

New York State Comptroller
THOMAS P. DiNAPOLI

Annual Update

Metropolitan Transportation Authority's
Debt Profile

May 2026 | Report 3-2027

Prepared by the Office of the State Deputy Comptroller for the City of New York

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Introduction

The Metropolitan Transportation Authority (MTA) has made notable progress in advancing its capital programs this year amid lingering federal uncertainty over available funds. Recently, the Authority secured several key revenue sources that strengthened the funding framework for both its 2020-2024 and 2025-2029 capital programs. Congestion pricing remained in effect throughout 2025 generating revenue consistent with expectations, while several legal and regulatory challenges were resolved in the MTA's favor. In addition, the 2025 Enacted State Budget committed more than \$33 billion to help close the funding gap in the 2025-2029 program, and those funds are beginning to flow.

These gains follow years in which delayed or limited partner funding forced the MTA to rely heavily on its own debt issuance, pushing debt service to consume a growing share of its operating budget since 2000. Recent expansion of the use of the "capital lockbox" in the last two capital programs, including dedication of congestion pricing revenue and a portion of the Payroll Mobility Tax (PMT), have insulated the operating budget from much of this pressure and better positioned the MTA to keep operating budget-funded debt service near its target of 15 percent of its budget. Even so, the MTA still anticipates issuing approximately \$18 billion more in debt funded by its operating budget to support both the 2020-2024 and 2025-2029 capital programs.

Risks remain which could require the MTA to further prioritize investments or achieve capital savings to avoid potential stress on its operating budget. The MTA's 2025-2029 capital program relies on \$14 billion in federal funding, an amount that may be reduced in the next federal transportation authorization bill after the current bill expires in September of this year. In addition, the MTA must find \$3 billion in unidentified savings or additional resources to fully fund the 2025-2029 capital program.

If these funds do not materialize, the MTA may again face the difficult choice of issuing more debt out of its operating budget or postponing needed capital work, decisions that could affect service quality and undermine the ridership recovery that has been central to the Authority's fiscal stabilization since the pandemic.

Highlights

- **As of April 2, 2026, \$19.4 billion remains uncommitted in the MTA's capital programs from 2010 through 2024 while \$7.5 billion has been committed toward the \$68.4 billion 2025-2029 program, the largest in the MTA's history.**
- **The MTA capital lockbox remains central to fiscal stability. The 2025-2029 capital program is projected to receive \$31.5 billion from expanded PMT revenue, including \$23.9 billion in bonding capacity and \$7.5 billion of cash payments (PAYGO).**
- **Using PAYGO avoids an estimated \$500 million in annual debt service for 30 years, generating roughly \$7 billion in long-term savings.**

- **As a share of the program, MTA debt backed by funds used for the operating budget dropped from 37 percent in the 2015-2019 capital program to 19 percent in the 2025-2029 capital program.**
 - **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.**
 - **Debt burdens remain manageable if lockbox financing continues to function as designed. The MTA projects operating budget funded debt service at 13.5 percent of revenues in 2026, rising to 15.8 percent by 2029, which would be elevated, but below the 18 to 20 percent range which could create more substantial pressure on its operating budget.**
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Capital Program Progress

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. Capital programs are funded through various sources, including debt issued by the Authority. The vast majority of MTA debt has been issued to fund its capital programs (see Capital Funding section for details).

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. Through the first quarter of this year, both plans have commitments that exceeded 96 percent of the total plans. 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 April 2, 2026, \$38.5 billion (70 percent) of the \$55.4 billion 2020-2024 program has been committed. Since June 2025, an additional \$6 billion has been committed for this program, suggesting accelerated commitments in recent months. Six years into the 2015-2019 and 2010-2014 capital programs, which were smaller than the 2020-2024 program, 88 percent of the program value had been committed (excluding Superstorm Sandy work). In total, \$19.4 billion (out of more than \$120 billion) in the MTA's capital programs from 2010 through 2024 remains to be committed (see Figure 1).

Figure 1
MTA Capital Program Commitments
As of April 2, 2026

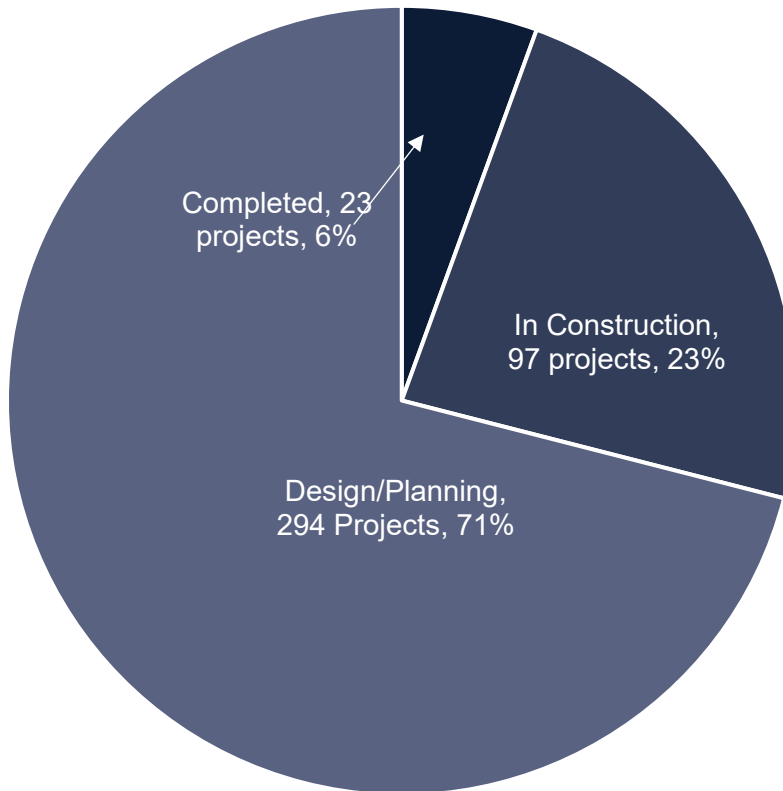
	Program Size (in millions)	Committed (in millions)	% Committed
2025-2029 Program	\$68,400	\$7,465	10.9%
2020-2024 Program	55,422	38,522	69.5%
2015-2019 Program	33,618	32,338	96.2%
2010-2014 Program	31,561	30,345	96.1%
Total	\$189,001	\$108,670	57.5%

