



Gap in MTA Capital Plan Threatens to Further Increase City Contributions

Summary

The Metropolitan Transportation Authority (MTA) proposed its 2025-2029 Capital Plan in September 2024. The Capital Plan is the MTA's five-year plan to rebuild, improve, and expand the MTA's transit system. It is separate from the MTA's operating budget, which covers day-to-day costs of running its transit services. The MTA proposed a \$68.4 billion Capital Plan but identified only about half of the funding for it.

On December 24, 2024, the State's Capital Program Review Board (CPRB) rejected the MTA's proposed 2025-2029 Capital Plan due to this lack of funding. As a result, the 2025 State budget process must now resolve the program's funding gap, and the MTA must submit a revised plan.

The proposed Capital Plan assumes Federal funding formulas and grants will continue at a time when policy priorities in Washington are shifting. The Capital Plan also looks to New York State to directly fund at least \$4 billion in projects, which will be subject to Albany's budget negotiations this year. If Federal and State funding do not materialize as presented in the Capital Plan, New York City will likely be asked to help cover the shortfall.

The current proposal assumes the City will contribute \$4 billion to the Capital Plan, a 33% increase from the prior plan in nominal terms. New York City's contributions to the MTA have grown in recent years, even after adjusting for inflation. City payments to the MTA totaled \$2.8 billion in fiscal year 2024 (for both capital and operating costs), up 17% in inflation-adjusted dollars from the prior year. Additionally, New York City and the surrounding region provide most of the tax revenue dedicated to the MTA. As the MTA looks to the State and City to resolve its funding gap, this could put pressure and uncertainty on the City's own budget at a time when City funding for the MTA has already substantially grown.

This report breaks down the main details for the 2025-2029 Capital Plan by:

- Summarizing the sources of the planned funding.
- Describing the funding risks.
- Explaining the multiple ways the City already funds the MTA and how that has changed in recent years.

IBO finds the City's payments to the MTA have grown in real terms in recent years, both in direct capital contributions and in operating subsidies—raising the question of whether the City can or should contribute even more.

What Is the MTA Capital Plan?

The Capital Plan presents the MTA’s top priority projects to rebuild, improve, and expand the transit system. Each Plan includes an estimate of project costs and funding sources. Capital projects are budgeted separately from the day-to-day operating costs of the system. Since 1982, the MTA has planned its capital work through five-year capital programs, each containing what the MTA considers to be the most pressing investments needed over the next five years.

The MTA’s proposed 2025-2029 Capital Plan contains \$68.4 billion in planned projects, focused primarily on replacement and upgrades to aging infrastructure.¹ However, the MTA has identified sources for only about half of this funding. The MTA’s capital projects are paid for by a combination of State, Federal, and City funds, as well as money the MTA borrows from outside investors through the issuance of bonds.

What’s the Status of Funding the 2025-2029 Capital Plan?

State Review Board Rejected Current Program. The MTA Board passed its proposed 2025-2029 Capital Plan in September 2024. This is despite having only tentatively identified \$35 billion, or 51% of the total capital funding needed (see Figure 1). On December 24, 2024, the State’s Capital Program Review Board (CPRB) rejected the proposed 2025-2029 Capital Plan due to this lack of funding. As a result, the 2025 State budget process will need to resolve the Plan’s funding gap. (Unlike the City and State, the MTA plans and budgets in calendar years.) The CPRB was created in 1981 to serve as a State oversight body for the MTA’s capital plans, following deteriorating service and low levels of investment in the late 1970s. Under State law, the MTA may not issue bonds for capital projects unless they are contained in a plan approved by the CPRB.² If rejected, a capital plan must be revised and resubmitted until it is approved.

