

New York State Comptroller
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Financial Outlook for the Metropolitan Transportation Authority

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Executive Summary

The Metropolitan Transportation Authority (MTA) released its July 2027-2030 Financial Plan on July 29, 2026, showing continued balance of its \$21.9 billion budget in 2026, and a manageable budget gap in 2027, followed by growing gaps in the out-years fueled by costs growing faster than revenue. Positives for the agency include stronger-than-anticipated tax revenues in 2026, close adherence to its saving targets and prudent management of federal relief funding that have supported short-term balance. However, escalating costs are expected to offset these positives in the out-years. Continued growth in paid ridership, proactive management of its savings plan expansion and debt portfolio and the outcome of collective bargaining discussions will be key factors to monitor as the Authority looks to balance its budget in the coming years without affecting service.

Ridership revenue remains a critical factor for the MTA's current fiscal position and the path forward. Paid ridership continues to recover across most modes, though bus paid ridership has stalled and remains below projections. The MTA has included two fare increases during the financial plan period to keep up with rising costs. These rate increases are lower than recent inflation growth, which has worsened in recent years amid geopolitical conflict.

Reducing bus fare evasion remains one of the most immediate opportunities to improve operating revenues. The Office of the State Comptroller (OSC) estimates if fare evasion were reduced by 10 percentage points from 48 percent to 38 percent, bus fare revenues in 2026 would have been as much as \$150 million higher. Encouraging paid ridership, including by working with New York City to ensure wide outreach on its Fair Fares program, is pivotal to reducing future budget gaps.

Prior to the pandemic, tolls and fares paid for more than 50 percent of the Authority's operating expenses. In 2025, these sources paid for 34 percent of the total, highlighting a greater reliance on economically sensitive taxes and subsidies resulting from the State's fiscal response to help shore up MTA finances. The Authority must continue to encourage paying riders to use the system and strengthen the link between its operating revenues and the services provided.

Taxes and subsidies are expected to continue to grow at a reasonable rate; however an economic downturn could have a more pronounced impact on the MTA's finances compared to prior recessions because of the shift in revenue composition. Recessionary pressure would affect a wide variety of the taxes that the Authority collects, in addition to certain taxes that are already currently at risk of missing projections, including real estate and gambling taxes. In addition, projected tax revenue growth, which is closely pegged to State and City projections, is not expected to keep pace with overall cost growth.

Cost growth remains the most pronounced driver of out-year budget gaps. Costs are expected to rise by 3.4 percent annually over the course of the financial plan period. Nondiscretionary expenses, which include nonpayroll labor costs such as for health and welfare; pensions and fringe benefits; debt service, energy, and paratransit costs are expected to make up about half of operating expenses in 2026 and are expected to increase 5 percent annually between 2026 and

2030, reaching more than half of operating expenses by that year. This rise is expected despite effectively level pension payments, related to a reamortization of the New York City Employee Retirement System's pension obligations, initiated by the City of New York and approved by the State. The Plan also assumes a decline in claims costs, due to more proactive claims management and partly fueled by changes to State legislation. Longer horizon strategies, like those to address claims costs, must be considered to improve fiscal sustainability at the Authority.

Costs now also reflect a higher base for the MTA's bargaining pattern of an approximately net 3.8 percent increase based on the Long Island Rail Road (LIRR) pattern. The MTA then assumes raises of 2 percent annually, a rate that is higher than New York City's current pattern assumption for its municipal workers. Talks have not yet led to an agreement with the Transport Workers Union (TWU), the Authority's largest collective bargaining unit, which expired in May 2026. The number of operations and maintenance workers has declined by more than 1,000 since the beginning of 2026, an ongoing concern, particularly as overtime rises. The Authority and its workers should come to an agreement that is not significantly disruptive to the financial plan but provides wage increases that enable the MTA to retain and recruit workers while sharing gains that may be generated by enhancements to productivity, including more efficient use of overtime.

While these budget pressures are real, measures to address them are at least partly in the control of the Authority. Proactive monitoring of revenue collections, continued expansion of recent cost savings efforts and a negotiated labor settlement should all provide clarity as to how the MTA will maintain budget balance in the coming years. More uncertain are actions that the MTA is not party to but is indirectly impacted by, including several actions being undertaken at the federal level. Ongoing choices by the federal government relating to sustained engagement in geopolitical conflict and the expansion of the federal tariff regime have affected the cost of energy and the cost of purchasing goods and services, making delivery of services and repairing the system costlier. At the same time, Congress looks as though it may reduce transportation formula funding used for MTA capital expenses despite these rising costs, which may create pressure to find new funds for capital work.

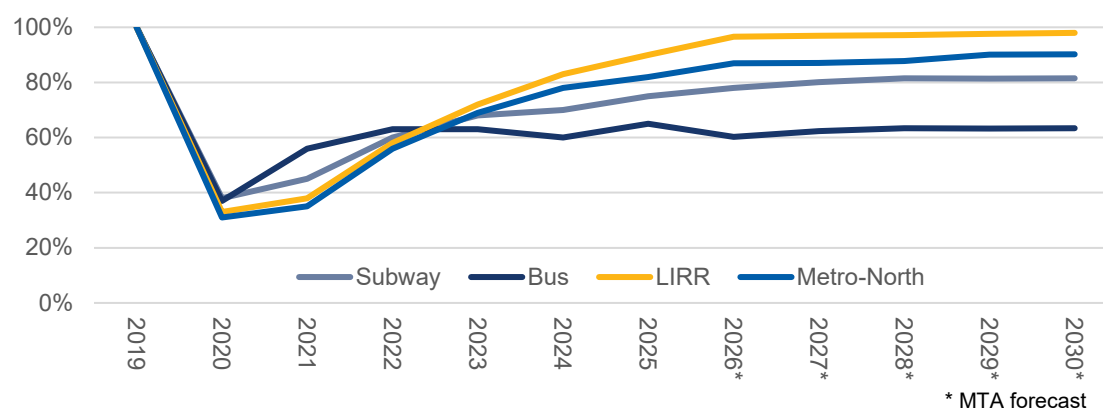
Despite these more difficult-to-quantify risks, the MTA has identified additional quantifiable risks that are not reflected in the financial plan, most notably for collective bargaining costs. However, OSC anticipates higher-than-expected overtime costs would be offset by lower-than-anticipated payroll costs from lower-than-projected headcount, which are dynamic and interplay with each other. Overall OSC assumes the MTA will have additional resources of \$207 million in 2026, \$86 million in 2027, \$38 million in 2029 and \$85 million in 2030 and slightly higher costs in 2028. OSC anticipates recently identified unanticipated resources in 2026 will be carried forward to help to achieve budget balance in 2027. Adjusted budget gaps would be \$517 million in 2028 rising to \$812 million when including these OSC-identified risks and offsets.

While the MTA faces several fiscal challenges over the financial plan period, many of the key drivers are known and manageable through active oversight and its near-term outlook remains stable. How effectively it navigates cost pressures, ridership recovery, labor negotiations and external risks will determine the sustainability of its financial position in the years ahead without compromising service.

MTA Utilization Trends

A continued fiscal recovery is reliant on the return of paid ridership to projected levels across the MTA's modes of transportation. The COVID-19 pandemic reached New York City in March 2020, causing steep drop-offs in MTA ridership and for transit systems across the country, from which it has not yet fully recovered, and which is not expected in the financial plan period (see Figure 1).

FIGURE 1
MTA Paid Ridership Compared to 2019



Sources: Metropolitan Transportation Authority; OSC analysis

Ridership continues to be below the 2019 level but has risen consistently since the pandemic. Accordingly, the MTA's financial plan does not assume that ridership will fully recover for any mode of public transportation by 2030, but it does assume that it will reach a blended rate of ridership recovery of 74 percent by the end of 2026. Combined ridership of subways, buses and commuter railroads in 2025 was 73 percent of the 2019 level, with ridership reaching as high as 75 percent of the pre-pandemic level in July, September and December.

Some modes of travel have recovered faster than others, especially on weekends as revealed in [a recent OSC report](#). Paid subway ridership in 2026 is expected to be 78 percent of the 2019 level while paid bus ridership is expected to be only 60 percent of that level. MTA commuter railroad ridership has recovered faster than subways and buses. LIRR ridership in 2026 is expected to reach 97 percent of 2019 ridership while Metro-North's ridership is projected at 87 percent of pre-pandemic levels. MTA Bridge and Tunnel crossings exceeded the 2019 level in 2023 and continue to grow.

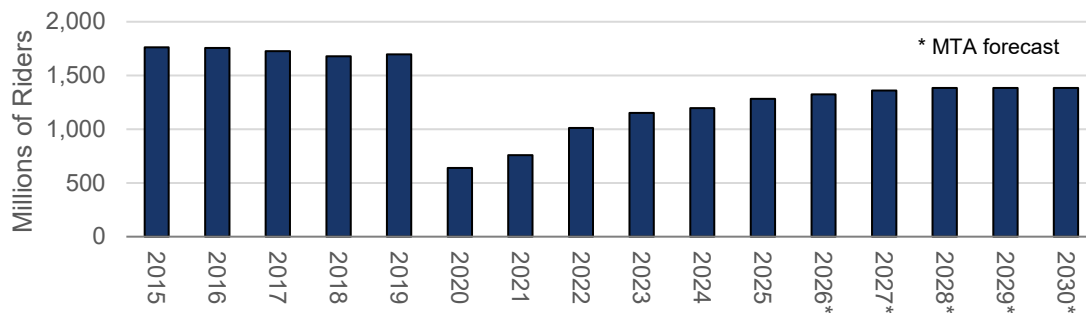
Subway Ridership

As shown in Figure 2, the subway system provided 1.8 billion trips in 2015, which was a postwar high. Ridership declined by 4 percent by 2019 and plummeted to 640 million trips in 2020 as a result of the COVID pandemic but has recovered to 1.3 billion rides in 2025, 76 percent of ridership in 2019. The July Plan assumes that riders will continue to return to the system,

reaching a ridership of nearly 1.4 billion by 2028, 82 percent of the 2019 level and remain at that level through 2030.

OSC's [subway ridership dashboard](#) shows that ridership has returned unevenly across the City. Since September 2024, many stations in the Bronx, Upper Manhattan and outer Brooklyn have been lagging while stations in the downtown areas of Manhattan and Brooklyn helped to fuel the recovery.

FIGURE 2
Annual MTA Subway Ridership



Sources: Metropolitan Transportation Authority; OSC analysis

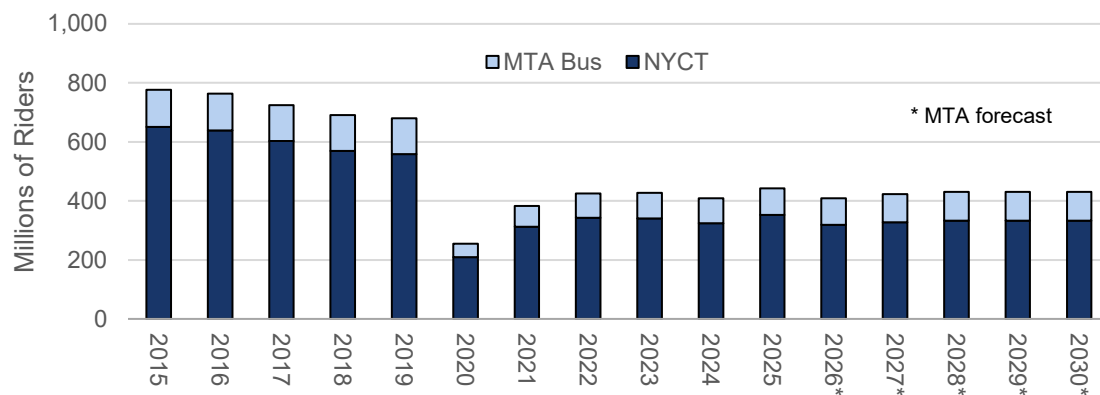
Bus Ridership

Buses resumed charging fares in August 2020 after a period of free bus rides at the outset of the pandemic. Paid bus ridership then recovered quicker than other modes early in the pandemic as essential workers utilized the system. However, combined paid bus ridership for New York City Transit (NYCT) and MTA Bus dropped to around 60 percent of the 2019 level starting in September 2023 as fare evasion rose as high as 51 percent in the second quarter of 2024. Progress in reducing fare evasion resulted in paid bus ridership increasing to 68 percent of the 2019 level in July 2025 but then slipped to an average of 60 percent of 2019 through August 2026 as fare evasion started to rise again.

