Financial Outlook for the Metropolitan Transportation Authority

Report 5-2021

OFFICE OF THE NEW YORK STATE COMPTROLLER

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Executive Summary

The Metropolitan Transportation Authority (MTA) is facing the greatest challenge in its history. On March 1, 2020, New York City reported its first confirmed case of COVID-19, a highly contagious respiratory disease. In the weeks that followed, the caseload grew rapidly in New York City and the downstate region, and the novel coronavirus then spread across the nation.

In response, Governor Cuomo ordered residents to adopt social-distancing measures and restricted the activities of most businesses. These steps slowed the spread of the disease and provided time for health care systems to prepare for an influx of COVID-19 patients.

In tandem, the MTA instituted a reduced service plan for essential workers only. In the early months of the pandemic, utilization of the MTA's services dropped precipitously. Ridership dropped more than 90 percent and bridge and tunnel crossings were down by nearly two-thirds.

The crisis created by the pandemic came at an already difficult time for the MTA. In February 2020, right before the shutdown, the MTA released a financial plan covering calendar years 2020 through 2023 (the "February Plan"). The MTA projected cash deficits of $416 million in 2020, rising to $1.7 billion in 2023. Only after assuming biennial fare and toll increases of 4 percent beginning in 2021 and the successful implementation of the MTA's transformation plan, was the MTA able to balance its financial plan through 2022 and forecast a $130 million deficit in 2023.

On July 22, 2020, the MTA released a mid-year update to its 2020 budget and a four-year financial plan based on the preliminary budget for 2021 (the "July Plan"), responding to the new challenges posed by the pandemic. Although utilization of MTA services has begun to recover as the City reopens, the MTA does not expect fare and toll revenues to return to pre-pandemic levels until 2023. As a result, fare and toll revenues for 2020 through 2023 are projected to be $10.3 billion lower than expected in the February Plan. The pandemic has also led to a recession. As a result, dedicated taxes and subsidies are expected to be $5.5 billion lower for 2020 through 2023. The MTA expects other COVID-19 impacts, such as enhanced cleaning of the MTA system, to increase its budget gaps by $1 billion during those years.

The MTA forecasts budget deficits of $3.4 billion in 2020, $6.3 billion in 2021, $3.8 billion in 2022, $2.8 billion in 2023 and $3.1 billion in 2024. The July Plan's projected budget gaps are historic in nature. The gap in 2021 is 53 percent of total revenue. The post-2021 budget gaps as a percentage of revenue rival those during the Great Recession and are reliant on a return to 2019 ridership levels by 2023.

The July Plan's strategy to balance the 2020 budget and narrow the budget gaps in the following years relies heavily on three main elements: increased federal aid; the transformation plan, which would consolidate many administrative functions; and higher fares and tolls. Even if the MTA successfully implements its gap-closing program, it still forecasts budget deficits of $5.1 billion in 2021, $3.5 billion in 2022, $1.8 billion in 2023 and nearly $2 billion in 2024.

The MTA has received $4 billion from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act, which helped it get through the early months of the pandemic. The July Plan relies on the receipt of an additional $3.9 billion of federal aid in 2020 but none in subsequent years.

The implementation of the transformation plan has been delayed until 2021 as a result of the pandemic, and it is now expected to generate net savings of $430 million in 2021, growing to $475 million annually by 2023. The plan would reduce staffing by as many as 2,700 administrative positions through attrition.

The MTA also plans to raise fares and tolls by 4 percent in both March 2021 and March 2023, slightly lower than the projected rate of inflation during that period. Fare and toll increases are projected to generate $145 million in 2021, rising to $650 million in 2024.

After the release of the July Plan, the MTA increased its request from the federal government to $12 billion to balance its budget through 2021. The request includes $1 billion of congestion pricing revenue that the MTA would have had access to in 2021 if the federal government had approved the construction of the congestion pricing system this year.

The other $11 billion requested is the MTA's estimated impact of the pandemic on its budget in 2020 and 2021, after the initial $4 billion federal allocation from the CARES Act is used. In October 2020, the House of Representatives passed a revised version of the HEROES Act, which would, among other things, provide transit agencies with another $32 billion in operating assistance. Negotiations are continuing on another COVID-19 related stimulus bill, but there is no guarantee that additional transit assistance will be included in any such bill.

The MTA warns that if it does not receive its request for additional federal aid, it will have to implement drastic cuts such as reducing subway and bus service by 40 percent and reducing commuter railroad service by 50 percent. Fares and tolls could increase even more than planned, and large work force reductions could occur. If needed, the State has allowed the MTA to issue debt for operations to mitigate revenue shortfalls.

If the State does not receive additional federal aid, it has also indicated that it may cut MTA funding which would exacerbate the MTA's gaps starting in 2021.

The July Plan contains many risks. First, it is uncertain whether the MTA will receive any additional federal aid, or if it does, whether the level will be sufficient to balance the 2020 and 2021 budgets. The economy might also continue to worsen, and even if it does not there is no guarantee that ridership or tax revenue will return to pre-pandemic levels.

Another concern is the level of debt in the MTA's budget. Debt service is projected to reach $4 billion by 2024, an increase of 55 percent since 2019. This estimate includes debt service on bonds backed by MTA operating budget revenues, state appropriations for the 2015-2019 capital program, and bonds funded by revenue from the congestion revenue capital lockbox.

The share of total revenue needed to fund debt service has averaged 16.1 percent for the past decade. As a result of losses in revenues due to the pandemic, the debt burden is projected to be 25.7 percent in 2021 before declining to around 23 percent in 2022 through 2024. This will leave a smaller share of revenue for other priorities.

These estimates exclude any possible borrowing for operating purposes. If the MTA borrowed $10 billion for operating purposes as allowed to by the State, debt service could rise by $675 million annually starting in 2023, bringing the debt burden to 27 percent that year.

The MTA's transportation revenue bonds have been downgraded by four rating agencies. Moody's and Standard & Poor's have downgraded these bonds twice since the pandemic started with a continued negative outlook. Interest rates on MTA bonds have begun to rise since the pandemic, and the cost of borrowing may continue to be more expensive than in the past.

Another uncertainty is the outcome of collective bargaining negotiations. In December 2019, the MTA and the Transport Workers Union, the authority's largest union, reached a labor agreement that calls for an average annual wage increase of 2.3 percent over a four-year period. The July Plan assumes that the net cost of collective bargaining for its other unions will follow the TWU pattern. The actual cost could be higher or lower than the MTA anticipates.

The MTA has access to various reserves totaling as much as $1.5 billion. The July Plan includes an annual general reserve of $170 million in 2020, rising to $205 million in 2024. The July Plan also authorizes the hiring of another 4,942 positions between August 2020 and the end of 2021, but the MTA can realize savings by continuing its hiring freeze.

The MTA is in a desperate situation and is in urgent need of federal help to balance its 2020 and 2021 budgets since the MTA's traditional funding partners, the State and the City, are unable to provide additional funding. The MTA must continue to push forward on implementing its transformation plan and any other efficiencies it can find, such as in overtime spending.

Long-term borrowing for its operating budget must be treated only as a last resort. The MTA must also keep fare and toll increases to a minimum and avoid service reductions. If service reductions are needed, they should be targeted to affect the fewest riders possible. The New York City region cannot recover from the pandemic and recession without a strong and well-functioning MTA.

