Annual Update: Metropolitan Transportation Authority's Debt Profile

Highlights

- In 2022, the MTA made a record $11.4 billion of capital commitments but commitments fell to $8 billion in 2023 and then to $4.5 billion in 2024 amid uncertainties on the implementation of congestion pricing.
- As of June 1, 2025, the MTA's capital programs since 2010 have a total of $27.3 billion which still must be committed, including 42 percent of the 2020-2024 program.
- Capital funds made available to the MTA for the last two capital programs have largely been directed to a capital lockbox, which does not have a direct operating budget impact. The lockbox reduces the impact of debt servicing costs on operating services and increases PAYGO capital funding.
- Non-lockbox long-term debt outstanding is expected to decrease from $40.9 billion in 2024 to $39.8 billion in 2027 before rising to $49.5 billion in 2033, as the MTA issues its 2025-2029 non-lockbox debt.
- OSC forecasts total debt outstanding to rise from $44.5 billion in 2024 to $87.2 billion in 2034, with capital lockbox debt expected to grow from 5 percent of debt outstanding in 2023 to 45 percent by 2037.
- The MTA is attempting to keep debt service at about 15 percent of its operating budget, a manageable level to avoid fiscal stress. If the capital lockbox debt service was not separated, the debt burden would be higher, increasing to 18.9 percent in 2028 and peak at 25.3 percent in 2033, which would strain the operating budget.

The Metropolitan Transportation Authority (MTA) made significant strides toward funding its capital programs this year, as congestion pricing began raising funds in January for the 2020-2024 program and the Enacted State Budget provided over $33 billion to help close the funding gap in the 2025-2029 program.

Increasing needs and a lack of investment from funding partners led to the MTA's debt requiring a greater percentage of the operating budget since 2000. However, the recent allocation of funds into a "capital lockbox" shields the MTA's operating budget from pressures related to its debt and will help the MTA with its target of keeping debt service at about 15 percent of its budget. Congestion pricing is fully dedicated to capital investment and recent changes to dedicated Payroll Mobility Tax (PMT) revenues will allow those funds to be set aside for this purpose. However, the MTA will still need to ultimately issue nearly $23 billion in debt funded by its operating budget to support both the 2020-2024 and 2025-2029 capital programs.

Risks also remain which could require the MTA to further prioritize investments or achieve capital savings to avoid potential stress on its operating budget. Federal risks loom most large as the U.S. Department of Transportation attempts to withdraw existing approvals for congestion pricing and the 2025-2029 capital program relies on $14 billion in federal funds, which could be lower. The MTA must also find $3 billion in unidentified savings or additional resources to fully fund the 2025-2029 capital program.

If the MTA does not receive all anticipated federal funding or generate planned savings, it may face a choice over whether to issue more debt out of its operating budget to fund these investments or postpone investment in the system. The MTA has received substantial funding for its capital budgets from State and City partners and its choices must prioritize reliable and affordable service to encourage the continued return of paid ridership.

Capital Program Progress

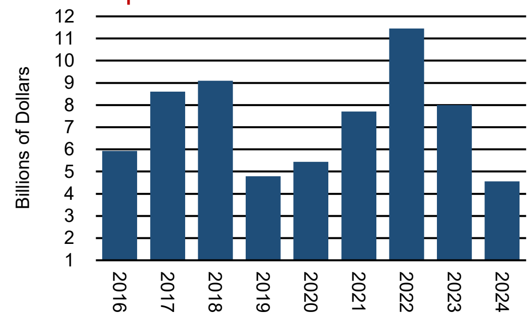
The MTA's capital programs, which generally span five-year periods, are critical to bringing the overall system into a state of good repair, maintaining normal replacement of assets, and improving and expanding the system to meet its riders' needs. Capital programs are funded through various sources 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).

Historically, the MTA has had multiple capital programs active at the same time. It normally takes more than five years to commit (i.e., award) all the projects in a capital program to contractors and even more time to complete the work. For various reasons, some of which were outside the MTA's control, both the 2010-2014 and 2015-2019 capital programs have taken longer than seven years to commit all projects. The 2020-2024 capital program will almost certainly take more than seven years to commit all its projects as well given uncertainty over the availability and timing of revenue from the program. The slower the pace of commitments, the greater potential for capital disinvestment to occur and costs to rise, allowing assets to deteriorate.

