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S&P U.S. Transportation Infrastructure Transit Sector Update And Medians: Long-Term Funding Decisions Loom For Many Mass Transit Operators

Key Takeaways

- Many mass transit operators that depend on fare revenue face uncertainty as pandemic-related federal aid runs out over the next few years. We expect providers will have to make tough decisions about sustainable tax and revenue models.
- S&P Global Ratings does not expect a full recovery to pre-pandemic ridership in the foreseeable future. We thus believe the credit quality of many transit operators will depend on their ability to adjust operations and align financial performance to achieve structural balance after federal aid is depleted.
- Our mass transit sector median analysis shows only modest erosion of credit quality, which highlights the significance of $71.7 billion in federal aid. The Infrastructure Investment and Jobs Act will provide another $108 billion for the sector to fund capital projects and environmental, social, and governance (ESG) initiatives over the next five years.
- Our data suggest mass transit operators receiving significant tax support will continue to demonstrate relative credit stability, with those in the ‘AAA’ and ‘AA’ category that generally derive more than 60% of revenues from taxes maintaining debt service coverage (DSC) and debt-to-net revenue metrics near pre-pandemic levels.

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