

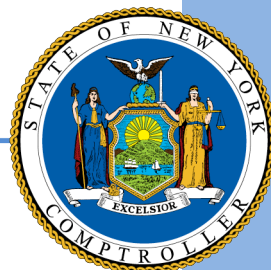
MTA 2025-2029 Capital Program Scenarios

Report 13-2025

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Rahul Jain, Deputy Comptroller



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Introduction

By statute, the Metropolitan Transportation Authority's (MTA) is required to submit its 2025-2029 capital program to the State Capital Program Review Board (CPRB) by October 1, 2024 to begin the process of adoption. The choices made in the next capital plan will reverberate for New Yorkers in the region for years to come, impacting comfort, safety, reliability and frequency of the system.

The program comes at a time of great uncertainty for the Authority's capital investments and related funding. The choice to pause congestion pricing and the uncertainty it has created over \$15 billion in funding for the 2020-2024 capital program has produced additional pressure on investment choices for the system. These choices may be felt through less investment in the system or identifying additional funding sources, which can affect everything from system performance to local business conditions.

The Office of the State Comptroller (OSC) has noted that the MTA must explain the selection of projects to prioritize, and what cancellation or delay may mean for riders. Choices should also make clear future cost implications, as much of the capital construction work will become more costly over time, an issue that has plagued capital projects in the region. The timing of funding replacement and the size of capital needs also require consideration of the MTA's ability to execute on completing projects on time and within their budgets.

The MTA capital program is, ultimately, a choice over which capital investments are needed and can be funded to repair, enhance and expand the system. These choices are a balance between the asset-based needs of the system and the availability of sources to fund those investments.

Given the substantial needs to maintain, protect and enhance the system, this report lays out the potential sources and uses of funding, identifying the major considerations for choosing the size of a capital program, which then informs the discussion over sources of funding. The analysis finds that the MTA will likely have more in needs, including system improvement and expansion, than funds available, a reminder that prioritization and explanation of its choices will be critical to generate funding support to maintain and enhance the system. In selecting projects, the Authority must continue to focus on state of good repair to ensure the [safety, reliability and frequency of the system](#). The report is intended to provide stakeholders with the range of choices facing the Authority, and ultimately legislators, riders and toll payers, as the MTA navigates this difficult period.

Funding Options Review

The first step in considering the size of the needs (and therefore the uses) of capital funding for the 2025-2029 capital program is identifying the building blocks of such a program. This analysis attempts to provide a potential range of what the MTA will present in its 2025-2029 capital program, using the considerations laid out in the Authority's prior needs assessments and more recent discussions of its capital needs.

This portion of the analysis identifies the many needs of the system that will form the "uses" of identified capital funding. The analysis builds on a prior [OSC analysis](#) that leveraged prior needs assessments performed by the Authority that included cost amounts, performed in 2013. Costs were not included in its latest 20-year needs assessment (TYNA) undertaken in 2023, a choice that raised concerns over transparency. This report expands on prior work by recognizing that the Authority has updated a number of assumptions on the conditions of its assets and its strategy to address them while enhancing the system, including rolling stock, resilience needs, unfunded needs in the 2020-2024 capital program as well as continued expansion efforts.

State of Good Repair and Normal Replacement: The most critical block of funding needs is to update assets that are no longer in a state of good repair (SOGR) and maintaining assets that need to be replaced before they deteriorate (normal replacement projects). This analysis builds on a prior analysis of needs where OSC provided a dollar figure based on 2025-2029 needs identified and priced in the 2013 TYNA.

Since the release of [OSC's report](#) on potential capital needs in February 2024, the MTA has suggested that some cost projections from 2013 are dated or may have been optimistic about the projected state of repair of certain assets. This report updates the assumptions in the prior analysis, particularly for SOGR and updated cost assumptions for power, shops and structures, most notably the Grand Central Terminal trainshed. Substantial updates are also made to SOGR and normal replacement (NR) of rolling stock, which is broken out separately in the following section.