Before the pandemic, the MTA had difficulty increasing the level of its capital commitments. 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, due to the pause in capital spending during the early days of the pandemic (see Figure 1).

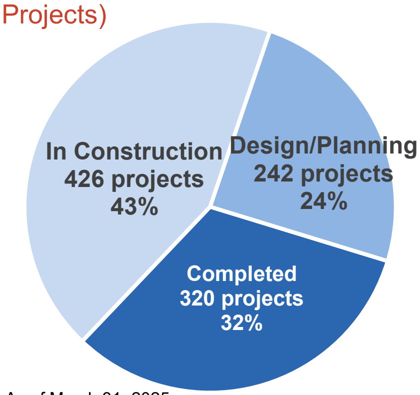
Since the COVID-19 pause was lifted, the MTA has increased the pace of commitments. In 2021, it committed $7.7 billion. In 2022, it committed $11.4 billion, a record amount, although this amount was boosted by the purchase of railcars, an emerging trend in years where the MTA has experienced spikes in commitment levels.

FIGURE 1
MTA Capital Commitments



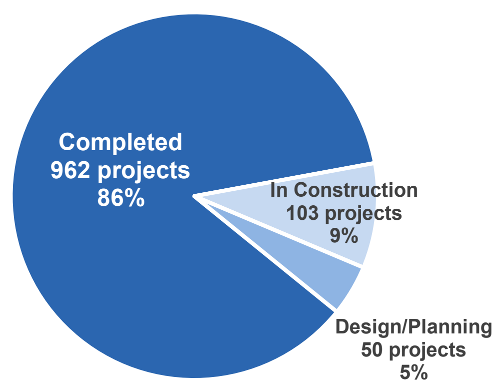
Source: Metropolitan Transportation Authority

FIGURE 2
Status of MTA 2020-2024 Capital Program (988 Projects)



Note: As of March 31, 2025.
Sources: Metropolitan Transportation Authority; OSC analysis

FIGURE 3
Status of MTA 2015-2019 Capital Program (1,115 Projects)



Note: As of March 31, 2025.
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 capital commitment goal is $12.6 billion which would be a new record. Through April, it has committed $2.5 billion ($1.1 billion lower than the MTA's goal) including $1.3 billion for an option on a subway car contract.

As of June 2, 2025, $27 billion in the MTA's capital programs from 2010 through 2024 remains to be committed. As of June 2, 2025, $32.5 billion (59 percent) of the 2020-2024 program has been committed, leaving $23.1 billion remaining. Since April 2024, $6.3 billion has been committed for this program, $5.1 billion since September 2024, suggesting accelerated commitments in recent months.

According to the MTA capital dashboard, as of March 31, 2025, 746 of 988 projects in the 2020-2024 capital program had been completed or begun (see Figure 2). The program got off to a slow start in 2020 as the MTA halted capital commitments at the start of the pandemic and slowed down again as the implementation of congestion pricing was delayed. As in the past, 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.

At the same time as the MTA continues 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, 14 percent of the 1,115 projects that make up the 2015-2019 capital program were not finished as of March 31, 2025 (see Figure 3). While the MTA had completed 962 projects, 103 (9 percent) were still in construction, and the remaining 50 projects (5 percent) were in the design or planning stage. Most of the remaining work relates to Phase 2 of the Second Avenue subway, the start of which was delayed while awaiting federal approval to start preliminary work. As of June 2, 2025, $2.5 billion (7.5 percent) of this $33.6 billion program still must be committed, more than half for the Second Avenue subway (see Figure 4).

FIGURE 4
MTA Capital Program Commitments
As of June 2, 2025

	Program Size (in millions)	Committed (in millions)	% Committed
2020-2024 Program	$55,563	$32,495	58.5%
2015-2019 Program	33,619	31,109	92.5%
2010-2014 Program	31,561	30,083	95.3%
Total	**$120,743**	**$93,687**	**78.6%**

Note: Numbers may not total due to rounding.
Sources: Metropolitan Transportation Authority; OSC analysis

As of March 31, 2025, the 2010-2014 capital program has completed 95 percent of the 1,264 projects in the program, with 68 projects left to be completed, 41 projects of which are for Superstorm Sandy-related work. As of June 2, 2025, $1.7 billion (5.3 percent) of this $31.8 billion program still must be committed.

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 budget.