Notes: Numbers may not total due to rounding.

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 \$7.5 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 March 31, 2026, the Authority has completed 23 projects in the 2025-2029 capital program with 391 projects outstanding in construction, design, or planning stage (see Figure 2).

Figure 2
Status of MTA 2025-2029 Capital Program
(414 Projects)



Note: As of March 31, 2026

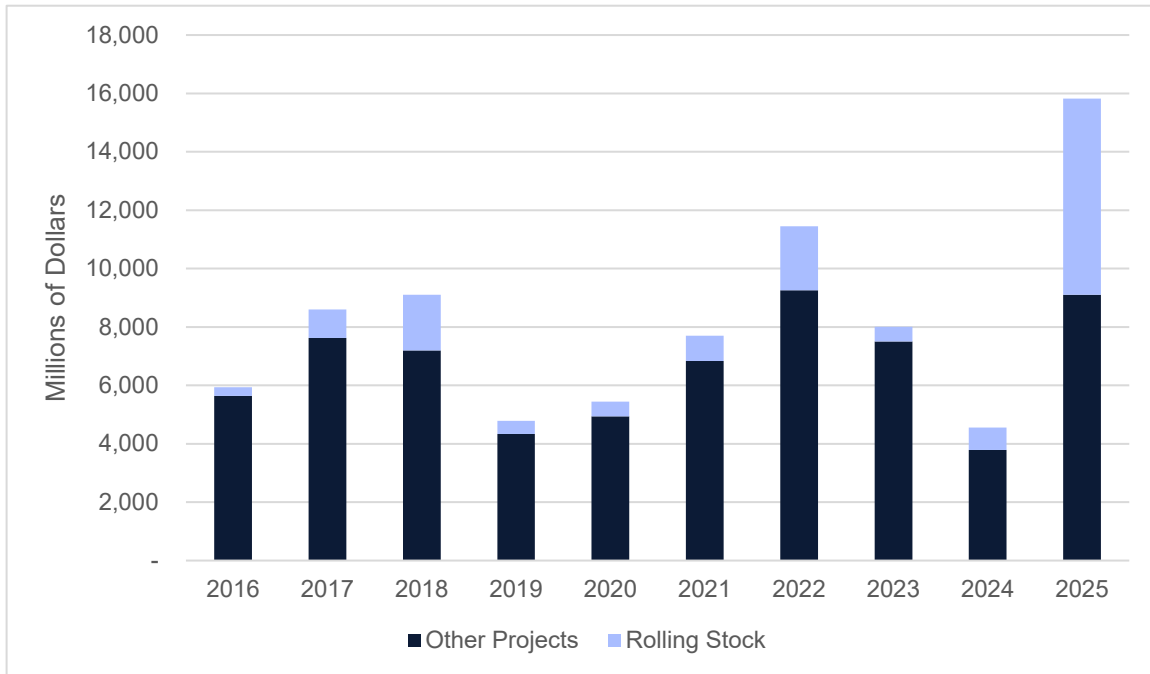
Sources: Metropolitan Transportation Authority, OSC analysis

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. 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 2021, it committed \$7.7 billion. 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 3).

Figure 3
MTA Capital Commitments



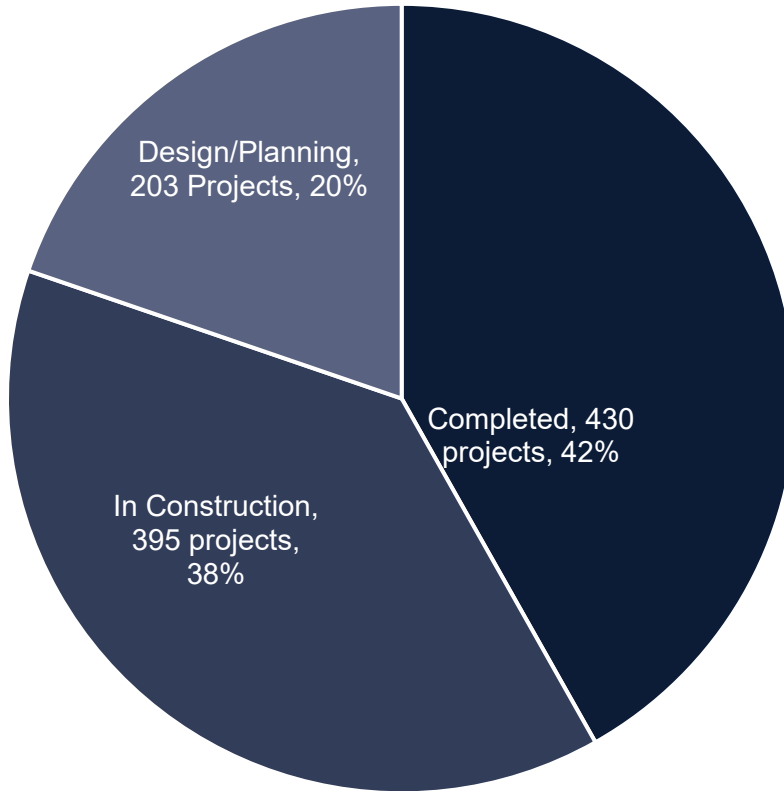
:Sources: Metropolitan Transportation Authority; OSC analysis:

