Financial Outlook for the Metropolitan Transportation Authority

Report 14-2026

OFFICE OF THE NEW YORK STATE COMPTROLLER

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Executive Summary

Over the past year, the Metropolitan Transportation Authority (MTA) has made strides in executing a plan created to manage significant operating and capital budget issues that emerged in the years since the onset of the pandemic. Several of these issues were addressed as part of a multi-year response by the State to bolster the Authority's fiscal position through a substantial infusion of tax and subsidy support to offset operational revenue losses and fund the 2025-2029 capital plan. The MTA will need to continue to maneuver through uncertainties hanging over the Authority which threaten the fiscal stability provided by this additional funding.

The MTA's July Plan recognizes a number of these uncertainties, even as several are speculative and not yet expected to contribute to budget gaps. The Authority's $21.3 billion 2026 budget is balanced in the plan. Currently, the MTA forecasts gaps of $345 million in 2027, $354 million in 2028 and $428 million in 2029.

Planned budget gaps have declined in those years compared to what was presented at the same point last year. Improvements to projections for fare and toll revenues, payroll mobility taxes, and health and welfare costs more than offset anticipated increases in costs for paratransit operations and materials and supplies, the latter of which have been fueled by increased service demand and inflation.

If the MTA can continue to encourage ridership to return at a faster pace — the Authority assumes the blended ridership rate across subway, bus and commuter rail will be 78 percent by the end of this year — ridership revenue may continue to provide additional resources in the coming years. In addition, given anticipated growth in its major tax revenues, including 2.6 percent for dedicated tax (including the payroll mobility tax) revenues, the MTA may also collect additional tax revenue that could be sufficient to help close future budget gaps, if recent growth trends hold.

Better-than-projected revenues would be helpful for the Authority to manage planned expense growth, which is expected to be 4.4 percent annually between 2025 and 2029. This rate of growth is led by an average annual increase of 9.7 percent for debt service, as projected borrowing for the capital program increases. Other factors pushing expenses higher include a 7.4 percent increase in health and welfare costs, an 8 percent annual increase in the cost of materials and supplies and an 8.4 percent increase in paratransit contract costs. Paratransit costs are rising due to increased demand, and the Authority should identify ways to provide this service more efficiently. In recent years, the MTA has kept overall expense growth at or below the rate of inflation; new efficiencies to maintain expense growth levels at or below inflation are needed.

In the July Plan, payroll costs are expected to increase by 2.2 percent annually during this period, reflecting pattern settlements and then projected wage increases of 2 percent annually after the labor contracts' expirations. However, the prior round of bargaining generated an average of 3.2 percent wage increases. If the MTA were to agree to wage increases that reflect this higher level, the budget would require additional resources or other productivity savings to remain balanced. The MTA estimates a 1 percent increase in wage increases costs by about $150 million annually.

The July Plan includes $500 million annually in lower costs, first targeted in 2024 as a part of the State's operating support package for the Authority. In 2024, expected savings initiatives totaling $554 million were targeted, with $475 million in savings achieved. In the current year, the MTA lagged its savings target by $12 million as of June. The Authority will have

to find additional savings or use other resources to maintain balance in the current year.

While the MTA has much in its control to execute on its service delivery and savings initiatives goals, there are also several risks that it has acknowledged which are reasonable and should be monitored for their impact on its financial plan. These include an economic slowdown, which the MTA puts at a range of $300 million to $600 million annually, and which could be worse under a severe recession scenario. A recession would also affect employment economic activity, pressuring ridership. The MTA estimates that fare revenue could be lower by $325 million annually for each drop of 5 percent in ridership recovery.

Two items for which the financial plan is reliant on actions outside of its control include casino licensing revenue and the reimbursement of prior spending by the Federal Emergency Management Agency (FEMA). The MTA is depending on a timely casino licensing process by the State which is expected to bring in $500 million annually during 2026 and 2027, $600 million in 2028 and $200 million in 2029. In addition, the July Plan includes $600 million from FEMA payments, a portion of which the MTA anticipated in 2024, but which has been delayed and could be at risk. FEMA recently reported it will not pay these funds in federal fiscal year 2025, making it unlikely the MTA will receive $300 million budgeted for in 2025. The MTA must continue to work with the State to ensure the collection of these funds.

There are other risks associated with actions that rely on the federal government. If transportation funding or capital projects reverts to older transit formulas, the Authority could lose out on approximately $4 billion, creating a hole in its capital budget, leading the MTA to a choice of issuing more debt, finding cost savings for projects or eliminating or postponing projects. The MTA has taken important steps in recent years to reduce debt servicing costs as a share of the operating budget. Funding these projects through debt could reduce funds available for transit services.

In addition to risks identified by the MTA, the Office of the State Comptroller (OSC) has identified others that may impact the MTA's operating budget, such as overtime and a lack of clarity over the cost sharing for paratransit services with New York City. These risks are partly offset by lower-than-projected payroll spending as the MTA is expected to remain below its staffing target. Overall, OSC anticipates MTA gaps of $300 million will open in 2025 and gaps are closer to $459 million in 2028 and $454 million in 2029.

The MTA can continue to focus on the goal of bringing riders back to the system by focusing on safety, reliability and frequency of service, which would in turn improve operating revenue. Continued monitoring of savings initiatives and tax collections are also critical to ensure the MTA's finances do not deteriorate. The MTA also needs to be clear on what it is able to accomplish in terms of capital commitments, which will need to accelerate in the coming years to keep pace with the size of the 2025-2029 capital program. Commitments through the first three quarters of the year were $9 billion, on pace to reach its initial capital commitment target of $12.6 billion this year.

By prioritizing and delivering capital investments and continuing efforts to find ways to provide more cost-efficient service that remains safe, frequent and reliable, the MTA will ultimately improve the ridership experience. This will further strengthen farebox operating revenues and better prepare the MTA for uncertainty in the coming years.

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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. (See last year's OSC report on the MTA's financial condition for a discussion of ridership trends before 2019 and during the pandemic.)

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 2029, but it does assume that it will reach a blended rate of ridership recovery of 78 percent by the end of 2025. The MTA's July Plan expects combined ridership of subways, buses and commuter railroads in 2025 to be 74 percent of the 2019 level with ridership reaching as high as 78 percent of the pre-pandemic level in December. In 2024, combined ridership was 68 percent of the 2019 level.

Some modes of travel have recovered faster than others. Paid subway ridership in 2025 is expected to be 75 percent of the 2019 level while paid bus ridership is expected to be only 67 percent of that level. MTA commuter railroad ridership has recovered faster than subways and buses. Long Island Rail Road (LIRR) ridership in 2025 was expected to reach 90 percent of 2019 ridership while Metro-North's ridership is projected at 83 percent of pre-pandemic levels. MTA bridge and tunnel crossings exceeded the 2019 level in 2023 and continue to grow.

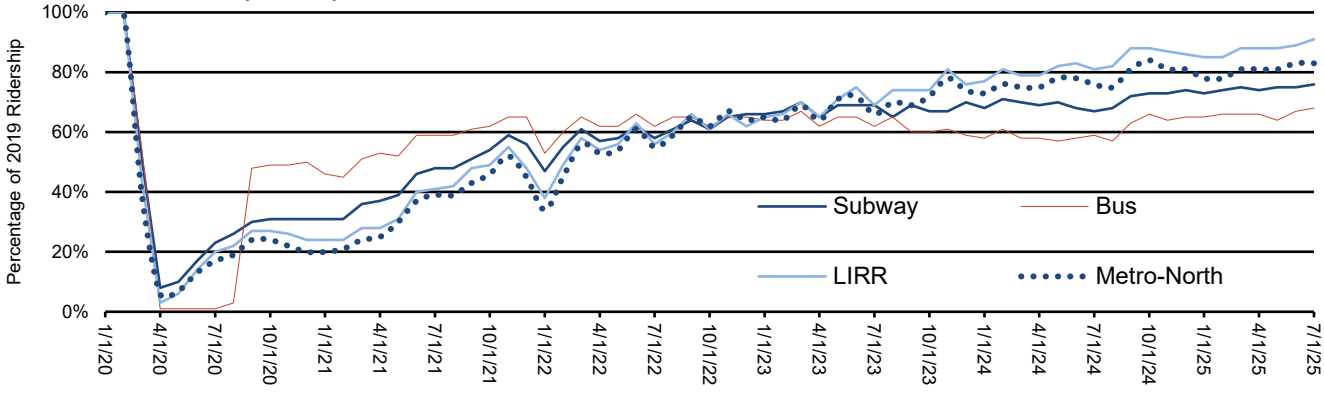
Subway Ridership

As shown in Figure 1, paid subway ridership as a percentage of 2019 ridership continues to increase reaching 76 percent in July 2025. The July Plan only expected ridership to reach 73 percent of the pre-pandemic level that month.