FIGURE 5
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	$13,087	$14,000
New York State	- - -	1,450	770	9,118	3,169	4,200
New York City	516	2,833	749	2,692	3,007	3,000
MTA/TBTA Bonds/Cash	8,770	5,100	8,607	13,880	10,209	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	589	3,000
Subtotal	**$21,656**	**$24,319**	**$31,561**	**$33,619**	**$30,060**	**$36,900**
Congestion Pricing Capital Lockbox Bonds	- - -	- - -	- - -	- - -	12,287	- - -
Sales and Mansion Tax Capital Lockbox Bonds	- - -	- - -	- - -	- - -	6,000	- - -
Dedicated PMT Capital Lockbox Bonds	- - -	- - -	- - -	- - -	- - -	23,500
Capital Lockbox Cash					6,424	8,000
Capital Lockbox Subtotal	**- - -**	**- - -**	**- - -**	**- - -**	**$25,503**	**$31,500**
Total	**$21,656**	**$24,319**	**$31,561**	**$33,619**	**$55,563**	**$68,400**

Note: 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 5, the MTA received substantial funding from both the State and the City starting in the 2015-2019 capital program.

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 totaled more than $25 billion for the 2020-2024 capital program (46 percent) and are separated from the MTA’s operating budget and placed in a lockbox so there is no direct impact on the operating budget.

Capital funds with ties to the federal government have also been critical to funding recent capital plans. Congestion pricing (which is expected to bring in $15 billion), which received necessary federal approvals in 2024, are now the target of the current federal administration which aims to stop the program. The federal government, in the Infrastructure Investment and Jobs Act for federal fiscal years 2022 through 2026, also appreciably increased its level of capital formula funding for state of good repair and normal replacement projects in the 2020-2024 program.

2025-2029 Capital Program

On September 25, 2024, the MTA presented its proposed 2025-2029 capital program to the MTA board which then approved the program and submitted the non-Bridge and Tunnel portion of the program ($65.4 billion) to the Capital Program Review Board (CPRB) by October 1 as required by State law. This program is the largest in the MTA's history.

The program was vetoed by the CPRB on December 24, 2024, due to $33.4 billion of funding being unidentified. To help fund the program, the State Enacted Budget 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. The PMT for employees of the City were exempted from the rate increase.

The MTA capital lockbox will now receive a dedicated portion (28.5 percent) of expanded PMT revenue, which is expected to provide $31.5 billion (46 percent) for the 2025-2029 capital program including $23.5 billion of bonding and $8 billion of cash payments (pay-as-you-go or PAYGO). The set aside of funds for PAYGO is important for lowering the debt burden for the MTA, as PAYGO spending does not require the use of debt. The Authority will use the first three to five 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 to allow it to fund the remaining $23.5 billion in bonds at a level that would exceed the $1.4 billion anticipated in the first year of the expanded PMT dedicated to the capital lockbox. The 2025-2029 capital program, still valued at $65.4 billion excluding Bridges and Tunnels, was resubmitted to the CPRB in May 2025 and was approved.

The MTA also assumes it will receive $14 billion (20 percent) from the federal government for the program. This level of funding is uncertain given that federal authorization for transit funding expires in 2026 and there is no assurance that relatively higher levels of federal funding when compared to historical funding, authorized by the Infrastructure Investment and Jobs Act, will continue.

The State is expected to provide $4.2 billion in direct dollars to the program including $1.2 billion that was redirected to help fund renovations at Penn Station 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 Enacted Budget. The plan assumes that the MTA will bond $12.7 billion, 19 percent of the expected funding and about the same share as in the 2020-2024 program. The Enacted Budget 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 a combination of capital project cost savings, asset sales, debt refunding, and as a last resort, additional debt funded by operational savings or additional resources. The MTA's goal, however, is to achieve the $3 billion

FIGURE 6
MTA Capital Program Comparison

	2020-2024 Program (in millions)	2025-2029 Program (in millions)	% Difference
NYCT/SIR/MTA Bus	$34,803	$47,840	37.5%
LIRR	3,446	6,005	74.3%
Metro-North	3,408	6,005	76.2%
Interagency	168	300	78.6%
Major & Expansion	10,411	5,250	-49.6%
CPRB Approved	**$52,236**	**$65,400**	**25.2%**
Bridges and Tunnels	3,327	3,000	-9.8%
Total	**$55,563**	**$68,400**	**23.1%**

Note: Numbers may not total due to rounding.
Sources: Metropolitan Transportation Authority; OSC analysis

through capital savings. 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 additional sources of funding, including the lockbox funding kept separate from the MTA's operating budget, 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 reducing the impact on its operating budget.