However, in 2023, commitments fell to \$8 billion and then 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 billion for rolling stock contracts for subways and the Long Island Rail Road (LIRR) and \$2 billion for the Second Avenue Subway Phase 2. As of March, 31, 2026, the MTA has committed \$1.6 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.

Capital Project Completions

For the 2020-2024 capital program, 825 of 1,028 projects have been completed or begun, excluding support work (see Figure 4).

Figure 4
Status of MTA 2020-2024 Capital Program
(1,028 Projects)



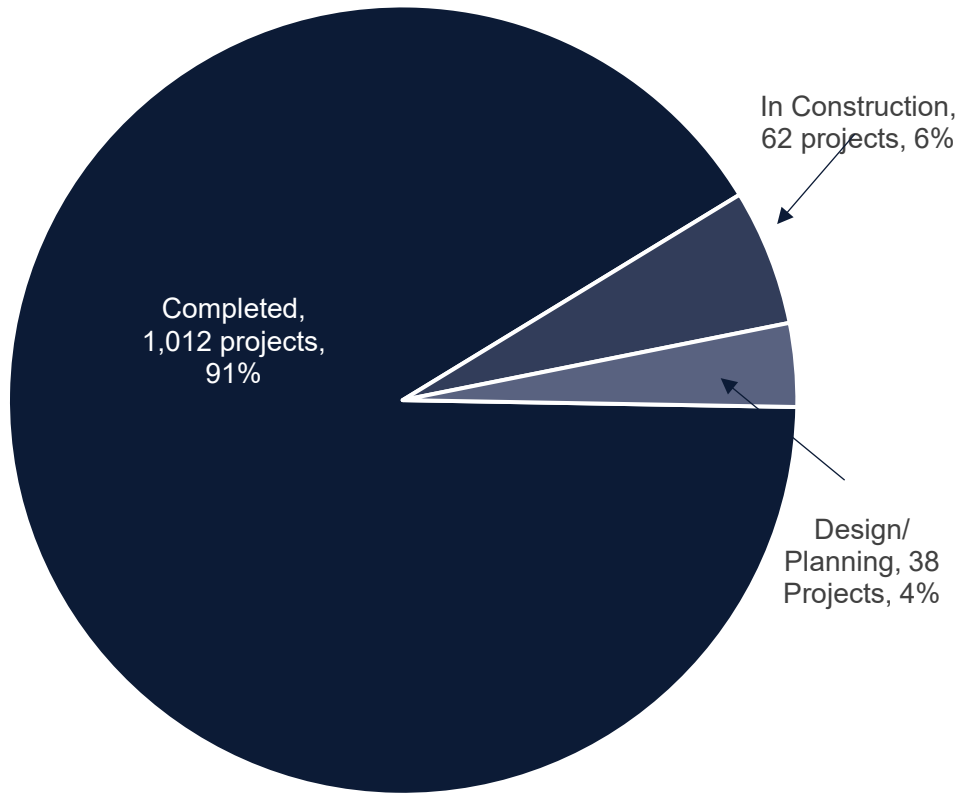
Note: As of March 31, 2026

Sources: Metropolitan Transportation Authority, OSC analysis

Through March 31, 2026, 430 projects have been completed at a cost of \$9.4 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, 10 percent of the 1,112 projects that make up the 2015-2019 capital program remained unfinished as of March 31, 2026 (see Figure 5).

Figure 5
Status of MTA 2015-2019 Capital Program
(1,112 Projects)



Note: As of March 31, 2026

Sources: Metropolitan Transportation Authority, OSC analysis

While the MTA had completed 1,012 projects at a cost of \$26.8 billion, 62 projects (6 percent) were still in construction, and the remaining 38 projects (4 percent) were in the design or planning stage.

As of March 31, 2026, 96 percent of the 1,264 projects in the 2010-2014 program have been completed at a cost of \$28 billion with 54 projects still ongoing, 35 of which are for Superstorm Sandy-related work, excluding support work (see [OSC's report](#) on Superstorm Sandy projects for more details).

Capital Funding

The MTA capital programs are funded through various sources, including debt issued by the Authority. The composition of sources for funding has important implications for the MTA's outstanding debt and debt servicing costs. The provision of capital funding from its partners, including the State, City and federal governments, can allow the MTA to bond less from its own budget therefore lowering the eventual debt burden on its operating budget.