Impact of the COVID-19 Pandemic on the MTA

According to the Centers for Disease Control and Prevention, coronavirus disease 2019 (COVID-19) is a respiratory illness that easily spreads from one person to another. The virus was labeled a pandemic by the World Health Organization on March 11, 2020. According to Johns Hopkins University, as of September 23, 2020, there were almost 32 million confirmed COVID-19 cases globally and nearly one million reported deaths and the United States has had more confirmed cases (6.9 million) and more deaths (201,000) than any other country.

The New York State Department of Health has reported that the State has had nearly 452,000 confirmed cases of COVID-19 and more than 25,000 deaths associated with the disease. The 12 counties in the Metropolitan Commuter Transportation District (known as the MTA region), including New York City's five boroughs, accounted for nearly 90 percent of all cases and deaths statewide.

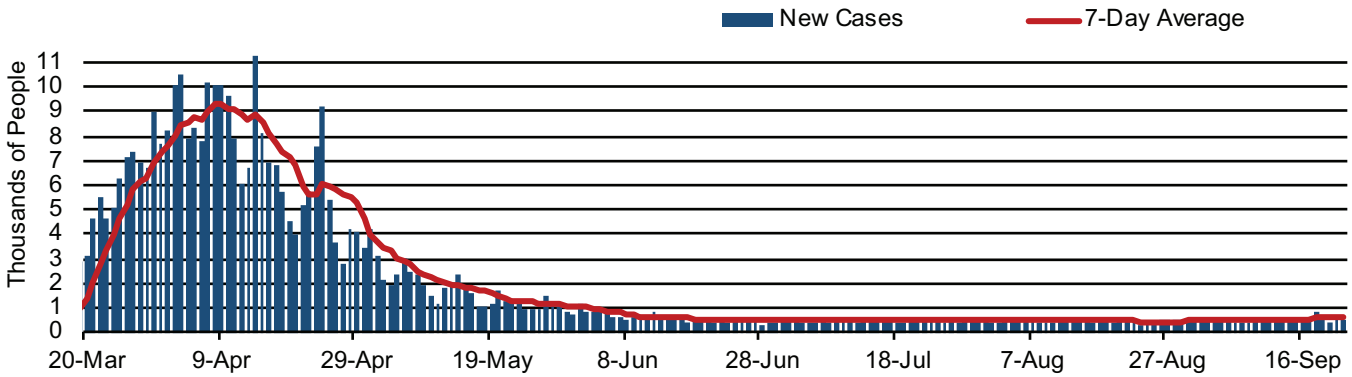
The first confirmed case of COVID-19 in New York State was identified on March 1, 2020, in New York City. Six days later, the Governor declared a disaster emergency in New York State, which is currently expected to remain in effect until October 23, 2020. On March 22, in response to community transmission of the virus, New York State initiated a "pause" on nonessential activity. The pause closed all nonessential business, limited gatherings, and placed social-distancing requirements on essential activities, including public transit.

The pause outlines a phased-in regional return to regular activities based on various public health criteria including infection rates, health-system capacity, diagnostic testing and contact-tracing capacity. The pause has so far proven successful in slowing the rate of growth in cases and flattening the curve to relieve local hospital systems.

In the 12-county MTA region, the number of new cases has declined slowly since peaking on April 14, 2020, and is now at about the same level as in early March when the crisis began (see Figure 1).

Once a region in New York State has met the State's public health criteria, its business sectors may begin to reopen in four phases. The first phase includes construction, manufacturing and select retail for curbside pickup. The second phase includes outdoor restaurant dining, office-based work and in-store retail. The third phase includes indoor restaurant dining and personal care services, and the fourth phase includes arts, entertainment and education.

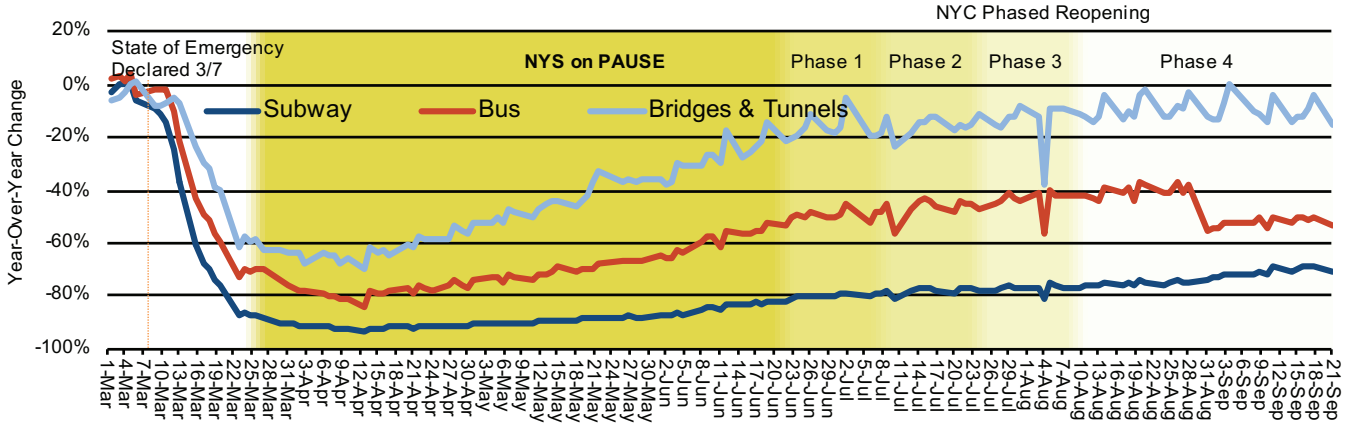
FIGURE 1
New COVID-19 Cases in the MTA Region



Note: MTA service region includes NYC and Nassau, Suffolk, Westchester, Rockland, Orange, Putnam and Dutchess counties.
Sources: NYS Department of Health; OSC analysis

FIGURE 2

Weekday MTA Services Utilization (excludes Commuter Rail)



Sources: Metropolitan Transportation Authority; OSC analysis

Regions in the northern part of the State began to reopen on May 15, and all regions have now reached Phase 4. New York City, the initial U.S. epicenter of the COVID-19 virus, was the last region in the State to begin reopening. While the City entered Phase 4 in July, the resumption of indoor dining resumed on September 30.

On March 24, following the executive order, the MTA implemented its NY Essential Service Plan to adhere to state guidelines and mitigate the effect of the virus on worker safety and MTA finances. The agency has reported more than 2,000 positive cases and more than 130 COVID-related employee deaths since March.

The Essential Service Plan was implemented during the brunt of the pandemic shutdown, and tactically reduced service to increase disinfection and sanitization procedures and to manage operational expenses while meeting social distancing and testing guidelines. The MTA has taken the unprecedented step of shutting down subway service from 1 a.m. to 5 a.m. to undertake a more thorough, nightly cleaning of the system. Buses ran at about 75 percent of normal levels, while commuter trains experienced drops in service, particularly during off-peak periods.

The combination of behavioral responses to the virus, limitations on nonessential activities, and changes to service to ensure safety has resulted in steep drop-offs in ridership. Weekday subway and bus ridership hit their nadirs in April, declining by 92 percent and 78 percent, respectively, from the same month in 2019.

Ridership has begun returning as the City has slowly moved through the reopening stages. Since Phase 4 started on July 20, weekday subway and bus ridership has been 76 percent and 42 percent lower,[1] respectively, than ridership during the same period in 2019, but has not improved much since the start of Phase 4 (see Figure 2). Station ridership data for August 2020 suggests variation in the use of subway service. The five stations with the highest ridership in the system remain at least 73% below August 2019 levels. In contrast, 13 stations, all of which are located outside the central business district, have ridership that is at least half of the August 2019 level.