OSC's prior analysis assumed an inflated cost for a number of these items but did not update projections for assets that had not reached the state of repair assumed in 2013, new mandates or policy choices, or assets where cost projections did not account for changes to market conditions and resilience needs, and therefore still have substantial cost needs associated with them. For example, the MTA had 22 power substations that were not in a state of good repair in 2013, a figure that was expected to drop to zero by 2025. Instead, the most recent needs assessment suggests that figure has risen to 81 substations. OSC assumes the MTA could bring half (low) or all (high) of the substations to repair in the new plan. Along with other power projects, OSC projects the associated cost to reach nearly \$2 billion to \$4 billion.

The 2013 assessment also assumed shop work to be done at Livonia and 240th Street yards would cost \$150 million. The MTA recently noted at one of its board meetings that the shops can no longer service newer rolling stock because of physical limitations at these yards and

that the cost of replacement has risen to \$1 billion combined for both yards. Similar revisions to cost assumptions have been made for spending on New York City Transit (NYCT) structures, which have risen from \$800 million assumed in 2013, to \$3.1 billion in the 2020-2024 capital plan., The MTA has suggested they will need to double this figure to maintain structures in the 2025-2029 capital plan, which is included as the high estimate for this analysis. Finally, the MTA has in recent months raised concerns over the state of the Grand Central Terminal trainshed. The 2013 needs assessment suggested a need of \$150 million for Grand Central Terminal in the 2025-2029 period; more recent projections assume the rehabilitation work will cost \$2.7 billion over 15 years. OSC assumes \$1 billion of this funding will be included in the plan for the high range, a difference of \$1.55 billion compared to estimates in 2013.

Rolling Stock: Rolling stock (i.e. railcars, buses) purchases were a significant contributor to exceeding capital commitment targets in 2022. While rolling stock purchases are likely to represent a significant portion of the capital program’s uses, they do not require a proportionally large share of MTA construction management staff or procurement capacity (although as prior OSC analysis has shown, the MTA can improve [certain aspects of its rolling stock procurement](#).) The Authority is likely to at least make a large bulk purchase to replace over 1,100 subway cars that will exceed their useful life of 40 years between 2024 and 2027 and potentially, another 625 cars that will exceed their useful life between 2027 and 2030. This analysis also updates commuter rail car purchases based on the most recent needs noted in the 2023 TYNA. Given the specifications of older subway cars which will be replaced and were longer than the current 60-foot standard, OSC projects a low range of \$8.4 billion and a high range of \$16.5 billion for subway and commuter rail car purchases.

In addition, the MTA continues to update its bus rolling stock, which has a useful life of 12 years, while transitioning to electric vehicles. According to the 2023 TYNA, NYCT had 256 standard buses that were over age (have gone beyond their useful life) and a plan to purchase 1,458 standard buses in the 2025-2029 period, 700 of which would be electric buses. The system also had 162 articulated buses that are over age and planned to purchase 625 from 2025 to 2029, 200 of which would be electric. The MTA has suggested electric bus charging station infrastructure could add a cost multiplier of 1.2x-1.3x to the normal cost of buses. The transition to electric buses is one of the largest contributions the MTA is making to the State’s Climate Leadership and Community Protection Act. OSC estimates the range of such purchases would be about \$3.5 billion if it were to use natural gas for a portion of the fleet and nearly \$4.5 billion if it were to buy an all-electric fleet.

Finally, there are 51 express buses that are over age, which the MTA may replace, and 300 express buses planned for procurement in the needs assessment for the 2025-2029 capital plan. An all-electric replacement fleet is included in the high end of the projection.

Resilience: In April 2024, the MTA published a “Climate Resilience Roadmap.” In it, the Authority noted that it would take at least \$6 billion to harden the system against inclement weather. The MTA cited a 10-year investment period, although it is unclear whether this work

would be accelerated or backloaded. The range considers both outcomes, with about half of the work to come over the next two capital programs.