Identified Funding. Importantly, even the \$35 billion identified by the MTA is uncertain. As shown in Figure 1, the MTA estimates \$14 billion in Federal funding for the 2025-2029 Program, under the assumption that increased formula funding authorized in the 2021 Infrastructure Investment and Jobs Act will be reauthorized after 2026 and continue for all five years of the MTA program.³ With a change in the presidential administration and shifts in policy priorities in Washington, the continuance of this Act is uncertain. The MTA further assumes that substantial Federal grants will be awarded to fund the \$2.75 billion Interborough Express project, a light rail project to connect Bay Ridge, Brooklyn to Jackson Heights, Queens. Finally, the MTA’s proposed 2025-2029 Program assumes \$4 billion in State funding and \$4 billion in City funding, both of which have yet to be negotiated.⁴

A portion of the identified \$35 billion that is within MTA’s control is debt. The MTA issues its own bonds for capital projects, which are then paid out over

Figure 1 MTA Capital Plan Funding by Source <i>Dollars in Billions</i>		
Funding Source	2020-2024 Program	2025-2029 Plan
Congestion Pricing	\$15.0	\$-
Federal Government	\$13.1	\$14.0
MTA Borrowing from Outside Investors and MTA Revenue	\$10.7	\$13.0
Tax Revenue Dedicated to MTA Capital Projects	\$10.0	\$-
New York State	\$3.1	\$4.0
New York City	\$3.0	\$4.0
Other	\$0.5	\$-
Total Funding	\$55.4	\$35.0
Program Cost	\$55.4	\$68.4
Funding Gap	\$-	(\$33.4)

SOURCES: MTA 2020-2024 Capital Program, MTA 2025-2029 Proposed Capital Plan, MTA September 2024 Board Book, and remarks by MTA CFO Kevin Willens at the September 23, 2024 meeting of the MTA Finance Committee
 NOTES: Capital-dedicated taxes include a portion of the New York State Real Estate Transfer Tax on properties valued at \$2 million or more (commonly called the “mansion tax”) and a portion of the Internet Marketplace Sales Tax. As enacted in the New York State Fiscal Year 2020 Budget, revenues from these sources enter the MTA’s capital lockbox dedicated to the 2020-2024 Capital Program. MTA borrowing includes MTA and TBTA bonds. TBTA stands for Triborough Bridge and Tunnel Authority and is an affiliate agency of the MTA. The MTA also uses its own current-year revenue to fund capital projects, known as PAYGO or Pay-As-You-Go capital. This funding is included in line 3 above.

New York City Independent Budget Office

time through its operating budget.⁵ In addition to this debt service, the operating budget includes day-to-day costs of running the MTA such as wages and utilities. MTA also uses funds in its current-year operating budget to directly pay for capital projects, known as Pay-As-You-Go capital (PAYGO). The proposed 2025-2029 Capital Plan assumes \$13 billion in MTA financing through bonds and PAYGO. The MTA estimates this amount will allow it to maintain an average debt service target of 15% of its operating budget.⁶ If additional funding sources cannot be identified, the MTA may need to issue additional debt above this target amount. Doing so would place further strain on the MTA’s operating budget, which is already projecting deficits of \$379 million in 2027 and \$419 million in 2028.⁷

Unidentified Funding. The MTA is effectively asking Albany to identify at least \$33.4 billion in new capital funding through the State budget, and possibly more if some of the assumed \$35 billion in identified funding does not materialize. Last November, the MTA secured Governor Hochul’s “strong support” for the proposed 2025-2029 Program, but the Governor’s State Executive Budget provided no details on additional funding. The State Executive Budget assumed \$3 billion each from the State and City, compared to \$4 billion each in the MTA’s plan, potentially expanding the funding gap to \$35.4 billion.⁸ Ultimately, the Legislature and Governor will have to agree on any funding from State resources—including recent proposals for new and increased subsidies from New York City. Otherwise, the MTA may be forced to issue more debt or shrink its capital investment plans, both of which could negatively impact the operations of the transit system.

How Does the City Currently Fund the MTA?

The MTA and Albany may look to the City to help close the gap. Current State law mandates that the City fund the MTA in several ways:

- Pay the MTA directly to fund capital projects
- Pay the MTA to cover operating costs, which helps offset the MTA’s cost of borrowing to then fund its capital projects
- Remit dedicated taxes to MTA capital and operating costs

To fund the 2025-2029 Program, the City may be required to increase its support in any or all of these areas.