Figure 6
MTA Capital Program Funding
 (in millions)

Source	2000-2004	2005-2009	2010-2014	2015-2019	2020-2024	2025-2029
Federal Funding	\$7,454	\$7,723	\$14,156	\$6,755	\$14,750	\$14,000
New York State	---	1,450	770	9,118	3,052	4,200
New York City	516	2,833	749	2,692	3,159	3,000
MTA/TBTA Bonds/Cash	8,770	5,100	8,607	13,880	8,865	12,700
Dedicated Tax Bonds	3,796	5,624	---	---	---	---
Payroll Mobility Tax MTA Bonds/Cash	---	---	6,000	---	---	---
MTA Asset Sales and Other	1,120	1,589	1,279	1,173	177	3,000
Subtotal	\$21,656	\$24,319	\$31,561	\$33,619	\$30,003	\$36,900
Congestion Pricing Capital Lockbox Bonds	---	---	---	---	13,004	---
Sales and Mansion Tax Capital Lockbox Bonds	---	---	---	---	6,143	---
Dedicated PMT Capital Lockbox Bonds	---	---	---	---	---	23,939
Capital Lockbox Cash	---	---	---	---	6,282	7,561
Capital Lockbox Subtotal	---	---	---	---	\$25,429	\$31,500
Total	\$21,656	\$24,319	\$31,561	\$33,619	\$55,432	\$68,400

Notes: 2010-2014 program includes funding for Superstorm Sandy projects. TBTA includes debt to fund bridge and tunnel investments and are fully funded through tolling revenue and not subject to review by the Capital Program Review Board.

Sources: Metropolitan Transportation Authority; OSC analysis

As seen in Figure 6, the MTA received substantial funding from both the State and the City starting in the 2015-2019 capital program, after years of smaller direct contributions, which led the MTA to increase the use of debt to fund its capital projects. This approach led to substantial growth in debt and associated debt servicing costs prior to this shift in support.

In recent plans, these funds have come less from direct dollars and more from statutorily dedicated new or expanded revenue sources. In 2019, the State authorized new sources of funding including congestion pricing revenue, a portion of New York City and State sales taxes capturing internet marketplace sales, and a real estate transfer tax surcharge on properties over \$2 million (“mansion tax”). These revenues in total are to provide more than \$25 billion for the 2020-2024 capital program (46 percent). They are separated from the MTA’s operating budget and placed in a lockbox so there is no direct impact on the operating budget.

A similar approach was taken to help fund the 2025-2029 program. The State increased the PMT in the MTA transportation district for employers with annual payroll expenses higher than \$10 million, lowered the tax for employers with annual payrolls between \$1.3 million and \$1.8 million and eliminated the tax for employers with quarterly payroll below \$1.3 million and for local governments outside of the City.

Another account in the MTA capital lockbox dedicated to the 2025-2029 capital program will now receive a dedicated portion (28.5 percent) of the expanded PMT revenue, which is expected to provide \$31.5 billion (46 percent) for the 2025-2029 capital program. The expanded PMT is expected to support \$23.9 billion of proceeds from bonding, but funds will also be used to provide \$7.5 billion of cash payments (pay-as-you-go capital or PAYGO). The set-aside of funds for PAYGO is an important shift in the MTA’s capital funding strategy, as this approach will lower the potential debt burden for the MTA, as PAYGO spending avoids the use of debt.

The Authority will use the first two years of revenues collected for PAYGO capital funds, before using the funds to back bonds after that point. The statutory requirement that funds are used for capital only encourages the MTA to use cash receipts collected toward capital investments in the form of PAYGO funding until the amount necessary to fund debt service to pay off bonds are being collected consistently. The MTA assumes that revenues will continue to grow by 2 percent annually to allow it to fund the remaining \$23.9 billion in proceeds from bonds.

The MTA also assumes it will receive \$14 billion (20 percent) from the federal government for the 2025-2029 program. The federal government, in the Infrastructure Investment and Jobs Act for federal fiscal years 2022 through 2026, appreciably increased its level of capital formula funding for state of good repair and normal replacement projects in the 2020-2024 program. This amount of funding still faces some uncertainty for the 2025-2029 program given that federal authorization for transit funding expires in September 2026. There is no assurance that a new authorization bill will provide the higher level of funding, particularly as the most recent budget proposed by the President assumes a smaller increase in grants than would be necessary to reach \$14 billion.

The State is expected to provide \$4.2 billion in direct dollars to the program, including \$1.2 billion that was redirected from Penn Station renovations as the federal government has taken over management of the project. The City will provide \$3 billion (10.5 percent in total) as mandated in the State’s 2025 Enacted Budget. The plan also assumes that the MTA will bond \$12.7 billion of

debt, which will ultimately be paid for from the operating budget, 19 percent of the expected funding and about the same share as in the 2020-2024 program.

The Enacted Budget in 2025 that funded the 2025-2029 capital program did not fund about \$3 billion, leaving this portion unidentified. MTA expects it will have to self-fund another \$3 billion of the program to reach \$68.4 billion for the plan, and it may do so through generating project cost savings. However, if it cannot identify these savings and control costs in other parts of the plan, it could also pursue asset sales, debt refunding, and as a last resort, additional debt funded by operational savings or additional resources. The Office of the State Comptroller (OSC) notes that each of these approaches come with their own operational and financial implications for the MTA.

These funding choices should allow the MTA to limit the amount of capital needed from MTA bonds funded by its operating budget at levels close to prior capital programs. As a share of the program, MTA debt backed by funds used for the operating budget dropped from 37 percent in the 2015-2019 capital program to 19 percent in the 2025-2029 capital program, ultimately allowing a greater share of operating resources to be used for providing service.

