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S&P U.S. Highway User Tax Bond Report Card: Strong Coverage Drives Rating Resiliency

Key Takeaways

- S&P Global Ratings expects that U.S. highway user tax credit quality will remain stable as a result of strong debt service coverage (DSC), active management by states in raising tax rates and fees when necessary, and a mix of pledged stable revenue sources beyond fuel taxes, such as license and registration fees.
- We also expect that pledged revenues for state highway user tax revenue bonds will recognize shifts in revenue composition over the long term as drivers continue transitioning to more fuel-efficient vehicles and electric vehicles (EVs), and that overall, the sector will remain resilient in the face of this modernization.
- Our analysis of the most recent net pledged revenue data indicates relatively strong growth over the last three years, and only positive rating changes have taken place since January 2022, driven by linkage to state general creditworthiness.

Continue reading.

28 Sep, 2023

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