OFFICE OF THE NEW YORK STATE COMPTROLLER

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Annual Update: Metropolitan Transportation Authority's Debt Profile

Highlights

- In the four years prior to the pandemic, the MTA was able to commit an average of $7.1 billion per year for capital projects; in 2022, the MTA made a record $11.4 billion of capital commitments.
- In 2023, commitments slipped to $8 billion mostly from uncertainty on the timing of congestion pricing's implementation.
- Continued uncertainty has led the MTA to reduce its capital commitment goal in 2024 from $12 billion to less than $3 billion.
- As of April 1, 2024, the MTA's capital programs since 2010 have a total of $34.2 billion which still must be committed, including more than half of the 2020-2024 program.
- More than 20 percent of the 2015-2019 capital program has not been completed including 10 subway station renewals.
- Prudent use of federal aid allowed the MTA to free up $1.4 billion to defease bonds and pre-pay interest in 2023, enabling savings of $1.5 billion between 2023 and 2026.
- Including capital lockbox debt, which is kept outside of the operating budget to eliminate any impact on operational spending, the MTA expects debt outstanding to rise from $42.4 billion in 2023 to $59.9 billion in 2028.
- Budgeted debt service (including lockbox debt service and excluding debt issued after the 2020-2024 capital program) is projected to reach nearly $5 billion by 2031, which is 83 percent ($2.3 billion) more than in 2023.
- In the absence of another dedicated funding source at the level congestion pricing would bring, the MTA might need to bond $23.5 billion for the 2025-2029 capital program, increasing debt service by $1.6 billion to reach $4.9 billion in 2037.

The Metropolitan Transportation Authority's (MTA) finances brightened last year when the State provided a substantial, recurring funding solution to help it balance its operating budget as federal relief funds are exhausted. However, since its inception, the MTA has relied on debt to fund capital improvements to the system to retain and serve more riders and toll payers. While lockbox debt for the MTA's 2020-2024 capital program, including expected congestion pricing, is funded outside the operating budget and has improved the MTA's financial outlook, the use of debt still creates budgetary pressure.

Risks have emerged concerning the MTA's capital program which could lead to further stress on the operating budget. Congestion pricing, the largest anticipated funding source for the 2020-2024 capital program, still faces some implementation uncertainty. Although the tolls have been approved by the MTA Board, lawsuits delaying the program have led the MTA to push back the start of needed capital improvements.

The MTA's 20-year capital needs assessment released in October 2023 showed that the MTA has many assets that are still in poor condition. The MTA's proposed 2025-2029 capital program, which will lay out and prioritize the repairs, is scheduled to be released by October 1, 2024, and is currently unfunded. Assuming the program is at least the same size as the previous one and receives similar funding from the MTA and its funding partners, there could be a funding gap of $25 billion or greater, as most congestion pricing and other lockbox revenues will not be available.

Success in bringing riders back to the system, and thereby boosting revenue, would help alleviate the debt burden in the long term. However, the health of the system's assets and its operating budget balance remain reliant on the decisions that the MTA will make, and its funding partners will agree to, in the 2025-2029 capital program.

Capital Program Progress

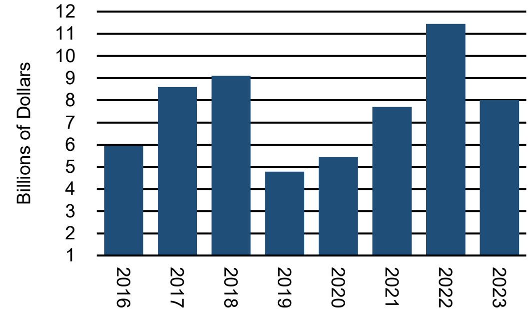
The MTA's capital programs, which generally span five-year periods, are critical to bringing the overall system into a state of good repair, maintaining normal replacement of assets, and improving and expanding the system to meet its riders' needs. Capital programs are funded through various sources 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, both the 2010-2014 and 2015-2019 capital programs have taken longer than seven years to commit their projects; most likely the 2020-2024 capital program will take more than seven years to commit all its projects as well. The slower the pace of commitments, the greater potential for capital disinvestment to occur, 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).