As the following sections explain, City subsidies to the MTA have increased in recent years, and the MTA has already proposed increasing them further. Within the identified \$35 billion for the proposed 2025-2029 Capital Plan, the MTA assumed higher City capital contributions compared to the previous capital plan. The MTA is also requesting Albany approve new City operating subsidies in its 2025 Adopted Budget, specifically by continuing the City’s 80% share of growing paratransit costs. This 80% funding level is otherwise set to expire in July 2025, when it would revert to 50%.

Direct Capital Payments From City to MTA. The proposed 2025-2029 Capital Plan assumes the City provides \$4 billion directly to the MTA for capital projects. This represents a \$1 billion (or 33%) increase in City funds compared with the prior capital plan, not adjusting for inflation. Notably, negotiations between the State and City are ongoing, so this amount is subject to change. As shown in Figure 2, the proposed increase is

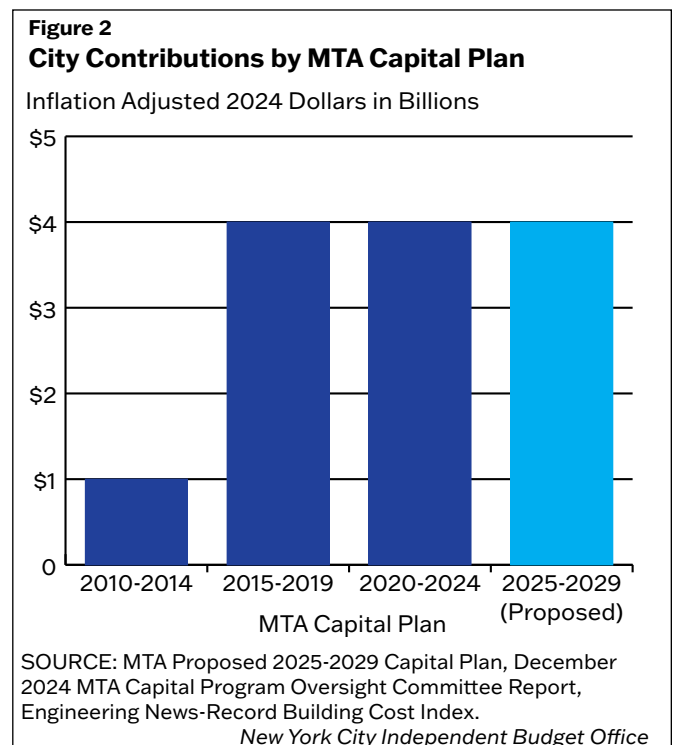
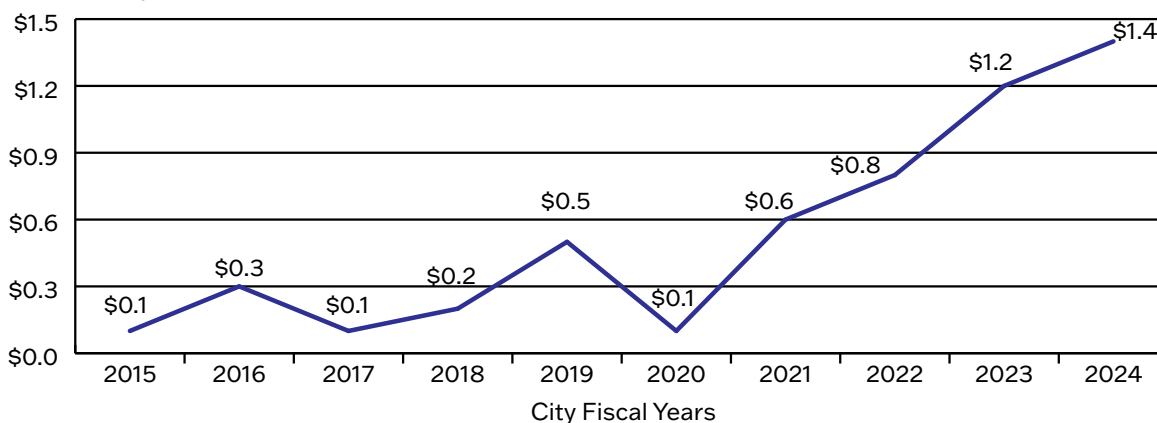