MTA bridge and tunnel crossings were 62 percent lower in April when compared to April 2019, but improved to nearly 90 percent of the level of pre-pandemic crossings in August. Although ridership on the commuter railroads has improved since the City reopened, these riders are more likely to telecommute than subway and bus riders, and thus ridership is between 75 percent and 80 percent lower than last year.

A study released by the American Public Transportation Association in September 2020 found that there was no direct correlation between urban public transit usage and transmission of the COVID-19 virus especially where specific safeguards such as mask wearing and well-functioning ventilation systems are used. The study found several possible explanations for this lack of correlation, including limited talking by riders, high ventilation rates on transit vehicles, and relatively short duration of most transit trips. The report notes the New York City subway system exchanges its air 18 times per hour, above the recommended flow rate for many other indoor settings.

Utilization Trends

Annual subway ridership grew without interruption for six years following the end of the Great Recession, peaking at nearly 1.8 billion riders in 2015. Ridership then fell for three years amid deteriorating service, despite continued job growth in New York City. The MTA has also cited the increased usage of ride-hailing apps, particularly in the outer boroughs, as a factor in this decrease in ridership. It began to recover slightly in 2019 as much-needed repairs to the system improved performance.

However, as a result of the pandemic, the July Plan now expects subway ridership to drop 65 percent in 2020 before recovering to pre-pandemic levels in 2023 (see Figure 3). In 2009, as a result of the Great Recession, subway ridership dropped 2.7 percent and it wasn't until 2011 that ridership reached the 2008 level. If the current recession drags out, it might take longer to recover than the MTA expects given the much higher ridership losses and potential rider behavioral changes.

Ridership on the Long Island Rail Road (LIRR) reached 91 million in 2019, its highest level since the post-war record in 1949 (see Figure 4). However, the July Plan expects ridership on the LIRR to drop 67 percent in 2020 before rising to 94 million riders by 2023.

Figure 4 also shows ridership trends for the Metro-North Railroad. Ridership reached a record of 86.6 million in 2019. However, the July Plan expects ridership on Metro-North to drop 67 percent in 2020 before improving to a new record in 2023 (88 million riders).

The return of ridership on the MTA's commuter railroads might be impacted if white collar workers decide to continue working from home. The Partnership for New York City recently reported that the level of uncertainty over the pace of return of office workers has increased since earlier in the year.

FIGURE 3
Annual Subway Ridership

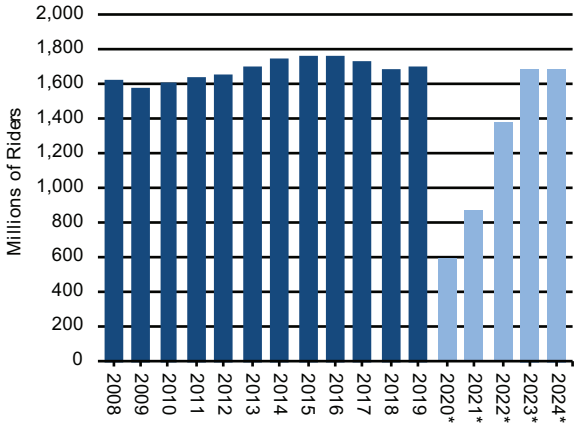


FIGURE 4
Commuter Rail Ridership

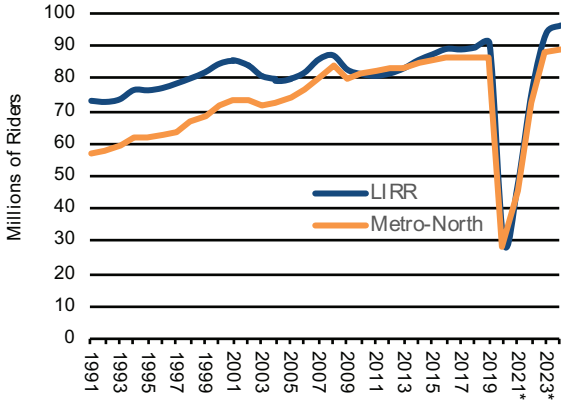
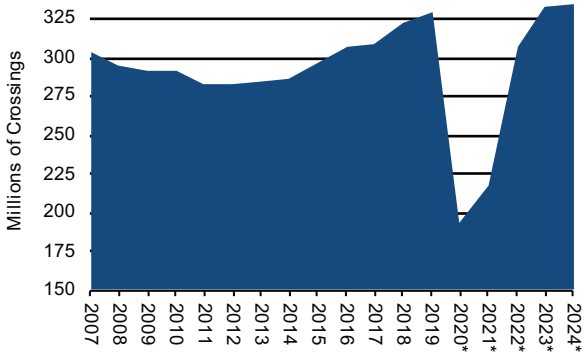


FIGURE 5
Bridge and Tunnel Crossings



*MTA forecast, February 2020

Source: Metropolitan Transportation Authority

After falling sharply during the Great Recession, bridge and tunnel crossings increased by 16 percent between 2012 and 2019 to a record of 329 million in response to robust economic growth and lower gas prices. However, the July Plan expects crossings to drop 41 percent in 2020 before improving to hit a new record in 2023 (334 million crossings; see Figure 5).

Ridership on the MTA's buses fell by 22 percent between 2008 and 2019 to 677 million, and the MTA had expected it to remain fairly flat in the ensuing years. However, bus ridership is now expected to decline by 67 percent in 2020 but then increase to 662 million riders in 2024, 2 percent lower than in 2019.

There are encouraging signs, however. When compared to the July Plan, subway fare revenue through August is $75 million higher than expected and toll revenue is $97 million higher than projected. In addition, once operational, congestion pricing is also expected to incentivize riders to use mass transit, including commuter rail, subway, and buses.

How the Budget Gaps Grew

The crisis created by the pandemic came at an already difficult time for the MTA. In February 2020, the MTA released a financial plan covering calendar years 2020 through 2023. The MTA projected cash deficits of $416 million in 2020, rising to $1.7 billion in 2023. Only after assuming biennial fare and toll increases of 4 percent beginning in 2021, increased City aid for paratransit and the successful implementation of the MTA's transformation plan, which was expected to save $1.6 billion over the financial plan period, was the MTA able to balance its financial plan through 2022 and forecast a $130 million deficit in 2023.

Since then, in response to the COVID-19 pandemic, the MTA instituted a reduced service plan for essential workers only. As a result, utilization of the MTA's services dropped precipitously. Although utilization has begun to recover, the MTA does not expect fare and toll revenues to return to pre-pandemic levels until 2023. As a result, fare and toll revenues for 2020 through 2023 are expected to be $10.3 billion lower than forecasted in the February Plan (see Figure 6). The pandemic has also led to a recession. As a result, dedicated taxes and subsidies are expected to be $5.5 billion lower for 2020 through 2023.

The MTA expects other COVID-19 impacts, such as enhanced cleaning of the MTA system, to increase its budget gaps by $1 billion for 2020 through 2023.[2] The MTA has received $4 billion from the CARES Act, which helped the MTA get through the early months of the pandemic. Even with that aid, the MTA forecasts budget deficits of $3.4 billion in 2020, $6.3 billion in 2021, $3.8 billion in 2022, $2.8 billion in 2023 and $3.1 billion in 2024.

These gaps are historic in nature. The gap in 2021 is 53 percent of total revenue and the post-2021 gaps as a percentage of revenue rival those during the Great Recession and are reliant on a return to 2019 ridership levels by 2023.