Capital Savings

MTA Construction and Development (C&D) is responsible for administration of the capital planning, design, contracting and construction of MTA system expansion, improvement and maintenance projects for the MTA operating agencies. It has been in its current form since 2020 when it took over project management of all capital projects from the MTA operating agencies. C&D has developed a cost-containment strategy to provide more projects at the lowest cost possible as the MTA has historically struggled to control the costs of capital projects.

The cost-containment strategy contains four areas of focus: more proactive planning and smarter design; better contracts at the time of procurement; better delivery during construction of the project to be completed under budget and earlier than planned; and better management.

According to C&D, from 2020 through 2025, it has achieved \$4.2 billion in savings which it has used to fund other capital projects within the same funding envelope as well as to fund higher costs on other projects. Of the \$4.2 billion, C&D estimates that \$1.5 billion was saved in the design process, \$1.3 billion was saved mostly from lower bids when the contract was procured, \$900 million was saved during construction and \$450 million came from management actions. However, full details on how these savings were achieved, and for which projects, has not been publicly released.

The MTA has publicly summarized some savings achieved in the 2020-2024 and earlier capital programs. Savings during the design process include \$200 million in savings from Americans With Disabilities Act (ADA) subway projects by designing elevators that go from the street to the platform bypassing the mezzanine, and \$300 million during the design process of Phase 2 of the Second Avenue Subway by rightsizing the designed stations. Savings in procurement include \$243 million from using design-build and bundling in ADA projects, saving \$95 million on the Park Avenue viaduct project by using design-build and best value determination and lowering by one-third the cost of Communications-Based Train Control signal projects by reducing customizable equipment needs.

Savings during construction include \$75 million on the Grand Central trainshed project from using a public/private partnership, bundling contracts to get more work done at a lower price (\$30 million at four different projects). Management savings include hiring staff to reduce reliance on consultants and reducing insurance costs through improved safety on the Second Avenue Subway project.

Since the 2025-2029 capital program assumes the MTA would find \$3 billion in savings to do the expected projects in the approved funding envelope, it is imperative that the MTA be transparent to the public and other stakeholders about whether and how this target is being reached, and for which projects. Any additional savings beyond \$3 billion can be used to fund other projects or reduce the amount of debt needed to fund the plan.

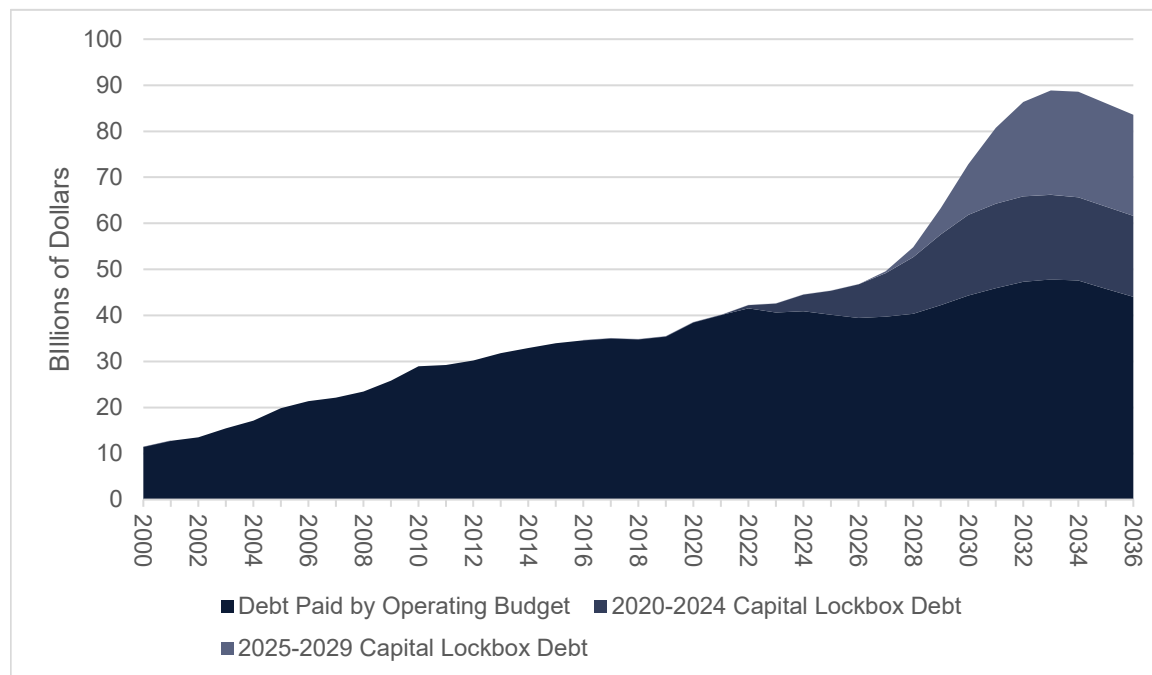
Debt Outstanding

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 7). 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.

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

Figure 7
MTA Debt Outstanding Including Capital Lockbox Debt



Notes: Excludes short-term bond anticipation notes (BANs). Shaded area beginning in 2026 are projections.

Sources: Metropolitan Transportation Authority; OSC analysis

of New York City 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. The MTA estimates it has enough capacity to issue another \$750 million of these bonds.

