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S&P: U.S. Transportation GARVEEs Are Stable, Much Like Sector Funding

Key Takeaways

- S&P Global Ratings views the U.S. federal-grant-secured transportation sector as stable given expected reliable funding and continued strong support for transportation infrastructure investment across all levels of government, and thus most grant anticipation revenue vehicles (GARVEEs) are rated in the 'AA' category.
- Funding from the Infrastructure Investment and Jobs Act (IIJA; also known as the Bipartisan Infrastructure Law, or BIL) in federal fiscal 2023 totaled $59.5 billion for the Federal-Aid Highway Program and $13.6 billion for transit formula grant programs sourced from the Highway Trust Fund. Based on estimates of outlays, the fund is projected to be exhausted in 2026.
- Inflated construction project costs, labor shortages, and other hurdles continue to erode the anticipated benefits of BIL/IIJA funding.
- Our AA+/Stable/A-1+ U.S. sovereign credit rating is linked to both stand-alone GARVEE ratings and backstopped GARVEE ratings that benefit from an additional pledged security such as state gas taxes.
- Our analysis of key financial metrics for fiscal 2023 shows that GARVEE programs continue to demonstrate very strong maximum annual debt service coverage that we do not expect will materially erode as states and regional transportation agencies potentially issue more debt to maintain and expand investment in roads and transit.

Continue reading.

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