FIGURE 6
Changes since the February 2020 Financial Plan (in millions)

	2020	2021	2022	2023
February Cash Surplus / (Deficit)	**$ (416)**	**$ (712)**	**$ (1,153)**	**$ (1,699)**
Fare and Toll Revenue	(4,956)	(3,898)	(1,366)	(63)
Dedicated Taxes and Subsidies	(1,895)	(1,472)	(1,094)	(1,026)
Other COVID-19 Impacts	(463)	(178)	(212)	(191)
CARES Act	4,009	- - -	- - -	- - -
Other Changes	296	(7)	75	190
Total Changes	**(3,009)**	**(5,555)**	**(2,597)**	**(1,090)**
Deficit before Gap Closing Actions	**$ (3,425)**	**$ (6,267)**	**$ (3,750)**	**$ (2,789)**

Source: Metropolitan Transportation Authority

Operating Budget Trends

On July 22, 2020, the MTA released a mid-year update to its 2020 budget and a four-year financial plan based on the preliminary budget for 2021 (the "July Plan"). The operating budget is projected to total nearly $18 billion in 2021, including debt service on bonds issued to finance the capital program.

As shown in Figure 7, 38 percent of the MTA's revenues come from fare and toll revenue (27 percent and 11 percent, respectively). Dedicated taxes enacted by the State account for more than one-third of total revenue (38 percent), and State and local subsidies contribute another 13 percent. Other operating revenues, such as advertising income, make up 6 percent.

More than 60 percent of the operating budget is devoted to personnel, including fringe benefits (see Figure 8). Debt service represents 17 percent of the budget, while other non-labor costs, such as maintenance contracts, materials and supplies, and energy costs, make up 22 percent of the budget.

On an accrual basis of accounting, baseline spending is projected to increase at an average annual rate of 4 percent between 2020 and 2024, faster than the projected inflation rate (2.3 percent annually). Appendix A shows revenue and expenditure trends for calendar years 2020 through 2024.

Revenue Trends

The July Plan expects MTA revenues to decline by 14 percent in 2020, as a 57 percent drop in fare and toll revenue has been mitigated by $4 billion from the federal CARES Act. In 2021, revenues are expected to drop another 16 percent to $11.8 billion (see Figure 9). The MTA anticipates that utilization will return in late 2022 and early 2023, with revenues increasing by 44 percent in two years.[3]

FIGURE 7
Sources of Revenue (2021)

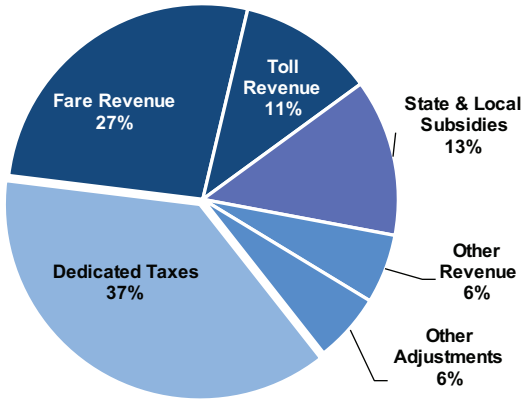


FIGURE 8
Planned Spending (2021)

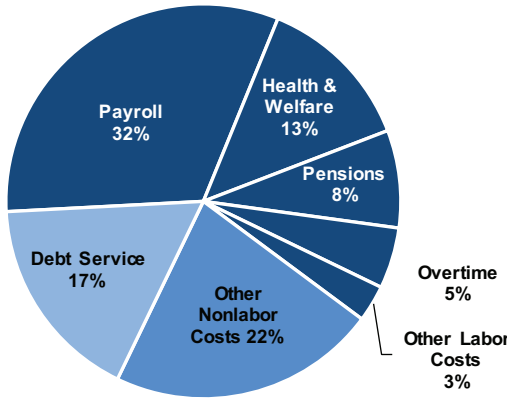
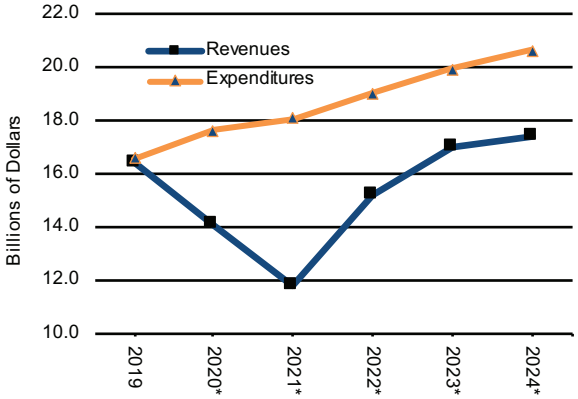


FIGURE 9
Revenue and Expenditure Trends



Source: Metropolitan Transportation Authority
*MTA forecast

Fare and toll revenue is expected to increase by 34 percent in 2021, by 54 percent in 2022, by 18 percent in 2023, and slightly in 2024. In 2023, fare and toll revenue is expected to be 1.7 percent higher than in 2019, which might be unrealistic as that level of revenue depends on riders returning to mass transit at pre-pandemic levels. The MTA's baseline budget estimates do not assume fare and toll increases after 2019.

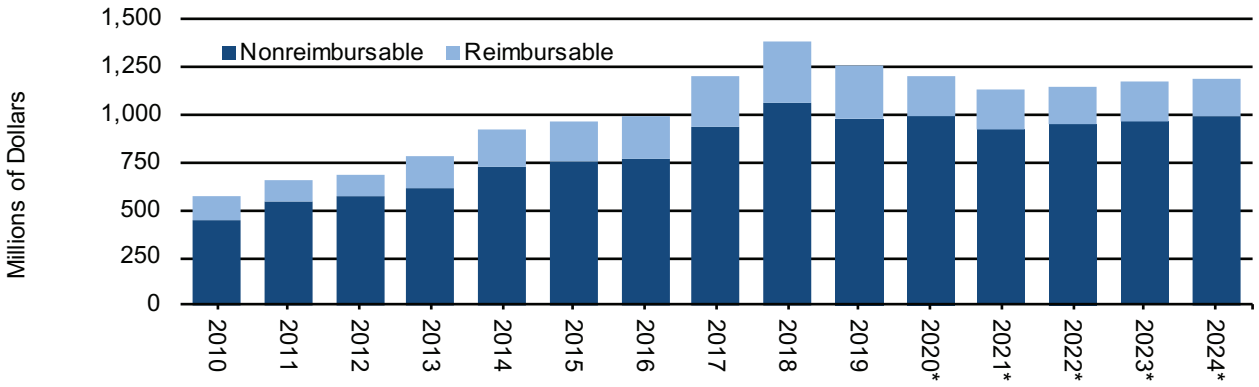
MTA dedicated tax revenue is expected to drop 24 percent in 2020, bounce back with a 6 percent increase in 2021, before increasing by an average of 10 percent annually between 2021 and 2024. Revenue from the Metropolitan Mass Transportation Operating Assistance Account[4] is expected to drop 17 percent in 2020 before returning close to the 2019 level in 2022. Collections are then expected to increase by 18 percent by 2024.

Collections from real estate transaction taxes are projected to drop 41 percent in 2020 and by 7 percent in 2021 before increasing by 9 percent annually through 2024.[5] In addition, the July Plan expects City subsidies for the formerly private MTA Bus to rise by 68 percent to $718 million in 2021 to make up for lost fare revenue.

