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S&P U.S. Transportation Infrastructure Transit Update: End Of The Line Nears For Federal Assistance As Low Ridership Pressures Operators

Key Takeaways

- Our sector view for mass transit remains negative as many large agencies struggle to balance operating funds, given depressed passenger fare revenue, and pandemic-related federal assistance runs out beginning in 2024.
- A few transit agencies have received a combination of temporary relief and longer-term tax support amid an ongoing policy debate at the state, regional, and local levels regarding how to support operating and capital requirements with sustainable tax and revenue models.
- Year-to-date rating actions have been positive for some mass transit operators that benefit from significant tax support and are relatively less reliant on fare revenues. Specifically, sales taxes have experienced strong growth in recent years that we expect will provide ongoing financial flexibility.
- S&P Global Ratings believes the credit quality of transit operators with a historical reliance on fare revenue will depend on their long-term ability to enhance existing recurring revenue sources or establish new recurring ones, and adjust operating expenses and capital spending as needed to achieve a sustainable fiscal balance.

Continue reading.

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