the authors should privately provide the editors with contact information for a representative of the organization who can confirm data were obtained by the authors. The editors would not make this information publicly available. The authors should also provide information to the editors about the data sharing agreement with the organization (e.g., non-disclosure agreements, any restrictions imposed by the organization on the authors, such as restrictions to publish certain results).*

   All of the data used in this project came from publicly available sources or the vendors described in the response to Question (2) above.

4. *A complete description of the steps necessary to collect and process the data used in the final analyses reported in the paper. For experimental and survey papers, we require information about the instructions and instruments used to generate the data, subject eligibility and/or selection, as well as any exclusion criteria. The full set of instructions and instruments can be provided in the online appendix.*

   We outline the steps necessary to transform the data from the raw form (as provided via the Texas and California websites) to the final stage in Section [4] of the paper. In addition, we provide the SAS code that performs this transformation labeled "BGPW_final" (attached). The final list of 1,893 issuers included in the main analyses is labeled "issuer_mainanalyses" (attached).

5. *The computer programs or code used to convert the raw data into the final dataset used in the analysis plus a brief description that enables other researchers to use this program. The purpose of this requirement is to facilitate replication and to help other researchers understand in detail how the raw data were processed, the final sample was formed, variables were defined, outliers were treated, etc. This code or programming is in most circumstances not proprietary. However, we recognize that some parts of the code or data generation process may be proprietary, including from the authors' perspective. Therefore, instead of the code or program, researchers can provide a <u>detailed</u> step-by-step description of the code or the relevant parts of the code such that it enables other researchers to arrive at the same final dataset used in the analysis. In such cases, the authors should inform the editors upon initial submission, so that the editors can consider an exemption from the code sharing requirement. Whenever feasible, authors should also provide the identifiers (e.g., CIK, CUSIP) for their final sample. Authors should consult our FAQ Sheet on the JAR website for further details.*

   The code that transforms the raw data from the California and Texas websites is provided, labeled "BGPW_final" (attached). In addition, we provide the final list of issuers used in the main analyses, labeled "issuer_mainanalyses" (attached). We note that our data does not provide unique CIK numbers or CUSIPs for each issuer. Instead, we use unique issuer names to generate a unique identifier labeled "issuernum" for each entity. We outline this process in the SAS code ("BGPW_final"), and we provide the list of unique entity names and the associated "issuernum" identifier in the "issuer_mainanalyses" file (attached).

6. *An assurance that the data and programs will be maintained by at least one author (usually the corresponding author) for at least six years, consistent with National Science Foundation guidelines.*

   The authors agree to retain the data and programs for the required 6 years.