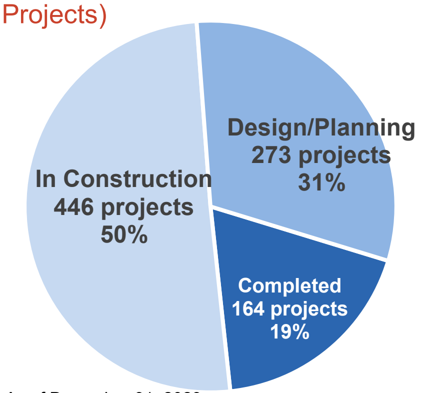
Since the COVID-19 pause was lifted, the MTA has increased the pace of commitments. In 2021, the MTA committed $7.7 billion. In 2022, it committed $11.4 billion, a record amount that exceeded the MTA's annual goal by more than $3 billion, in part due to an earlier-than-planned commitment for new subway cars. However, in 2023, commitments fell to $8 billion, $2 billion less than the MTA's goal, citing the litigation challenging the implementation of congestion

FIGURE 1
MTA Capital Commitments



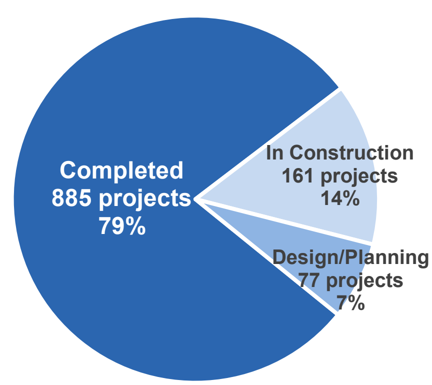
Source: Metropolitan Transportation Authority

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



Note: As of December 31, 2023.
Sources: Metropolitan Transportation Authority; OSC analysis

FIGURE 3
Status of MTA 2015-2019 Capital Program
(1,123 Projects)



Note: As of December 31, 2023.
Sources: Metropolitan Transportation Authority; OSC analysis

pricing for the drop. The Office of the State Comptroller (OSC) noted in the annual debt report updated last year that this uncertainty could delay capital spending.

In February 2024, the MTA announced that, amid continued uncertainty in the implementation of congestion pricing, it would not initiate any new construction procurements besides those for emergency work and projects funded with federal funding. As a result, the commitment goal in 2024 is only $2.9 billion, less than the amount MTA committed in 2020 during the pandemic and one-quarter of the commitments in 2022. The MTA also said that if there was no pending litigation, its goal would have been $12 billion for capital commitments in 2024.

As of April 1, 2024, $34.2 billion in the MTA's capital programs since 2010 remains to be committed. As of April 1, 2024, $26.2 billion (47.3 percent) of the 2020-2024 program has been committed, leaving $29.2 billion remaining Since March of 2023, $7.7 billion has been committed for this program. According to the MTA capital dashboard, as of December 31, 2023, 610 of 883 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. 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 due to a funding dispute between the State and the City, 21 percent of the 1,123 projects that make up the 2015-2019 capital program were not finished as of December 31, 2023 (see Figure 3). The MTA had completed 885 projects, but 161 (14 percent) were still in construction, and the remaining 77 projects (7 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, and the completion of 10 subway station renewals. As of April 1, 2024, $3 billion (8.8 percent) of this $33.8 billion program still must be committed.

The 2010-2014 capital program has completed 92 percent of the 1,265 projects in the program, with 98 projects left to be completed. Most of the outstanding projects are for Superstorm Sandy-related work. As of April 1, 2024, approximately $2 billion (6.5 percent) of this $31.6 billion program still must be committed.