Expenditure Trends

Baseline expenditures are expected to increase by 4 percent annually between 2020 and 2024, driven by a 10 percent annual increase in debt service, mostly from higher projected interest rates for MTA debt during the financial plan period even as projected borrowing for the capital program increases. Another factor in the growth in expenditures in those years is an average annual increase of 7.6 percent in health and welfare costs for active employees and retirees, more than three times faster than the projected inflation rate.

FIGURE 10
MTA Overtime



Source: Metropolitan Transportation Authority

*MTA forecast

Payroll costs are expected to increase by 2.8 percent annually during this period, reflecting wage increases that were agreed upon with the Transport Workers Union that are expected to set a pattern for the rest of the MTA's unionized employees. Non-labor costs are expected to grow by 2.1 percent annually during this period.

Another factor that led to a growth in expenditures is overtime spending. MTA overtime grew by 143 percent between 2010 and 2018, reaching a record of nearly $1.4 billion (including costs reimbursed by the capital budget; see Figure 10). The increase was driven by the Subway Action Plan (SAP), the LIRR's corrective action plan and staffing requirements.

In 2019, the Governor and the MTA Chairman called for an investigation into fraud and overtime abuse after large overtime payments to some workers were publicized by the Empire Center. The law firm hired by the MTA to examine its usage of overtime found that the MTA was unable to determine whether there was possible widespread overtime fraud because it lacked many of the basic systems necessary to track overtime.

As of January 2020, 85 percent of the MTA's employees were using biometric fingerprint-reading time clocks in an effort to eliminate abuse. The MTA, however, suspended the use of the clocks indefinitely in March 2020 amid concerns of worker safety during the pandemic.

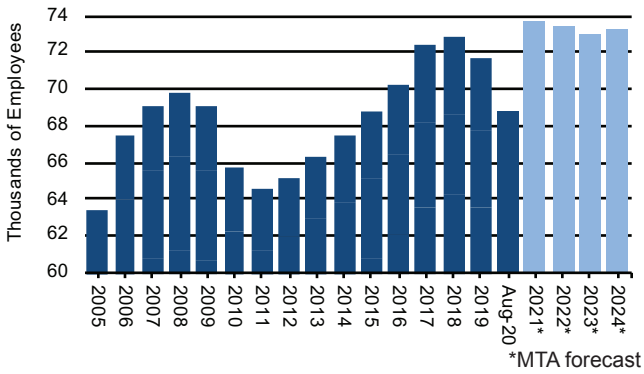
In 2019, overtime declined by 10 percent to nearly $1.3 billion as the MTA began to better manage its overtime. The July Plan assumes overtime will fall by 4 percent to $1.2 billion in 2020, mostly as a result of deferred work due to the pandemic and a milder winter. The MTA expects overtime to decline next year by another 7 percent to $1.1 billion, but then resume growing in 2022.[6]

The MTA has indicated that as part of its gap-closing program it plans to reduce overtime by more than $200 million annually starting in 2021, though the July Plan does not reflect this. The MTA has not detailed how it will achieve this reduction.

Staffing Levels

Between 2008 and 2011, the MTA cut its work force by 5,234 employees to offset a sharp drop in revenues because of the Great Recession. Since then, the work force increased by 8,278 (mostly operations and maintenance personnel), peaking at 72,800 in December 2018 (see Figure 11).

FIGURE 11
MTA Staffing Levels



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

In 2019, the number of employees dropped by more than 1,100 positions as the MTA instituted a hiring freeze on administrative and nonoperational positions. The work force dropped by more than 2,900 positions in the first eight months of 2020 as the hiring freeze continued and attrition of operational positions outpaced hiring.

As of August 2020, the MTA work force totaled 68,753 employees, 4,046 fewer than at the end of 2018. The July Plan authorizes the MTA to hire 4,942 employees between August 2020 and December 2021 to reach 73,695 employees, and expects the level to drop slightly by the end of 2024. The MTA's staffing forecasts, however, do not reflect the impact of the transformation plan, which could reduce staffing by up to 2,700 administrative positions. The MTA could realize additional savings in 2020 and 2021 from its hiring freeze.

Between December 2018 and August 2020, the number of operations and maintenance personnel fell by 3,267 positions. The July Plan anticipates all of that reduction will be reversed by December 2021. Administrative positions declined by 500 since December 2018, but the July Plan authorizes the MTA to hire to the 2018 level by the end of 2021. Public safety positions, including the MTA Police, are expected to increase by 621 positions by December 2021. Capital and engineering positions are expected to increase by 433 between August 2020 and December 2021.

Balancing the Budget

FIGURE 12
MTA Gap-Closing Program (in millions)

	2020	2021	2022	2023	2024
Projected Baseline Cash Deficit	**$ (3,425)**	**$ (6,267)**	**$ (3,750)**	**$ (2,789)**	**$ (3,134)**
Fare/Toll Increases					
March 2021	- - -	145	267	316	319
March 2023	- - -	- - -	- - -	276	331
Subtotal:	- - -	145	267	592	650
MTA Transformation Plan	- - -	430	472	475	475
Federal Assistance	3,900	- - -	- - -	- - -	- - -
Additional Sanitization	(94)	(379)	(379)	(379)	(377)
State Aid for Capital Program	- - -	76	205	325	428
All Other	(164)	151	(301)	- - -	- - -
Total Gap-Closing Program	**$ 3,642**	**$ 423**	**$ 264**	**$ 1,013**	**$1,175**
Prior Year Carryover	485	702	- - -	- - -	- - -
Residual Cash Surplus/(Deficit)	**$ 702**	**$ (5,142)**	**$ (3,485)**	**$ (1,776)**	**$ (1,959)**

Source: Metropolitan Transportation Authority

The July Plan's strategy to balance the 2020 budget and to narrow the budget gaps in the following years relies on three main elements: increased federal aid, the transformation plan, and higher fares and tolls (see Figure 12).

Balancing the budget in 2020 is contingent on the MTA receiving $3.9 billion in additional federal aid. Implementation of the transformation plan has been delayed until 2021 in response to the pandemic, and it is now expected to generate net savings of $430 million in 2021, growing to $475 million annually by 2023. The transformation plan would reduce staffing by as many as 2,700 administrative positions through attrition.

Even if the MTA receives the requested federal funding, implements the transformation plan, and raises fares and tolls as planned, there is a remaining budget gap of $5.1 billion in 2021. The post-2021 budget gaps are also large: $3.5 billion in 2022, $1.8 billion in 2023 and nearly $2 billion in 2024.

The transformation plan will require close monitoring. In 2003, the Office of the State Comptroller (OSC) issued regulations that require the MTA to report quarterly on the status of each gap-closing initiative with a projected value equal to or greater than $1 million in any given fiscal year. Pursuant to OSC regulations, the MTA must report on the status of milestones, the impact on staffing, current implementation status, actual savings or revenues to date, and projected savings or revenues in comparison to those planned. The transformation plan should be part of any future gap-closing monitoring report.

Federal Assistance

The MTA's July Plan assumes that the federal government will provide $3.9 billion in additional funding in order to balance the 2020 budget, which would allow the MTA to rollover $702 million to reduce the 2021 gap to $5.1 billion.

After the release of the July Plan, on August 26, 2020, the MTA increased its request from the federal government to $12 billion to balance its budget through 2021.

The request includes $1 billion of congestion pricing revenue that the MTA would have had access to in 2021 if the federal government had approved the construction of the congestion pricing system.

The remaining $11 billion is the MTA's estimated impact of the pandemic on its budget in 2020 and 2021, including lost revenues and increased cleaning and sanitization expenses, and after the initial $4 billion federal allocation from the CARES Act for providing service during the pandemic is used.