Combined paid ridership for NYCT and MTA Bus declined 12 percent from 2015 to 2019, from 776 million to 680 million, but then dropped to 255 million in 2020 as the bus system was impacted by the pandemic and was free for a large portion of the year, primarily serving essential workers. Paid bus ridership increased to 427 million in 2023 but then dropped to 409 million in 2024, attributed to increased fare evasion.

In 2025, paid ridership increased by 8 percent to 442 million as the MTA was able to reduce fare evasion. However, because of low ridership during winter storms and a return to higher fare evasion, the MTA expects paid ridership to drop back to the 2024 level in 2026. Recent levels of fare evasion suggest the actual number of riders using buses, including those who evade the fare, is much closer to the 2019 level. The July Plan assumes that paid bus ridership will increase to about 430 million in 2028 and stay at that level through 2030, 63 percent of the 2019 level (see Figure 3).

FIGURE 3
Annual Paid Bus Ridership, NYCT and MTA Bus



Sources: Metropolitan Transportation Authority; OSC analysis

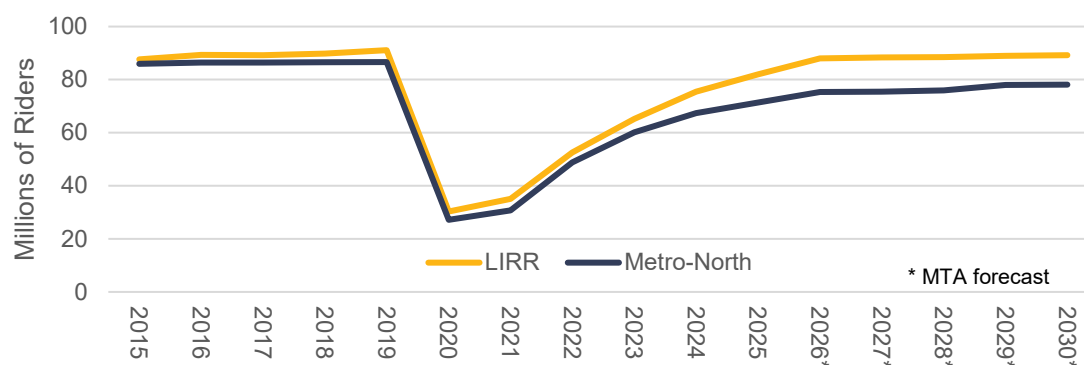
The MTA notes that paid bus ridership continues to be impacted by fare evasion. The MTA estimates 49 percent of bus riders did not pay the fare in the second quarter of 2026, higher than the 45 percent estimated in the second quarter of 2025. OSC estimates if fare evasion was reduced by 10 percentage points from 48 percent to 38 percent in the first six months of 2026, bus fare revenues would have been as much as \$75 million higher or \$150 million for the full year. Further success in reducing fare evasion is pivotal to reducing future budget gaps.

Commuter Railroad Ridership

Ridership on the MTA's commuter rails continues to improve. The LIRR's paid ridership rose to 90 percent of 2019 ridership in 2025, benefiting in part from additional service to Grand Central Madison that began in 2023. Metro-North recovered to 82 percent of pre-pandemic ridership in 2025.

LIRR ridership fell to 30.3 million in 2020, a 67 percent drop from 91.1 million in 2019, which had the highest recorded ridership level since 1949. By 2025, ridership had increased to nearly 82 million. (see Figure 4). The July Plan expects ridership to continue to recover, reaching 89.2 million in 2030, which is just 2 percent lower than the 2019 level.

FIGURE 4
MTA Commuter Rail Ridership



Sources: Metropolitan Transportation Authority; OSC analysis

Figure 4 also shows ridership trends for Metro-North Railroad. Ridership reached a record of 86.6 million in 2019, before dropping 69 percent to 27.2 million in 2020, but increased to 71.4 million in 2025. The July Plan expects Metro-North ridership to reach 76 million in 2028 and 78 million in 2029, the first full year of Penn Station Access service. In 2030, ridership is expected to be at 90 percent of the 2019 level.

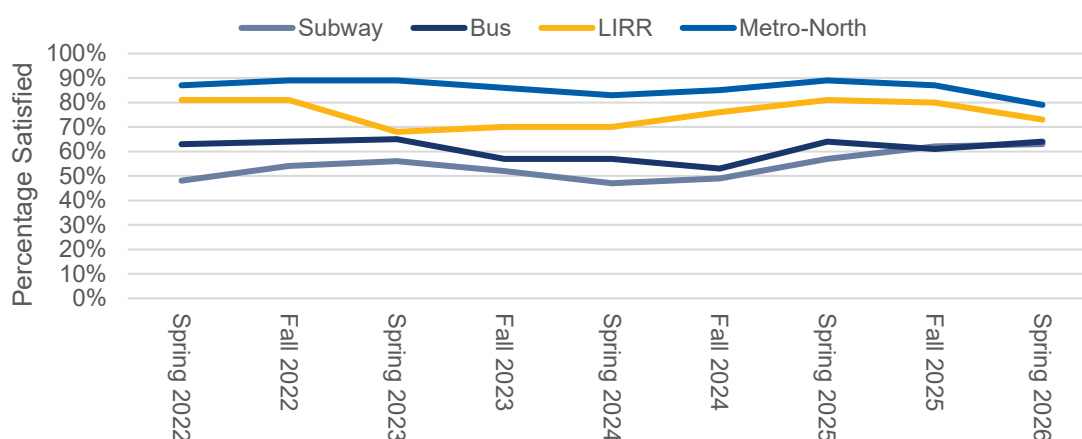
MTA Bridge and Tunnel Crossings

MTA Bridge and Tunnel crossings reached a record 329 million in 2019. Crossings fell 23 percent in 2020 to 253 million, a smaller drop than transit and commuter rail ridership. Crossings exceeded the 2019 level in 2023 and set records in 2024 (337 million) and 2025 (339 million). The July Plan expects crossings to drop to 334 million in 2026 due to winter storms and then increase by 1.6 percent by 2030 to just under the 2025 level.

MTA Customer Satisfaction

Starting in the spring of 2022, the MTA has undertaken a biannual survey on customer satisfaction for all modes of transit in the fall and spring. Subway service satisfaction dipped to 47 percent in the spring of 2024 due to customer safety concerns. That month, the Governor announced a subway safety plan that included an increased police presence and bag checks. Since that time customer satisfaction has steadily risen to 63 percent in the spring of 2026 (see Figure 5).

FIGURE 5
MTA Customer Satisfaction



Note: Bus customer satisfaction score does not include express buses.
Sources: Metropolitan Transportation Authority; OSC analysis

Satisfaction with local, limited and select bus services reached its lowest point in the fall of 2024 at 53 percent amid dissatisfaction with waiting times and frequency of delays. Satisfaction increased to 64 percent in the spring of 2025 and after a dip to 61 percent in the fall of 2025 returned to 64 percent in the spring of 2026 as satisfaction with travel times and service reliability saw large gains. The MTA has announced with the State and the City the start of a fast bus plan that would build dedicated bus corridors and expand bus-mounted and stationary cameras to additional bus routes to keep bus lanes clear for NYCT buses.

The commuter rail pre-pandemic annual customer satisfaction surveys were rebooted in 2022 as a biannual survey. In the fall of 2022 satisfaction with the LIRR was at 81 percent but fell to 68 percent in the next survey because of schedule changes after the opening of Grand Central Madison service. Satisfaction then recovered to 81 percent in the spring of 2025 but dropped a year later to 73 percent, mostly from changes to ticket policies combined with a fare increase. Riders on Metro-North had a 79 percent customer satisfaction rating in the spring of 2026, down from 87 percent in the fall of 2025 attributable to the same changes to ticket policies and fares as on the LIRR.

Changes Since the MTA's February Plan

In February 2026, the MTA projected a balanced budget for 2026 and budget gaps of \$160 million in 2027, \$243 million in 2028 and \$306 million in 2029. The February Plan included fare and toll yields that would rise by 4 percent in March 2027 and March 2029 that would require future MTA Board approval, unidentified savings actions starting in 2027 that increase to \$173 million annually by 2029 and \$200 million annually from 2026 through 2029 in expected Federal Emergency Management Agency (FEMA) reimbursements of COVID-19 expenses.

On July 29, 2026, the MTA released a midyear update to its 2026 budget and a four-year financial plan with a preliminary budget for 2027. The July Plan maintains balance in 2026 but forecasts cumulative gaps from 2027 to 2029 to be \$800 million higher than in February, largely due to increases in unanticipated expenses. The gaps are now expected to be \$295 million in 2027, \$507 million in 2028, \$707 million in 2029, and \$897 million in 2030 (see Figure 6).

FIGURE 6

MTA Budget Changes in July Plan Since the February 2026 Financial Plan (in millions)

	2026	2027	2028	2029
February Cash Surplus/(Deficit)	\$ - -	\$ (160)	\$ (243)	\$ (306)
Fares and Tolls	(26)	33	32	35
Other Revenue	429	(194)	(181)	16
Dedicated Taxes & Subsidies	648	345	186	21
Total Revenues	1,051	184	37	72
Labor Expenses	(270)	(329)	(272)	(272)
Energy	(210)	(71)	(53)	(40)
Claims	(150)	(157)	(149)	(146)
Professional Services Contracts	(87)	(84)	(104)	(113)
Debt Service	26	8	13	102
All Other Non-Labor Costs	(1)	45	74	38
Total Expenses	(692)	(588)	(491)	(431)
Cash Adjustments	(1,244)	269	190	(42)
Prior Year Carryover	885	- - -	- - -	- - -
Deficit After Gap-Closing Actions	\$ - -	\$ (295)	\$ (507)	\$ (707)

Sources: Metropolitan Transportation Authority; OSC analysis

Overall, revenues are now anticipated to be greater than in February. Higher than anticipated fare and toll revenue is expected to improve the Authority's fiscal outlook by a net of \$74 million through 2029. The assumption that fare and toll yields would rise by 4 percent in March 2027 and March 2029 remains unchanged in the July Plan. The MTA also received \$590 million of COVID reimbursement from FEMA earlier than anticipated, which primarily contributed to other operating

revenues increasing in 2026 and decreasing in 2027 and 2028, offsetting amounts previously projected in those years.

