

**Rating Action: Moody's assigns Aa1 to Indiana's highway lease-revenue bonds; outlook stable**

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Global Credit Research - 08 Aug 2017

New York, August 08, 2017 -- Issue: Highway Revenue Refunding Bonds, Series 2017A; Rating: Aa1; Rating Type: Underlying LT; Sale Amount: \$180,250,000; Expected Sale Date: 08/14/2017; Rating Description: Lease Rental: Appropriation;

Summary Rating Rationale

Moody's Investors Service has assigned a Aa1 rating to the \$180 million Indiana Finance Authority's Highway Revenue Refunding Bonds, Series 2017A. The rating is one-notch lower than that of the State of Indiana (Aaa stable), reflecting the subject-to-appropriation nature of the transaction and the essentiality of the I-69 public-private partnership (P3). The outlook is stable.

Rating Outlook

The stable outlook reflects the sound health of the Indiana economy and our expectation that the state will maintain strong reserves and low debt levels.

Factors that Could Lead to an Upgrade

The rating is based on Indiana's Aaa issuer rating and therefore is not expected to go up

Factors that Could Lead to a Downgrade

Legislature's failure to enact timely appropriations for debt service

Deterioration of state's financial reserves

Significant increase in state's long-term liabilities

Legal Security

The highway revenue refunding bonds are payable solely from lease rental payments made by the Indiana Department of Transportation. The master lease agreement automatically renews every biennium. Both the department and authority covenant to use their best efforts to cause the legislature to appropriate amounts sufficient to make rental payments. Appropriations made by the legislature to the department for its rental payments are payable from any source, including the state's General Fund. While the state's appropriation provides the basis for the rating, in practice the department earmarks certain highway-related revenue sources for debt service payments.

Use of Proceeds

Bond proceeds will refund bond anticipation notes issued to terminate the I-69 Section 5 P3. The project widened the portion of I-69 between Bloomington and Martinsville.

Obligor Profile

Indiana is the 16th-largest state by both population and state gross domestic product.

Methodology

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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