As shown in Figure 2, the subway system provided 640 million trips in 2020, a 62 percent decline compared to 2019 but increased to 1.2 billion rides in 2024, 70 percent of ridership in 2019. The July Plan assumes that riders will return to the system slowly, reaching a ridership of 1.296 billion by 2026, 75 percent of the 2019 level and remain at 77 percent through 2029.

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

FIGURE 1
MTA Paid Ridership Compared to 2019



Sources: Metropolitan Transportation Authority; OSC analysis

downtown areas of Manhattan and Brooklyn helped to fuel the recovery.

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 NYCT and MTA Bus dropped to around 60 percent of the 2019 level starting in September 2023 as fare evasion rose as high as 49 percent in the second quarter of 2024. Progress in reducing fare evasion has resulted in paid bus ridership increasing to 68 percent of the 2019 level in July 2025, better than the February Plan assumption.

Combined paid ridership for NYCT and MTA Bus declined 15 percent from 2013 to 2019 from 803 million to 680 million but then dropped to 255 million in 2020 as the bus system was decimated from 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, from increased fare evasion. The July Plan assumes that paid bus ridership will increase to 500 million by 2028, 27 percent lower than in 2019 (see Figure 3). The MTA cites continued fare evasion as an obstacle to increasing paid bus ridership but is making progress. The MTA estimates 44 percent of bus riders did not pay the fare in the first quarter of 2025, down from the peak of 49 percent in the second quarter of 2024.

Commuter Railroad Ridership

Ridership on the MTA's commuter rails continues to improve. The LIRR's paid ridership rose to 91 percent of 2019 ridership in July 2025, benefiting in part from additional service to Grand Central Madison that began in 2023.

FIGURE 2
Annual MTA Subway Ridership

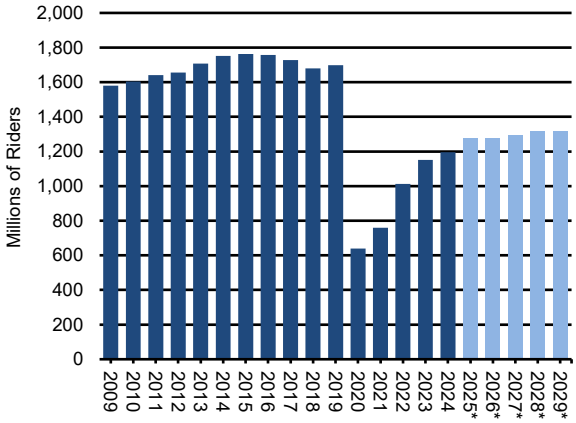


FIGURE 3
Annual Bus Ridership, NYCT and MTA Bus

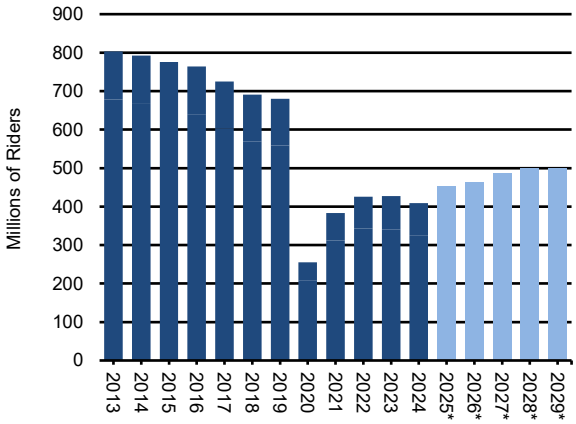
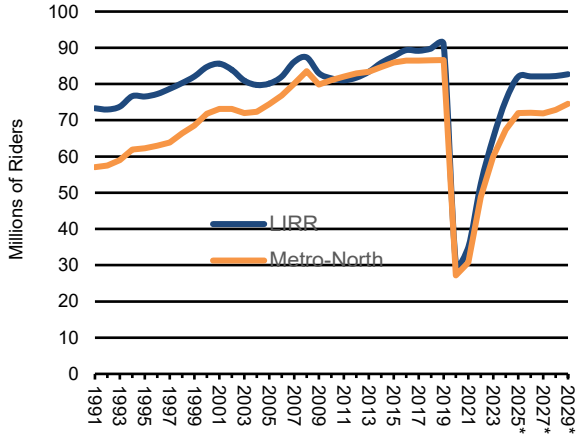


FIGURE 4
MTA Commuter Rail Ridership



Sources: Metropolitan Transportation Authority; OSC analysis

Metro-North recovered to 83 percent of pre-pandemic ridership in July 2025.

The July Plan also does not expect commuter rail ridership to fully recover during the plan period. Ridership on the LIRR recovered more quickly than the Metro-North Railroad and the MTA expects the difference in recovery to narrow by 2029.

LIRR ridership fell to 30.3 million in 2020, a 67 percent drop from 91.1 million in 2019, the highest level since 1949 but increased to 75.5 million in 2024 (see Figure 4). The July Plan expects ridership to continue to recover, reaching 82.7 million in 2029, still 9 percent lower than 2019 levels.

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 67.4 million in 2024. The July Plan expects Metro-North ridership to reach 72.9 million in 2028 and 74.5 million in 2029, the first full year of Penn Station Access service. In 2029, ridership is expected to be 14 percent lower than 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 a record in 2024 of 337 million. The July Plan expects to set a new record of 339 million crossings in 2025 and hold above 2019 levels throughout the plan period.

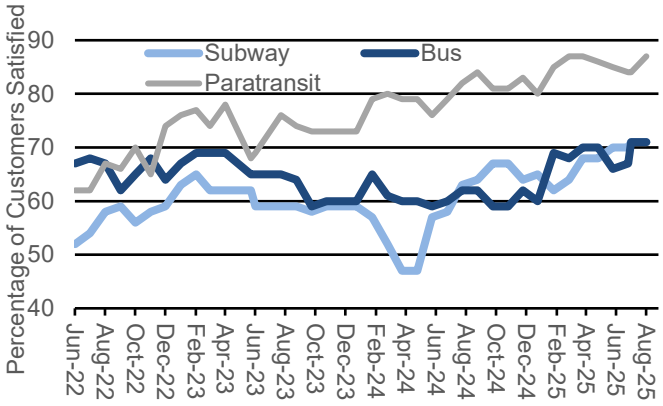
MTA Customer Satisfaction

Starting in the Spring of 2022, the MTA has undertaken a bi-annual survey on customer satisfaction for all modes of transit in the Fall and Spring. The 2025 Spring survey showed satisfaction for all transit services were at or above their peak since the creation of the new survey.

In June 2022, NYCT also began more frequent collection of customer satisfaction via a monthly survey. That month, 52 percent of subway riders were satisfied with subway service and 67 percent with bus service. The NYCT monthly survey was updated again in July 2024 to focus on a rider's last trip. The surveys include a question on what aspects of the rider experience could be remedied to improve satisfaction. During the initial monthly survey, three of the top five responses for subway riders were related to fewer people acting erratically, more police presence and personal security. For bus riders, the main concerns were wait times and more reliable service.

In October 2022, NYCT set as its goal by June 2024 to have its customer satisfaction scores to be at or above 70 percent. Subway service satisfaction dipped to 47 percent in March 2024 due to customer safety concerns. That month, the Governor announced a subway safety plan that included an increased police presence and bag checks. Satisfaction rose to 67 percent by September 2024 and after a dip in early 2025, hit NYCT's goal of 70 percent in May 2025 and was at 71 percent in August 2025 (see Figure 5). Bus satisfaction reached 70 percent satisfaction in March 2025. Although satisfaction slipped to 67 percent in June 2025, it hit 71 percent in August 2025. Less traffic from the advent of congestion pricing in Manhattan in January 2025 could be a factor in increasing satisfaction with bus travel times, especially on express buses. Paratransit customer satisfaction reached 80 percent in February 2024, then dipped to 76 percent in May before peaking at 87 percent in February 2025 and again in August 2025. (See OSC's report for details).