Capital Funding

The composition of sources for funding capital programs has important implications for the MTA's outstanding debt and eventual debt servicing costs. The provision of capital funding from its partners, including the State, City and federal governments, can substantially alter the makeup of MTA debt, and therefore, of the eventual cost of debt service. Given that available capital funding is not commensurate with the full list of needs for the system, the MTA may choose to issue more or less debt to fund its capital needs. It must also balance that investment with its effects on debt service costs, which must be managed to sustainable levels funded by its operating budget without hurting service or necessitating larger-than-planned fare and toll increases.

As seen in Figure 4, in recognition of the increasing burden on the MTA's operating budget from debt, the MTA received substantial funding from both the State and the City in the 2015-2019 capital program. The State, starting with the 2015-2019 program, has required the City to provide additional capital funding to the MTA.

In 2019, the State elected to provide congestion pricing, internet marketplace sales tax and mansion tax revenues totaling $25 billion for the

FIGURE 4
MTA Capital Program Funding
(in millions)

	2000-2004	2005-2009	2010-2014	2015-2019	2020-2024
Federal Funding	$7,454	$7,723	$14,179	$6,801	$13,072
New York State	- - -	1,450	770	9,064	3,007
New York City	516	2,833	745	2,666	3,101
MTA Bonds	8,770	5,100	8,293	12,060	10,721
Dedicated Tax Bonds	3,796	5,624	- - -	- - -	- - -
Payroll Mobility Tax MTA Bonds	- - -	- - -	6,000	- - -	- - -
Congestion Pricing Bonds/Cash (PAYGO)	- - -	- - -	- - -	- - -	15,000
Sales Tax and Mansion Tax	- - -	- - -	- - -	- - -	10,000
MTA Asset Sales and Other	1,127	1,630	1,717	3,321	542
Total	**$21,654**	**$24,360**	**$31,704**	**$33,913**	**$55,442**

Note: 2020-2014 program includes funding for Superstorm Sandy projects.
Sources: Metropolitan Transportation Authority; OSC analysis

2020-2024 capital program. These funds are separated from the MTA's operating budget and placed in a lockbox so the impact on the operating budget is not felt. The federal government has also appreciably increased its level of capital formula funding for state of good repair and normal replacement projects in the 2020-2024 program.

These additional sources of funding, including lockbox funding kept separate from the MTA's operating budget, have allowed the MTA to maintain the level of capital funding coming from MTA bonds at levels close to prior capital programs. However, as a share of the program, MTA debt backed by funds used for the operating budget dropped from 36 percent in the 2015-2019 capital program to 19 percent in the 2020-2024 capital program, ultimately reducing the impact on its operating budget.

The size and the funding sources of the proposed 2025-2029 capital program are currently unknown. The MTA may reasonably expect to receive comparable levels of federal, State and City funding as in the 2020-2024 capital program totaling about $14 billion to $16 billion and the MTA has historically bonded at least $10 billion for its capital programs. Since most of the lockbox revenue will not be available for this program, if proposed at a level comparable to the 2020-2024 capital program, the program could have a funding gap as high as $25 billion. It is notable that the total size of the next capital program, based on the repair needs of the system, cost inflation, the MTA's newly stated resilience needs (in addition to repair needs) and planned expansion projects, is likely to exceed the size of the current plan if funding can be identified.