Most significantly, dedicated taxes and subsidies increased in the July Plan primarily due to higher estimates for Metropolitan Mass Transportation Operating Assistance (MMTOA), payroll mobility tax (PMT), and casino license and gaming tax revenues. MMTOA receipts forecasted in the July Plan reflect a higher appropriation in the FY 2026-2027 State Enacted Budget of \$542 million through 2029. Reflecting actual receipts through May 2026, PMT receipts dedicated to the operating budget are also forecasted to be \$109 million higher in 2026 than projected in the February Plan but projections for subsequent years remained unchanged.

The July Plan reflects an update to the forecast of gaming tax revenues from the three downstate casinos awarded licenses in December 2025. Since the licenses were awarded earlier than anticipated and the first casino opened in April 2026, recurring gaming tax revenues will begin sooner than forecasted, resulting in a net of \$195 million more revenue through 2029 than projected in the February Plan.

Despite the more positive revenue picture, expenses have increased to fully offset these gains and add to the MTA's out-year budget gaps. Labor expenses are expected to be \$1.1 billion higher over four years, primarily due to increased costs from a higher-than-expected wage increase for several LIRR unions and the assumed application of that pattern to the rest of the MTA workforce, as well as higher pension costs from State changes to Tier 6 pension benefits, all totaling \$723 million during the 2026 to 2029 period. Compared to the February Plan, overtime expenses also increased by \$72 million in 2026, reflecting higher overtime needs for January and February winter storms, as well as increases related to toll evasion enforcement efforts and sporting events.

Due to higher premium growth rates than assumed in the February Plan, health and welfare expenses for both employees and retirees are expected to increase by a total of \$257 million from 2026 through 2029.

The July Plan expected the cost of energy to be higher from 2026 through 2029, even as costs are expected to decline year-over-year in 2027, reflecting the impact of spikes in electric power rates and fuel costs due to weather and supply pressure from the Middle East. Electric power expenses are expected to be \$239 million higher over four years, while fuel costs are expected to be \$135 million higher. Claims expenses are also expected to be an average of \$151 million higher annually during the 2026 to 2029 period due to updated actuarial projections.

Compared to the February Plan, professional services contracts expenses are expected to be a total of \$388 million higher through 2029. Expenses are rising primarily due to higher NYCT maintenance needs for new ADA-compliant elevators; investments in bus collision avoidance technology; bus cameras for on-board surveillance; passenger information displays and MTA HQ expenses for investments in enterprise technology modernization; data and analytics capabilities; and outsourced OMNY customer service and retail network operations.

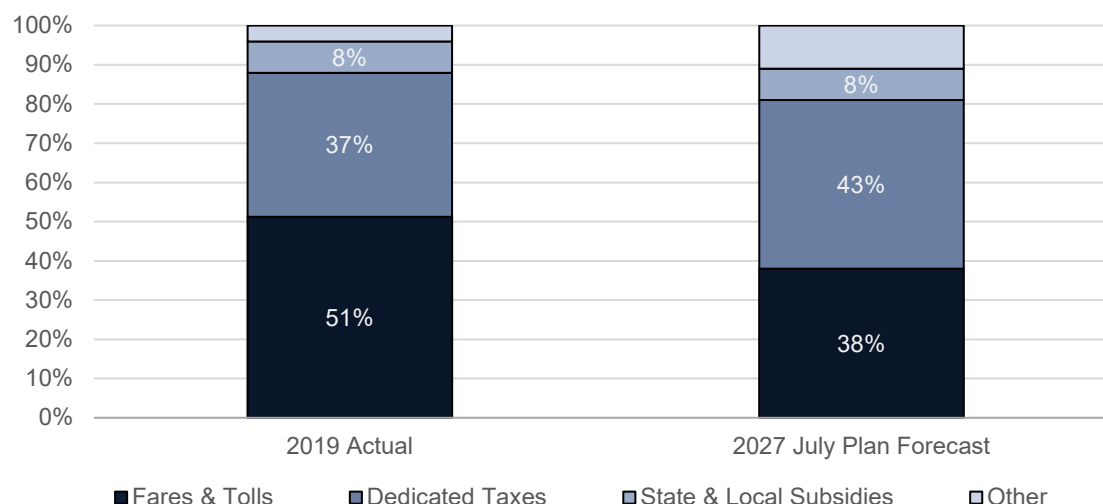
Debt service expenses were \$149 million lower than the February Plan due to updated timing expectations of debt issuances for the 2020-2024 Capital Program and refunding savings.

Operating Budget Trends

The July Plan projects that the MTA's operating budget revenues will total \$22.6 billion in 2027, and expenses are expected to be \$22.8 billion, resulting in a projected budget gap of \$295 million. Revenues include a planned fare and toll increase in March 2027. Expenses include debt service on bonds, but exclude debt backed by capital lockbox funds issued to finance the capital program.

Revenues have shifted to a greater dependence on taxes and subsidies since the onset of the pandemic, as the MTA was provided with substantial operating support from the State to manage the decline in ridership. As shown in Figure 7, 38 percent of the MTA's 2027 revenues are expected to come from fare and toll revenue (26 percent and 12 percent, respectively). By comparison, in 2019, just over half of the MTA's revenues came from fares and tolls. Dedicated taxes enacted by the State will account for 43 percent of total revenue, up from nearly 37 percent in 2019, and State and local subsidies and other funding agreements will contribute another 8 percent. Other operating revenues, which include paratransit funding from the City, advertising and concessions, make up 11 percent.

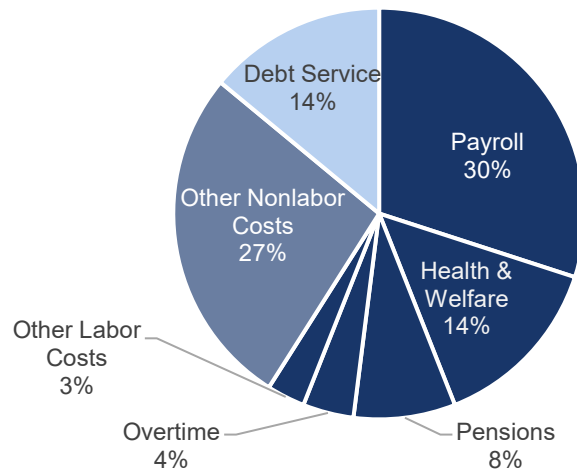
FIGURE 7
MTA Sources of Revenue



Sources: Metropolitan Transportation Authority; OSC analysis

Expense shares have remained more consistent. As in 2019, around 60 percent of the MTA's 2026 operating budget is devoted to personnel costs, including payroll, overtime and fringe benefits (see Figure 8). Debt service represents 14 percent of total expenses down from 16 percent in 2019, while other nonlabor costs and other adjustments, such as maintenance contracts, materials and supplies, and energy costs, make up nearly 27 percent of expenses, up from 22 percent in 2019.

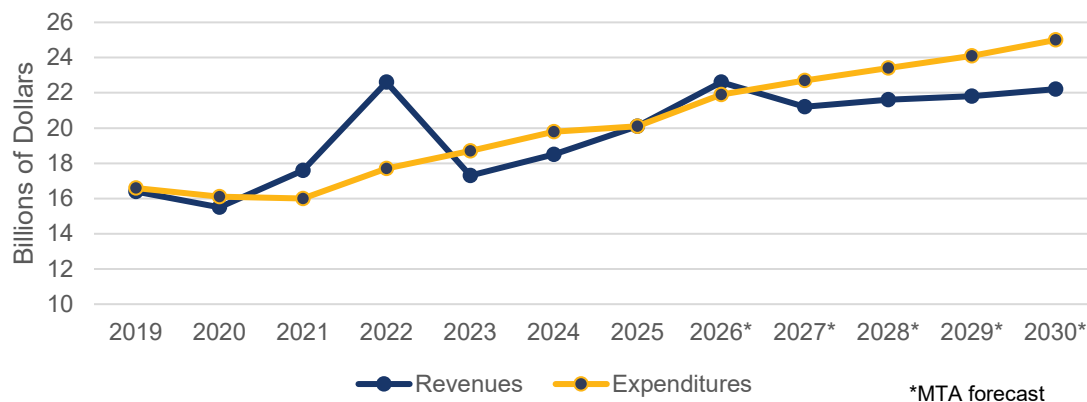
FIGURE 8
Planned Spending (2027)



Sources: Metropolitan Transportation Authority; OSC analysis

On an accrual basis of accounting, revenues are expected to increase at an annual rate of 1.5 percent between 2027 and 2030. This increase does not include planned fare and toll increases. If those increases are added, revenues are expected to grow by 2.1 percent during that period. At the same time, baseline spending is projected to increase at an average annual rate of 3.2 percent (see Figure 9). This rate does not reflect budgetary risks or offsets that may occur, such as higher overtime costs, or savings from unanticipated sources, such as staffing at levels below target. Appendix A shows detailed baseline forecasts for MTA revenues and expenditures for calendar years 2026 through 2030, before the MTA's additional actions to close the budget gaps.

FIGURE 9
Revenue and Expenditure Trends



Notes: Excludes MTA below-the-line-actions (fare increases, MTA initiatives and reestimates).
Source: Metropolitan Transportation Authority

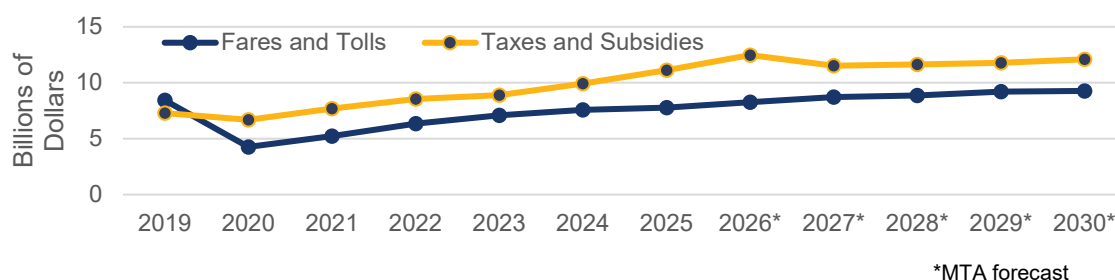
Revenue Trends

In 2027, total revenues are expected to decrease by 5.9 percent to \$21.2 billion as 2026 benefited from \$1.6 billion in nonrecurring revenues such as COVID reimbursements and earlier-than-planned casino license licensing fees that were not included at budget adoption. Total revenues, including all operating revenues and subsidies, are then expected to increase by an average of 1.5 percent annually between 2027 and 2030. For comparison purposes, the annual growth rate from 2015 to 2019, which saw two fare hikes, was 2.2 percent.

The MTA anticipates that baseline farebox and toll revenues will increase by an average of 0.5 percent annually between 2027 and 2030, excluding projected fare and toll increases in 2027 and 2029, with growth slowing over the financial plan period (see Figure 10).

FIGURE 10

Revenue Trends



Notes: Includes MTA projected fare and toll increases in 2027 and 2029.
Source: Metropolitan Transportation Authority

Total farebox revenues in 2030 would still be 9 percent below 2019, prior to planned fare increases, and 2 percent lower if those fare increases are enacted. Commuter railroad fare revenues in 2025 were the closest to the 2019 level at 89 percent while subway fare revenue was at 83 percent of 2019. Bus and paratransit fare revenue was just 72 percent of the pre-pandemic level in 2025.

