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S&P U.S. Highway User Tax Bond Report Card: Favorable Gas Tax Trends Provide Stability Despite Longer-Term Funding Shifts

Key Takeaways

- We expect stable U.S. highway user tax credit quality given active management by states in raising tax rates and fees when necessary, and efforts to diversify the mix of pledged revenue sources beyond fuel taxes, supporting very strong DSC for revenue bonds.
- Our analysis of the most recent net pledged revenue data indicates relatively strong growth over the past three years, including only positive rating changes since January 2024, primarily driven by linkage to states' general creditworthiness.
- We also expect that pledged revenue for highway user tax revenue bonds will remain resilient and recognize long-term shifts in composition as drivers slowly transition to more fuel-efficient and electric vehicles.

Overview

S&P Global Ratings maintains ratings on a variety of U.S. highway user tax bonds, which are secured by transportation-related taxes and fees such as motor fuel taxes and motor vehicle registration fees. Most of these bonds are highly rated, reflecting generally high debt service coverage (DSC) and stable pledged revenue.

Continue reading.

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