

Research Update:

Nebraska Department of Transportation Series 2026A Highway Improvement Bonds Assigned 'AAA' Rating; Outlook Stable

January 15, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the Nebraska State Highway Commission's proposed approximately \$75.4 million series 2026A highway improvement revenue bonds.
- We also affirmed the 'AAA' long-term rating on the commission's outstanding highway improvement revenue bonds.
- The outlook is stable.

Rationale

Security

The bonds are secured by highway user revenue deposited into the state highway capital improvement fund (CIF) and have the priority of the funds in the account. Highway user revenue is made up of motor vehicle fuel taxes; diesel fuel taxes; compressed fuel taxes; alternative fuel fees; motor vehicle registration fees; and other highway-user taxes, fees, and penalties. Since the commission is prohibited from pledging general sales taxes under the state's constitution, pursuant to the Build Nebraska Act, Nebraska's legislature reassigned a statutorily specified portion of highway user revenue to the CIF in an amount equal to 85% of one-quarter percent of the existing sales tax rate. Under the authorizing bond act, the CIF will receive highway user revenue equal to the statutorily specified portion of the sales tax--but not less than \$70 million of such highway user revenue retained annually by the state and allocated to the CIF--to be irrevocably pledged to the payment of bonds. The CIF is held by the state treasurer and funds are collected and allocated by the state.

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The series 2026 bond proceeds will be used to fund a portion of the costs of constructing, improving, and completing the Highway 275 project, among other projects approved by the commission. We do not anticipate any additional bond issuances in the near term.

Credit highlights

The rating reflects our view that coverage will remain very strong in the near term due to historically steady and expanding pledged revenue trends, a stable state economy and population base on which the pledged revenue is derived, and manageable additional debt planned within our two-year outlook period. Pledged revenue is projected to see moderate growth based on the forecast growth in sales tax in Nebraska. The state's pledged revenue forecast aligns with its broader consensus general fund revenue outlook of economic stability.

We believe the commission's proactive fiscal management and the state's history of relative economic stability, even with reliance on the agricultural industry, lend some additional credit stability. In addition, we believe the overall transportation sector security pledge in Nebraska has historically shown low volatility.

We rate the bonds under our priority-lien tax revenue debt criteria, which factors in both the strength and stability of the pledged revenue, as well as the general credit quality of the state where taxes are distributed and collected (the obligor's creditworthiness [OC]). The priority-lien rating on the bonds is tied to our rating on the state of [Nebraska](#) (AAA/Stable).

Key considerations in our assessment of the credit quality of the pledged revenue include:

- A generally stable economy, albeit with significant reliance on the agricultural industry that has provided stability for the state during economic downturns, with 1.98 million people generating pledged revenue;
- Motor fuel, vehicle registration, and other highway user revenue that has historically demonstrated low volatility, as part of pledged revenue, given the large and diversified statewide revenue base;
- Very strong coverage and liquidity, with pro forma maximum annual debt service (MADS) coverage of 7.4x, incorporating fiscal 2025 actual pledged revenue and estimated debt service following the current bond issuances and restrictive additional bond provisions; and
- A close linkage to the ratings on Nebraska general obligation (GO) debt with the state's strong commitment to transportation programs and infrastructure investments.

Environmental, social, and governance

Our view of environmental, social, and governance risk factors for the pledged revenue reflects that on the state and has no material influence on our credit rating analysis. Physical risks include occasional but significant weather events (for example, flooding and drought), which could have an outsized negative effect on the state's economy, particularly given the importance of agriculture.

Rating above the sovereign

The highway revenue bonds are eligible to be rated above the sovereign, because we believe the bonds can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, U.S. states are considered to have moderate sensitivity to country risk. The institutional framework in the U.S. is predictable, with significant state autonomy,

flexibility demonstrated by serial bond amortization, as well as independent treasury management.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that debt service coverage (DSC) will remain very strong. In our view, the established additional bond limitations and the commission's conservative debt management with an emphasis on pay-as-you-go funding--which we expect will largely continue--lend additional credit stability.

Downside scenario

We could lower the rating if DSC of pledged revenue significantly declines due to material deterioration of collections, unplanned sizable additional debt issuances, or some combination of these events.

For more information regarding Nebraska's long-term credit fundamentals, see [our report on Nebraska](#), Aug. 6, 2025.

Credit Opinion

Revenue volatility: low

In our opinion, Nebraska's pledged revenue to the capital improvement fund has exhibited low volatility across economic cycles. Over the past five and 10 fiscal years, growth in revenue was 31% and 68%, respectively, with no annual decline during that period. The highway user revenue that comprises the deposited money has also remained resilient and well in excess of the CIF deposits, with \$326.4 million in receipts in fiscal 2025 from motor and diesel fuel tax, vehicle registrations, and other state receipts when compared with the \$106 million deposit to the CIF.