FIGURE 5
NYCT Customer Satisfaction



Sources: Metropolitan Transportation Authority; OSC analysis

In June 2025, 75 percent of riders reported feeling safe on the train and in the station on their last trip on the subway, a big improvement from March 2024 (45 percent on trains and in stations).[1] Commuter rail satisfaction surveys have maintained their pre-pandemic frequency of twice a year (in the spring and the fall).

In the spring of 2025, overall satisfaction on the Long Island Rail Road was at 81 percent, better than in the fall of 2024 (76 percent). This level is equal to the 81 percent satisfaction in the fall of 2022 prior to the opening of Grand Central Madison service which had led to a drop in satisfaction to 68 percent. By contrast, riders on Metro-North had an 89 percent customer satisfaction rating in the spring of 2025, up from 84 percent in the fall of 2024.

[1] In July 2024, NYCT changed the way it tracked customer satisfaction from asking about the overall experience to asking about satisfaction with the last trip.

Changes Since the MTA's February Plan

In February 2025, the MTA projected balanced budgets through 2026, with budget gaps of $379 million in 2027 and $419 million in 2028. The February Plan also assumed that fare and toll yields would rise by 4 percent in August 2025 and March 2027 and that the MTA would receive a total of $600 million during 2024 through 2026 from FEMA for reimbursement of COVID-19 expenses.

On July 30, 2025, the MTA released a midyear update to its 2025 budget and a four-year financial plan with a preliminary budget for 2026. The July Plan forecasts slightly smaller gaps of $345 million in 2027 and $354 million in 2028 (see Figure 6) and a $428 million budget gap in 2029 due to several factors.

Improving the Authority's fiscal outlook is a net increase of fare and toll revenues that are expected to be $205 million higher through 2028. Ridership so far in 2025 is higher than forecast. However, the MTA changed its plan to apply a 4 percent increase in fares and a 6 percent increase in tolls set for August 2025, back until January 2026. For this reason, fare and toll revenue is expected to be slightly lower in 2025 than anticipated. The July Plan also assumes 4 percent increases in fare and toll yields in March 2027 and March 2029.

The recently enacted State budget made changes to payroll mobility tax (PMT) rates that together will provide funding for the MTA's 2025-2029 capital program and will also provide additional funding for the operating budget totaling $734 million through 2028 (see Revenue Trends section for details). Real estate-related tax revenues are expected to be

FIGURE 6
MTA Budget Changes in July Plan Since the February 2025 Financial Plan
(in millions)

	2025	2026	2027	2028
February Cash Surplus/(Deficit)	**$ - - -**	**$ - - -**	**$ (379)**	**$ (419)**
Fare and Toll Revenue	(42)	71	88	88
Payroll Mobility Taxes for Op. Budget	215	235	179	105
Real Estate Related Taxes	81	(1)	- - -	2
Other Dedicated Taxes & Subsidies	114	15	8	43
Paratransit Costs	(146)	(250)	(287)	(259)
NYC Paratransit Reimbursement	104	101	104	194
New Needs	(54)	(47)	(45)	(45)
Materials/Professional Services	(81)	(116)	(111)	(112)
Health and Welfare (including Retirees)	58	61	74	85
Debt Service	19	11	(1)	74
Reallocation Of Local Subsidy	(292)	- - -	(49)	(162)
OPEB Trust	- - -	(158)	(21)	(17)
Delayed FEMA Reimbursement	160	90	- - -	- - -
Other	136	(12)	95	69
Deficit After Gap-Closing Actions	**$ - - -**	**$ - - -**	**$ (345)**	**$(354)**

Sources: Metropolitan Transportation Authority; OSC analysis

$81 million more than planned in 2025 but the out-year forecast was basically unchanged.

These improvements offset additional costs added to the plan since February. The MTA is experiencing fast growth in utilization of its paratransit services. The number of trips grew by 21 percent in 2024 and the MTA expects similar growth in 2025. Trips in 2026 are expected to grow by 15 percent and by 10 percent in 2027 from this higher base. As a result, paratransit costs are expected to be $942 million higher through 2028. These costs have also been substantially covered by New York City in recent years due to requirements in State law. The Authority should begin to identify ways to provide this service more efficiently.

To partially offset these costs, the July Plan assumes that the City will pay for 80 percent (after factoring in fares and taxes dedicated to paratransit) starting in July 2027. At that time, the current State law that requires the City to pay 80 percent of the net costs (but capped at an amount of 50 percent of the costs plus $165 million) expires. This assumption requires State legislation which is not certain and is a budget risk to the MTA.

Materials and professional services is expected to be an average of $105 million higher annually during the 2025 to 2028 period mostly because of inflation and higher costs for the NYCT's workers compensation system.

The July Plan now assumes that FEMA will provide the expected $600 million in Covid reimbursements in 2025 and 2026 given that none was received in 2024.

Operating Budget Trends

The July Plan projects that the MTA's operating budget will be balanced and total $21.3 billion in 2026. Revenues needed to balance the budget include a planned fare and toll increase in January. Expenses include debt service on bonds, but exclude debt backed by capital lockbox funds issued to finance the capital program. The July Plan's gaps are smaller than forecast in February but projected expenses are still growing faster than projected revenues, even with the shift in revenue composition from fares and tolls to dedicated taxes and subsidies.

As shown in Figure 7, 39 percent of the MTA's 2026 revenues are expected to come from fare and toll revenue (26 percent and 13 percent, respectively). By comparison, in 2019, more than 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 37 percent in 2019, and State and local subsidies and other funding agreements will contribute another 10 percent. Other operating revenues, which include paratransit funding from the City, advertising and concessions, make up 8 percent. (See OSC's recent report on MTA revenue sources for details.)

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, such as maintenance contracts, materials and supplies, and energy costs, make up 24 percent of expenses, up from 22 percent in 2019.

On an accrual basis of accounting, revenues are expected to increase at an annual rate of 1.4 percent between 2026 and 2029. This increase does not include planned fare and toll

FIGURE 7
MTA Sources of Revenue

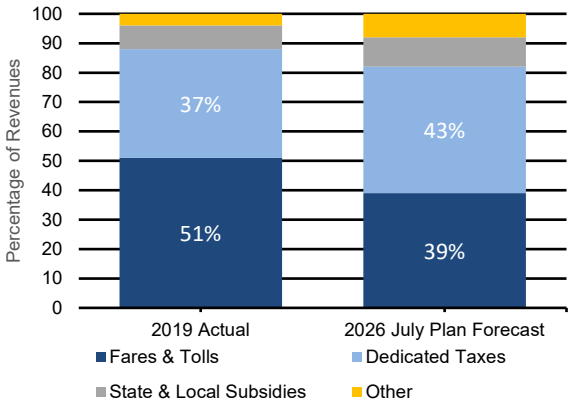


FIGURE 8
Planned Spending (2026)

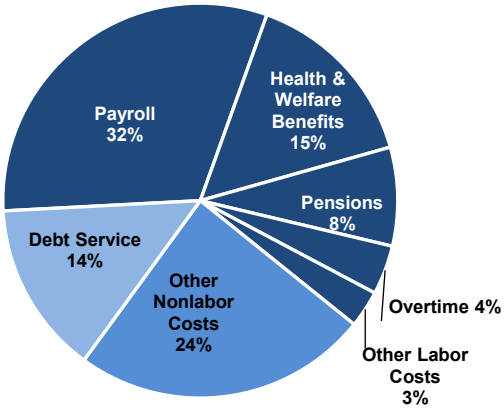
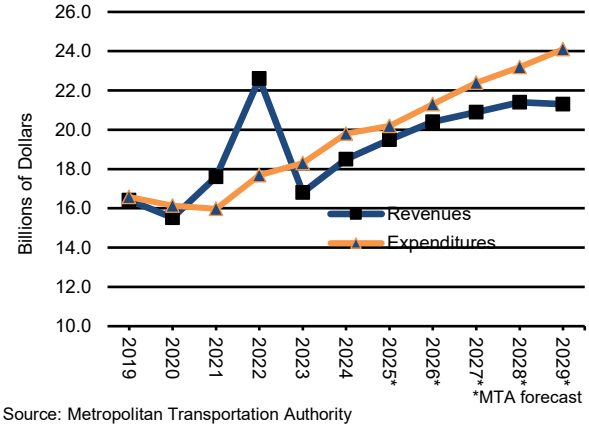


FIGURE 9
Revenue and Expenditure Trends



Source: Metropolitan Transportation Authority

increases. If those increases are added, revenues are expected to grow by 2.3 percent during that period. At the same time, baseline spending is projected to increase at an average annual rate of 4.1 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 2025 through 2029, before the additional MTA actions to close the budget gaps.