Dedicated tax revenue, the largest revenue contributor to the operating budget, is expected to increase by an average of 1.5 percent annually between 2027 and 2030. The recently enacted State budget made changes to the distribution of funds between the MMTOA account and the Mass Transportation Trust Fund (MTTF). Effective April 1, 2026, 85 percent of sales tax receipts that were deposited in the MMTOA will now be deposited in the MTTF to provide more debt service coverage for MTTF bonds. Together, these revenues are expected to increase by less than 1 percent annually between 2027 and 2030. This forecast is aligned with the enacted State budget projection, which is subject to change. Combined MMTOA and MTTF revenues far exceeded this rate of growth from 2021 through 2025 (7.8 percent).

PMT revenue that benefits the operating budget is expected to increase by 4 percent in 2026 and then grow by 1.4 percent on average annually between 2027 and 2030 as wage disbursements are expected to continue to grow, albeit slowly.

Collections from real estate transaction taxes rose by 26 percent in 2025 and are projected to increase by 10 percent in 2026 after declining by 42 percent from 2022 to 2024. These revenues are expected to increase by 13 percent in 2027. Real estate transaction tax revenues are expected to increase by 3 percent annually through 2030 to approach the 2022 level. The MTA generally stays close to New York City's projections for the City portion of the real estate transaction taxes in its budget. In the latest report on the City's financial plan, OSC noted that collections of these taxes may be \$100 million lower than the City planned in every year of its financial plan; however, the MTA is still using January figures, which suggest a more cautionary growth rate, therefore OSC does not view these revenues as a potential risk.

The MTA began receiving a new revenue source, casino gaming taxes, in 2026 as one casino is fully operational expected to bring in \$75 million in 2026 and \$140 million in 2027, 2028 and 2029. The remaining two casinos are expected to be open in 2030, bringing forecasted casino tax revenue to \$300 million that year.

Expenditure Trends

The MTA anticipates baseline expenditures are expected to increase by 3.4 percent annually between 2026 and 2030. This growth is being fueled by nondiscretionary expense growth. One of the largest cost drivers is for health and welfare costs for active employees and retirees, which are expected to rise by an average annual increase of 7.4 percent. Other factors include an annual average increase of 7 percent in paratransit contract costs and a 6.6 percent average annual increase in the cost of materials and supplies (mostly from a 12 percent increase in 2027 driven by inflation in the cost of materials associated with fleet maintenance and modifications at the LIRR). Debt service paid out of the operating budget is also expected to increase by 6 percent annually between 2026 and 2030.

Payroll costs are expected to increase by 2.4 percent annually during this period, reflecting pattern settlements based on a projected net 3.8 percent increase in the first year of new labor contracts that was included in an agreement reached in the wake of the recent Long Island Rail Road strike. The MTA projects wage increases of 2 percent annually after the first year for all contracts.

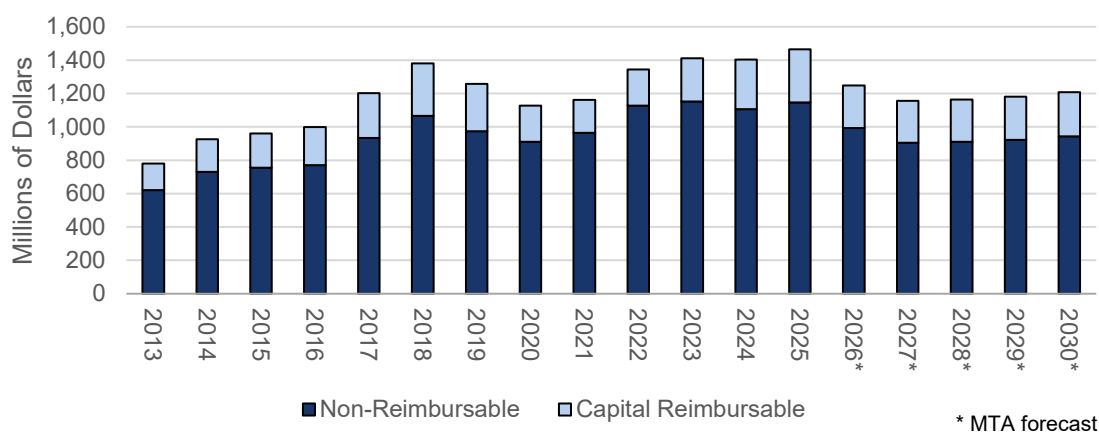
One area of personnel costs that has grown is overtime. MTA overtime spending paid out of the operating budget (non-reimbursable overtime) grew by 72 percent between 2013 and 2018, reaching a record of nearly \$1.1 billion. The increase was mainly driven by high-priority maintenance during the Subway Action Plan because of infrastructure failures and covering positional vacancies.

In 2019, non-reimbursable overtime declined by 9 percent to \$974 million as the MTA took actions to better manage its overtime, including instituting electronic approval forms for some workers and instituting consistent written supervisory approvals. In 2020, it fell another 7 percent to \$910 million as service was reduced during the pandemic. From 2020 through 2023, a period beset by staffing reductions and increased sick leave, non-reimbursable overtime rose every year, increasing by 27 percent and reaching a record level of \$1.2 billion in 2023, higher than the previous record set in 2018 (see Figure 11). The cost of non-reimbursable overtime dropped by 4 percent in 2024 but in 2025, it returned close to the record level set in 2023.

The July Plan assumes non-reimbursable overtime will decrease by 13 percent in 2026 as hiring picks up, reducing the need for overtime, and measures are taken to reduce unneeded overtime. Non-reimbursable overtime spending is expected to decrease by another 9 percent in 2027 but then rise an average of 1 percent annually in 2028 through 2030, which may be unrealistic. As shown in the Potential Budget Risks section of the report, it is possible that non-reimbursable overtime will be more than \$200 million higher than planned in 2026 if current trends continue through the end of the year, although OSC estimates this additional spending will be offset by payroll savings as has happened in recent years.

Capital reimbursable overtime which is paid out of the capital budget and is less sensitive to staff vacancy levels, nearly doubled from \$159 million in 2013 to \$315 million in 2018 and dropped to \$196 million in 2021 as construction work dropped during the pandemic. In 2025, capital reimbursable overtime hit a record level of \$318 million but is expected to decline by 19 percent to \$256 million in 2026 and stay at that level through 2030.

FIGURE 11
MTA Overtime Costs



Sources: Metropolitan Transportation Authority; OSC analysis

Nondiscretionary Expenses

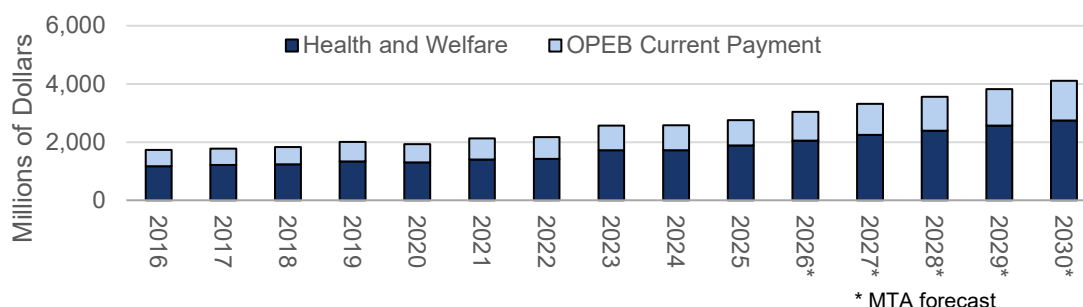
Nondiscretionary expenses, which include nonpayroll labor costs such as health and welfare; pensions and fringe benefits; debt service, energy, and paratransit costs are expected to make up about half of operating expenses in 2026 and are expected to increase 5 percent annually between 2026 and 2030, reaching 52 percent of all expenses by that year. Discretionary expenses, by comparison, are expected to increase by 2 percent during that period. The MTA is in the midst of a multi-year savings program as described later in this report. The MTA should continue to identify cost efficiencies in the discretionary portion of the budget over which it has the most control and evaluate new strategies to bend the cost curve for nondiscretionary items.

Health and Welfare

The MTA provides health and welfare benefits for its more than 70,000 employees as well as for its retirees, known as the “Other Post-Employment Benefit (OPEB) Current Payment”. These costs grew 5 percent annually, or by \$1 billion cumulatively, between 2016 and 2025 to \$2.7 billion (see Figure 12). The MTA expects costs to grow 10 percent in 2026 to \$3 billion, by 9 percent in 2027 and by 7 percent annually from 2027 through 2030. Health care costs for retirees in the out-years have been forecast conservatively in past years. For example, in July 2021, expenses in 2025 were included in a financial plan for the first time. In that plan, OPEB current payments were projected to be more than \$1 billion, but the actual cost in 2025 was \$870 million. Health and welfare costs in 2025, however, were within range of the forecast produced in 2021. Accordingly, there is potential for some savings in 2029 and 2030 for OPEB current payments although it is hard to quantify.

FIGURE 12

MTA Health and Welfare and OPEB Current Payment Costs



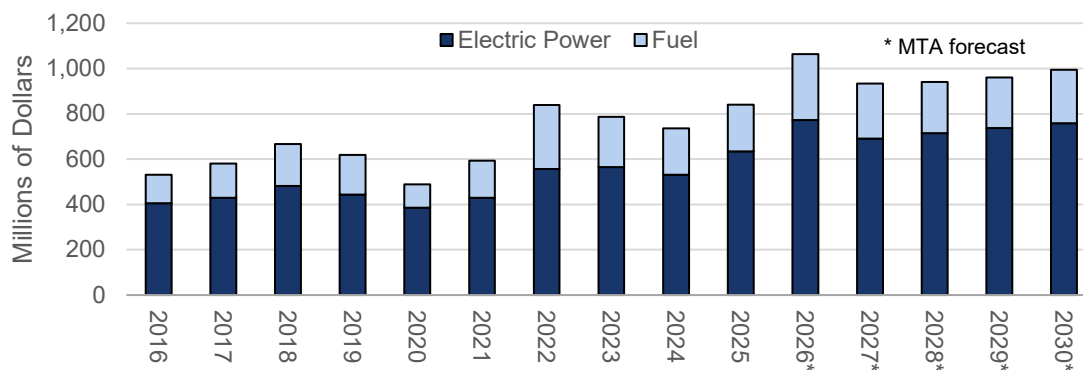
Sources: Metropolitan Transportation Authority; OSC analysis

Energy Costs

The MTA uses electric power to run its subway and commuter train service and, among other things, to light its stations and office buildings. Fuel is needed to run most of its bus services and

FIGURE 13

MTA Energy Costs



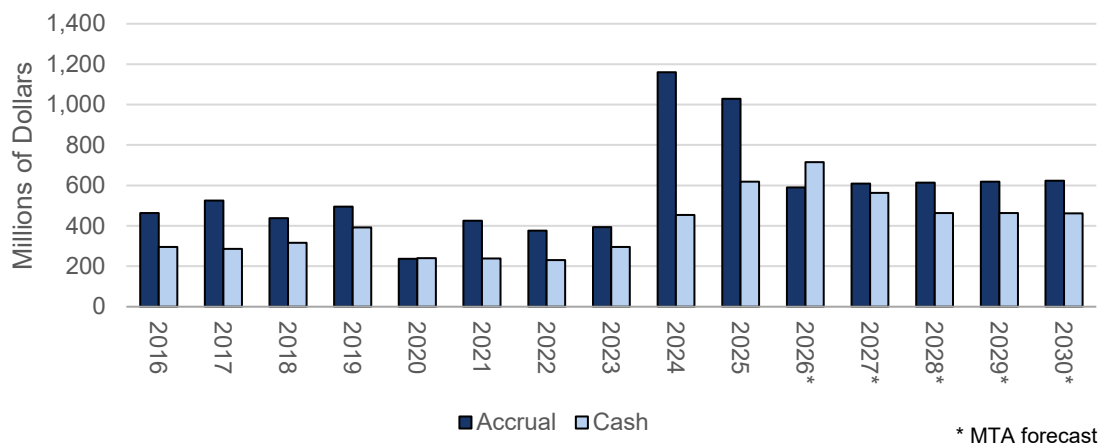
Sources: Metropolitan Transportation Authority; OSC analysis

some of its commuter trains as well as non-revenue service vehicles. The MTA's energy costs are expected to rise from \$736 million to nearly \$1.1 billion in 2026 (44 percent) from 2024 to 2026 driven by a 45 percent increase in electricity costs and a 42 percent increase in fuel costs (see Figure 13). Energy costs are expected to be 27 percent higher in 2026 from the prior year, mostly because of supply pressures from hostilities in the Middle East. The MTA hedges approximately half of its annual fuel needs where it locks in a monthly price as far as two years in advance. If not for the hedging, costs would have been \$30 million higher in 2026. The MTA expects energy costs to decrease by 12 percent in 2027, still higher than in 2025, and then increase 2 percent annually from 2027 through 2030.