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 through 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 \$13.1 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 2026 or 2027, including to retire the loan and the BANs, following a period in which revenues is 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, with \$7.5 billion for PAYGO sourced from these funds 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 \$39.7 billion in 2027 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 \$5.3 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 2028 to 2031 period to permanently finance short-term BANs used to fund projects. The debt forecast includes the issuance of \$12.7 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 \$9.7 billion for transit and commuter projects issued over the 2030 to 2034 period.

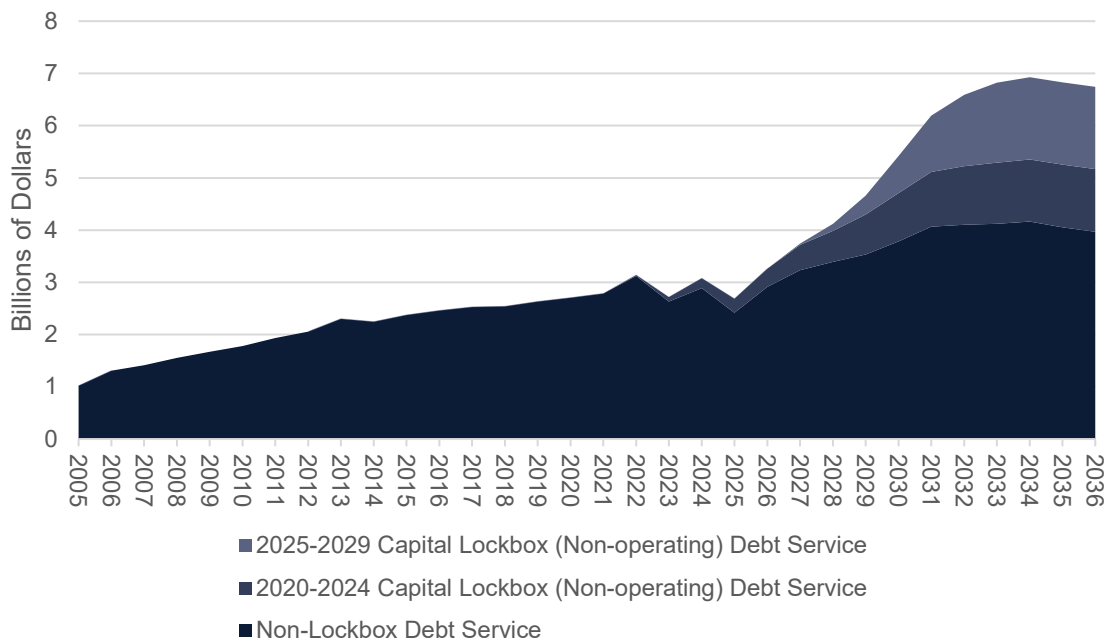
Debt Service and Debt Burden

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.

Covid-era federal operating aid allowed the MTA to free up \$1.4 billion of other resources, which it used to defease bonds and pre-pay interest in 2023 to lower debt service costs between 2023 and 2026. The MTA was able to use additional local resources freed up by the use of federal operating aid to make a \$240 million prepayment of interest, which saved \$125 million in each of 2024 and 2025.

Debt service (including lockbox debt service for both the 2020-2025 and 2025-2029 capital programs) is projected to reach \$6.9 billion by 2034 (see Figure 8) more than double the cost of debt service in 2025.

Figure 8
MTA Debt Service



Notes: : Data as of the MTA’s February 2026 Plan. Shaded area beginning in 2026 are projections.

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 \$12.7 billion in budgeted debt to fund the 2025-2029 capital program. Lockbox debt service for both programs is expected to rise from \$269 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 \$5.3 billion in anticipated debt 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 this capital contribution in 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.

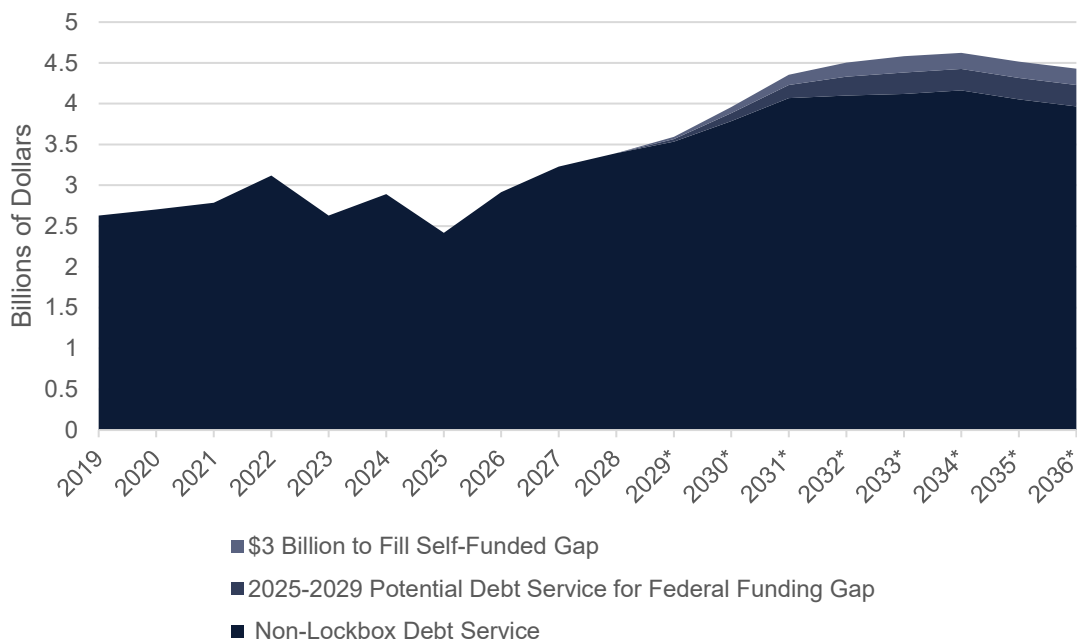
The MTA's debt forecast includes the debt service to cover \$9.7 billion in bonding to help fund the transit and commuter portion of the 2025-2029 capital program. Debt service on this bonding is expected to begin in 2030, rise to \$538 million by 2033 and peak at \$639 million starting in 2035.