Network Expansion: The MTA is likely to have at least two expansion projects that may be included in the 2025-2029 Capital Plan based on matching funds available and work already performed in the current plan: the Penn Station reconstruction project and the Interborough Express (IBX). The State legislature provided \$1.2 billion in funds for the Penn Station reconstruction project in the Enacted State Budget for 2023-2024, which the MTA is likely to use in the 2025-2029 capital program, and which is included at the low end of this forecast.

The high end of the range assumes that \$2.75 billion in funding for IBX, with half to be funded by federal funds, will be included in the next capital program. These figures also assume that \$2 billion in funding for Second Avenue Subway Phase 2 (SAS) will be included in the 2020-2024 capital program (see discussion after Figure 1) which could impact 2025-2029 capital program choices if these funds do not materialize.

Accessibility: In accordance with an agreement to make the New York City subway system accessible in compliance with the Americans with Disabilities Act (ADA), the MTA agreed to set aside a portion of each capital program dedicated to NYCT projects, excluding expansion, toward accessibility projects. The range for accessibility is based on the pro-rated share of OSC estimated spending for NYCT projects, excluding the IBX. The sum of the low end of the range would be \$5.3 billion and the high end would be \$8.1 billion (see Figure 1.)

Projected Total Range of 2025-2029 Capital Program: There is substantial variation in the potential capital needs and uses, ranging from \$57.8 million to \$92.2 billion, with a midpoint of \$75 billion.

FIGURE 1
2025-2029 Capital Program by Aspect of Need and Uses

Aspect of Needs and Uses	Low	High	Considerations
SOGR/NR	\$37,300	\$55,200	Construction Cost Inflation; Outdated SOGR projections
Rolling Stock Purchases	\$12,000	\$20,900	Purchase timing and cost inflation
Resilience	\$2,000	\$4,000	Dependent on work sequencing, inclement weather patterns
Accessibility	\$5,300	\$8,100	Dependent on NYCT Portion of Capital Program
Network Expansion	\$1,200	\$3,975	Projects Selected
Total (2025-2029 Capital Program)	\$57,800	\$92,175	
Unfunded 2020-2024 Capital Projects	\$0	\$15,000	Toll Amount; Federal Approval; Amount of Non-toll Replacement Funding
Total with Unfunded 2020-2024 Capital Projects	\$57,800	\$107,175	

Sources: Metropolitan Transportation Authority; OSC analysis

Unfunded 2020-2024 Capital Program Projects: Given the unique timing over renewed questions about how the MTA will fund \$15 billion in projects already identified in the 2020-2024 capital program, a summary of current capital funding needs at the Authority must also include this funding gap as part of the total unidentified sources. These projects have already been identified and if replacement funding cannot be identified, the MTA will need to replace projects in the next plan or future plans or be canceled. As [noted in a previous report released](#) by OSC, projects that could be impacted include state of good repair work, normal replacement, signal modernization, rolling stock, accessibility and expansion items, such as the SAS.

Funding Options Review

Both the low and high scenarios in the calculated range of funding needs would require substantial new funding, a narrow portion of which MTA has control over. The MTA has significantly more control over what it can spend funds on than it does over the sources of funding. Most of the Authority's control over funding sources is from capital raised via debt issuance, which is constrained by its [own targets on maintaining debt burden](#) levels (debt servicing costs as a share of operating costs) that do not impact operations.

Federal choices over congestion pricing and projects funded by that revenue stream, federal parameters and selection processes for awarded projects and transit funding formulas will also inform an important piece of the plan. Most critically, the State also has control over the fate of congestion pricing funding, expansions of existing taxes or subsidies or the generation of new taxes or subsidies to fund the program, including funding that will be provided by New York City.

Federal Funding

MTA has regularly received federal formula grant funding and been awarded competitive grants as the nation's largest transit agency. While federal transportation policy may be in flux after the upcoming federal elections, this analysis assumes that the MTA will receive similar levels of funding to past plans and with the potential for inflated amounts based on the most current transportation formula, which was boosted by the Infrastructure Investment and Jobs Act, passed in federal fiscal year 2022.