The approved 2025-2029 program is 23 percent larger than the 2020-2024 program but the composition of the program differs by MTA division (see Figure 6). Less of the 2025-2029 program is devoted to major and expansion projects as funds for these projects were 49 percent lower than the previous program.[1]

Subways and buses received 37 percent more funding in the new program, which included doubling the funding for line equipment and more than tripling the funding for shops and yards. Funding for the MTA's commuter railroads was around 75 percent higher in the 2025-2029 program as capital needs put off in previous capital programs such as for rolling stock, communications and signals and for power are now funded.

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 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 is expected to flatten as a result of the MTA's usage of the capital lockbox to issue debt. In 2019, the State elected to provide congestion pricing, a portion of New York City sales taxes capturing internet marketplace sales and the aforementioned mansion tax on properties sold for over $2 million. In 2022, the MTA began issuing capital lockbox debt that is backed by City sales tax revenues dedicated for the 2020-2024 and successor capital programs. A total of $3.6 billion has been issued through 2024 and

[1] The Major Projects and Expansion category in the 2025-2029 capital program includes $1.7 billion for the Grand Central Artery project of which Phase 1 of the project was a state of good repair project in the 2020-2024 program.

the MTA has indicated that it cannot issue any more of this type of debt given the limits of the revenue source. 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. In January 2025, the MTA issued $1.6 billion in lockbox bonds backed by New York City mansion tax revenues. MTA estimates it has enough capacity to issue another approximately $800 million of these bonds.

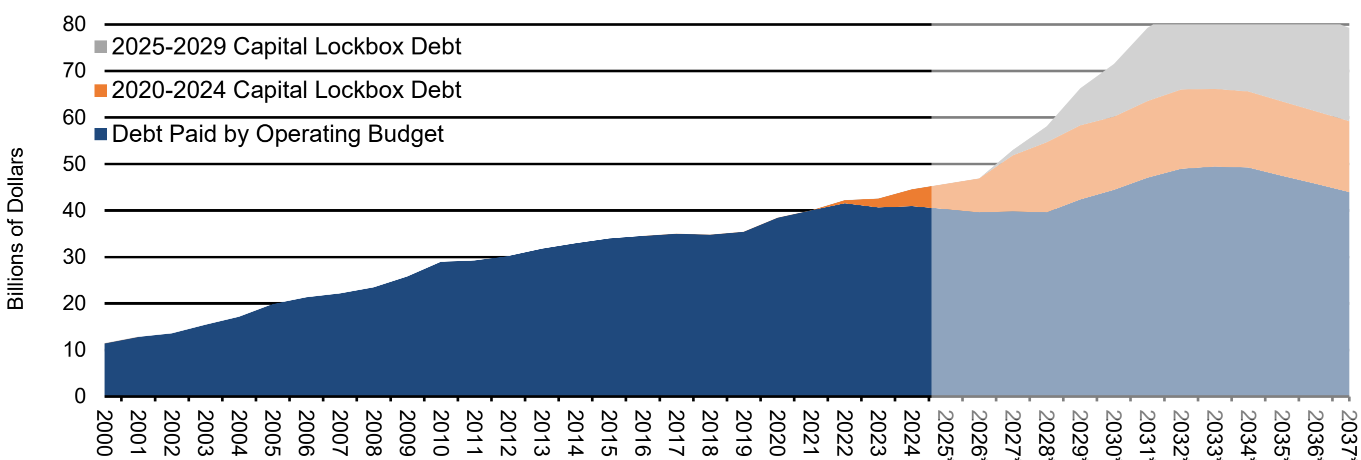
After a pause in the implementation of congestion pricing, the MTA approved a lower toll in November 2024 for implementation in January 2025. The MTA plans to phase in toll increases through 2031 which is expected to bring in sufficient revenue to fund $15 billion for the 2020-2024 capital program. The MTA's debt forecast includes $13.3 billion of future bonding backed by capital lockbox revenues including congestion pricing. The MTA plans to issue lockbox bonds backed by those congestion pricing revenues starting in 2026, subject to changes in the collection of revenue and market conditions.

