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S&P: Fixing America's Surface Transportation Act's Passage Does Not Affect Grant Anticipation Vehicle Revenue Debt Ratings.

NEW YORK (Standard & Poor's) Dec. 8, 2015—Standard & Poor's Ratings Services today said that its ratings on 25 issuers in the grant anticipation revenue vehicle (GARVEE) sector are unaffected by the enactment of Fixing America's Surface Transportation (FAST) Act, which President Barack Obama signed into law Dec. 4, hours before previous funding was set to expire. However, we believe FAST generally supports the sector's credit quality, due to a longer period of funding certainty and the increased funding levels that the Act provides. Funded mainly by gasoline and diesel fuel taxes deposited in the Highway Trust Fund (HTF) and \$70 billion from various sources within the general fund, the five-year, \$305 billion dollar transportation reauthorization act marks the first long-term solution for highway and transit funding since 2005.

FAST replaces the Moving Ahead for Progress in the 21st Century, which was enacted in 2012 but provided funding for just slightly more than two years, and was extended several times for a few months, or even weeks at a time, as Congress debated various bill components. The Act covers funding through fiscal 2020 (year ended Sept. 30), which we view as preferable compared with what had become commonplace: eleventh-hour short-term extensions. Furthermore, FAST provides a 5.1% increase in highway fund distributions to states for fiscal 2016, and growth rates of 2.1% to 2.4% thereafter. Previous funding growth rates were lower, and until the FAST Act, Standard & Poor's had cited federal budget deficits as a concern affecting highway funding levels. Overall, the FAST Act authorizes \$230 billion for highways, \$60 billion for public transportation, \$10 billion for passenger rail, and \$5 billion for highway safety programs. This is an approximately 11% increase from current funding levels over five years.

Standard & Poor's ratings in the GARVEE sector range from 'A' to 'AA' for transactions where only federal funding is pledged, and as high as 'AAA' where state agencies blend the federal funding with an additional pledge of state funding. We base the relatively strong ratings in the sector on the issuers' pledge of HTF grants from the federal government.

Overall, we believe, the FAST Act's signing confirms Standard & Poor's views of ongoing and widespread Congressional support for preserving and expanding the national highway system. States and local transportation agencies that receive distributions from the HTF can confidently move forward with complex multiyear transportation projects because the questions surrounding federal funding no longer loom. We will continue to monitor the sector to evaluate how each individual state issuer might adjust its debt or capital spending plans, given the new law.

Separate from the impact on GARVEE debt, other provisions of the FAST Act includes 70% in cuts to the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, from \$1 billion per year in 2015 and \$750 million in 2014 to \$275 million-\$300 million per year during fiscal years 2016-2020, although the scope of eligible TIFIA projects has been expanded. Furthermore, FAST provides \$6.2 billion for a new national freight program, and increases funding for public transportation to \$12.6 billion in 2020 from \$10.7 billion in 2015.

We have determined, based solely on the developments described herein, that no rating actions are currently warranted. Only a rating committee may determine a rating action and, as these developments were not viewed as material to the ratings, neither they nor this report were reviewed by a rating committee.

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