The MTA announced that if it did not receive the requested federal funding, it would have to implement drastic service reductions and layoffs, increase fares and tolls higher than anticipated in the July Plan, and continue pausing the 2020-2024 capital program, which would delay much-needed signal modernizations and station work.

Proposed service reductions could reduce subway and bus service by 40 percent, which would save $880 million annually and result in the permanent reduction of over 7,200 positions. Service on the MTA's commuter railroads could be reduced by 50 percent, saving $160 million annually, as service frequency on the most heavily used lines would be reduced to every 60 minutes and service on one or more little-used LIRR branches would be eliminated. West of Hudson service on Metro-North would also be eliminated to save another $25 million and avoid nearly $1.2 billion in capital expenses.

In October 2020, the House of Representatives passed the revised HEROES Act, which would, among other things, provide transit agencies with another $32 billion in operating assistance.

Negotiations are continuing on another COVID-19 related stimulus bill, but there is no guarantee that additional transit assistance will be included in any such bill.

MTA Transformation Plan

On July 24, 2019, the MTA board approved its transformation plan. The plan was mandated by Section 1279-e of the Public Authorities Law and was developed by AlixPartners, a global consulting firm.

The plan recommends that the MTA:

- refocus its agencies on core safety, operations and maintenance, and centralize core functions by consolidating more than 40 functional groups within the agencies to six departments;
- centralize all capital-related functions across its agencies into a new department;
- create a new central engineering function reporting to a new chief engineering officer;
- create a new central customer communications function to unify its agencies' communications activities;
- centralize all operating standards and service design functions;
- centralize all of its human resources functions to reduce redundancies; and
- hire a chief operating officer who will oversee all agency presidents and report to the chairman and the MTA board, and a chief transformation officer who will be responsible for implementing the plan and will report directly to the MTA board. The plan also recommends that the MTA appoint an MTA accessibility officer reporting directly to the chairman to help accelerate the creation of a fully accessible system.

AlixPartners also recommended that the MTA refocus bus operation responsibilities on safety, operations and maintenance, and consider consolidating its three bus operations, which would necessitate separating New York City Transit (NYCT) bus operations from subway operations. The transformation plan does not recommend consolidating operations of the MTA's commuter railroads.

AlixPartners estimates that the transformation plan will eliminate between 1,900 and 2,700 positions and reduce costs by a net of $370 million to $530 million annually when fully implemented. It estimates that full implementation will take two to three years.

AlixPartners notes that there are constraints on full implementation of the transformation plan. For example, the MTA will need to negotiate changes with its unions to implement some elements. Since most of the employees at NYCT and Bridges and Tunnels are civil servants, AlixPartners noted that civil service reforms may be needed.

The MTA has hired the leadership positions required by the transformation plan. While the start of implementation of the plan has been delayed until 2021, work has continued through the pandemic.

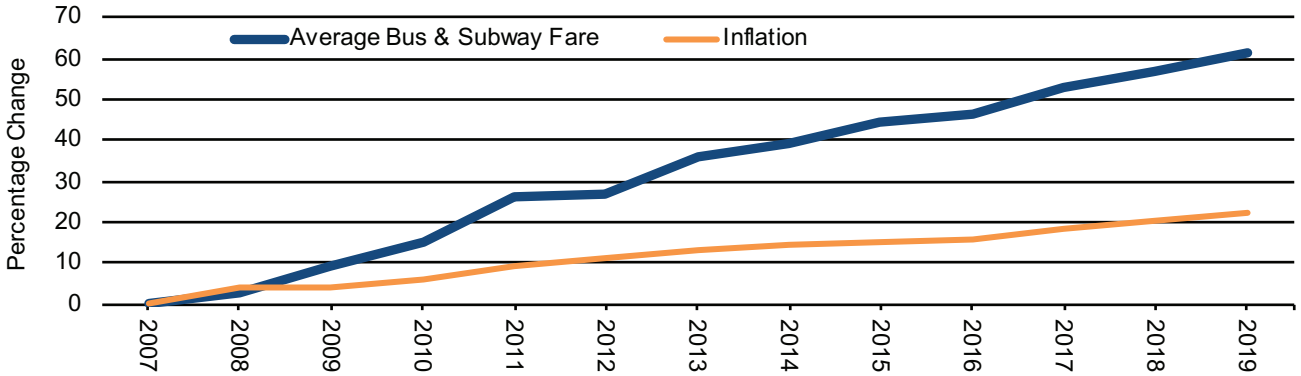
Fare and Toll Increases

The July Plan assumes biennial farebox and toll yield increases of 4 percent in March 2021 and 4 percent in March 2023, slightly lower than the projected inflation rate during the four-year period. These planned increases are expected to generate a net of $145 million in 2021, rising to $650 million in 2024.

The MTA raised fares and tolls by less than the inflation rate between 1996 and 2007, but since then fares and tolls have risen at a faster pace. The average subway and bus fare rose by 62 percent between 2007 and 2019 (see Figure 13), almost three times faster than the inflation rate in the metropolitan region.[7] The average fare rose by 52 percent on the LIRR and by an average of 43 percent on Metro-North's East of Hudson lines between 2007 and 2019.[8]

FIGURE 13

Cumulative Growth in Average Subway/Bus Fare Compared to Inflation, 2007-2019



Sources: Metropolitan Transportation Authority; U.S. Bureau of Labor Statistics; OSC analysis

The MTA has warned that if it does not receive $12 billion in federal aid, fares and tolls might be increased even more than planned. The MTA estimates that each 1 percent increase in fares would bring in $26 million in 2021, $48 million in 2022 and $60 million annually thereafter as ridership returns to pre-pandemic levels. Each dollar increase in tolls (a 17 percent increase on the E-ZPass toll for major crossings) would bring in another $270 million in 2021 and nearly $350 million annually thereafter as crossings return to pre-pandemic levels.

Other Proposed Actions

Although not reflected in the July Plan, the MTA has identified $2.2 billion in cost reductions for the 2020 through 2024 financial plan period, although no details have been released on how the savings would be achieved. The MTA expects to reduce overtime by $975 million during the plan period. The MTA also expects to save $875 million over the plan period by reducing non-personnel expenses. The remaining $310 million is expected to be achieved by reducing spending on consultant contracts, with most savings expected to occur in 2021.

If the MTA does not receive the requested federal funding, it has laid out several other options that might be used. These include, as allowed by the State in 2020 and 2021, using $949 million in congestion pricing lockbox revenues dedicated for the 2020-2024 capital program to support the operating budget; eliminating the payment of planned operating (PAYGO) funding to the capital program, saving $647 million over the financial plan period; and using the $336 million reserve for post-employment benefits other than pensions (OPEBs) that was planned to fund future expenses for the current costs of OPEBs in the budget.

To help manage its cash flow, the MTA is also considering deferring its payroll tax payments, as allowed by the CARES Act, to save $473 million in 2020; deferring $1.8 billion in pension contributions in 2020 and 2021; and implementing a wage freeze, which would save $536 million over three years. The deferred tax payments would need to be repaid within two years and pension contributions are required to be paid back in future years with interest, which would increase future budget gaps.

If the MTA does not receive the needed federal assistance, it might choose to borrow for operating purposes as well. The enacted State budget authorizes the MTA to borrow up to $10 billion for calendar years 2020 through 2022 to offset decreases in revenue or increases in operating costs that are due, in whole or in part, to the pandemic. The MTA, however, has stated that it currently does not have the financial capacity to cover the debt service on these bonds.