Debt Outstanding

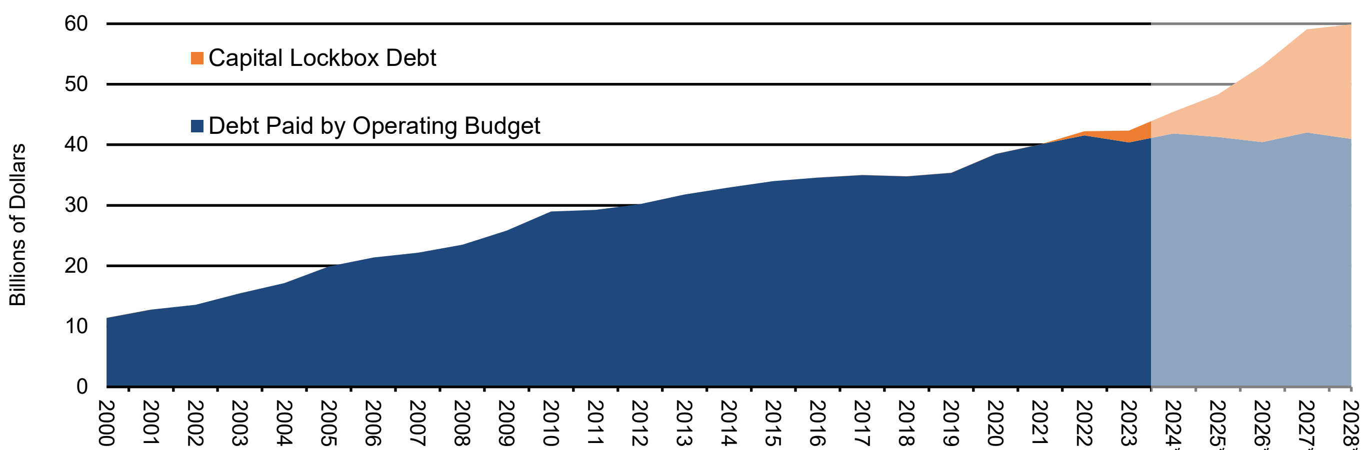
The amount of outstanding long-term debt issued by the MTA more than doubled from 2000 to 2010, from $11.4 billion in 2000 to $29 billion in 2010, as the MTA funded a significant portion of its capital programs with bonds. The pace of growth slowed to 22 percent from 2010 to 2019, to reach $35.4 billion, as State support rose from the decade prior. Since 2019, however, debt has risen to accommodate increased capital spending, reaching $40.4 billion in long-term debt paid from the operating budget in 2023, a 14 percent increase since 2019 (see Figure 5). A substantial portion of recently issued debt has been backed by the payroll mobility tax (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.

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. When congestion pricing is operational, the MTA plans to then issue lockbox bonds backed by those revenues. Including capital lockbox debt, which is kept outside of the operating budget to eliminate any impact on operational spending, the MTA expects debt outstanding to rise from $42.4 billion in 2023 to $59.9 billion in 2028. Non-lockbox long-term debt outstanding (which has an operating budget impact) is expected to increase from $40.4 billion in 2023 to $41 billion in 2028, but then decrease to $38 billion in 2030 as the MTA focuses on issuing its lockbox debt. As a result, debt service paid from the operating budget is also expected to stabilize in the short term.

The MTA's February Plan debt forecast includes $17.8 billion of future bonding from a total of $19.7 billion backed by capital lockbox revenues including congestion pricing. As of March 2024, subsequent to the February Plan, the MTA has issued $3.6 billion of debt backed by intercepted New York City sales taxes and the MTA has indicated that it cannot issue anymore 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.

The inclusion of capital lockbox debt, the majority of which comes from congestion pricing, is critical to managing the overall debt load of the MTA and its impact on debt service and its operating budget. Future declines in debt outstanding for non-lockbox debt are reliant on capital lockbox

FIGURE 5
MTA Debt Outstanding Including Capital Lockbox Debt



Note: Excludes short-term bond anticipation notes (BANs). Shaded area beginning in 2024 are projections.
Sources: Metropolitan Transportation Authority; OSC analysis

*MTA forecast

debt providing funds to pay for capital projects. Capital lockbox debt is expected to grow from 5 percent of debt outstanding in 2023 to 32 percent by 2028. However, risks over the implementation of congestion pricing already are having an impact on the delivery of the MTA's current capital program, reducing planned spending and increasing reliance on existing types of debt, including short-term notes, which are paid from operating revenues. The MTA has pushed back the receipt of the congestion pricing funds from the beginning of 2021 to the second quarter of 2024 and has decided to reduce planned capital commitments amid uncertainty over the implementation date.

The forecast includes $8.1 billion of debt the MTA expects to bond for projects in the transit and commuter portions of the 2020-2024 capital program. The federal infrastructure law provided the MTA with an additional $1.7 billion of capital funding dedicated to non-expansion projects, which allowed the MTA to reduce this bonding assumption by that amount. However, the debt is not expected to be issued until the 2027 through 2033 period. Projected borrowing for any future capital programs after the 2020-2024 program is also not included in the MTA's financial plan.