Claims

The MTA's costs to settle claims against it for personal injuries as well as for property claims have increased dramatically in recent years. On an accrual basis, which reflects actuarial estimates of claims as they are filed against the MTA, costs have nearly tripled from \$394 million in 2023 to more than \$1 billion in each of 2024 and 2025 (see Figure 14). On a cash basis, which reflects the costs of paying accrued claims that the MTA has been found liable for or has decided to settle, claim expenditures have more than doubled from \$296 million in 2023 to \$619 million in 2025 and are expected to grow to \$716 million in 2026.

FIGURE 14
MTA Claims Costs



Sources: Metropolitan Transportation Authority; OSC analysis

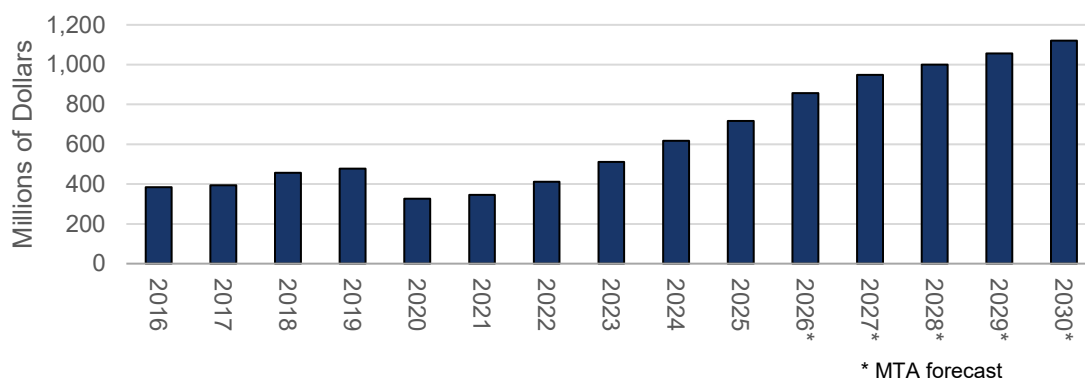
The July Plan assumes the accrued cost of claims will drop to \$590 million in 2026 from \$1 billion in 2025 and then increase by 1 percent annually from 2026 through 2030. Cash payouts are expected to drop by 35 percent in 2028 compared to 2026 and stay at that level through 2030. Such an assumption seems unrealistic given the large, accrued liability that has built up since 2024. However, the July Plan includes funding for additional positions to help support claims processing for bus incidents and to develop a torts automation tool which would be a centralized artificial-intelligence-driven claims management platform; both of which may lower claims costs in the future. The MTA currently is running a pilot program on six buses that have onboard cameras that alert drivers of potential collisions, which may also be effective if expanded more

widely. The State has also approved changes to auto insurance laws that are expected to lower claims costs for the MTA but are not factored into the MTA's forecast.

Paratransit Contracts

The MTA's paratransit program operated by NYCT provides services called Access-A-Ride (AAR), which are federally mandated by the Americans with Disabilities Act (ADA) of 1990. The services are provided by contractors who provide carrier vans as well as brokered taxi and for-hire vehicle trips. Brokered trips are the most common trip taken and are considerably less costly than a carrier van trip.

FIGURE 15
MTA Paratransit Contract Costs



Sources: Metropolitan Transportation Authority; OSC analysis

The MTA has improved customer experience through an enhanced computer application which has contributed to a large increase in paratransit ridership in recent years. For example, the number of trips provided to AAR registrants nearly doubled in August 2026 compared to August 2022 from 604,000 to more than one million. As a result, contract costs are expected to more than double from \$412 million in 2022 to \$857 million in 2026 (see Figure 15). The MTA expects the number of trips provided to increase by 12 percent in 2027 and then 5 percent annually thereafter as costs increase to \$949 million in 2027 to \$1.1 billion in 2030. Under State law, New York City currently pays 80 percent of the net cost of paratransit, with the maximum amount capped at 50 percent of the cost plus \$165 million. The July Plan assumes that the City will pay 80 percent of the net cost with no cap starting on July 1, 2027, when the current law expires; this would be an expansion of the City's obligation under current State law and may be at risk (see the Potential Budget Risks section of this report for more details).

Staffing Levels

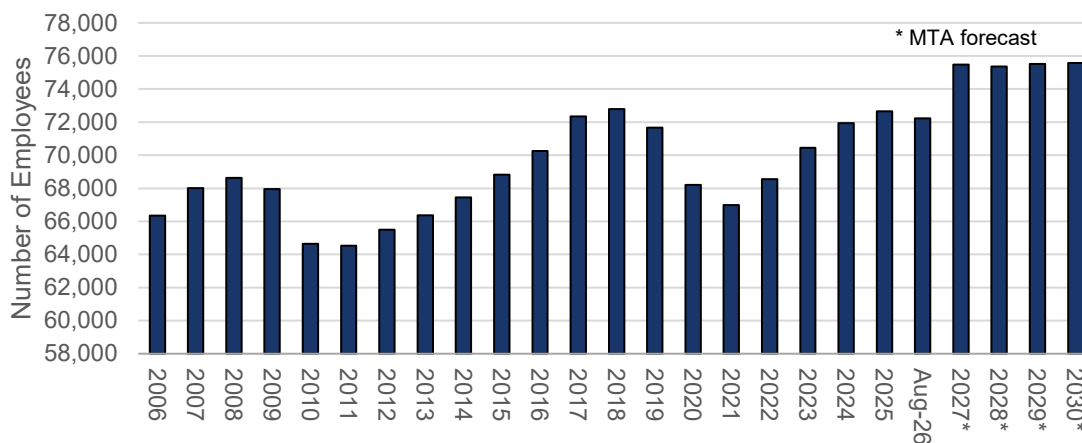
The size of the MTA's workforce has fluctuated based on the Authority's financial position and operational need since the Great Recession, as well as the time needed to hire and train for vacant positions. Between 2008 and 2011, the MTA cut its workforce by 4,116 employees (excluding Long Island Bus) to offset a sharp drop in revenues caused by the Great Recession.

The workforce then gradually increased by 8,277, about 84 percent of which were operations and maintenance personnel, peaking at 72,800 in December 2018 (see Figure 16).

In 2019, the number of employees dropped as the MTA instituted a hiring freeze on administrative and nonoperational positions and dropped further in 2020 as the hiring freeze expanded to operational positions in response to fiscal pressures created by the pandemic. The hiring freeze on operational positions was lifted in February 2021 as the MTA's budget pressures eased due to an unprecedented level of federal funding. However, operational struggles mounted and the MTA initially had difficulty hiring as fast as employees were retiring or leaving (see [OSC's report](#) for details).

As of August 2026, the MTA workforce totaled 72,453 employees, 572 fewer than at the end of 2018. Operational and maintenance headcount that month totaled 63,077, which was 3,445 more than in December 2021, but 1,100 fewer than in December 2025. The July Plan authorizes the MTA to hire 3,248 employees between August 2026 and December 2027 (including 2,423 operational and maintenance positions) to reach 75,476 employees, which would be a record. The MTA then expects the number of staff to drop slightly in 2028, mostly in NYCT maintenance, and be at 75,569 in 2030, all of which would be substantially higher than current staffing levels.

FIGURE 16
MTA Staffing Levels (excluding LI Bus)



Note: Includes positions funded by the capital budget. Positions are as of December 31.
Sources: Metropolitan Transportation Authority; OSC analysis

The July Plan forecast for operational and maintenance staff in 2027 (65,500) would be 1,263 higher than the peak in 2018 and would require a substantial increase in hiring. Staffing is expected to decrease slightly to 65,416 in 2028 before rising to 65,657 in 2030.

From the end of 2022 to December 2025, the MTA added 1,193 administrative employees for a total of 4,701, partly as a re-classification of employees from operations and maintenance functions as part of its transformation plan. In the first eight months of 2026, 641 administrative positions have been added for a total of 5,342. The July Plan expects this number to increase to 5,767 by the end of 2027, mostly in procurement and reimbursable capital positions.

Public safety positions are expected to increase by 178 between August 2026 and December 2027. Capital and engineering positions, which are funded from the capital budget, are also expected to increase by 223 between August 2026 and December 2027 but this staffing level would still be 305 positions lower than in 2019, even as capital commitments are expected to rise over the plan period.

The MTA has historically not hired up to its full authorized level (as of December 31st of each year and does not reflect seasonal factors), so it is unlikely that all positions will be filled. For example, staffing in August 2026 was 3,273 positions below the July Plan's authorized level. As a result, OSC anticipates potential savings of about \$280 million in 2026 if a relatively similar vacancy level continues through the end of the year.

MTA Savings Program

Since 2023, the MTA has set targets for savings initiatives to help balance its budget and operate more efficiently without affecting service. Since then, the MTA identified \$100 million in recurring savings starting in 2023, another \$300 million in recurring savings starting in 2024 and an additional \$100 million in 2025 for a total savings goal of \$500 million annually. The MTA has identified another \$75 million in recurring savings in 2026 and has set a goal of achieving another \$175 million in savings by 2029 for a total of \$750 million annually.

The MTA monitors all savings initiatives that total \$1 million or more in any fiscal year. In 2025, expected savings initiatives totaling \$403 million were monitored and the MTA reports that \$396 million of the monitored savings were achieved with variances of \$7 million at NYCT which were then filled with additional savings measures such as reimagining the role of traffic checkers by using automated people-counting software and paratransit call center savings.

NYCT achieved \$332 million of monitored savings in 2025, mostly in maintenance (\$130 million) and administration (\$86 million). More than one-fourth of the maintenance savings (\$36 million) were achieved by extending the overhaul cycle of railcars from every six years to every six and one-half years and another \$28 million was saved by implementing a new schedule that better matches the electronic maintenance workforce to the needed work. NYCT planned on \$89 million in administrative savings in 2025 but was able to save \$86 million as it fell short in achieving the full \$5 million targeted for facility savings due to several factors including lease restrictions.

The Long Island Rail Road was able to achieve all \$4 million of savings it monitored in 2025, saving that amount in maintenance costs for its train fleet.

Metro-North achieved all \$28 million of the savings it monitored in 2025 mostly from controlling maintenance overtime (\$16 million) and by allocating track Maintenance of Way work between the operating and capital budgets (\$6 million).

The MTA Bus Company achieved all \$10 million of its monitored actions in 2025, and MTA Bridges and Tunnels saved all \$12 million of its monitored actions.