Figure 3
City Commitments for MTA Capital Projects by Year

Inflation Adjusted 2024 Dollars in Billions



SOURCES: New York City Financial Management System and Engineering News-Record Building Cost Index
 New York City Independent Budget Office

roughly in line with rising construction costs since the beginning of the previous capital program. Construction costs increased 36% over this period, according to the Engineering News-Record Building Cost Index. However, a 33% increase to the City contribution is greater than the 23% overall growth in planned capital spending (\$55 billion to \$68 billion, as shown in Figure 1).

City Payments to MTA Capital Projects By Year. City payments to the MTA for capital projects are reflected as spending, termed “commitments,” in the City’s own capital budget. The City’s annual payment to the MTA for capital projects fluctuates from year to year. The variance relates to when the MTA requests the money from the City, which in part reflects the timing of MTA projects. Most MTA capital projects are built over several years, often exceeding the period indicated by the title of a capital plan.⁹ As shown in Figure 3, when adjusted for inflation, the City provided the MTA with \$1.2 billion in capital commitments in City fiscal year 2023 and \$1.4 billion in 2024. (Note that the City fiscal year runs from July through June, while the MTA budgets in calendar years.) The City’s annual contributions have increased steadily since 2020. Even after adjusting for inflation, the City’s contributions from 2015 through 2019 were notably less than those of recent years. While multiple factors explain the recent uptick, this trend in part reflects a lag in spending on projects planned under the 2015-2019 Program.¹⁰

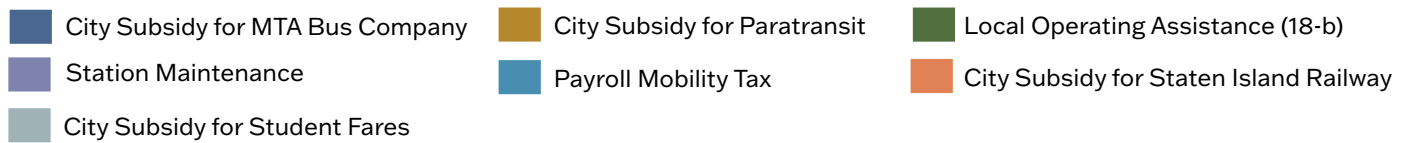
City Payments to Cover MTA Operating Expenses Indirectly Fund Capital Plan

The City provides funding to the MTA to cover operating expenses. These subsidies provide the MTA with more flexibility to take on debt and cover the interest payments in its operating budget. Additional borrowing can then fund capital projects. The MTA may look to close the Capital Plan funding gap by issuing additional debt beyond its current borrowing targets. The MTA could increase the operating subsidy that it receives from the City to help alleviate the pressure this additional debt would have on the MTA’s operating budget, which is projected to face out-year deficits.¹¹