Debt Service and Debt Burden

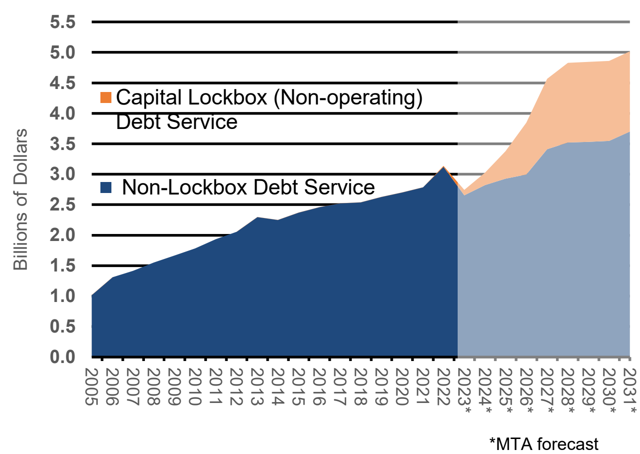
Debt service is the payment made for combined principal and interest for existing debt obligations. Debt service on any issued bond is a fixed cost that can stretch to 30 years or more after issuance, potentially crowding out operating spending of other types, as there is limited control over the ability to reduce these costs over time.

Federal aid has allowed the MTA to free up $1.4 billion of other resources, which it is using to defease bonds and pre-pay interest in 2023. These moves are expected to save $1.5 billion between 2023 and 2026, which accounts for most of the $394 million decrease in debt service in 2023 compared to the previous year.

MTA-budgeted debt service (including lockbox debt service) is projected to reach $5 billion by 2031 (see Figure 6), $2.3 billion more than in 2023 (83 percent higher). Non-lockbox debt service between 2023 and 2031 is also expected to rise by $1 billion, to $3.7 billion, even as overall non-lockbox debt outstanding is expected to decline. The higher payments on a reduced amount of debt are mostly due to the MTA still having to issue long-term bonds to pay outstanding bond anticipation notes (BANs) and fund a portion of the 2020-2024 capital program.

As noted earlier, the MTA's debt service forecast includes the issuance of $8.1 billion in anticipated

FIGURE 6
MTA Debt Service

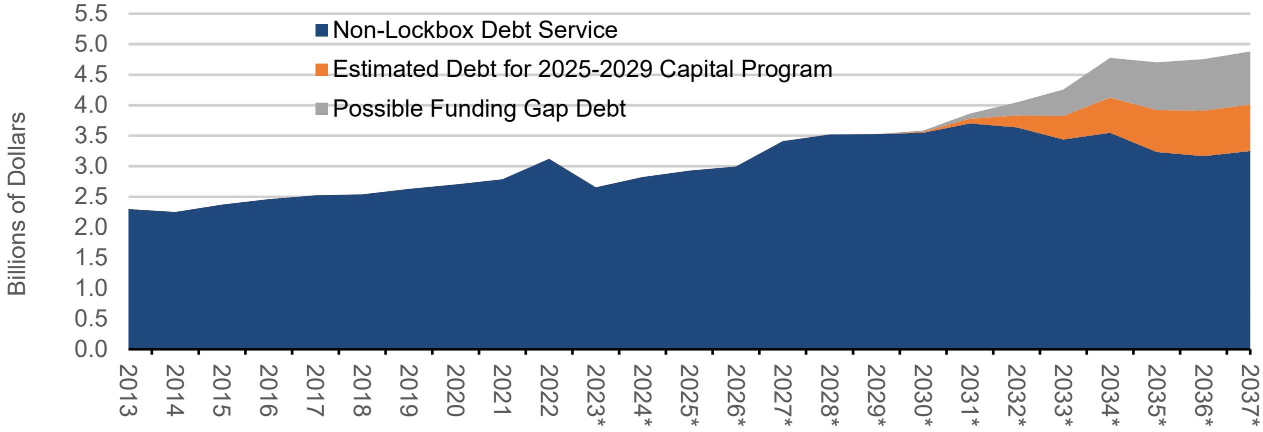


Note: Data as of the MTA's February 2024 Financial Plan. Shaded area beginning in 2023 are projections.
Sources: Metropolitan Transportation Authority; OSC analysis

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 2024, and the long-term bonds to pay back these BANs would not be issued until 2027; they would have deferred principal for 10 years.