Potential Budget Risks

The MTA has identified various budgetary risks to its financial plan, a feature of the MTA's budgets that allow for greater clarity on potential sources of budget volatility that may arise over the financial plan period. These risks include approval and implementation of proposed fare and toll increases and timing of casino revenues. These self-identified risks are reasonable concerns and should be monitored for their impact on its financial plan. At the same time, OSC has identified additional potential budget risks in the review of the July Financial Plan.

The first and largest of the MTA-identified risks are macroeconomic trends that could increase recurring costs or reduce revenues. An economic slowdown could adversely impact ridership and tax revenues. The MTA estimates that a slowdown could lower dedicated tax revenues by \$300 million to \$600 million annually.

The labor contract for the TWU, the MTA's largest union, which usually sets the pattern for the MTA's other labor unions, expired in May 2026. Several unions at the LIRR recently settled a contract after a brief strike that followed the pattern set by the TWU but added a fourth year that will pay an effective increase of 3.8 percent, net of agreed upon labor savings. The July Plan assumes the first year of successor contracts across the MTA will follow the LIRR pattern costing \$92 million in 2026, rising to \$187 million by 2030. The July Plan continues to assume annual wage increases of 2 percent for unsettled and future labor agreements after that first year. The MTA estimates that each 1 percent over what has been budgeted for labor contracts will cost \$100 million.

The July Plan also identified a risk in the timing of receipt of recurring casino revenue, as the financial plan relies on \$140 million annually in 2027 through 2029 and \$300 million in 2030. The MTA currently believes that the expectation for 2027 through 2029 seems to be achievable but delays in opening the remaining two casinos scheduled for 2030 could put \$160 million at risk that year.

OSC projects other risks and offsets total savings of \$202 million in 2026, \$86 million in 2027, slightly higher costs of \$10 million in 2028 and budget savings of \$38 million in 2029 and \$85 million in 2030 (see Figure 17). For example, overtime costs paid out of its operating budget through August 2026 were \$821 million, \$141 million higher than forecast in the July Plan for the same period. Overtime spending would have to average \$43 million monthly for the remainder of 2026 to meet the current budget of \$993 million, when it averaged \$103 million a month in the first eight months of the year. Since vacancies and availability challenges are still leading to higher-than-planned overtime at NYCT, this may be unrealistic. As a result, OSC forecasts that overtime costs could be \$225 million higher than planned in 2026 and \$200 million higher in 2027 with the risk declining to \$150 million in 2030.

FIGURE 17**OSC Risk Assessment of MTA July Plan and MTA-Identified Risks, Including Offsets**

(\$ millions)

	2026	2027	2028	2029	2030
NYCERS Pension Contributions	---	---	30	68	108
Overtime	(225)	(200)	(200)	(175)	(150)
Payroll	280	175	175	175	175
COVID FEMA Reimbursement	147	---	---	---	---
Payroll Mobility Tax	---	111	112	114	115
NYC Paratransit Subsidy	---	---	(127)	(144)	(163)
Total OSC Risks and Offsets	\$202	\$86	\$(10)	\$38	\$85
MTA-Identified Risks					
State Tax Revenue	---	(600)	(600)	(600)	(600)
1% Labor Increase	---	(100)	(100)	(100)	(100)
Timing of Casino Revenue	---	---	---	---	(160)

Sources: Metropolitan Transportation Authority; OSC analysis

The FY 2025-26 State Enacted Budget extended a higher City contribution to paratransit for the period July 1, 2025, through June 30, 2027. The City is required to pay 80 percent of the net operating cost of paratransit after fares and real estate taxes dedicated to paratransit are factored in but capped at an amount equal to 50 percent of the net cost plus \$165 million. The July Plan reflects this revenue but also assumes the City will pay 80 percent of the net cost with no capped amount starting July 1, 2027. If existing State law is extended for the next three years, the city reimbursement could be lower than MTA projections by \$127 million in 2028, \$144 million in 2029 and \$163 million in 2030. If the City's contribution reverted to 50 percent of net costs, the risk to the MTA would increase to \$292 million in 2028, rising to \$328 million in 2030.

These risks may be offset by other savings. OSC forecasts lower pension costs for the MTA than in the July Plan. All MTA Bridges and Tunnels employees and two-thirds of NYCT employees are members of the New York City Employees' Retirement System (NYCERS). These agencies make pension contributions as billed by NYCERS. Since NYCERS assumes a 7 percent return on investment and reported a 13 percent gain in the fiscal year ending June 30, 2026, OSC estimates that the MTA's pension contribution to NYCERS will be lower by \$30 million in 2028, rising to \$108 million lower in 2030. The MTA has already included the cost of Tier 6 changes that were recently approved by the State in its financial plan.

The MTA has received another \$157 million for reimbursement for COVID-related expenditures from FEMA in 2026 for a total of \$747 million, which is \$147 million more than the MTA was

expecting in total from this funding source in its financial plan. This may allow the MTA to free up resources that were used to cover shortfalls created when the MTA reduced its revenue expectations from FEMA to \$600 million in 2023.

Even with the increased overtime, given the MTA's slower-than-expected hiring, there is potential for offsetting payroll savings. Although the MTA has increased hiring, staffing in August 2026 was 3,421 positions below the July Plan forecast for December 2026. Over the last 10 years, actual payroll costs have been about 2.5 percent lower than projected at the beginning of the year. Assuming this trend continues, payroll costs in 2026 could be \$280 million lower than the July Plan and about \$180 million in each of the out-years.

Through May 2026, the MTA collected \$109 million more from PMT collections dedicated to the operating budget, which has been reflected in the July Plan. The out-years of the Plan were unchanged from the February Plan. However, the July Plan now assumes that PMT collections will drop by 1 percent in 2027 which may be conservative but prudent in the current hiring environment. The February Plan assumed a 2 percent increase in 2027. If the February Plan assumption for 2027 were used, then PMT revenue dedicated to the operating budget could be \$111 million higher in FY 2027 rising to \$115 million more in 2030.

OSC projects that its risks and offsets could balance the MTA's \$295 million budget gap in 2027 (if the projected surplus in 2026 is rolled into 2027), increase the 2028 projected gap to \$517 million and slightly reduce the projected out-year budget gaps to \$669 million in 2029 and to \$812 million in 2030. Inclusive of more speculative risks, including a recession, identified by the MTA, operating budget gaps could reach as high as \$1 billion in 2027, \$1.2 billion in 2028, \$1.4 billion in 2029 and \$1.7 billion in 2030.

The July Plan includes an annual general reserve of 1 percent of operating expenses (excluding debt service) to be used in each year, which may be used to help mitigate the effects of these risks.

Status of MTA Capital Programs

The MTA's capital programs, which generally span five-year periods, are critical to bringing the overall system into a state of good repair, maintaining normal replacement of assets, and improving and expanding the system to meet its riders' needs. (For a broad overview of the MTA's capital program, [see OSC's recent report](#)). Capital programs are funded through various sources, including debt issued by the Authority.

Capital Commitments

Historically, the MTA has multiple capital programs active at the same time. Generally, it takes more than five years to commit (i.e., award) all the projects in a capital program to contractors and additional time to complete the work. When commitments take more time, there is greater potential for capital disinvestment to occur and costs to rise over time, leaving assets to deteriorate and limiting what can be accomplished with available funding.

For various reasons, some of which were outside the MTA's control, like additions made in response to Superstorm Sandy and funding disputes with partners, both the 2010-2014 and 2015-2019 capital programs have taken longer than seven years to commit all projects. As of September 1, 2026, both plans have commitments that exceeded 96 percent of the total amount. The 2020-2024 capital program will almost certainly take more than seven years to commit a similar rate of its projects as well, given past delays from uncertainty over the availability and timing of revenue for the program.

As of September 1, 2026, \$41.2 billion (74 percent) of the \$55.4 billion 2020-2024 program has been committed (see Figure 18). Six years into the 2015-2019 and 2010-2014 capital programs, which were smaller than the 2020-2024 program, more than 80 percent of the program value had been committed (excluding Superstorm Sandy work). In total, \$16.5 billion (out of more than \$120 billion) in the MTA's capital programs from 2010 through 2024 remains to be committed.

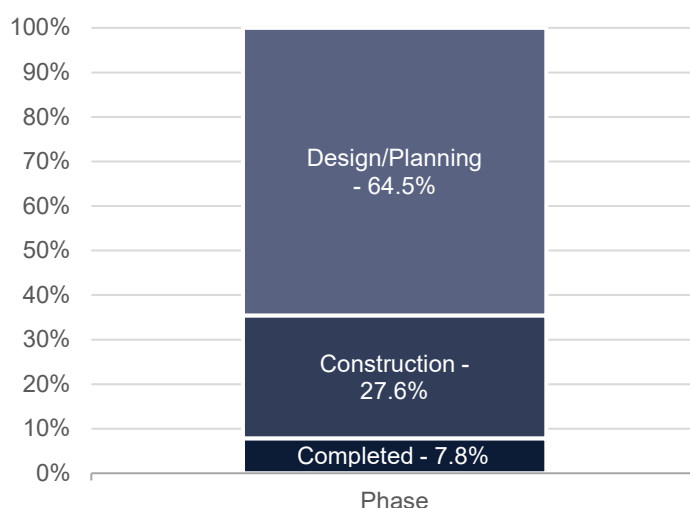
FIGURE 18
MTA Capital Program Commitments
As of September 1, 2026

	Program Size (in millions)	Committed (in millions)	% Committed
2025-2029 Program	\$68,400	\$9,237	13.5%
2020-2024 Program	55,427	41,191	74.3%
2015-2019 Program	33,618	32,378	96.3%
2010-2014 Program	31,561	30,511	96.7%
Total	\$189,005	\$113,318	60.0%

Notes: Numbers may not total due to rounding.

Sources: Metropolitan Transportation Authority; OSC analysis

FIGURE 19
Status of MTA 2025-2029 Capital Program
(485 Projects)



Note: As of June 30, 2026.
 Sources: Metropolitan Transportation Authority; OSC analysis

After [major concerns over the source of funding](#) which stretched into the first year of the program, the MTA has also committed \$9.2 billion of the \$68.4 billion 2025-2029 program, the largest program in the MTA's history. According to the MTA capital dashboard, as of June 30, 2026, the Authority has completed 38 projects (8 percent) in the 2025-2029 capital program with 447 projects outstanding in construction, design, or the planning stage (see Figure 19).

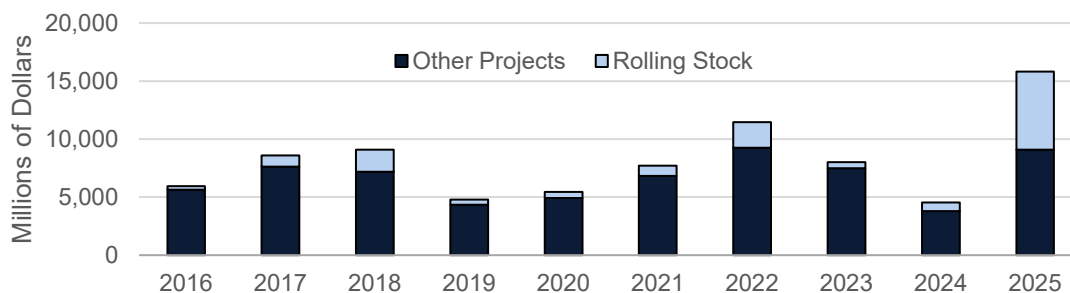
As it has done historically, the MTA is expected to split larger budget allocations into specific projects during the life of the program, which ultimately will increase the total number of projects as the Plan continues.