The recently approved 2025-2029 capital program is expected to be funded with another $23.5 billion of lockbox debt backed by an increase in the PMT. The MTA expects to issue this debt starting in 2027 through 2034 and the $8 billion for PAYGO is expected to be used in 2025 and 2026. OSC has forecast the issuance of the 2025-2029 lockbox debt for this report for illustrative purposes. OSC also anticipates, and encourages, the MTA to release its bond issuance schedule with its July Plan, with debt service at a level amount limited to a maximum length of 30 years. The forecast does not include any additional debt that may be issued to self-fund $3 billion of the 2025-2029 capital program, which the MTA looks to avoid as part of its funding projections.

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, OSC forecasts debt outstanding to rise from $44.5 billion in 2024 to $87.2 billion in 2034.

The use of lockbox capital funds will reduce the growth in non-lockbox long-term debt outstanding, which has an operating budget

FIGURE 7
MTA Debt Outstanding Including Capital Lockbox Debt



Note: Excludes short-term bond anticipation notes (BANs). Shaded area beginning in 2025 are projections.
Sources: Metropolitan Transportation Authority; OSC analysis

*OSC forecast

impact. This debt is expected to decrease from $40.9 billion in 2024 to $39.8 billion in 2027 before starting to rise to $49.5 billion in 2033 as the MTA issues its 2025-2029 non-lockbox debt.

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 $8 billion of the 2025-2029 lockbox funds for PAYGO to fund projects also keeps pressure off the operating budget. Bonding $8 billion would cost $500 million annually for 30 years so this provides $7 billion in long-term savings. 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 45 percent by 2037, which would be important to manage the MTA's long-term debt.

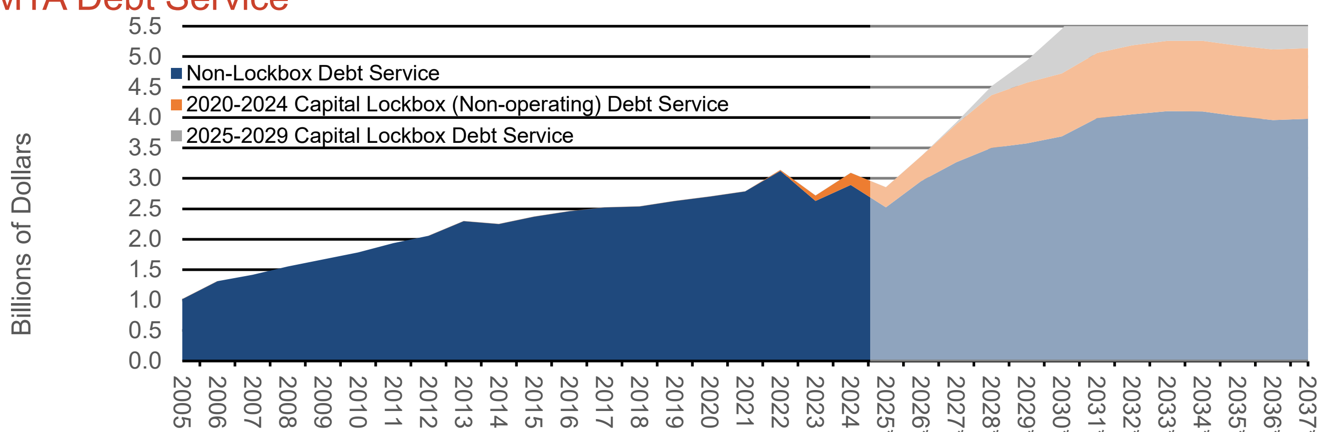
The forecast includes $6.9 billion of long-term debt the MTA still has to bond for projects in the transit and commuter portions of the 2020-2024 capital program. The MTA plans to issue these bonds in the 2028 to 2033 period after issuing short-term Bond Anticipation Notes (BANs) for the projects. The MTA's February Plan incorporates the issuance of $13 billion of bonds for the 2025-2029 capital program including $3 billion issued for Bridge and Tunnel projects during the 2025 to 2035 period and $10 billion over the 2028 to 2038 period. As noted previously, the 2025-2029 capital plan was subsequently approved with $12.7 billion of MTA bonding from its operating budget, which should provide some savings for the Authority.

