

**Rating Action: Moody's assigns Aa2 to New Mexico's subordinate transportation revenue bonds, 2021A; outlook stable**

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18 Jun 2021

New York, June 18, 2021 -- Moody's Investors Service has assigned a Aa2 rating to the State of New Mexico's State Transportation Revenue Bonds (State Transportation Commission - Subordinate Lien), Series 2021A, to be issued through the New Mexico Finance Authority in an estimated amount of \$235 million. Following this new issue, the state will have outstanding approximately \$279 million senior lien transportation revenue bonds, all rated Aa1, and approximately \$720 million subordinate lien transportation revenue bonds, all rated Aa2. The outlook is stable.

**RATINGS RATIONALE**

The Aa1 and Aa2 ratings on the senior and subordinate lien bonds reflect ample coverage of debt service by total pledged revenues and by state revenues alone, rapid payout of outstanding bonds, and the absence of additional borrowing plans, balanced against relatively stagnant state revenues and periodic reauthorization risk for federal revenues. Additional credit strengths include the absence of variable rate and swap exposure, and strong legal separation between the pledged transportation revenues and the state's general fund.

**RATING OUTLOOK**

The outlook for New Mexico's transportation revenue bonds is stable reflecting rapid payout and the expectation of continued ample coverage of debt service.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Structural changes that result in a significant and permanent improvement in coverage.

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- Significant decline in coverage as a result of prolonged economic weakness, federal legislative changes, or the issuance, not currently anticipated, of a large amount of additional debt.

**LEGAL SECURITY**

The senior and subordinate lien bonds are secured by first and second liens, respectively, on both: (1) state road and highway revenues and (2) federal highway aid received by the state. In fiscal 2020, approximately 50% of the state road and highway revenues consisted of gasoline and special fuel (diesel) taxes. The balance of the state revenues consisted of weight/distance fees assessed on trucks, registration fees, license fees and other transportation-related fees. Federal highway aid consists of all aid received by the state from the federal government for highway construction, improvement and maintenance projects.

**USE OF PROCEEDS**

Proceeds of the Series 2021A bonds will be used to fund highway projects throughout the state.

**PROFILE**

New Mexico is the 36th-largest state by population, at 2.1 million. Its state gross domestic product, \$100.3 billion, is the 37th-largest. The state's wealth levels are below average, with per capita personal income equal to 76.7% of the US level and a poverty rate among the highest for US states.

The New Mexico Finance Authority is a government instrumentality created by the state legislature to facilitate the financing of state and local public projects.

**METHODOLOGY**

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in

January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260087](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260087). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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Kenneth Kurtz  
Lead Analyst  
State Ratings  
Moody's Investors Service, Inc.  
405 Howard Street  
Suite 300  
San Francisco 94105  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Emily Raimes  
Additional Contact  
State Ratings  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653



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