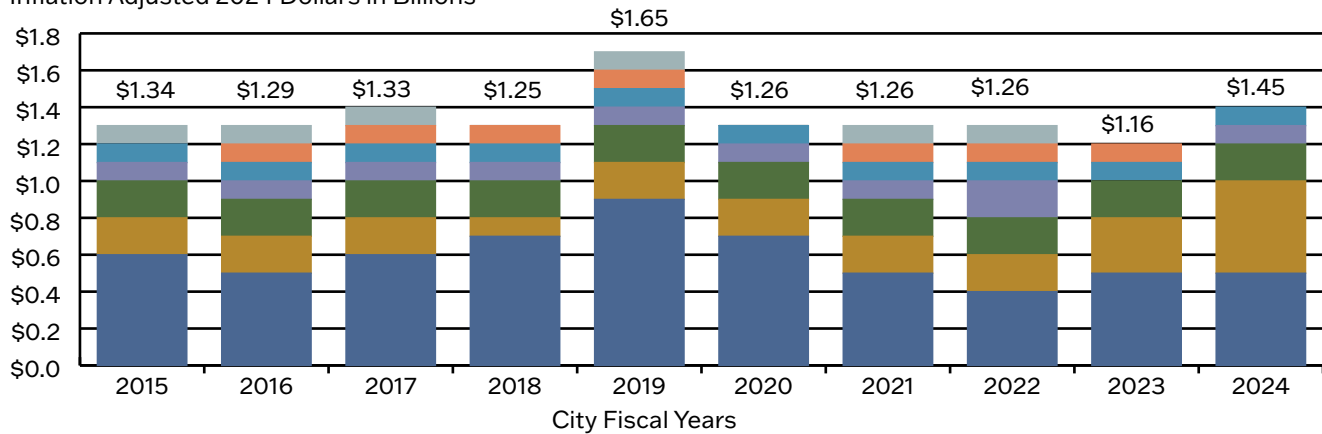
As shown in Figure 4, the City currently makes operating payments to the MTA in a variety of programs, including:

- MTA Bus Company
- Access-A-Ride paratransit services
- Free fares for schoolchildren
- Reduced fares for seniors and disabled riders
- Maintenance associated with commuter rail stations within the City
- Staten Island Railway

Figure 4
City Funding for the MTA Operating Budget



Inflation Adjusted 2024 Dollars in Billions



Three subsidies included in the annual totals are not visible in the table, including subsidies for: E-Z Pass (\$13 million in 2024); the Staten Island Express Bus (\$5 million); and the Reduced Fare Program for Senior and Disabled Riders (\$2 million)

SOURCES: Financial Management System and Consumer Price Index for All Urban Consumers (CPI-U) in the NY-NJ-PA region

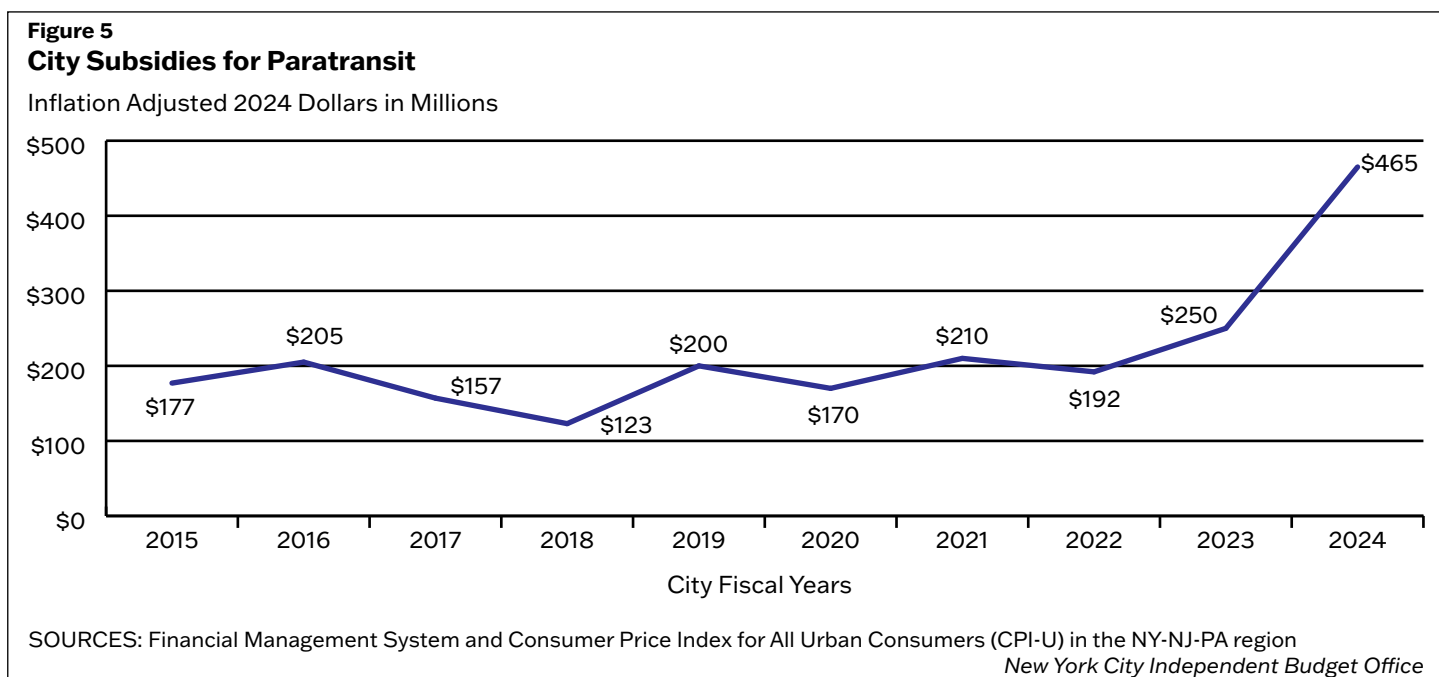
NOTE: The higher than average total operating subsidy for Fiscal Year 2019 was driven by City contributions to the Subway Action Plan.
New York City Independent Budget Office