Debt Service and Debt Burden

Debt service is the payment made for combined principal and interest for debt obligations. Debt service on any issued bond is a fixed cost that can stretch to 30 years or more after issuance. When debt servicing costs are paid from the operating budget, 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

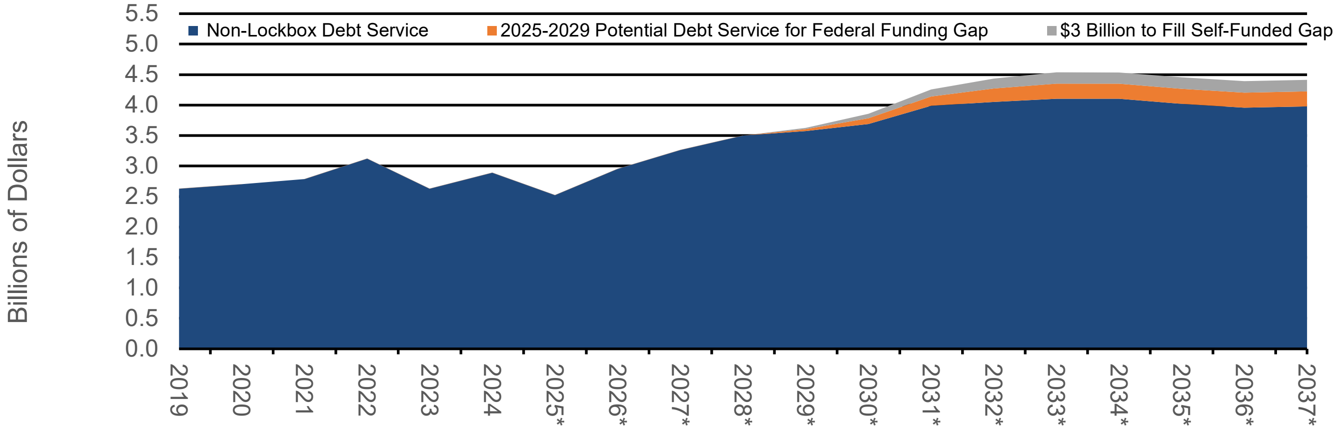
FIGURE 8
MTA Debt Service



Note: Data as of the MTA's March 2025 estimate. Shaded area beginning in 2025 are projections.
Sources: Metropolitan Transportation Authority; OSC analysis

*OSC forecast

FIGURE 9
MTA Debt Service



Note: Data as of the MTA's March 2025 estimate. Shaded area beginning in 2025 are projections.
Sources: Metropolitan Transportation Authority; OSC analysis

*OSC forecast

of interest, which is expected to save $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 $6.6 billion by 2037 (see Figure 8), more than double the cost of debt service in 2024. Non-lockbox debt service between 2024 and 2037 is also expected to rise by $1.2 billion to $4.1 billion (41 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 $186 million in 2024 to $2.6 billion in 2037.

Part of the anticipated rise in debt service for non-lockbox debt is 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 $6.9 billion in anticipated debt backed by the PMT for the 2020-2024 transit and commuter rail capital projects. The MTA expects to start issuing BANs for this capital contribution in 2025, and the long-term bonds to pay back these BANs would not start to be issued until 2028 with deferred principal for 10 years meaning, in total, principal would not be paid for 13 years.

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 which the MTA should issue as 30-year debt with level debt service. Debt service on this bonding is expected to begin in 2030, rise to $551 million by 2033 and peak at $654 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. OSC estimated last year that the 2025-2029 capital program should expect between $7.5 billion and $14 billion from the federal government. If the MTA receives the midpoint of this range or $10 billion, in the absence of another funding source 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. The MTA has said it intends to avoid using debt to fund as much as $3 billion in the 2025-2029 capital program if it cannot find cost savings in its capital or operating budget, but it will be faced with this choice if it unable to do so.

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 $250 million by 2033, reaching $4.2 billion that year (see Figure 9) or the equivalent of a 2.5 percent increase in the subway fare which could make the fare as high as $3.60 in 2033. Bonding $3 billion to self-fund the 2025-2029 program could cost $185 million, the equivalent of another 2 percent increase in the subway fare or to $3.70 in 2033.