We assess revenue volatility to determine the likelihood of the availability of revenue during different economic cycles. On a macro level, we consider highway user revenue, such as gas tax revenue, to have a low historical volatility assessment given the critical nature of gasoline for automobiles and other transportation. Nationwide gasoline sales have historically fluctuated less than total consumption of goods and services, even through severe economic downturns and price fluctuations, given the relative inelasticity of demand for motor fuel. We do not expect oil price variations in the medium term will affect our view of the volatility of gas tax revenue in aggregate; however, affordable electric substitutes to gas-powered vehicles could cause a longer-term shift in market dynamics.

Coverage and liquidity: very strong

MADS coverage on the proposed bonds and outstanding debt based on fiscal 2025 CIF deposits is 7.4x. Given that there are no further bonds planned beyond the series 2026 issuance, we expect annual coverage levels to exceed at least 2.0x in the medium term. When considering the state highway user revenue available for credit to the capital improvement funds, which includes the total motor and diesel fuel tax, vehicle registrations, and other state receipts, MADS coverage would be approximately 22.7x in fiscal 2025. Aggregate MADS on the series 2026 bonds and outstanding series 2025A bonds is approximately \$14.4 million.

The current provisions restrict the issuance of additional bonds so that annual debt service cannot exceed \$35 million; additional bonds cannot have a maturity beyond June, 30, 2042;

bonds cannot be issued past June 30, 2029; debt service cannot exceed 50% of the money deposited in the CIF; and a required \$70 million of funds annually contributed to the CIF are irrevocably pledged to the payment of debt service on the bonds. We view these provisions as strong, effectively providing a 2x additional bonds test requirement. There is no debt service reserve fund that benefits the bondholders.

Economic fundamentals: very strong

Because most of the pledged revenue is derived from a statewide tax base, we assessed the economic fundamentals primarily of Nebraska. Although agriculture remains essential in supporting Nebraska's economic health, investment in well-developed telecommunication infrastructure has aided diversification and growth. A well-embedded regional finance and insurance presence exists in Omaha, and Lincoln is a large government employment center. There is also a strong computer-processing presence creating growth in high-technology businesses. Multiple Fortune 500 companies are headquartered in the state, including Berkshire Hathaway, Mutual of Omaha, and Peter Kiewit and Sons. Diversification has aided general economic stability during periods of high commodity price volatility, although the transition away from agriculture has been slow. Cattle and calves are the leading commodities, followed by corn, soybeans, hogs, and dairy products.

Population growth has generally remained in line with the U.S. and S&P Global Market Intelligence--a division of S&P Global as is S&P Global Ratings--estimates 1.3% growth between 2025-2029. Nebraska's unemployment rate has historically been lower than that of the U.S. and remained low at 2.75% in 2024.

Linkage to state general creditworthiness: close

We view the obligations as linked to Nebraska's creditworthiness because the state collects the pledged revenue. In 2023, the Nebraska Legislature adopted the Nebraska Highway Bond Act that authorized the bond issuances for the Build Nebraska Act. The latter directed the one-quarter of 1% of the existing general state sales tax rate to [Nebraska Department of Transportation](#) to fund road and bridge projects. Given that the state constitution does not allow state sales tax funds for the repayment of bonds, the Nebraska Legislature reassigns highway user revenue to be deposited into the CIF, so long as the law authorizing the state to collect or receive this remains in place. While the Nebraska Legislature has irrevocably pledged the highway user revenue, Nebraska does not, in our view, benefit from a limited scope of operations or extraordinary expenditure flexibility, which we believe still exposes the rating to some operating risk in the collection and distribution of pledged revenue. Given Nebraska's current creditworthiness (AAA/Stable), we don't view linkage as a limiting rating factor for the authority's debt.

We assess Nebraska's general operations because we view overall creditworthiness as a key determinant of an obligor's ability to pay all its obligations. We believe Nebraska has historically exhibited what we view as prudent fiscal management, which we expect to continue. In addition, the state has managed a stable reserve profile over multiple economic cycles, and we think that Nebraska's overall debt burden is relatively low given its strong debt management policies in place. We expect the state's strengths will persist and believe they will remain crucial to credit quality.

Nebraska Department of Transportation--key credit metrics

Economic data

Economy	Very Strong
EBI level per capita % of U.S.	93
Statewide revenue base	Yes
Population (obligor)	1,983,452
Population (MSA)	Not Applicable

Financial data

Revenue volatility	Low
Coverage and liquidity	Very Strong
Baseline coverage assessment	ABT
MADS coverage (x)	7.4
MADS year	2036
2-year pledged revenue change (%)	9.22

Bond provisions

ABT (x)	2.00
ABT type	Other
ABT period	Historical
DSRF type	None

Obligor relationship

Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Ratings List

New Issue Ratings

US\$75.383 mil hwy imp rev bnds ser 2026 due 06/15/2042	
Long Term Rating	AAA/Stable

Ratings Affirmed

States

Nebraska Department of Transportation, NE Gas Tax Revenues	AAA/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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