

Rating Action: Moody's assigns Aa1 to New Mexico's transportation revenue bonds, 2020A; outlook stable

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New York, September 21, 2020 -- Moody's Investors Service has assigned a Aa1 rating to the State of New Mexico's State Transportation Refunding Revenue Bonds (State Transportation Commission - Senior Lien), Series 2020A, to be issued through the New Mexico Finance Authority in an estimated amount of \$63 million. Following this new issue, the state will have outstanding approximately \$380 million senior lien transportation revenue bonds, all rated Aa1, and approximately \$499 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 significant 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 pledged revenues and/or coverage as a result of prolonged economic weakness, federal legislative changes, or the issuance 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 2019, 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 2020A bonds will be used to refund outstanding bonds for debt service savings.

PROFILE

New Mexico is the 36th-largest state by population, at 2.1 million. Its state gross domestic product, \$104.0 billion, is the 37th-largest. The state's wealth levels are below average, with per capita personal income equal to 77.6% 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 July 2017 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1077147. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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