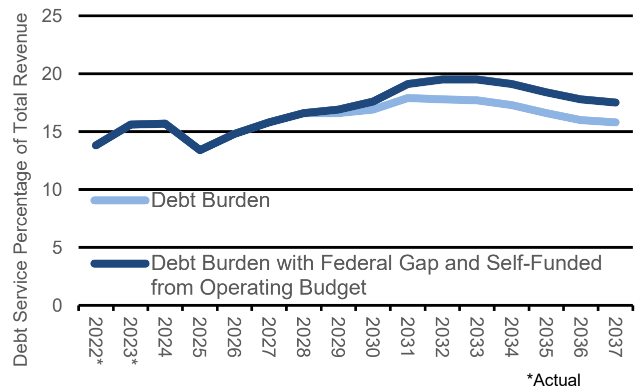
As noted in [earlier OSC reports](), the MTA has used the deferral of principal as long as 20 years to provide short-term operating budget relief while pushing costs up for future generations. OSC encourages the MTA to avoid these financing techniques and to structure debt service payments evenly over the life of the bonds so that the overall financial impact to the agency does not increase over time.

The share of total revenue needed to fund debt service averaged 16.1 percent from 2010 through 2019.[2] In its February Plan, the Authority reports that the debt burden is 15.6 percent in 2023, stays at that level in 2024 (when revenue is adjusted to exclude federal formula funds that freed up MTA operating funds to be used for the capital budget), drops to 13.4 percent in 2025 (as a result of lower debt service from a prepayment made in 2024) and then increases to 16.6 percent in 2028. These totals assume a 4 percent increase in total fares and tolls will be approved for both 2025 and 2027.

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 18.9 percent in 2028 and peak at 25.3 percent in 2033 as the impact of the lockbox bonding for the 2025-2029 capital program will be felt.

FIGURE 10

MTA Debt Burden With Possible New Debt



Note: Revenues are assumed to grow 2 percent annually.
Sources: Metropolitan Transportation Authority; OSC analysis

Assuming revenues grow conservatively by 2 percent annually the debt burden would be at 16.6 percent in 2028, rise to 17.9 percent in 2031 but then drop to 15.8 percent in 2037 as existing non-lockbox debt is amortized (see Figure 10).[3] 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 12.2 percent while if revenue increased by just 1 percent annually, then the debt burden would be 17.3 percent.

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 19.5 percent in 2032 before dropping to 17.5 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

[2] 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.

[3] 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.

Revenue Bonds were previously the most used credit since most MTA revenue is pledged toward debt service payments for this credit.

FIGURE 11
2025 MTA Debt Service Metrics

Bond Credit	Pledged Revenue (in millions)	Debt Service (in millions)	Debt Service as Share of Pledged Revenues
Transportation Revenue	$15,886	$968	6%
Payroll Mobility Tax	3,424	517	15%
Dedicated Tax Fund	595	295	50%
TBTA General	2,066	715	35%

Sources: Metropolitan Transportation Authority; OSC analysis

The MTA now does the bulk of its borrowing using the PMT credit, since it carries a stronger credit rating and thus offers lower interest rates. By 2028, the MTA expects 22 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 2042, using a higher share of revenue that will not be available for operating expenses.

Another credit is the MTA Dedicated Tax Fund Bonds (DTF) which are backed by petroleum business taxes, motor fuel taxes and certain motor vehicle fees. In 2025, 50 percent of the portion of these statewide revenues dedicated to the MTA are going toward debt service but the Enacted State Budget has 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. Debt service as a percentage of pledged revenue is expected to be 35 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 to its capital programs. In previous reports, OSC outlined the capital needs of the MTA system and what would be needed to fund these needs.

Despite this improvement, risks remain, some within MTA control and some not. Federal funding that the MTA assumes for the 2025-2029 capital program could be at risk since there are no assurances that $14 billion would 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 such as the impact of federal tariffs that may increase the cost of capital projects.

The use of the capital lockbox also suggests a shift in the MTA managing to a range for 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 and whether debt service projections are truly reflective of capital spending or will pressure budgets by crowding out operating spending in future decades.

With the capital funding for the 2025-2029 program secured, the MTA should readjust its debt service projections as needed, highlight the value of PAYGO to reducing its overall debt load, and communicate how this spending is fixing the system. It should also report regularly its progress in obtaining 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. With resources now in hand, the MTA must continue to execute on its strategy over what it does control to offset uncertainty for the items, such as federal money and the cost of materials, that it cannot.

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