Revenue Trends

Total revenues, including all operating revenues and subsidies, are expected to increase by an average of 2.3 percent annually between 2025 and 2029, adjusted for federal formula grants recorded in 2025 that are being used for capital projects. In 2026, total revenues are expected to rise by 4.9 percent to $20.4 billion as tax revenues increase by 8 percent. State and local subsidies are expected to increase by 11 percent in 2026 mostly from increased subsidies from the City to the MTA Bus Company as federal Covid relief funds earmarked for this service run out. Fare and toll revenue is expected to increase by 1.4 percent, excluding the planned 2026 fare and toll increase.

The MTA anticipates that baseline farebox revenues will increase by 1.2 percent annually between 2025 and 2029 and toll revenues are expected to increase by less than 1 percent during that time, excluding projected fare and toll increases in 2026, 2027 and 2029. Total farebox revenues in 2029 would still be 14 percent below 2019, prior to planned fare increases, and 5 percent lower if those fare increases are enacted.

Dedicated tax revenue, the largest revenue contributor, is expected to increase by an average of 2.6 percent annually between 2025 and 2029. The recently enacted State budget made changes to the distribution of funds between the Metropolitan Mass Transportation Operating Assistance account (MMTOA) 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 2025 and 2029. This forecast follows the enacted State budget projection which is subject to change. Combined MMTOA and MTTF revenues far exceeded this rate of growth since 2021.

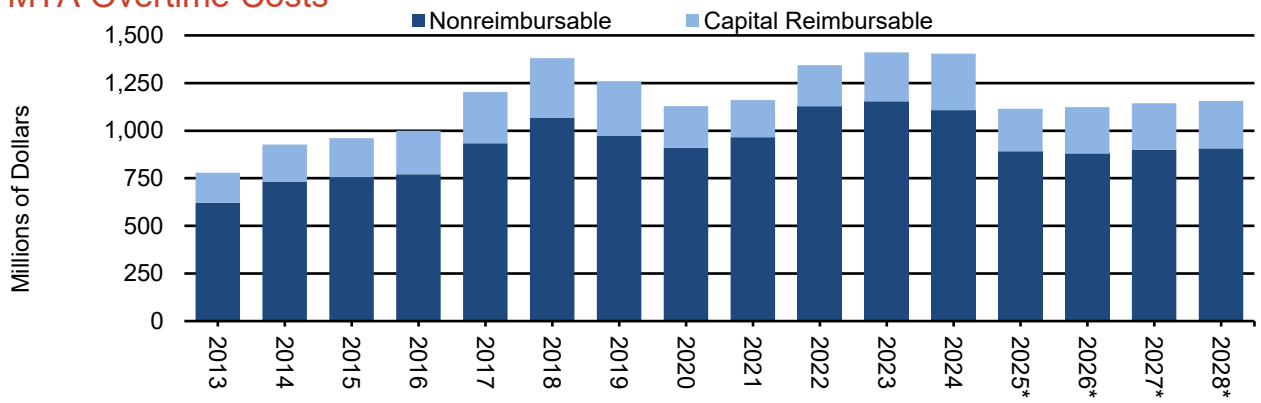
PMT revenue that benefits the operating budget is expected to increase by 7 percent in 2025 and by 4 percent in 2026. PMT revenue is expected to grow by 1.4 percent on average annually between 2026 and 2029 as wage disbursements are expected to continue to grow, albeit slowly.[2]

Collections from real estate transaction taxes are projected to increase by 16 percent in 2025 after declining by 42 percent from 2022 to 2024. These revenues are expected to increase by 12 percent in 2026. Real estate transaction tax revenues are expected to increase by 10 percent annually through 2029 to approach the 2022 level.[3] The MTA uses New York City's projections for the City portion of the real estate transaction taxes in its budget. In past reports

[2] Effective September 2025, 28.5 percent of gross PMT revenues are deposited in the MTA Capital Lockbox Fund, after debt service is paid, to help fund the MTA's 2025-2029 capital program.

[3] These tax estimates exclude newly authorized taxes for the 2020-2024 capital program.

FIGURE 10
MTA Overtime Costs



Sources: Metropolitan Transportation Authority; OSC analysis

* MTA forecast

on the City's financial plan, OSC has noted that these projections are reasonable.

Expenditure Trends

Baseline expenditures are expected to increase by 4.4 percent annually between 2025 and 2029, driven by an average annual increase of 9.7 percent for debt service as projected borrowing for the capital program increases. Another factor in the growth of expenditures is a 7.4 percent increase in health and welfare costs for active employees and retirees. Other factors include an 8 percent annual increase in the cost of materials and supplies (mostly for preventive maintenance on LIRR cars, the propulsion system overhaul for Metro-North's M7 fleet and adding Metro-North service to Penn Station) and an 8.4 percent increase in paratransit contract costs.

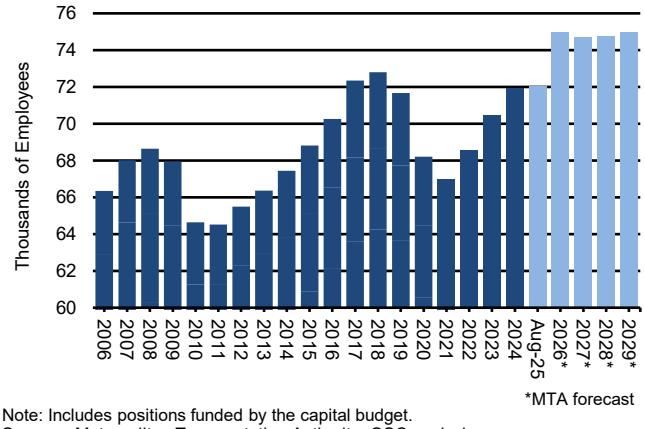
Payroll costs are expected to increase by 2.2 percent annually during this period, reflecting pattern settlements and projected wage increases of 2 percent annually after the labor contracts' expirations.

MTA overtime spending grew by 77 percent between 2013 and 2018, reaching a record of nearly $1.4 billion (including costs reimbursed by the capital budget). The increase was mainly driven by high priority maintenance during the Subway Action Plan as a result of infrastructure failures and to cover positional vacancies.

In 2019, overtime declined by 8.9 percent to nearly $1.3 billion as the MTA began to better manage its overtime, including instituting electronic approval forms for some workers and instituting consistent written supervisory approvals. In 2020, it fell another 10.3 percent to $1.1 billion as services and construction work were reduced during the pandemic. From 2020 through 2023, overtime rose every year, increasing by 25 percent and reaching a record level of $1.4 billion in 2023, slightly higher than the previous record set in 2018 (see Figure 10). The cost of overtime stabilized in 2024 but was still close to the record set in the previous year.

The July Plan assumes overtime will decrease by 21 percent in 2025 as hiring picks up reducing the need, and measures are taken to reduce unneeded overtime. Overtime spending is expected to increase slightly in 2026 but then rise an average of 1.3 percent annually in 2026 through 2029, which may be unrealistic, mostly due to projected wage increases.

FIGURE 11
MTA Staffing Levels (excluding LI Bus)



Note: Includes positions funded by the capital budget.
Sources: Metropolitan Transportation Authority; OSC analysis

As shown in the Potential Budget Risks section of the report, it is possible that overtime will be $275 million higher than planned in 2025 if current trends continue through the end of the year (although OSC estimates a significant portion to be offset by payroll savings as has happened in recent years).

Non-discretionary expenses which include non-payroll labor costs such as for health and welfare; pensions and fringe benefits; debt service, energy, and paratransit costs make up about half of operating expenses and are expected to increase 6.7 percent annually between 2025 and 2029. Discretionary expenses, by comparison, are expected to increase by 2.2 percent during that period. The MTA is currently implementing its savings program as described later in this report, which is now included in its expense projections. The MTA should continue to identify cost efficiencies in the discretionary portion of the budget over which it has the most control.

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.

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 11).