The 2025-2029 capital program assumes that the federal government will provide \$14 billion in federal formula funding which is uncertain given that federal authorization for transit funding expires in 2026 and there is no assurance that currently high levels of federal funding, authorized by the Infrastructure Investment and Jobs Act, will continue. If the MTA receives the midpoint of this range or \$10 billion, in the absence of another funding source, finding additional capital savings or deferring needed projects, the MTA might have to increase its bonding by \$4 billion to fill this funding gap which could lead to higher debt service costs.

Filling the potential \$4 billion federal funding shortfall for the 2025-2029 capital program with debt paid from the operating budget would increase debt service by \$263 million by 2033. As noted earlier, the MTA intends to identify savings to fund \$3 billion in the 2025-2029 capital program if it cannot find cost savings. Bonding that amount to self-fund the 2025-2029 program would cost \$197 million by 2033. If the MTA had to issue debt to fund both risks, increases in bonding could bring debt service paid from the operating budget to \$4.6 billion in 2033, providing the MTA with incentive to continue to identify capital plan savings (see Figure 9).

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 these financing techniques for its 2020-2024 program so that the overall financial impact on the agency does not increase over time.

Figure 9
MTA Debt Service



Notes: : : Metropolitan Transportation Authority; OSC analysis..

Sources: Data as of the MTA's February 2026 Plan

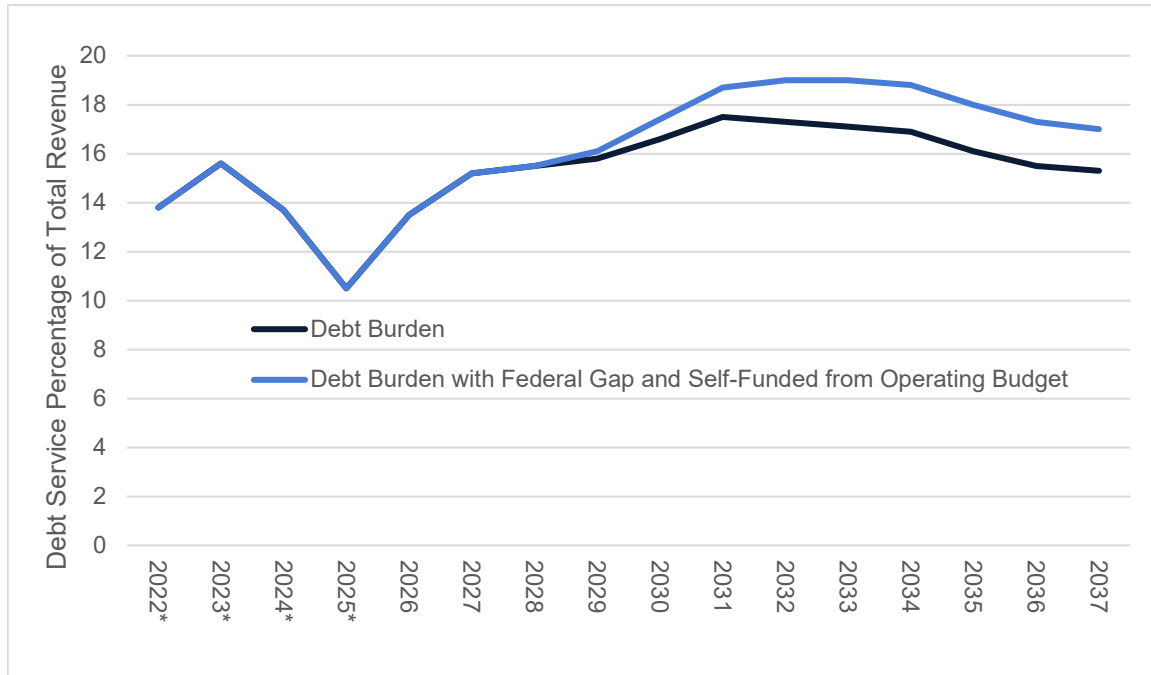
The share of total revenue needed to fund debt service averaged 16.1 percent from 2010 through 2019¹. In 2020, the burden increased to 17.4 percent as revenues dropped during the pandemic and averaged 13.9 percent during the next five years. In its February Plan, the Authority reports that the debt burden is 13.5 percent in 2026 and then increases to 15.8 percent in 2029. These totals assume a 4 percent increase in total fares and tolls' yield will be approved for each of 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.

If the capital lockbox debt service and revenues were not separated but were instead included as part of the operating budget, the debt burden would be even higher, increasing to 18.5 percent in 2029 and peak at 24.9 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.

