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S&P Report Card: U.S. Transportation GARVEEs Remain Stable Amid An Evolving Federal Policy Environment

Key Takeaways

- We believe U.S. federal agencies will continue to support highway and transit grant programs funded from the Highway Trust Fund (HTF) as required by current law and this will continue in subsequent surface transportation authorizations.
- Many grant anticipation revenue vehicle (GARVEE) issuers in our rated sector have contingency plans if, for any reason, federal funding is unavailable in the near term, and most have robust liquidity and coverage in the event of delays or rescissions.
- Highway and transit project cost inflation will likely be exacerbated by any tariffs on construction materials and wage growth, eroding the financial benefits of federal grants and overall infrastructure spending.
- Our analysis of key GARVEE sector financial metrics for fiscal 2024 shows continued stability across rated issuers, with a median maximum annual debt service (MADS) coverage of 10.0x that, combined with limited near-term debt plans, supports our stable outlook for the subsector.

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