In 2019, the number of employees dropped by 1,129 as the MTA instituted a hiring freeze on administrative and non-operational positions. In 2020, the workforce dropped further by nearly 3,500 positions 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. In December 2021, the workforce was about 1,200 employees lower than the year before and at the lowest level since 2013. By December 2024, hiring had picked up, as 4,938 positions were added compared to three years before.

In the first eight months of 2025, the MTA's hiring slowed, adding a net of 77 employees. As of August 2025, the MTA workforce totaled 72,016 employees, 784 fewer than at the end of 2018. Operational and maintenance headcount that month totaled 63,555, 3,923 more than in December 2021, but 682 fewer than in December 2018, after the rollout of the Subway Action Plan.

The July Plan authorizes the MTA to hire 2,991 employees between August 2025 and December 2026 (including 2,509 operational and maintenance positions) to reach 75,007 employees, which would be a record (see

Appendix B). The MTA then expects the number of staff to drop slightly thereafter and be at 74,982 in 2029.

The July Plan forecast for operational and maintenance staff in 2026 (66,064) would be 1,827 higher than the peak in 2018 and would require a substantial increase in hiring. Staffing is expected to decrease slightly to 65,781 in 2027 before rising again to the 2026 level in 2029.

The MTA has added 1,194 administrative employees since the end of 2022 for a total of 4,700 as vacancies were filled mostly in finance and information technology. The July Plan expects the number of administrative positions to increase to 4,868 by the end of 2026.

Public safety positions are expected to increase by 82 by December 2026. Capital and engineering positions, which are funded from the capital budget, are also expected to increase by 229 between August 2025 and December 2026 but this staffing level would still be 341 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, so it is unlikely that all positions will be filled. For example, staffing in August 2025 was 3,033 positions below the July Plan authorized level. As a result, OSC anticipates potential savings of about $140 million in 2025 if this vacancy level continues.

MTA Savings Program

In the MTA's February 2023 Plan, the MTA assumed that it would achieve unidentified savings of $100 million in 2023, $400 million in 2024, $408 million in 2025 and $416 million in 2026. In the July 2023 Plan, the MTA identified $107 million of financial plan savings in 2023, $207 million in 2024, $206 million in 2025, $220 million in 2026 and $181 million in 2027. That plan then increased the overall savings target to more than $500 million starting in 2025 with about $350 million unidentified in 2027. The November 2023 Plan identified all but about $75 million annually. In the November 2024 Plan, the MTA identified the remaining savings.

The MTA monitors all savings initiatives that total $1 million or more in any fiscal year. In 2024, expected savings initiatives totaling $554 million were monitored and the MTA reports that $475 million in savings were achieved with variances of $73 million at NYCT and another $6 million at Metro-North.

NYCT achieved $183 million in savings in 2024, mostly in maintenance ($71 million) and administration ($55 million). More than half of the maintenance savings ($38 million) were achieved by extending the overhaul cycle of railcars from every six years to every six and one-half years. NYCT planned on $113 million in administrative savings in 2024 but was only able to save $55 million as just $38 million of a budgeted $85 million to increase employee availability was achieved. A switchover of the administration of the workers' compensation system to a third party started later in the year than planned and most of the savings were delayed until 2025.

The Long Island Rail Road was able to achieve all $187 million of savings it was monitoring in 2024 mostly through maintenance savings totaling $53 million and $120 million from re-estimates including for health and welfare and energy costs.

Metro-North achieved $40 million of the $46 million it monitored in 2024 as it was

unable to get the full savings in maintenance overtime it was seeking.

The MTA Bus Company achieved all $21 million of monitored actions in 2024, and MTA Bridges and Tunnels saved all $45 million monitored mostly through eliminating vacant jobs in the budget and reducing administrative nonlabor costs.

Through June 2025, the MTA achieved $157 million of the planned $169 million of monitored actions with NYCT falling $6 million short of what was expected from employee availability savings. Over the full year, the MTA is publicly reporting that it is monitoring $335 million of the $500 million savings target.

Potential Budget Risks

The MTA has identified various budgetary risks to its financial plan that include ridership not returning as quickly as it forecasts and the timing or receipt of federal reimbursement for Covid-related expenditures. These self-identified risks are reasonable concerns and should be monitored for their impact on its financial plan. The first and largest of these risks are macroeconomic trends that could increase recurring costs or reduce revenues. An economic slowdown or no real estate tax recovery 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.

Even if the economy improves as quickly as the independent forecasts used by MTA expect, there is still a risk that ridership will not return to planned levels. The MTA has cited continued fare evasion as a factor that could hinder ridership recovery. The MTA estimates that fare revenue could be lower by $325 million annually for each drop of 5 percent in ridership recovery.

The labor contract for the Transport Workers Union, the MTA's largest union which usually sets the pattern for the MTA's other labor unions, expires in May 2026. That contract called for a 3.2 percent annual increase in wages. The July Plan budgets for annual wage increases of 2 percent for unsettled and future labor agreements. The MTA estimates that each 1 percent over what has been budgeted for labor contracts will cost $150 million.

The MTA also has identified a risk in the timing of receipt of casino revenue, as the financial plan relies on $500 million from casinos in both 2026 and 2027, $600 million in 2028 and $200 million in 2029. The decision on approving the casinos is expected by the end of 2025. Any

FIGURE 12

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

(in millions)

	2025	2026	2027	2028	2029
Projected Cash Balance	**$ - - -**	**$ - - -**	**$ - - -**	**$ (345)**	**$ (354)**
NYCERS Pension Contributions	- - -	14	32	49	64
Overtime	(275)	(221)	(200)	(193)	(180)
Covid FEMA Reimbursement	(300)	- - -	300	- - -	- - -
Payroll	143	146	150	153	156
NYC Paratransit Contribution	- - -	- - -	- - -	(123)	(140)
Total OSC Risks and Offsets	**(432)**	**(61)**	**282**	**(114)**	**(100)**
MTA-Identified Risks					
State Tax Revenue	- - -	(600)	(600)	(600)	(600)
1% Labor Increases	- - -	(150)	(150)	(150)	(150)
Low Case Ridership Scenario	- - -	(325)	(325)	(325)	(325)
Timing of Casino Revenue	- - -	(500)	(500)	(600)	(200)

Sources: Metropolitan Transportation Authority; OSC analysis.

Note: MTA also identified a risk to its Financial Plan of $300 million in 2025 and 2026 for Covid FEMA reimbursements.

delay in the approval would lead to a delay in the MTA receiving license fee revenue and then recurring gaming tax revenue — opening potential budget gaps.

OSC projects that other risks and offsets could increase the MTA's budget gaps by $432 million in 2025 and $61 million in 2026, reduce the 2027 gap by $282 million but then increase gaps by $114 million in 2028 and $100 million in 2029 (see Figure 12). For example, overtime costs paid out of its operating budget through August 2025 were $778 million, $199 million higher than forecast in the July Plan for the same period. Overtime spending would have to average $28 million monthly for the remainder of 2025 to meet the current budget of $890 million, when it averaged $97 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 $275 million higher than planned in 2025 and $221 million higher in 2026 with the risk declining to $180 million in 2029.

The MTA currently has a total of $600 million of direct Covid-related expenditures pending for approval and release by FEMA. The MTA had assumed in its February Plan that $250 million of the total would be received in 2024, which is now expected to be achieved later. The July Plan now assumes $300 million in both 2025 and 2026, which may not happen as planned. OSC assumes that reimbursements will be delayed another year so that they occur in 2026 and 2027.

The Enacted FY 2025-26 State 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. If State law is not changed to reflect this assumption, MTA revenues could be lower by $123 million in 2028 and $140 million in 2029.

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 10 percent gain in the fiscal year ending June 30, 2025, OSC estimates that the MTA's pension contribution to NYCERS will be lower by $14 million in 2026, rising to $64 million lower in 2029.

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 2025 was 3,142 positions below the July Plan forecast for December 2025. Over the last 10 years, actual payroll costs have been about 2 percent lower than projected at the beginning of the year. Assuming this trend continues, payroll costs in 2025 could be $143 million lower than the July Plan with higher amounts in the out-years.

In combination, OSC-projected budget gaps could rise to $459 million in 2028 and $454 million in 2029. Inclusive of more speculative risks, including a recession,

identified by the MTA, operating budget gaps could reach as high as $1.6 billion in 2026, $1.3 billion in 2027, $2.1 billion in 2028 and $1.7 billion in 2029.