As noted earlier, the MTA's debt forecast does not include any future bonding that might occur to fund future capital programs. The 2025-2029 capital program is scheduled to be released by October 1, 2024. It is unknown how large the program will be compared to the 2020-2024 capital program (the MTA's largest in history) which was funded with lockbox revenues which are not expected to be available to fund the same

FIGURE 7
MTA Debt Service



Note: Non-lockbox debt service as of the MTA's February 2024 Financial Plan. *MTA forecast
Sources: Metropolitan Transportation Authority; OSC analysis

level of projects outside that program. The MTA is committed to bond around $11 billion backed by revenues in its operating budget in both the 2015-2019 capital program and the 2020-2024 program. If the MTA bonds a similar amount for the 2025-2029 program, OSC projects that debt service paid out of the operating budget could increase by $764 million to reach $4 billion in 2037 (see Figure 7). Debt service would be 51 percent higher than in 2023. Assuming all other projections remain on their current trajectory (e.g. ridership, toll and tax revenues) the cost of servicing this debt would necessitate the equivalent of raising the subway fare by 6 percent in 2037.

In the absence of another dedicated funding source at the level congestion pricing would bring, the MTA might decide to increase its level of bonding to fund half of the $25 billion congestion pricing lockbox funding gap. If the MTA decided to bond another $12.5 billion (for a total of $23.5 billion) debt service could increase by $1.6 billion to reach $4.9 billion in 2037. Debt service would be 84 percent higher than in 2023 or the equivalent of raising the subway fare by 13 percent in 2037.

There are a number of other ways the MTA can choose to structure its debt and pay for the related costs. Some of these options are based on a fundamentally sound public financing rationale, such as the set aside of funds for and use of a capital lockbox; however, other choices have put off more difficult decisions, particularly during recent periods of fiscal stress. More concerningly, even as recent fiscal stress has subsided, the MTA has continued the use of bonds that defer principal payments or are stretched for longer periods of time. This increases costs to the agency in the long run that future riders, toll payers and taxpayers will have to absorb. A recent OSC report highlighted that State borrowing for the MTA that backloaded principal payments with longer payoff schedules resulted in over $1 billion in higher costs to taxpayers in the long run.

The separation of funds for the explicit purpose of paying for the capital program, such as the lockbox, avoids conflating pressures from the operating budget onto the capital program.

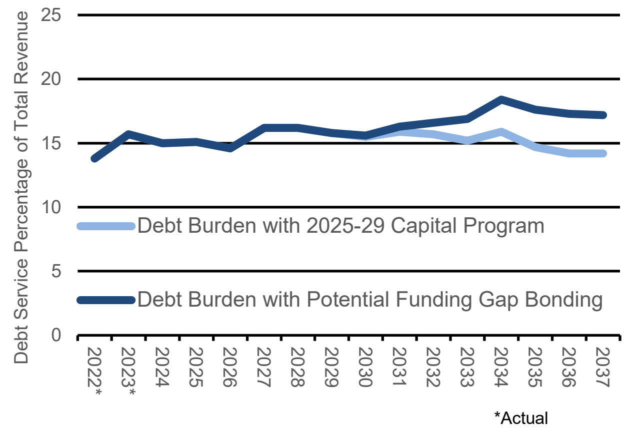
Debt service on the assumed $19.7 billion of lockbox bonding is expected to rise to $1.3 billion annually starting in 2028.[1] This debt service, however, is expected to be paid from the capital lockbox, which is separate from the MTA's operating budget and will not compete for other resources in the operating budget without changes to State law.

