Bond Case Briefs

Municipal Finance Law Since 1971

S&P: U.S. Highway User Tax Bonds Prove Resilient

Key Takeaways

- Credit trends have been stable, despite variations in the price of fuel, temporarily lowered driving activity during the pandemic, increasingly restrictive federal gasoline mileage standards, and potential future loss of revenue due to electric vehicles (EVs), plug-in hybrid electric vehicles (PHEVs), hybrid electric vehicles (HEVs) and other technologies.
- Stable credit quality stems from strong debt service coverage and additional bonds tests, stable fuel consumption trends despite price swings, active management by states in raising tax rates when necessary, and a mix of pledged stable revenue sources beyond fuel taxes, such as license and registration fees.
- We believe states will find alternative sources of pledged revenue to the extent gas tax revenue flowing into state highway funds declines, such as by imposing vehicle mileage or other taxes, or by direct transfers of general tax revenue.
- Recent changes to highway user tax bond outlooks have been the result of the linkage to state general obligation credit quality under our priority lien criteria.

Continue reading.

14 Jul, 2021