These operating subsidies have grown in the past year, even after adjusting for inflation. In City fiscal year 2024, the City paid a total operating subsidy of \$1.4 billion to the MTA, up 17% from \$1.2 billion in fiscal year 2023. (See Figure 4.) Through the first five months of fiscal year 2025, City spending on operating subsidies to the MTA totals \$925 million. While City payments to the MTA vary from month to month, this does suggest that total operating subsidies for 2025 will be higher than last year.

City Subsidies for MTA Paratransit Services. Under the Americans with Disabilities Act, the MTA is legally required to provide complementary origin-to-destination transit service to riders for whom its fixed-route subway and bus systems are inaccessible, also known as paratransit.¹² The MTA’s paratransit service is called Access-A-Ride.

Paratransit is one of the MTA’s fastest-growing operating costs, and the MTA is seeking to permanently increase City contributions to the service. The City currently covers 80% of the remaining Access-A-Ride operating costs after subtracting out paratransit fare and tax revenues. The City’s cost-share percentage increased from 50% to 80% in the 2023-2024 State budget, to help close the MTA’s then-\$600 million operating budget deficit. The 80% subsidy is limited: each year City payments are capped at no more than \$165 million over what would otherwise be paid at the 50% subsidy level, and the City hit that cap in fiscal year 2024. In addition, the 80% subsidy was authorized only through June 2025.¹³ In its latest operating budget, the MTA assumes that the State will make this increase for the City permanent, although it is unclear whether Albany will oblige.¹⁴

As shown in Figure 5, the City paid \$465 million in paratransit subsidy last fiscal year. This is an 86% increase from the \$250 million paid for paratransit in 2023, after adjusting for inflation. Five months into fiscal year 2025, expenditures for paratransit totaled \$218 million, suggesting that the City will possibly pay even more this year than last year.



Dedicated Taxes. The MTA receives about 43% of its \$19.9 billion operating budget from a variety of taxes assessed at the State, regional, and City levels, respectively.¹⁵ Most of these taxes do not directly come from New York City’s government. Nevertheless, City residents and businesses pay them, and several taxes only apply in New York City rather than the broader metro region. (See Figure 6 for a complete list.)

City taxpayers provide a substantial share of the MTA’s dedicated taxes, especially those dedicated to capital work. Of the MTA’s \$8.6 billion in operating tax revenues for 2025, \$7.7 billion is projected to come from taxes and fees applied to New York City or the broader MTA service area, known as the Metropolitan Commuter Transportation District (MCTD). The MCTD includes New York City as well as Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess, and Westchester Counties.

On the capital side, 87% of the MTA’s estimated \$1.2 billion in capital-dedicated taxes are expected to come from City taxes and fees (see Figure 6). By State law, these capital-dedicated taxes will enter a lockbox fund dedicated to the previous 2020-2024 Capital Program—directing these tax revenues to fund the 2025-2029 Plan would require new legislative authorization.