This approach stands in contrast to recent choices on bond repayment structures by the Authority. Starting in 2018, the MTA has structured its bond sales to defer the payment of principal, in some cases for as long as 20 years, which leads to lower debt service costs in the short term and reduces its current operating burden. However, this approach, known as "backloading," pushes these increased costs into an uncertain future while increasing overall interest expenses. The MTA also uses BANs with maturities as long as three years, pushing off long-term financing through bonds to a later time thereby extending the final maturities beyond 30 years.

The MTA's financial plan assumes most of its projected issuances will have level debt service, which is an appropriate and equitable means for planning to pay these costs, and an industry standard for municipal bond issuers. However, OSC anticipates that the MTA will continue to issue debt that will defer all principal payments for 10 years, as it already plans to do with its own share of bonding for the 2020-2024 program.

The MTA has also become more reliant on debt with maturities longer than 30 years. Of the 33 bonds that the MTA has issued since 2017, 15 bonds totaling over $4 billion had maturities longer than 30 years. Nine bond issuances that will take longer than 30 years to repay have been issued since 2021, during a period of sustained fiscal uncertainty. The MTA has stated that it structures its debt so that it matures within the expected useful life of the project being funded but longer maturities also mask short-term operating pressures. In addition, bonds with longer payoff periods are more costly over time.

FIGURE 8
MTA Debt Burden with Future Capital Program



Note: Revenues are assumed to grow 3 percent annually.
Sources: Metropolitan Transportation Authority; OSC analysis

The share of total revenue needed to fund debt service averaged 16.1 percent from 2010 through 2019. The MTA's February Plan benefits from the additional support that was provided by the State and from the MTA using federal funding to free up its own resources to defease bonds and pre-pay interest in 2023. As a result, the Authority reports that the debt burden is expected to rise from 13.8 percent in 2022 to 15.7 percent in 2023, decrease to 14.6 percent in 2026 and then increase to 16.2 percent in 2027. These totals assume a 4 percent yield increase in 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 than currently budgeted; it would rise to 19.7 percent by 2031, assuming all $19.7 billion of lockbox debt is issued.[2]

Assuming revenues grow by 3 percent annually and the MTA issues $11 billion in bonds to fund the 2025-2029 capital program, the debt burden would be at 15.9 percent in 2031 and drop to

[1] The remaining $6 billion of the $25 billion expected from capital lockbox resources is expected to be from pay-as-you-go cash contributions to the MTA's 2020-2024 capital program.

[2] OSC analysis includes 100 percent of anticipated capital lockbox revenue being available for debt service of related bonds. The analysis assumes 3 percent growth in revenue for 2028 through 2031.

14.2 percent in 2036 as existing non-lockbox debt is amortized (see Figure 8). Absent increased support from its funding partners, if the MTA decides to increase its bonding to $23.5 billion to cover half of the congestion pricing funding gap, the debt burden would be at 18.4 percent in 2034 before dropping to 17.3 percent in 2036. In the future, the MTA's goal is to limit the debt burden to under 17 percent, but there is no assurance it will be able to do so.

If the MTA bonded $23.5 billion for the 2025-2029 capital program, in order to maintain a similar debt burden in 2037 as in 2027 of approximately 16 percent, operating revenues would have to increase by $8.6 billion (3.5 percent annually) during that period. Unless alternative operating revenues are identified to fill these gaps, the MTA may again turn to additional fare and toll increases, as it has done in the past.

Also as in the past, the MTA is relying on future revenue growth to limit the debt burden on the operating budget and offer management flexibility to fund future capital programs. If revenues increase by 1 percent annually after the plan period, the debt burden, including debt issued to cover $23.5 billion in bonding, would rise to 21.1 percent by 2034, exceeding its target level. If revenues increase by 5 percent annually, the debt burden would be 16.1 percent that year, which was the average burden during the 2010s. Success in bringing riders back to the system, and thereby boosting revenue, would help alleviate the debt burden in the long term.