Potential Risks and Offsets

There are major risks in the MTA's July Plan. A primary concern is whether the MTA will receive its requested federal aid. The State is also requesting additional federal assistance to help close a $14.5 billion budget gap in the current fiscal year. If the State does not receive that aid, it plans to reduce funding to localities and authorities by $8 billion annually. The State has warned that these reductions may materially and adversely affect the MTA. The July Plan assumes that State support will decline by an additional $276 million in 2020 and $5 million in 2021 from the reduction in State fiscal year 2021, but does not reflect the reduction that may occur in future State fiscal years.

Another risk is that the economy will not improve as quickly as the MTA forecasts. The projections in the July Plan for utilization and subsidies are based on the midpoint of the losses forecast by McKinsey, the MTA's consultant, which developed a financial impact assessment from the pandemic. The July Plan includes an annual general reserve of just 1 percent ($175 million in 2021).

Even if the economy improves as quickly as the MTA expects, there is a risk that ridership will not return to pre-pandemic levels if more employees make behavioral changes regarding work from home or other commuting choices.

The implementation of the transformation plan has been delayed until 2021 as a result of the pandemic, and it is now expected to generate net savings of $1.9 billion during the financial plan period. However, there are no guarantees that the MTA will generate the needed resources.

AlixPartners, the developer of the transformation plan, has recommended that the MTA negotiate changes to union work rules, and has indicated that reforms to the civil service system will be needed to support the implementation of the transformation plan. These changes will require the cooperation of the unions and, in certain cases, changes to State law.

Another uncertainty is the outcome of collective bargaining negotiations. In December 2019, the MTA and the Transport Workers Union, the authority's largest union, reached a labor agreement. The agreement, which is retroactive to May 2019, calls for annual wage increases of 2 percent, 2.25 percent, 2.5 percent and 2.75 percent over a four-year period. The agreement is expected to include health insurance savings and initiatives that will increase employee availability.

Almost all of the MTA's other bargaining units are working under expired or amendable contracts. The July Plan assumes that the net cost of collective bargaining will equate to annual wage increases of 2.3 percent, including any offsetting savings, following the pattern set by the Transport Workers Union. The actual cost could be higher or lower than anticipated by the MTA. Non-represented employees have been budgeted to receive 2 percent annual wage increases during the financial plan period.

Bargaining negotiations may become protracted. Commuter railroad employees, who are governed by federal railroad employment statutes, are allowed to strike, but only after a lengthy dispute resolution process has concluded. These efforts could include mediation by a federal board, voluntary binding arbitration, and nonbinding recommendations of a presidential emergency board.

Nearly all MTA employees belong to one of five pension systems. With increased volatility in the financial markets, the potential for a continued contraction of the global economy as a result of the pandemic, and historically low interest rates, investment earnings could fall short of target. In that event, the MTA could be required to increase planned contributions to the pension systems. Alternatively, planned contributions could be lower than planned if earnings exceed expectations.

The MTA has indicated that as part of its gap-closing program it plans to reduce overtime by more than $200 million annually starting in 2021, though the July Plan does not reflect this. The MTA has not detailed how it will achieve this reduction.

The MTA has access to various reserves totaling as much as $1.5 billion. The July Plan includes an annual general reserve of 1 percent of operating expenses (excluding debt service). In 2020 the reserve is $170 million, rising to $205 million in 2024.

Another $336 million is available from a trust that was set up to fund MTA retirees' other post-employment benefits (e.g., health insurance). As noted earlier, the MTA also has the option to free up $473 million in 2020 by deferring payment of its payroll taxes to the federal government as allowed by the CARES Act, although the taxes have to be paid by the end of 2022.

Another $106 million reserve for retroactive wage increases for the MTA's remaining unsettled unionized employees has been set up in 2020, but if it is not needed it can be used to balance the 2020 budget. Any retroactive wage increase would then have to be funded when the contracts are settled. As much as $414 million that has been set aside for bridge and tunnel capital projects can also be used for operating purposes if needed.

The enacted State budget authorizes the MTA to borrow up to $10 billion during calendar years 2020 through 2022 to offset decreases in revenue or increases in operating costs that are due, in whole or in part, to the pandemic. The MTA, however, should consider long-term borrowing for operating purposes only as a last resort.

The State budget also authorizes the MTA to use congestion pricing lockbox revenues during 2020 and 2021 to mitigate the operating budget impact of the pandemic. These revenues were previously earmarked for the MTA's 2020-2024 capital program. Revenues in the lockbox currently include funds from State and City sales taxes and real estate–related taxes on high-end properties in the City. The MTA expects to receive $441 million from these sources in 2020 and $508 million in 2021.

The MTA is required to repay any lockbox funds used for operating purposes from any federal funds or insurance proceeds received as a result of the pandemic, but only if funds remain after the MTA fully repays any COVID-19 related public or private commitments.

The MTA's transportation revenue bonds have been downgraded by four rating agencies. Moody's and Standard & Poor's have downgraded these bonds twice since the pandemic started with a continued negative outlook. Consequently, the cost of borrowing for operating or capital purposes may be more expensive than in past years.

In August 2020, the MTA became only the second entity (after the State of Illinois) to use the Federal Reserve's Municipal Liquidity Facility (MLF), which offers rates for short-term borrowing that are lower than the private market. The MLF was used to retire $450 million of bond anticipation notes that were due in September 2020. The MLF bought the bonds at an interest rate that was 87 basis points lower than the private market was offering. The MTA may continue to use the MLF if market rates stay higher than what the MLF offers.

Status of MTA Capital Programs

2020–2024 Capital Program

In September 2019, the MTA board approved a proposed capital program for 2020-2024 totaling $54.8 billion, by far the largest program in its history. On October 1, 2019, the MTA submitted the program to the Capital Program Review Board (CPRB) for approval. The program was deemed approved on December 31, 2019, since the CPRB did not act within 90 days.

There are many risks concerning the implementation of the capital program. The pandemic has stalled the start of the program. As of June 30, 2020, only 30 of 476 projects had been completed or had begun, and most of the rest of the program is indefinitely suspended.[9]

If the MTA does not receive its requested federal assistance, the MTA warns that the capital program will continue to be suspended. The start of important projects such as station rehabilitations, signal modernizations and new rolling stock purchases will be delayed. The start of the LIRR's East Side Access service in 2022 may also be delayed. If projects are deferred, the importance of the next capital needs assessment, statutorily required to be released in 2023, would be magnified.

The central business district tolling capital lockbox fund (the "capital lockbox") is expected to generate almost half ($25 billion) of the funding for the capital program. The capital lockbox will receive revenue from congestion pricing for entering and remaining in Manhattan at 60th Street or below, a portion of State and City sales tax collections, and taxes on certain properties in New York City.[10]

Federal approval was required before construction of the congestion pricing apparatus could proceed. The MTA does not expect approval to be received until sometime in 2021, and does not expect revenue from congestion pricing to begin until 2023.

Congestion pricing is expected to generate $15 billion for the 2020-2024 capital program. Some of these revenues may be used to fund capital projects directly, but most are expected to back bonds issued by the Triborough Bridge and Tunnel Authority (an MTA affiliate), or by the MTA itself.

Dedicated State and City sales tax revenues and the new tax on certain properties in the City are each expected to generate $5 billion for the capital program. However, weakness in the economy has already led the MTA to lower the amount of expected revenue from these sources.