While most taxes included in Figure 6 are paid solely by residents and businesses, the payroll mobility tax (PMT) also applies to the City government in its capacity as an employer. Employers pay this tax on business payroll within the MCTD.¹⁶ The City not only pays the PMT on its payroll, but also pays a PMT “offset” payment. The City’s offset payment is part of a State payment to the MTA to replace PMT revenues lost due to tax exemptions.

In the 2023-2024 State Budget, the rate of this tax was increased only within New York City (but not the surrounding counties) to help close the MTA’s \$600 million operating budget deficit.¹⁷ Subsequently, in City fiscal year 2024, City expenditures related to PMT totaled \$118 million, a 97% jump from fiscal year 2023. This ended a nine-year period of relatively consistent payments (between \$60 million and \$66 million from 2015 through 2023). Year-to-date expenditures five months into fiscal year 2025 are \$52 million, suggesting the greater contribution level will continue. In June 2024, Governor Hochul proposed further increasing the PMT to offset the loss of congestion pricing revenues from the pause to the program, but this proposal was rejected by the Legislature.¹⁸

Conclusion

The MTA’s proposed 2025-2029 Capital Plan faces a substantial \$33.4 billion funding gap, and it is unlikely to receive approval from the State Review Board to proceed until this gap is closed. The MTA is effectively asking the State and City to fill the gap through the 2025-2026 State budget.

IBO’s analysis finds the City’s payments to the MTA have grown in real terms in recent years, both in direct capital contributions and in operating subsidies. The City’s annual capital payment grew 21% in fiscal year 2024, following a trend of rising capital payments each year since 2020. Additionally, the City’s annual operating subsidies grew 17% in fiscal year 2024. (See Figures 3 and 4.) When the MTA last faced operating deficits in 2023, these were closed in part through new paratransit subsidies and payroll taxes from the City, along with direct State aid. Following the advent of congestion pricing—another City-based revenue source—the State and MTA will need to consider whether the City can or should contribute even more.

With new Federal funding unlikely to fill the gap, the State will need to choose a careful balance between broad-based State aid, MTA debt, and burdening the City further. Otherwise, the MTA will need to shrink its capital investment plans—deferring critical maintenance to an aging but essential transit system.

Figure 6 MTA Forecast of Dedicated Taxes For Calendar Year 2025 <i>Dollars in Millions</i>		
Dedicated Taxes	Operating Funds	2020-2024 Capital Program
New York City		
Urban Taxes	\$391	
For-Hire Vehicle Surcharge	\$342	
Automated Camera Enforcement (ACE)	\$93	
Central Business District Tolling Program (Congestion Pricing)		\$500
Mansion Tax (Real Estate Transfer Tax)		\$333
Internet Marketplace Tax - NYC		\$178
Regional (Metropolitan Commuter Transportation District)		
Metropolitan Mass Transportation Operating Assistance Taxes	\$3,150	
Mortgage Recording Taxes	\$376	
Payroll Mobility Tax	\$3,150	
Payroll Mobility Tax Replacement Funds	\$244	
Peer-to-Peer Car Sharing Trip Tax	\$1	
Statewide		
Petroleum Business Tax	\$595	
MTA Aid Trust Revenues	\$274	
Internet Marketplace Tax - NYS	\$-	\$157
Casino License and Gaming Tax Revenues	\$-	
City Subtotal	\$827	\$1,011
Regional Subtotal	\$6,922	
State Subtotal	\$868	\$157
Total Dedicated Taxes	\$8,617	\$1,168

SOURCE: MTA 2025 Final Proposed Budget, Consolidated Subsidies.
 NOTES: Sums may not total due to rounding. The Metropolitan Commuter Transportation District is made up of the five New York City counties as well as Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess, and Westchester counties. Casino license and gaming tax revenues are forecast by MTA to start in 2026. The total for the payroll mobility tax and replacement funds includes City payments. The total for the mortgage recording tax is net of MTA transfers to suburban counties.