The July Plan includes an annual general reserve of 1 percent of operating expenses (excluding debt service) to be used in each year. In 2025, the reserve is $200 million, rising to $240 million in 2029. Another $583 million in unused reserve funds is also available as a “rainy-day” fund.

Status of MTA Capital Programs

Capital Program Progress

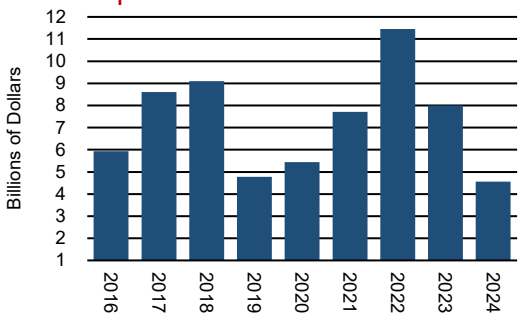
The MTA's capital programs, which generally span five-year periods, are critical to bringing the overall system into a state of good repair, maintaining normal replacement of assets, and improving and expanding the system to meet its riders' needs. Capital programs are funded through various sources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

Over the last 10 years, the MTA has had difficulty 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, due to the pause in capital spending during the early days of the pandemic (see Figure 13).

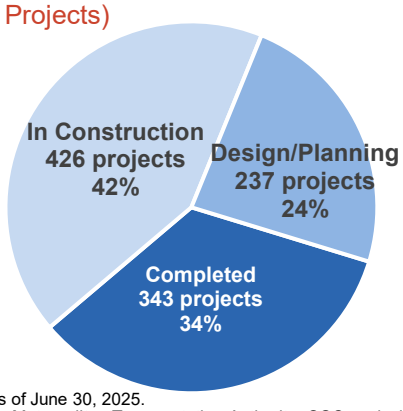
Since the COVID-19 pause was lifted, the MTA has made efforts to increase the pace of commitments. In 2021, it committed $7.7 billion.

FIGURE 13
MTA Capital Commitments



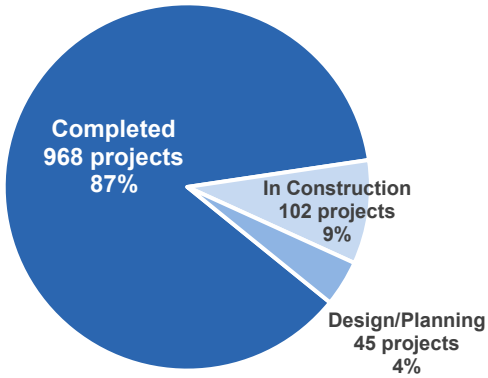
Source: Metropolitan Transportation Authority

FIGURE 14
Status of MTA 2020-2024 Capital Program
(1,006 Projects)



Note: As of June 30, 2025.
Sources: Metropolitan Transportation Authority; OSC analysis

FIGURE 15
Status of MTA 2015-2019 Capital Program
(1,115 Projects)



Note: As of June 30, 2025.
Sources: Metropolitan Transportation Authority; OSC analysis

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. 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 is $12.6 billion which would be a new record. Through August, it has committed $9 billion ($1.3 billion more than the MTA's goal) including $4 billion for rolling stock contracts for subways and the LIRR and $2 billion for the Second Avenue Subway Phase 2 and currently forecasts $14.7 billion of commitments.

As of September 19, 2025, $23 billion in the MTA's capital programs from 2010 through 2024 remains to be committed. The MTA has also committed $2.2 billion of the $68.4 billion 2025-2029 program. As of September 19, 2025, $35.3 billion (64 percent) of the 2020-2024 program has been committed, leaving $20.3 billion remaining. Since September 2024, $7.9 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 2020-2025 program, 88 percent of the program value had been committed (excluding Superstorm Sandy work).

According to the MTA capital dashboard, as of June 30, 2025, 769 of 1,006 projects in the 2020-2024 capital program had been completed or begun, excluding support work (see Figure 14). The program got off to a slow start in 2020, as noted above. 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, 13 percent of the 1,115 projects that make up the 2015-2019 capital program were not finished as of June 30, 2025 (see Figure 15). While the MTA had completed 968 projects, 102 (9 percent) were still in construction, and the remaining 45 projects (4 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.[4] As of September 19, 2025, $1.2 billion (3.6 percent) of this $33.6 billion program still must be committed (see Figure 16).

FIGURE 16
MTA Capital Program Commitments
As of September 19, 2025

	Program Size (in millions)	Committed (in millions)	% Committed
2020-2024 Program	$55,563	$35,297	63.5%
2015-2019 Program	33,619	32,422	96.4%
2010-2014 Program	31,786	30,534	96.1%
Total	**$120,967**	**$98,253**	**81.2%**

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

As of June 30, 2025, 95 percent of the 1,263 projects in the 2010-2014 program have been completed with 66 still ongoing, 41 of which are for Superstorm Sandy-related work, excluding support work. As of September 19, 2025,

[4] Subsequently, in August 2025, the MTA awarded a design-build contract for tunneling and structural shells for two stations as part of Phase 2 of the Second Avenue Subway project totaling $2 billion.

FIGURE 17
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	- - -	- - -	- - -	- - -	12,887	- - -
Sales and Mansion Tax Capital Lockbox Bonds	- - -	- - -	- - -	- - -	6,193	- - -
Dedicated PMT Capital Lockbox Bonds	- - -	- - -	- - -	- - -	- - -	23,939
Capital Lockbox Cash					6,423	7,561
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

$1.3 billion (3.9 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 more funding from its partners, the less debt service the MTA will have to pay from its operating budget, therefore lowering the eventual debt burden on its budget.

As seen in Figure 17, 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 State and City budgets 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. 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) is still a 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 an annual 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 $23.9 billion of bonding and $7.6 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 revenues collected in 2025 and 2026 strictly for PAYGO capital funds, before using the funds to back bonds after that point. The statutory requirement that funds are used only for capital 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 is being collected consistently.

The MTA assumes that revenues will continue to grow to allow it to fund the $23.9 billion in bonds at a level that would exceed the $1.4 billion anticipated in the first full 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. 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 out of its operating budget, 19 percent of the expected funding and about the same share as in the 2020-2024 program. This compares favorably to the 2015-2019 capital program when 37 percent of the program was funded with MTA debt paid out of the operating budget.

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 through capital savings. OSC notes that each of these approaches comes with its own operational and financial implications for the MTA.

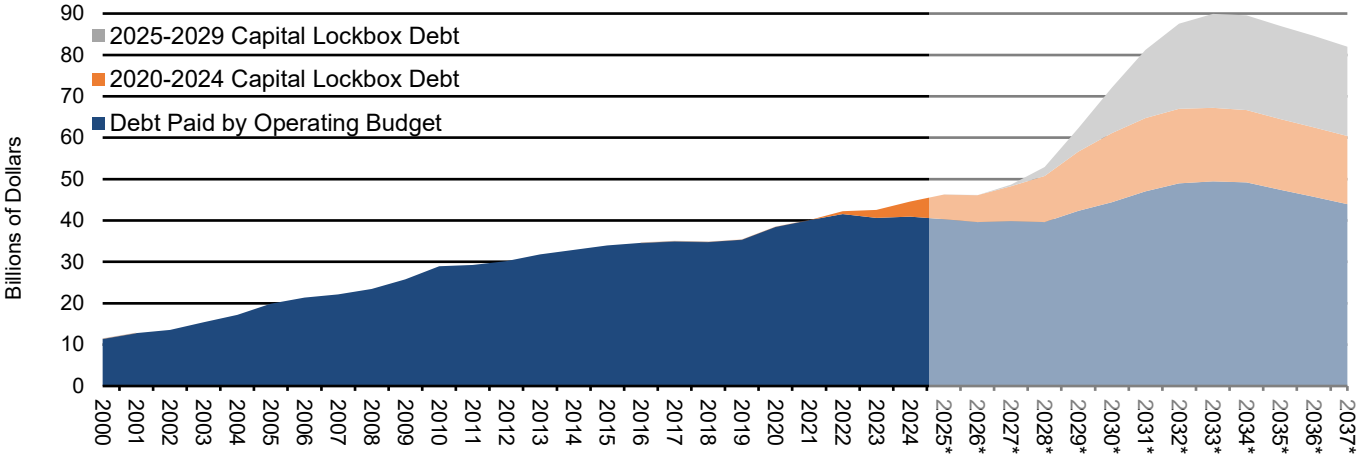
MTA Debt Outstanding and Debt Service

The amount of MTA long-term debt outstanding more than doubled from 2000 to 2010, from $11.4 billion to $29 billion, 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 18). 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 real estate transfer 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 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 real estate transfer tax revenues. MTA expects to issue another $800 million of these bonds in the future.