Assuming revenues grow conservatively by 2 percent annually, the debt burden would be at 16.6 percent in 2030, rise to 17.5 percent in 2031 but then drop to 15.3 percent in 2037 as existing non-lockbox debt is amortized (see Figure 10).²

Changes in operating revenue would directly affect the debt burden. If revenue increases by 5 percent annually, then the debt burden in 2037 would be 12.1 percent; while if revenue increased by just 1 percent annually, then the debt burden would be 16.5 percent. Increasing ridership and boosting revenue remain a critical piece of keeping the MTA's debt servicing costs affordable.

Figure 10
MTA Debt Burden With Possible New Debt



Notes: * Actual
 Revenues are assumed to grow 2 percent annually
 Sources: Metropolitan Transportation Authority; OSC analysis

If \$4 billion from the federal government is not provided and if the MTA decided to cover this funding gap with debt paid for out of its operating budget and the MTA chose to self-fund the \$3 billion funding gap in the 2025-2029 capital program, the debt burden would be as high as 19 percent in 2032 before dropping to 17 percent in 2037.

Debt Service Metrics

As shown in Figure 11, the MTA uses four main types of debt backed by its operating budget, known as “credits.” Each credit is backed by different pledged revenues. Transportation Revenue Bonds were previously the most-used credit since most MTA revenue is pledged toward debt service payments for this credit.

Figure 11
2026 MTA Debt Service Metrics

Bond Credit	Pledged Revenue (in millions)	Debt Service (in millions)	Debt Service as Share of Pledged Revenue
Transportation Revenue	\$17,021	\$1,179	7%
Payroll Mobility Tax	3,786	633	17%
Dedicated Tax Fund	1,768	292	17%
TBTA General	2,266	807	36%

Sources: Metropolitan Transportation Authority, OSC analysis

The MTA now does the bulk of its borrowing using the PMT credit because it carries a stronger credit rating and thus offers lower interest rates. Excluding PMT revenues and debt service for the 2025-2029 Capital Program account of the Lockbox, by 2029, the MTA expects 23 percent of PMT pledged revenue to be used for debt service, up from 14 percent in 2023. As mentioned previously, the MTA expects in its financial plan to use the PMT credit to fund all \$9.7 billion of the transit and commuter railroad portions of the 2025-2029 capital program. Debt service paid with PMT funds is expected to be as high as \$1.9 billion in 2040, reducing the amount of revenue available for operating expenses.

Another credit is the MTA Dedicated Tax Fund Bonds (DTF) which were backed by petroleum business taxes, motor fuel taxes and certain motor vehicle fees. The Enacted State Budget in 2025 allocated existing sales tax revenues that the MTA receives in Metropolitan Mass Transportation Operating Assistance to this DTF fund to provide more coverage so the credit can be used more often. As a result, in 2026, 17 percent of DTF revenues are expected to be pledged toward debt service down from 50 percent in 2025. Debt service as a percentage of pledged revenue is expected to be 36 percent for Triborough Bridge and Tunnel Authority (TBTA) General Revenue Bonds, which are backed by net toll revenue.

Conclusion

The MTA has made substantial progress in funding critical investments in its capital programs. In previous reports, OSC outlined the capital needs of the MTA system and what would be needed to fund these needs. The continued commitment of funds and completion of projects will help advance key service goals for the system, including safety, reliability and frequency

Since the last OSC report on the MTA's debt, the risk that congestion pricing will be overturned in court or through federal action has lessened. The MTA has maintained the ability to continue the program despite consistent legal challenges. Risks remain, however, some of which are within the MTA's control and some which are not. Federal funding that the MTA assumes for the 2025-2029 capital program could be at risk since there are no assurances that the \$14 billion it expects will be provided as it is subject to the federal budget process and authorization of a new transportation funding bill.

The MTA's ability to find cost savings to self-fund \$3 billion is to some extent contingent on market forces that may increase the cost of capital projects. Providing more transparency into how the MTA has already saved \$4.2 billion in capital costs would give the public more confidence that these future savings can be achieved.

The use of the capital lockbox continues to be pivotal to keeping to an acceptable debt burden of 15 percent which along with investment in the system, is critical for avoiding impact to the operating budget and therefore operating services. Appropriate debt structuring also remains a key measure for truly understanding the debt burden in coming years. The MTA should avoid debt structures like in the 2020-2024 capital program which, through the use of BANs, delays the payment of principal for as long as 13 years. This will clarify whether debt service projections are truly reflective of capital spending or will pressure budgets by crowding out operating spending in future decades.

The MTA expects to use as much as \$7.5 billion of the 2025-2029 lockbox funding it received from the State for PAYGO purposes. OSC encourages the further use of PAYGO from the operating budget as well to reduce its overall debt load. It should also report regularly its progress in achieving the needed \$3 billion in savings for the 2025-2029 capital program to communicate to its stakeholders whether new debt might be needed in the future. The MTA must continue to execute on its strategy over what it does control to offset uncertainty for the items, such as federal funding, that it cannot.

Endnotes

¹ The MTA uses debt service as a percentage of expenses as its preferred metric while OSC uses debt service as a percentage of revenue to calculate its debt burden.

² From 2019 through 2024, the MTA's revenue grew by 4.7 percent annually as it raised fares and tolls and received additional subsidies from the State and City.



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