Debt Service Metrics

As shown in Figure 9, the MTA uses four main types of debt, known as "credits," for its bonding program. Each credit is backed by different pledged revenues; Transportation Revenue Bonds (TRBs) were previously the most used credit, since most MTA revenue is pledged toward debt service payments for this credit.

The MTA now plans to do the bulk of its borrowing using the PMT credit, since it carries a stronger credit rating and thus offers lower interest rates. By 2027, the MTA expects 24 percent of PMT pledged revenue to be used for debt service, up from 11 percent in 2022. If not for the increase in the PMT to help the MTA's operating budget, the percentage devoted to debt service would be even higher in 2027. As mentioned previously, the MTA expects to use the PMT credit to fund $8.1 billion of the transit and commuter railroad portions of the 2020-2024 capital program. Debt service paid with PMT funds is expected to be as high as $1.4 billion in 2042, using a higher share of revenue that will not be available for operating expenses.

FIGURE 9
2024 MTA Debt Service Metrics

Bond Credit	Pledged Revenue (in millions)	Debt Service (in millions)	Debt Service as Share of Pledged Revenues
Transportation Revenue	$15,461	$1,225	8%
Payroll Mobility Tax	3,304	653	20%
Dedicated Tax Fund	615	263	43%
TBTA General	1,977	653	33%

Sources: Metropolitan Transportation Authority; OSC analysis

Another credit is the MTA Dedicated Tax Fund Bonds which are backed by petroleum business taxes, motor fuel taxes and certain motor vehicle fees. In 2024, 43 percent of the portion of these statewide revenues dedicated to the MTA are going toward debt service. Debt service as a percentage of pledged revenue is expected to be 33 percent for Triborough Bridge and Tunnel Authority (TBTA) General Revenue Bonds, which are backed by net toll revenue.

Conclusion

Uncertainty around the implementation of congestion pricing has already resulted in delays in awarding much-needed capital projects. The MTA estimates that this pause could delay up to

$9 billion of work in 2024. In total, $15 billion of capital work in the 2020-2024 capital program is contingent on the receipt of congestion pricing revenue. To do this work without congestion pricing, the MTA may choose to issue more debt paid out of its operating budget which could lead to operating funds that were dedicated to increase and improve service being diverted to pay debt service. The latest MTA 20-year needs assessment lays out the condition of the MTA's system; it is evident that a large portion of its physical assets are still in poor or marginal condition. The proposed 2025-2029 capital program must be adequately funded to ensure that the system does not slip back to a state where service is negatively impacted, as happened in 2017. Funding to ensure the Authority's State of Good Repair initiatives is of paramount importance in the current operating environment.

If the 2025-2029 capital program is as large as the previous program, there could be a $25 billion funding gap to fill, as most of the lockbox revenues that were used for the previous program will no longer be available. If the MTA resorts to issuing a disproportionate amount of debt to make up for funding gaps as it did in the 2000s, it may once again experience operating budget stress that could hurt service or necessitate additional fare, toll or tax increases.

Continued backloading of debt to achieve short-term savings, as well as the use of BANs that ultimately extend the period over which debt will be repaid, will also result in higher costs to the MTA's riders, toll payers and taxpayers in the long-term. If the MTA has to issue more debt for investments in the system amid potential funding gaps from its funding partners, then this unadvisable, costly practice is likely not only to continue, but potentially grow as it attempts to manage the operating budget impact.

The MTA's debt metrics should be able to stay within its target assuming its next capital program has stable capital funding. But if new capital funding is not forthcoming or additional revenue is not found from increased ridership or better-than-anticipated tax subsidies, the MTA will have to make a choice between maintaining the required level of its State of Good Repair capital projects and balancing its operating budget. The MTA and its stakeholders must continue to balance the optimal level of capital funding, including the impact to its fixed costs associated with servicing debt, and explain how it intends to prioritize its needs so that its choices do not result in disinvestment in the system. By doing so, the MTA can continue to provide the services needed for the nation's largest regional economy to grow and prosper in the years ahead.

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