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 $12.9 billion of future bonding backed by congestion pricing. The MTA plans to

FIGURE 18
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

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 $23.9 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 $7.6 billion for PAYGO is expected to be used from 2025 through 2035. 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, debt outstanding is expected to rise from $44.5 billion in 2024 to $89.9 billion in 2033.

The use of lockbox capital funds will reduce the growth in non-lockbox long-term debt outstanding, which has an operating budget 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 2020-2024 and 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 $7.6 billion of the 2025-2029 lockbox funds for PAYGO to fund projects also keeps pressure off the operating budget. Bonding $7.6 billion would cost more than $500 million annually for 30 years so this provides nearly $8 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 46 percent by 2037, which would be important to manage the MTA's long-term debt.

The forecast includes $6.4 billion of long-term debt the MTA still must bond for projects in the transit and commuter portions of the 2020-2024 capital program. The MTA plans to issue these bonds in the 2029 to 2032 period after issuing short-term Bond Anticipation Notes (BANs) for the projects. The MTA's July Plan includes $9.8 billion of bonding paid out of the operating budget for the 2025-2029 capital program for transit and commuter projects issued over the 2030 to 2034 period and $5.4 billion issued for Bridge and Tunnel projects including for the 2025-2029 capital program during the 2025 to 2034 period.

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, potentially crowding out operating spending of other types, as there is limited control over the ability to reduce these costs over time.

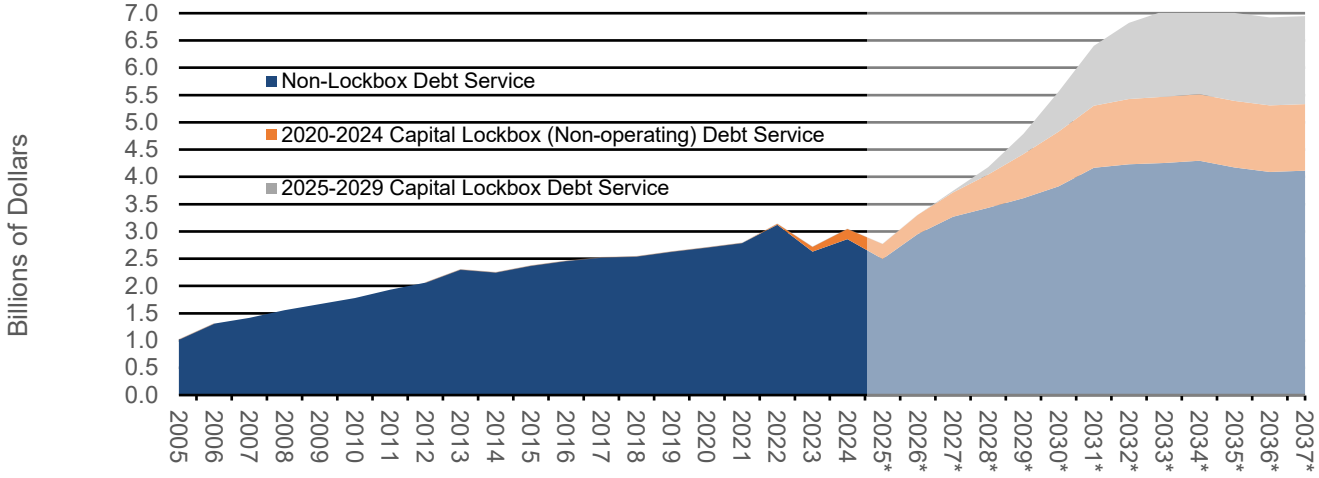
Debt service (including lockbox debt service for both the 2020-2025 and 2025-2029 capital programs) is projected to reach $7.1 billion by 2034 (see Figure 19), more than double the cost of debt service in 2024. Non-lockbox debt service between 2024 and 2034 is also expected to rise by $1.4 billion to $4.3 billion (50 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 $2.8 billion in 2033.

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 mentioned earlier, the MTA's debt service forecast includes the issuance of $6.4 billion in anticipated debt backed by the PMT for the 2020-2024 transit and commuter rail capital projects. The MTA started issuing BANs for this capital contribution in 2024, and the long-term bonds to pay back these BANs would not start to be issued until 2027 with deferred principal for 10 years meaning, in total, principal would not be paid for approximately 13 years.

The MTA's debt forecast includes the debt service to cover $9.8 billion in bonding to fund the transit and commuter portion of the 2025-2029 capital program which the MTA expects to 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 may choose to increase its bonding by $4 billion to fill this funding gap which could lead to higher debt service costs. The Authority could also identify further capital project efficiencies or choose to postpone or cancel projects to avoid adding to its debt burden. 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,

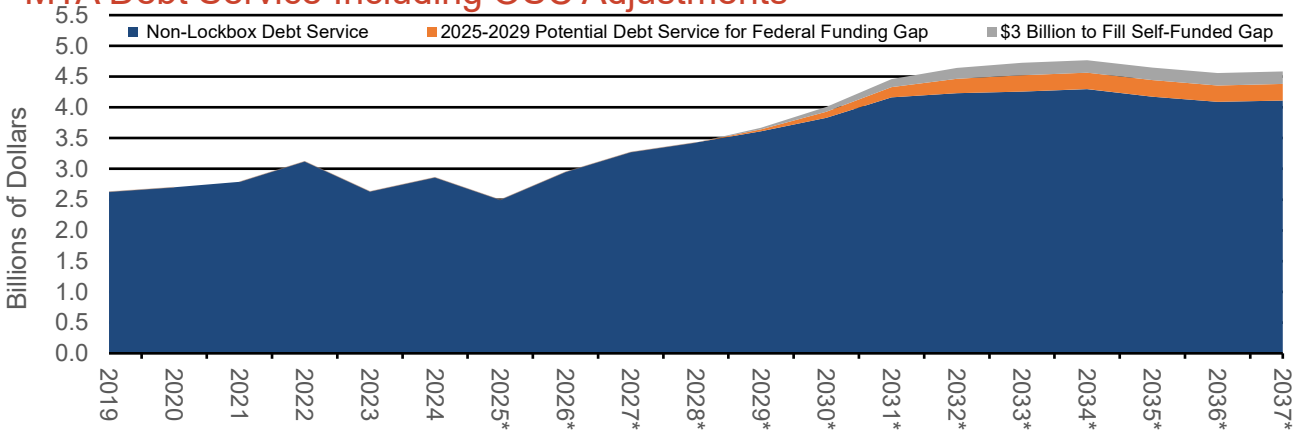
FIGURE 19
MTA Debt Service (including Capital Lockbox Debt)



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

*OSC forecast

FIGURE 20
MTA Debt Service Including OSC Adjustments



Note: Non-lockbox debt service as of the July Plan.
Sources: Metropolitan Transportation Authority; OSC analysis

*OSC forecast

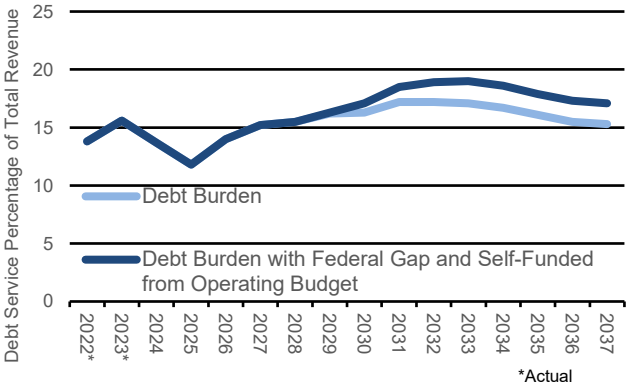
but it will be faced with this choice if it's unable to do so.