In addition, the federal government has expanded competitive grants for projects that are critical for national transportation priorities, such as improved equity and emission reduction. The main assumption for the high-end of federal funding would include money from the Federal New Starts Program, which could support the Interborough Express project. Additional funds could support resilience efforts or come in response to inclement weather events, as has occurred in prior capital programs. It is unclear as to whether additional federal funding for Penn Station reconstruction would flow through the MTA capital program. As such, any additional amount for this project is excluded from this analysis.

State Funding

The most critical aspect of State funding remains the \$15 billion hole in the 2020-2024 capital program from the pause of congestion pricing, which must be addressed prior to answering funding questions in the 2025-2029 capital program. The Governor has suggested that a replacement will be found, but the source and composition of the funds remain unidentified. There have been suggestions that a reduced toll within the range of tolls included in the federal environmental review and ultimately approved by the federal government may be implemented. However, to do this, the State would have to change the law to take in less revenue than statutorily required or identify another source to close the \$15 billion funding gap in the prior plan. The federal government also could remove approvals of adjustments to a new

tolling plan, based on its impact on traffic patterns and environmental qualities such as air pollution, creating additional uncertainty.

Historically, the State has generally provided the MTA with a significant portion of their capital plan sources, whether through the approval of new taxes or additional subsidies. The sources from the combination of the two are generally considered in relation to one another when assessing and providing overall funding support from the State. The low end of the range assumes the smallest share of the past five capital programs funded by the State using the combination of these sources. The high end assumes a continuation of State funding levels similar to the 2020-2024 capital program. One area of certainty is funding already appropriated, \$1.2 billion for the Penn Station Reconstruction, which is expected to fund a portion of the work in the 2025-2029 capital program.

There has also been some discussion over the use of increased taxes to fund capital spending, generally by backing MTA bonds. Commonly mentioned taxes include sales taxes and the payroll mobility tax; however, the MTA currently backs bonds using a variety of tax revenue, including on real estate, corporate taxes and gas sales. There are important distinctions between funds that are deposited in a lockbox, which are fully set aside to fund capital projects, and those provided to the MTA as operating revenue, where the Authority may elect to use 15 to 20 percent of the funding to back debt.

Given substantial operational support provided to the MTA in recent years, this analysis assumes new or increased taxes would be fully set aside, available only to fund capital projects. For example, the impact of a hypothetical 10 percent increase for taxes, along with the amount that could be generated by bonding against those increases if they were fully set aside, is below:

- Payroll Mobility Tax: \$300 million (\$5 billion in bonding).
- Corporate Franchise Surcharge: \$200 million (\$3 billion in bonding).
- Sales Tax: \$130 million (\$2.1 billion in bonding).
- Petroleum Business Tax: \$60 million (\$1 billion in bonding).
- Mansion Tax: \$30 million (\$500 million in bonding).

In addition, the State has provided \$150 million in general fund support in recent years in light of the MTA's financial issues arising from the COVID-19 pandemic. Provided annually for capital only, this could support about \$2.3 billion in bonding.

City Funding

The State has also required the City to contribute relatively larger amounts for New York City transit projects in recent plans. Based on the City's contribution from prior plans, with a small adjustment for inflation for high end of the range, estimated funding is between \$2 billion and \$4 billion at the high end. It is important to note that these amounts do not include taxes levied by the State for the MTA in the City, which are ultimately paid by its residents and businesses.

For example, the recent increase in the payroll mobility tax for the MTA operating budget was only on businesses in New York City.

Role of Debt Financing

The MTA will also fund its capital plan by issuing debt that is paid for through the operating budget to fund the remainder of the plan. These “MTA bonds” do not include the lockbox-backed bonds noted earlier, which are listed separately.