Over the last 10 years, the MTA has had trouble consistently maintaining a higher level of its capital commitments, some of which has been due to factors beyond its control. In the four years prior to the pandemic, 2016 through 2019, it committed an average of \$7.1 billion per year. Because of the pause during the pandemic in 2020, just \$5.4 billion across all capital programs was committed.

Since the COVID-19 pause was lifted, the MTA renewed efforts to increase the pace of commitments. In 2022, it committed \$11.4 billion, a record amount, although this amount was boosted by the \$1.9 billion purchase of subway cars, an emerging trend in years where the MTA has experienced spikes in commitment levels (see Figure 20).

However, commitments fell to \$4.5 billion in 2024 with the MTA having to slow commitments due to the uncertainty around the implementation of congestion pricing. In 2025, the MTA's initial capital commitment goal was \$12.6 billion, a target that would be a new record. By the end of 2025, the MTA exceeded its target, reaching \$15.8 billion in commitments, which included \$4

FIGURE 20
MTA Capital Commitments



Sources: Metropolitan Transportation Authority; OSC analysis

billion for rolling stock contracts for subways and the commuter railroads and \$2 billion for the Second Avenue Subway Phase 2. Through the end of August 2026, the MTA has committed \$4.9 billion toward its \$12.5 billion capital commitment goal for the year. This level was similar to the pre-pandemic average and the Authority has regularly increased commitments as the year continues. It is also worth noting that funding commitments remain fluid and may be affected by choices of funding partners. As a result of the federal government taking over management of the Penn Station reconstruction project and questions over the timeline and funding of the project, the State redirected \$1.2 billion it had committed to the project to the 2025-2029 MTA capital plan, which will fund an assortment of other capital projects.

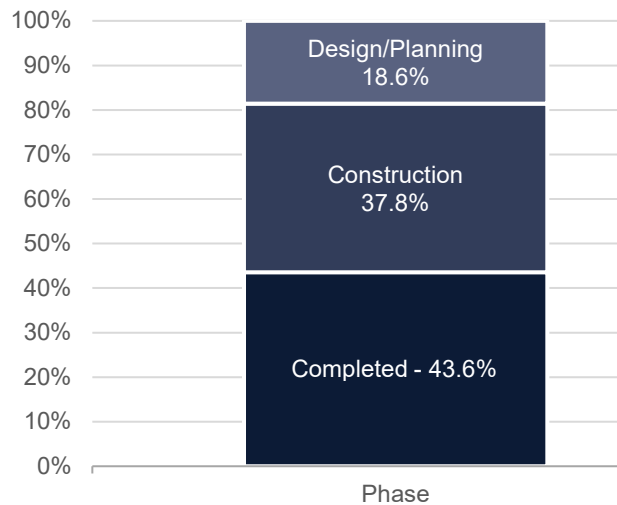
Capital Project Completions

For the 2020-2024 capital program, 848 of 1,042 projects (81 percent) have been completed or begun, excluding support work (see Figure 21). Through June 30, 2026, 454 projects have been completed at a cost of \$10.4 billion. The program got off to a slow start in 2020, due to the pause in capital spending during the early days of the pandemic.

At the same time as the MTA continues to work on its 2020-2024 capital program, it must still finish its 2015-2019 and prior programs. Partly due to the 2015-2019 program being approved 18 months late because of a funding dispute between the State and the City, 8 percent of the 1,111 projects that make up the 2015-2019 capital program remained unfinished as of June 30, 2026 (see Figure 22). While the MTA had completed 1,027 projects at a cost of \$27 billion, 53 projects (5 percent) were still in construction, and the remaining 31 projects (3 percent) were in the design or planning stage.

FIGURE 21

Status of MTA 2020-2024 Capital Program
(1,042 Projects)

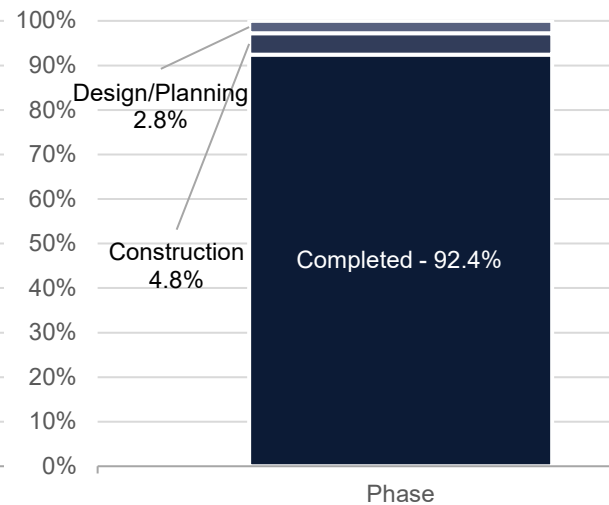


Note: As of June 30, 2026.

Sources: Metropolitan Transportation Authority; OSC analysis

FIGURE 22

Status of MTA 2015-2019 Capital Program
(1,111 Projects)



Note: As of June 30, 2026.

Sources: Metropolitan Transportation Authority; OSC analysis

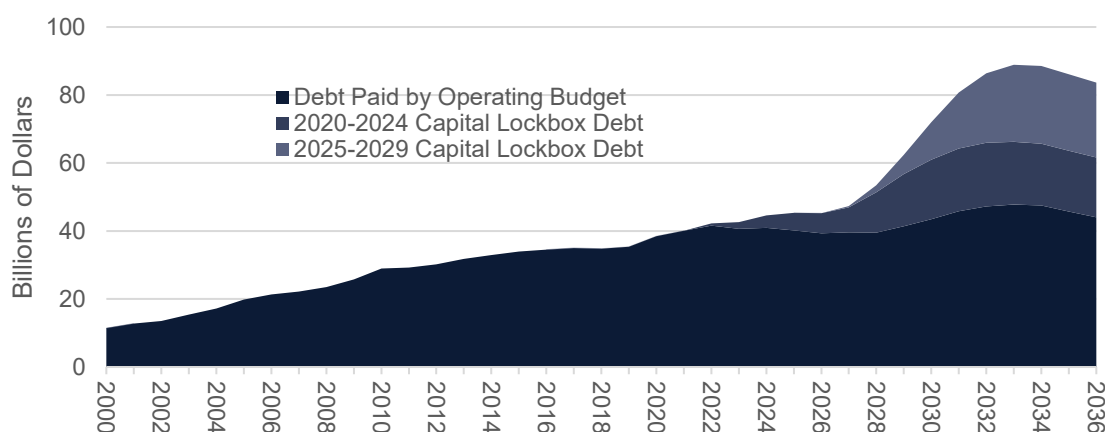
As of June 30, 2026, 96 percent of the 1,263 projects in the 2010-2014 program have been completed at a cost of \$28.1 billion with 48 projects still ongoing, 32 of which are for Superstorm Sandy-related work, excluding support work.

MTA Debt Outstanding and Debt Service

Debt Outstanding

The amount of MTA long-term debt outstanding more than doubled from 2000 to 2010, from \$11.4 billion in 2000 to \$29 billion in 2010, as the MTA funded a significant portion of its capital programs with bonds. The pace of growth slowed to 22 percent from 2010 to 2019, to reach \$35.4 billion, as support from other funding partners rose when compared to the decade prior. Since 2019, debt has risen to accommodate increased capital spending, reaching \$40.9 billion in long-term debt paid from the operating budget in 2024, a 16 percent increase since 2019, albeit a much slower pace than seen from 2000 to 2010 (see Figure 23). A substantial portion of recently issued debt has been backed by the PMT and aid trust account receipts such as taxi and auto fees, which are provided to the MTA outside of the State's appropriation process, with residual funds flowing through to the operating budget.

FIGURE 23
MTA Debt Outstanding Including Capital Lockbox Debt



Notes: Excludes short-term bond anticipation notes (BANs). Area beginning in 2026 is projected debt service.
Sources: Metropolitan Transportation Authority; OSC analysis

Debt outstanding paid out of the operating budget has started to flatten because of the MTA's usage of the capital lockbox to issue debt. In 2025, outstanding operating budget debt was \$800 million lower than in 2024 at \$40.1 billion.

In 2019, the State elected to provide the MTA with funds from congestion pricing, which charges a toll for all vehicles entering the Manhattan congestion relief zone south of 60th Street, a portion of New York City and State sales taxes capturing internet marketplace sales and the real estate transfer tax on properties sold for over \$2 million.

In 2022, the MTA began issuing capital lockbox debt backed by City sales tax revenues dedicated for the 2020-2024 and successor capital programs. These sales tax contributions are the result of the elimination of a tax exemption for third-party internet marketplace providers from collecting and remitting New York sales tax from transactions conducted on their sites. A total of

\$3.6 billion has been issued through 2024 and the MTA has indicated that it cannot issue any more of this type of debt given the limits of the revenue source.

In January 2025, the MTA issued \$1.6 billion in lockbox bonds backed by New York City real estate transfer tax revenues. In September 2026, the MTA issued the remaining \$770 million of its bond capacity from this credit.

After a pause in the implementation of congestion pricing, the MTA approved a lower toll in November 2024 for implementation in January 2025. The MTA plans to phase in toll increases in 2028 and 2031, which is expected to bring in sufficient revenue to fund \$15 billion for the 2020-2024 capital program. The MTA's debt forecast includes \$13 billion of future bonding backed by congestion relief zone revenues. The MTA has issued \$750 million in PMT Bond Anticipation Notes (BANs), \$500 million in TBTA Subordinate BANs and has borrowed \$500 million as a loan, all of which are expected to be permanently financed with future congestion relief zone revenues and debt. The MTA may issue lockbox bonds backed by those congestion relief zone revenues in 2027, including retiring the loan and the BANs, following a period in which revenues are collected consistently and are reaching certain projection thresholds, thereby providing confidence to potential investors.

The recently approved 2025-2029 capital program is expected to be funded with another \$23.9 billion of proceeds from lockbox debt backed by the expanded PMT approved last year. The MTA expects to issue this debt starting in 2027 through 2034 and use \$7.6 billion of cash payments sourced from these funds known as PAYGO expected to be used through 2035. The MTA's current debt issuance forecast does not include any additional debt that may be issued to self-fund \$3 billion of the 2025-2029 capital program, based on the MTA's assumption that it will achieve its cost savings target.

Including capital lockbox debt for the 2020-2024 and 2025-2029 capital programs, which is kept outside of the operating budget to eliminate any impact on operational spending, the MTA forecasts debt outstanding to rise from \$45.3 billion in 2025 to \$88.9 billion in 2033.

The use of lockbox capital funds will reduce the growth in non-lockbox long-term debt outstanding. This debt is expected to decrease from \$40.2 billion in 2025 to \$39.5 billion in 2028 before starting to rise to \$47.8 billion in 2033 as the MTA issues planned non-lockbox debt for its 2025-2029 program.

The generation of capital lockbox funds for debt is critical to managing the overall debt load of the MTA and its impact on debt service and its operating budget. Using \$7.5 billion of the 2025-2029 lockbox funds for PAYGO to fund projects also keeps pressure off the operating budget. Bonding \$7.5 billion would cost \$500 million annually for 30 years, so this approach provides \$7 billion in long-term savings, prior to discounting for future value.

Future declines in debt outstanding for non-lockbox debt are reliant on capital lockbox debt providing funds to pay for capital projects. Capital lockbox debt is expected to grow from 5 percent of debt outstanding in 2023 to 47 percent by 2036, which is a fundamental component of the MTA's plan to manage its long-term debt.