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 approximately $270 million by 2033, reaching $4.5 billion that year (see Figure 20) or the equivalent of a 6 percent increase in the subway fare which could make the fare as high as $3.75 in 2033. Bonding $3 billion to self-fund the 2025-2029 program could cost approximately $200 million, the equivalent of another 4.5 percent increase in the subway fare or to $3.90 in 2033. The potential impact on fares gives the MTA greater inventive to continue to identify cost savings in its capital projects, which could reduce the potential impact from any changes to federal funding.

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 as the MTA assumes for the 2025-2029 bonding so that the overall financial impact to the agency does not increase over time. It is worth noting that the Authority has reduced its use of these financing structures in recent years and the current financing schedule for the 2025-2029 capital program assumes level debt service over 30 years.

The share of total revenue needed to fund debt service averaged 16.1 percent from 2010

FIGURE 21
MTA Debt Burden With Possible New Debt



*Actual

Note: Revenues are assumed to grow 2 percent annually after 2029.
Sources: Metropolitan Transportation Authority; OSC analysis

through 2019.[5] In its July Plan, the Authority reports that the debt burden was 13.7 percent in 2024, drops to 11.8 percent in 2025 (as a result of lower debt service from a prepayment made in 2024) and then increases to 16.2 percent in 2028. These totals assume increases in fares and tolls will be approved for 2026, 2027 and 2029.

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

Assuming revenues grow conservatively by 2 percent annually the debt burden would be at 16.3 percent in 2030, rise to 17.2 percent in 2031 but then drop to 15.3 percent in 2037 as existing non-lockbox debt is amortized (see Figure 21).[6] 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.

The MTA has not commented on whether it would attempt to cover the $4 billion from the federal government, if it is not provided. OSC projects that if the MTA were to decide 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 could reach as high as 19 percent in 2033 before dropping to 17.1 percent in 2037.

[5] 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.

[6] 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.

APPENDIX A

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

(in millions)

	← Forecast →					Compound Annual Growth Rate
	2025	2026	2027	2028	2029	
Revenues						
Farebox Revenue	**5,241**	**5,326**	**5,411**	**5,475**	**5,490**	**1.2%**
Toll Revenue	**2,585**	**2,611**	**2,637**	**2,654**	**2,666**	**0.8.%**
Dedicated Taxes						
Payroll Mobility Tax	3,609	3,757	3,827	3,881	3,917	2.1%
Metro. Mass Trans. Operating Asst.	3,151	1,954	1,923	1,961	2,001	-10.7%
Real Estate-Related Taxes	841	940	1,135	1,176	1,220	9.7%
Mass Transit Trust Fund	583	1,768	1,800	1,831	1,864	33.7%
Casino Revenue	---	500	500	600	200	N/A
Other	773	751	766	725	726	-1.6%
Subtotal – Dedicated Taxes	**8,957**	**9,670**	**9,951**	**10,174**	**9,927**	**2.6%**
State and Local Subsidies	**1,484**	**1,645**	**1,729**	**1,764**	**1,813**	**5.1%**
Other Revenue	**2,631**	**1,158**	**1,200**	**1,339**	**1,394**	**-14.7%**
Total Baseline Revenues	**$20,897**	**$20,410**	**$20,928**	**$21,407**	**$21,290**	**0.5%**
Expenditures						
Payroll	6,506	6,651	6,800	6,947	7,095	2.2%
Debt Service	2,497	2,950	3,270	3,431	3,610	9.7%
Health and Welfare (with Retirees)	2,887	3,107	3,329	3,576	3,845	7.4%
Pensions	1,575	1,686	1,730	1,747	1,767	2.9%
Overtime	890	879	900	907	920	0.8%
Other Fringe Benefits	1,143	1,189	1,258	1,313	1,369	4.6%
Maintenance and Other Contracts	1,066	1,036	1,053	1,060	1,083	0.4%
Professional Service Contracts	892	805	831	788	780	-3.3%
Energy (Fuel and Electric)	826	843	847	881	922	2.8%
Insurance	15	38	38	50	65	44.3%
Claims	424	440	452	465	473	2.8%
Paratransit Service Contracts	765	874	948	999	1,057	8.4%
Materials & Supplies	738	803	899	953	1,005	8.0%
Other	302	304	312	339	339	3.0%
Reimbursable Overhead	(509)	(524)	(503)	(507)	(517)	0.4%
General Reserve	200	210	220	230	240	4.7%
Other Adjustments	16	14	14	14	15	1.6%
Total Baseline Expenditures	**$20,231**	**$21,304**	**$22,399**	**$23,196**	**$24,069**	**4.4%**

Note: May not add due to rounding. Numbers do not reflect the MTA Statement of Operations as below-the-line adjustments, including fare and toll increases, as well as cash conversions are not included in this table. Revenues for 2025 also include federal preventative maintenance grants, which are expected to be used for capital purposes over multiple years.
Sources: Metropolitan Transportation Authority; OSC analysis.

APPENDIX B

MTA Staffing Levels by Function and Agency in the July Plan

(Full-Time and Full-Time-Equivalents)

	Actual	Actual	Actual	Projected for the End of the Calendar Year			
	December 2023	December 2024	August 2025	2026	2027	2028	2029
Administration	**3,827**	**4,534**	**4,700**	**4,868**	**4,876**	**4,884**	**4,921**
NYC Transit	660	634	612	910	934	945	982
Long Island Rail Road	432	503	505	528	524	524	524
Metro-North Railroad	442	530	543	564	564	564	564
Bridges & Tunnels	52	56	58	60	60	60	60
Headquarters (w/GCM)	2,043	2,292	2,317	2,113	2,101	2,098	2,098
Staten Island Railway	17	28	27	32	32	32	32
Capital Construction Co.	106	413	570	541	541	541	541
Bus Company	76	79	67	120	120	120	120
Operations	**31,010**	**31,851**	**31,667**	**32,552**	**32,641**	**32,711**	**32,967**
NYC Transit	23,195	23,727	23,478	24,339	24,260	24,253	24,239
Long Island Rail Road	2,827	2,941	2,928	2,843	2,950	2,949	2,949
Metro-North Railroad	2,185	2,229	2,215	2,357	2,430	2,508	2,508
Bridges & Tunnels	118	96	98	117	117	117	117
Headquarters	---	---	---	---	---	---	---
Staten Island Railway	140	143	140	155	145	145	145
Capital Construction Co.	---	---	---	---	---	---	---
Bus Company	2,545	2,715	2,808	2,741	2,739	2,739	2,739
Maintenance	**31,562**	**31,704**	**31,888**	**33,512**	**33,140**	**33,134**	**33,338**
NYC Transit	21,817	21,885	22,068	23,154	22,682	22,696	22,800
Long Island Rail Road	4,385	4,339	4,329	4,601	4,716	4,716	4,716
Metro-North Railroad	3,811	3,846	3,891	3,982	3,982	3,982	4,082
Bridges & Tunnels	351	362	353	388	388	388	388
Headquarters	---	---	---	---	---	---	---
Staten Island Railway	188	216	217	235	221	201	201
Capital Construction Co.	---	---	---	---	---	---	---
Bus Company	1,010	1,057	1,030	1,152	1,151	1,151	1,151
Engineering/Capital	**1,726**	**1,443**	**1,301**	**1,530**	**1,528**	**1,528**	**1,528**
NYC Transit	854	724	654	913	913	913	913
Long Island Rail Road	149	116	110	175	175	175	175
Metro-North Railroad	61	70	64	78	78	78	78
Bridges & Tunnels	121	110	108	118	118	118	118
Headquarters	---	---	---	---	---	---	---
Staten Island Railway	5	7	7	6	4	4	4
Capital Construction Co.	515	394	340	214	214	214	214
Bus Company	21	22	18	26	26	26	26
Public Safety	**2,318**	**2,406**	**2,462**	**2,544**	**2,544**	**2,519**	**2,497**
NYC Transit	672	729	772	848	848	848	848
Long Island Rail Road	---	---	---	---	---	---	---
Metro-North Railroad	---	---	---	---	---	---	---
Bridges & Tunnels	393	339	281	282	250	155	84
Headquarters	1,242	1,327	1,399	1,401	1,433	1,503	1,552
Staten Island Railway	---	---	---	---	---	---	---
Capital Construction Co.	---	---	---	---	---	---	---
Bus Company	11	11	10	13	13	13	13
Baseline Total Positions	**70,442**	**71,938**	**72,016**	**75,007**	**74,730**	**74,777**	**74,982**

Source: Metropolitan Transportation Authority

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