New York City Independent Budget Office

Endnotes

¹ Metropolitan Transportation Authority. 2025-2029 Capital Plan. Plan Highlights, pages 36 to 68. <https://new.mta.info/document/151266>

²See N.Y. Pub. Auth. Law § 1269-B(4). The Capital Program Review Board consists of four voting members appointed by the Governor: one recommended by the State Senate President, one by the Speaker of the Assembly, and one by the Mayor of New York City. Notably, the Senate President, Assembly Speaker, and New York City Mayor have all currently appointed themselves to hold these seats. In addition, the Governor appoints two nonvoting members, recommended by the minority leaders of the State Senate and Assembly, respectively. Approval is granted by unanimous vote, and any plans failing to secure this approval must be revised and resubmitted.

³Remarks by Kevin Willens, MTA Chief Financial Officer. (2024, September 23). MTA Board - Finance Committee Meeting - 09/23/2024 - YouTube. Timestamp: 00:17:50.

⁴Ibid. Timestamp: 00:17:17.

⁵The MTA, under its current debt affordability targets, could borrow up to \$13 billion in new debt for the 2025-2029 Capital Plan. The MTA has several targets for debt affordability when determining the amount of bonds to issue over a capital plan period. The Authority targets a growth rate of 3% annually for debt service payments to keep pace with revenue growth, and over 2024-2035 is seeking to keep average annual debt service payments at 15% of total operating budget costs. Ibid. Timestamp: 00:23:25 and 00:26:25.

⁶Ibid. Timestamp: 00:26:20.

⁷Metropolitan Transportation Authority. 2025 Budget and Financial Plan 2025-2028 Adoption Materials. Page I-5. <https://new.mta.info/document/160376>

⁸Governor Kathy Hochul. FY2026 NYS Executive Budget Five-Year Capital Program and Financing Plan, Page 49. <https://www.budget.ny.gov/pubs/archive/fy26/ex/cp/fy26cp-ex.pdf>

⁹City payments may extend beyond each Capital Plan period, as capital projects are built over many years and the City often pays its share later than other funding sources.

¹⁰While MTA capital programs are budgeted for periods of 5 years, the MTA does not expect to complete all projects in the defined window. Their stated goal is to contract for every project in the plan window. In practice, this means that MTA capital programs typically have project spending several years after the plan window ended.

¹¹MTA July 2024 Financial Plan Presentation (2024, July 31). PowerPoint Presentation, page 4.

¹²Title 49 of the Code of Federal Regulations, Part 37 Transportation, Subpart F - Paratransit as a Complement to Fixed Route Service. <https://www.ecfr.gov/current/title-49/subtitle-A/part-37#subpart-F>

¹³New York Fiscal Year 2024 Transportation, Economic Development and Environmental Conservation (TED) Bill, Part D. <https://legislation.nysenate.gov/pdf/bills/2023/s4008c>

¹⁴Financial Plan presentation and remarks by Jai Patel, MTA Deputy Chief Financial Officer. (2024, December 18.) MTA Board - Finance Committee Meeting - 12/16/2024. Timestamp: 00:17:25.

¹⁵Metropolitan Transportation Authority. MTA 2025 Final Proposed Budget and November Financial Plan 2025 - 2028. Volume 1. Page II-1. <https://new.mta.info/document/157941>

¹⁶The Payroll Mobility Tax is also known as the Metropolitan Commuter Transportation Mobility Tax. For more detail on current Payroll Mobility Tax zones and rates, see: <https://www.tax.ny.gov/bus/mctmt/>

¹⁷The PMT was increased from 0.34% to 0.60% for employers in New York City paying more than \$437,500 in payroll expense per year and self-employed individuals in New York City with more than \$50,000 in net earnings per year. See New York Fiscal Year 2024 Transportation, Economic Development and Environmental Conservation (TED) Bill, Part Q. <https://legislation.nysenate.gov/pdf/bills/2023/s4008c>

¹⁸Reisman, N. Hochul's floated payroll tax hike rejected by lawmakers. Politico. June 6, 2024. Accessed January 3, 2025. <https://www.politico.com/news/2024/06/06/payroll-tax-hike-hochul-rejected-00162136>