Remaining funding needs will likely fall to the MTA itself and its main mechanism for such needs, the issuance of debt. Ultimately these decisions will also impact the Authority’s operating budget, a portion of which is used to pay for debt, called debt service. Currently, 15 cents of every dollar the MTA collects and uses to fund operating spending goes towards debt, leaving 85 cents to pay for its operating costs, including the workers who operate and maintain the trains, buses, and other fleet, headquarter operations, and for contracts, which provide services such as paratransit. If the MTA were to continue to target a debt burden below the current 15 percent level over the next 10 years, the Authority could issue about \$12 billion in debt while keeping debt service at or near 13 percent of revenue, the low end of the range. An 18 percent target, which would be at the high end of the range and pressure the operating budget, would allow for the issuance of about \$21 billion in debt. These amounts include debt for bridge and tunnel projects.

Roughly, the Authority needs about \$64 million in annual funding to service approximately \$1 billion in debt. Excluding debt funded by new or expanded taxes and subsidies, such as the payroll mobility tax or sales taxes noted earlier, the Authority raises revenues through its operations, primarily fares and tolls. Three measures taken here could be reducing fare evasion, increasing ridership and increasing the size of fare hikes.

Given these sources of revenue cannot be separated from other operating costs, OSC assumes 13 percent could go to debt service at the low end of the range and 18 percent at the high end. Currently the MTA assumes approximately \$700 million in lost revenue from fare evasion, regaining between \$91 million and \$126 million in lost revenue, or about \$1.5 billion to \$2.1 billion in capital from debt issuance if the entirety of this amount could be collected. Similarly, a 5 percent increase in ridership would generate \$280 million annually beginning in 2025, with 13 percent to 18 percent of this amount supporting an additional \$550 million to \$820 million in bonding. It is important to note that the MTA currently includes the reduction of fare evasion as part of projected ridership growth to reach target levels and that ridership is currently below target for subways and buses, meaning these improvements in reducing fare evasion and ridership would need to go beyond current projections. Similarly, a fare and toll hike that is double the current plan in 2025 would produce more than \$300 million annually, excluding potential impacts on ridership, with 13 percent to 18 percent of this amount supporting between \$600 million and \$900 million in additional bonding capacity.

Historically, the MTA has also used asset sales and other sources to fund a small portion of its capital program. Figure 2 reflects a portion that could be made available from these sources as well, based on historical trends.

FIGURE 2
MTA 2025-2029 Capital Program Potential Funding Sources Range
 (in millions)

Funding Source	Low	High	Considerations
Federal Funding	\$7,500	\$14,000	Expansion projects, federal budget needs and formula changes
New York State	\$8,800	\$29,000	Tax competitiveness, State budget needs, congestion pricing outcome
New York City	\$2,000	\$4,000	City capital and operating budget; debt capacity
MTA Bonds	\$12,000	\$21,000	Debt service burden and operational impacts (includes bridges and tunnels projects)
MTA Asset Sales and Other	\$500	\$3,500	Value of property and operational needs
Subtotal	\$30,800	\$71,500	
New York State 2020-2024 Funding Gap	\$0	\$15,000	Toll Amount; Federal Approval; Amount of Non-toll Replacement Funding
Total (with 2020-2024 Funding)	\$30,800	\$86,500	

Sources: Metropolitan Transportation Authority; OSC analysis

In sum, the many basic needs and enhancements the MTA could include in this plan, along with updated cost considerations and mandates, would require substantial investment, made more difficult by the current uncertainty over capital revenue sources assumed in the 2020-2024 capital program. The MTA continues to have greater needs than it will have funding. Recent discussion by the MTA board over the acceleration of certain projects should help the public understand the decisions that are likely to be made. Work on system enhancements and expansion will have to be carefully selected to leverage external funding and boost ridership. While a slowdown in investment would not be a new phenomenon for the MTA, it would have compounding effects on the system's state of good repair and services provided over time.



Contact

Office of the New York State Comptroller
110 State Street, 15th Floor
Albany, New York 12236

(518) 474-4015

www.osc.ny.gov

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