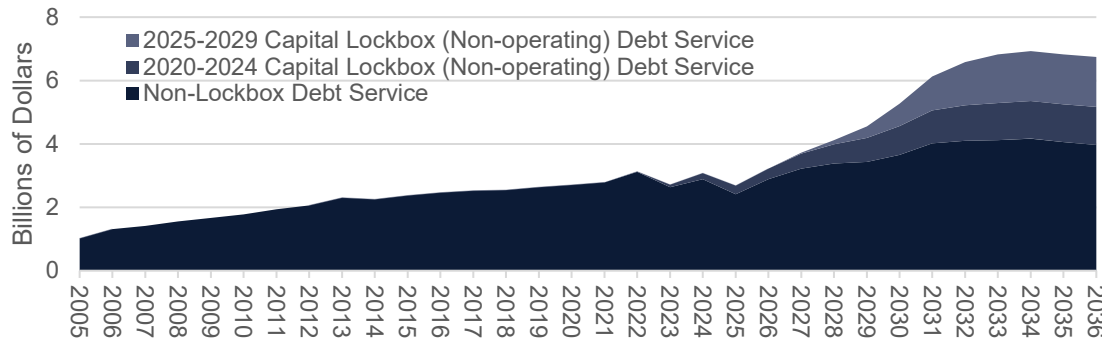
The current forecast also includes \$5.4 billion of long-term debt the MTA still must bond for projects in the transit and commuter portions of the 2020-2024 and 2015-2019 capital programs. The MTA plans to issue these bonds in the 2029 to 2031 period to permanently finance short-term BANs used to fund projects. The debt forecast includes the issuance of \$12.8 billion of bonds for the 2025-2029 capital program that are paid for out of the operating budget, including \$3 billion issued for Bridge and Tunnel (B&T) projects (which is fully funded by B&T operating revenues) and \$9.8 billion for transit and commuter projects issued over the 2030 to 2034 period.

Debt Service and Debt Burden

Debt service is the combined principal and interest payment for debt obligations. Debt service on issued bonds is a long-term obligation, often extending 30 years or more after issuance. When debt-servicing costs are paid from the operating budget and not properly managed, it can potentially crowd out operating spending of other types, as there is limited control over the ability to reduce these costs over time. The MTA's goal is to keep its debt paid from the operating budget at an average of 15 percent of the budget, a manageable portion of operating costs.

Debt service (including lockbox debt service for both the 2020-2024 and 2025-2029 capital programs) is projected to reach \$6.9 billion by 2034 (see Figure 24), more than double the cost of debt service in 2025.

FIGURE 24
MTA Debt Service



Notes: Data as of the MTA's July 2026 Plan. Area beginning in 2026 is projected debt service.
Sources: Metropolitan Transportation Authority; OSC analysis

Non-lockbox debt service between 2025 and 2034 is also expected to rise by \$1.7 billion to \$4.2 billion (72 percent) mostly due to the MTA still having to fund a portion of the 2020-2024 capital program and \$12.8 billion in budgeted debt to fund the 2025-2029 capital program. Lockbox debt service for both programs is expected to rise from \$273 million in 2025 to \$2.8 billion in 2034.

Part of the anticipated rise in debt service for non-lockbox debt is also due to choices over the structuring of repayment of the debt, a concern OSC has noted in prior reports. As noted earlier, the MTA's debt service forecast includes the issuance of \$637 million for the 2015-2019 capital program and another \$4.7 billion in anticipated debt for a total of \$5.4 billion backed by the PMT for the 2020-2024 and 2015-2019 transit and commuter rail capital projects. The MTA expects to

start issuing BANs for the 2020-2024 capital contribution in November 2026, and the long-term bonds to pay back these BANs would not start to be issued until 2029 with deferred principal for 10 years meaning, in total, principal would not be paid for 13 years. The deferral of principal is limited to the debt paid out of the operating budget for the 2020-2024 capital program. For the 2025-2029 capital program, non-lockbox debt is projected to be issued as 30-year level debt with no principal deferral. Although not impacting the operating budget, the MTA also assumes that principal on bonds backed by congestion pricing revenues would be deferred for the first three years of the 34-year life of the bonds. These bonds were previously assumed in the July 2025 plan to be issued with level debt service on 30-year bonds.

The MTA's debt forecast includes the debt service to cover \$9.8 billion in bonding to help fund the transit and commuter portion of the 2025-2029 capital program. Debt service on this bonding is expected to begin in 2030, rise to \$538 million by 2033 and peak at \$639 million starting in 2035.

The latest amendment of the 2020-2024 capital program assumes \$10 billion in federal formula funding and another \$4.8 billion from competitive grants, assuming high levels of funding authorized by the Infrastructure Investment and Jobs Act, which expired in September 2026. When compared to the previous funding levels, MTA estimates that formula funding could be \$250 million lower annually or \$1.25 billion over federal fiscal years 2027 through 2031 if the proposed transit authorization is approved. Other federal funding sources for transit could also see reductions.

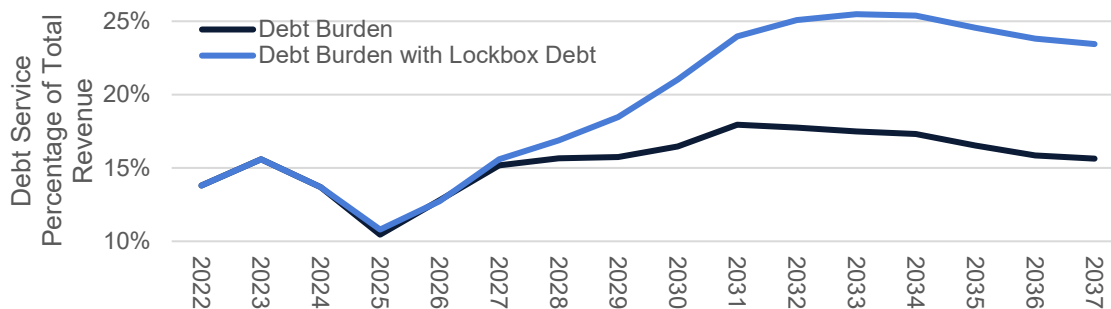
The 2025-2029 capital program assumes that the federal government will provide \$14 billion in total federal funding, which is uncertain given that the extension of funding will expire in December 2026. If a proposed long-term funding authorization were to remain at prior funding levels, the federal funding to the 2025-2029 program could be lower by at least \$750 million covering the last three years of the program. In the absence of another funding source, finding additional capital savings or deferring needed projects, the MTA might have to increase its bonding by that amount to fill this funding gap which could lead to \$50 million in higher debt service costs by 2033.

Also, the MTA estimates that the cost of replacing rolling stock in the 2025-2029 capital program could be \$1 billion higher from the impact of federal tariffs on imported materials needed to build rolling stock. If the MTA chooses, new bonding to cover these additional expenses could cost \$65 million in debt service by 2033, however it has indicated it will fund these capital projects more efficiently, or alternatively, it could purchase fewer train cars and buses.

As noted in earlier OSC reports, the MTA has used the deferral of principal for as long as 20 years to provide short-term operating budget relief while pushing costs up for future generations. As mentioned, the MTA is currently assuming that bonding backed by operating budget revenue for the 2025-2029 capital program will have level debt service payments. OSC encourages the MTA to avoid deferral financing techniques for its 2020-2024 program so that the overall financial impact on the agency does not increase over time and supports the use of level payments for the 2025-2029 capital program.

The share of total revenue needed to fund debt service averaged 16.1 percent from 2010 through 2019. In 2020, the burden increased to 17.4 percent as revenues dropped during the pandemic and averaged 13.9 percent during the next five years. In its July Plan, the MTA reports that the debt burden is 12.8 percent in 2026 and then increases to 16.5 percent in 2030, assuming planned fare and toll increases in 2027 and 2029. These figures would be well below the range of 18 percent to 20 percent that OSC wrote about as a major concern for the operating budget in prior years.

FIGURE 25
MTA Debt Burden



Notes: Revenues are assumed to grow 2 percent annually. 2022-2025 are actuals.
Sources: Metropolitan Transportation Authority; OSC analysis

Assuming revenues grow conservatively by 2 percent annually, OSC estimates that the debt burden would rise to 17.9 percent in 2031 but then drop to 15.6 percent in 2037 as existing non-lockbox debt is amortized (see Figure 25).

If the capital lockbox debt service and revenues were not separated but were instead included as part of the operating budget, OSC estimates that the debt burden would be even higher, increasing to 21 percent in 2030 and peak at 25.5 percent in 2033 as the impact of the lockbox bonding for the 2025-2029 capital program will be felt. The difference shows the importance of the lockbox structure in reducing pressure on operations.

APPENDIX A

MTA Revenue and Expenditure Trends in the July Plan on an Accrual Basis (in millions)

	2026	2027	2028	2029	2030	Compound Annual Growth Rate
Revenues						
Farebox Revenue	\$5,502	\$5,660	\$5,724	\$5,742	\$5,750	1.1%
Toll Revenue	2,770	2,797	2,816	2,828	2,837	
Other Revenue	1,829	1,256	1,410	1,462	1,525	-4.4%
Dedicated Taxes						
Payroll Mobility Tax	3,865	3,827	3,881	3,917	3,954	0.6%
Metro. Mass Trans. Operating Asst and Mass Transit Trust Fund	3,970	3,901	3,924	3,924	3,999	0.2%
Real Estate-Related Taxes	1,019	1,152	1,194	1,236	1,254	5.3%
Casino License Fees	1,000	0	0	0	0	N/A
Casino Gaming Taxes	75	140	140	140	300	41.4%
Other	750	740	699	700	701	-1.7%
Total-Dedicated Taxes	10,679	9,760	9,837	9,917	10,207	-1.1%
State and Local Subsidies	1,796	1,771	1,788	1,844	1,898	1.4%
Total Baseline Revenues	\$22,375	\$21,244	\$21,575	\$21,793	\$22,217	-0.4%
Expenditures						
Payroll	\$6,695	\$6,835	\$6,977	\$7,125	\$7,283	2.1%
Debt Service	2,887	3,223	3,380	3,432	3,656	6.1%
Health and Welfare (with Retirees)	3,038	3,319	3,555	3,825	4,107	7.4%
Pensions	1,707	1,758	1,714	1,717	1,719	0.2%
Overtime	993	904	910	923	944	-1.3%
Other Fringe Benefits	1,251	1,276	1,337	1,398	1,463	4.0%
Maintenance and Other Operating Contracts	1,054	1,049	1,039	1,060	1,084	0.7%
Professional Services Contracts	973	942	911	912	921	-1.4%
Energy (Fuel and Electric)	1,062	933	941	960	995	-1.6%
Insurance	21	38	38	47	58	28.9%
Claims	590	609	614	619	624	1.4%
Paratransit Service Contracts	857	949	1,000	1,057	1,120	6.9%
Materials and Supplies	792	890	934	993	1,021	6.6%
Other	321	322	331	349	351	2.3%
Reimbursable Overhead	(573)	(576)	(575)	(584)	(591)	0.8%
General Reserve	215	225	230	245	250	3.8%
Other Adjustments	36	14	15	15	16	-18.4%
Total Baseline Expenditures	\$21,920	\$22,710	\$23,351	\$24,094	\$25,021	3.4%

Note: Might not add due to rounding.

Sources: Metropolitan Transportation Authority; OSC analysis



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