The State budget authorizes the MTA to use the capital lockbox revenues during 2020 and 2021 to mitigate the operating budget impact of the pandemic which, if done, will reduce the funding available to the capital program. The MTA is assuming that the federal government will contribute $10.7 billion to the 2020-2024 capital program, including $2.9 billion for the next phase of the Second Avenue Subway. The federal government, however, has not yet agreed to contribute to this project.

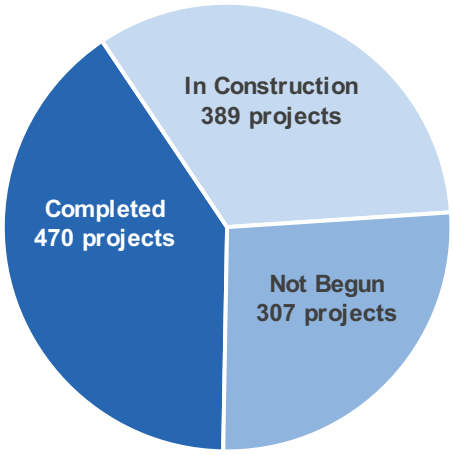
The enacted State budget also commits the State and the City to each provide $3 billion for the MTA's 2020-2024 capital program. While a capital appropriation for the State's commitment is included in the State budget, the sources of funding have not been identified. In the event that the City does not certify that it has made its payment when due, the State Budget Director is authorized to direct the State Comptroller to divert other State payments intended for the City into a new fund (i.e., the MTA Capital Assistance Fund) and to provide these funds to the MTA.

2015–2019 Capital Program

At the same time the MTA begins work on the 2020-2024 program, it must still finish its 2015-2019 program and obtain outstanding funding for those projects.

Nearly two-thirds of the 1,166 projects that make up the 2015-2019 capital program were not finished as of June 30, 2020 (see Figure 14). While the MTA had completed 470 projects, 389 projects (33 percent) were still in construction, and construction had not even begun on the remaining 307 projects (26 percent).

FIGURE 14
Status of MTA 2015-2019 Capital Program



Sources: Metropolitan Transportation Authority; OSC analysis

The 2015-2019 capital program totals $33.9 billion, $4.4 billion more than when it was first approved in May 2016. Three-quarters of the program's value is devoted to maintenance and modernization ($26.4 billion), with the balance devoted to expansion projects ($7.5 billion).

The largest share of the 2015-2019 capital program (44 percent) will be funded by the MTA itself. The MTA's contribution of $14.7 billion is the largest in its history. Of this amount, $10.9 billion will come from borrowing, with most of the rest from pay-as-you-go funds from the operating budget. The State has agreed to contribute $9.2 billion (27 percent of the program's total cost), and the City has agreed to contribute $2.7 billion (8 percent). The balance is expected to come from the federal government.

The State is required to provide $7.3 billion for the MTA's 2015-2019 capital program when all other MTA sources of funding are exhausted. According to the MTA, it has committed all of its own capital resources to that capital program and has begun to initiate projects against the State funding commitment. The State has provided the MTA with $1.2 billion of its own bond funds as part of its commitment, and the State has said that it may execute additional bond sales to fund all or a portion of its contribution to the 2015-2019 capital program.

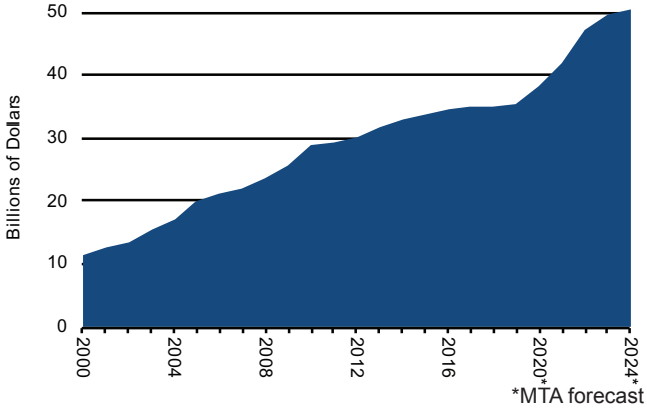
The MTA currently assumes that it will issue bond anticipation notes (BANs) to cover the rest of the State's obligation, and that the State will provide ongoing annual appropriations equal to the debt service on the long-term bonds that are issued to replace the BANs.

State law requires the City to contribute $2.7 billion to the 2015-2019 capital program, and it has allocated $2.1 billion in its capital program. The remaining $600 million will be provided as part of an agreement between the MTA and the City concerning the MTA's former headquarters on Madison Avenue. Real estate and other revenues generated from the future development of the MTA's headquarters site will be dedicated to the MTA's capital program.

MTA Debt Service and Debt Outstanding

The amount of outstanding long-term debt issued by the MTA more than tripled between 2000 and 2019, rising from $11.4 billion to $35.4 billion. The MTA expects debt outstanding to reach $50.4 billion by 2024 (see Figure 15), including bonds issued by the MTA to fulfill the State's commitment to the 2015-2019 capital program and MTA bonds backed by revenue from the capital lockbox.

FIGURE 15
MTA Debt Outstanding



Note: Excludes bond anticipation notes.
Sources: Metropolitan Transportation Authority; OSC analysis

Debt outstanding is expected to decrease after 2024 as a result of the MTA delaying issuing $9.8 billion of its own debt to help fund the 2020-2024 capital program to 2028, and debt outstanding is then expected to reach $53.6 billion in 2029.

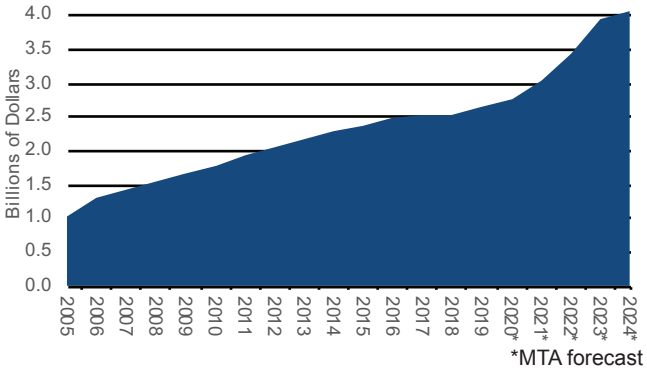
The enacted State budget commits the State and the City to each provide $3 billion for the MTA's 2020-2024 capital program. While a capital appropriation for the State's commitment is included in the State budget, the sources of funding have not been identified. The State could require the MTA to issue bonds to cover its contribution to the 2020-2024 capital program.

The State had previously committed to provide $7.3 billion for the MTA's 2015-2019 capital program when all other MTA sources of funding were exhausted. According to the MTA, it has already committed all of its own capital resources to that capital program and has begun to initiate projects against the State funding commitment.

The State has issued $1.2 billion of long-term bonds to cover a portion of its $7.3 billion commitment. The State has said that it may execute additional bond sales to fund all or a portion of its contribution to the 2015-2019 capital program. The July Plan, however, still assumes that the MTA will issue BANs to cover the State's obligation (and that the State will provide ongoing annual appropriations equal to the debt service on $7.3 billion in long-term bonds that are issued to replace the BANs). Any bond funds received from the State will lower the MTA's future debt outstanding.

Debt service is projected to reach $4 billion by 2024, an increase of 55 percent since 2019 (see Figure 16). This estimate includes debt service on bonds backed by MTA operating budget revenues, State appropriations for the 2015-2019 capital program, and bonds funded directly by revenue from the capital lockbox.

FIGURE 16
MTA Debt Service

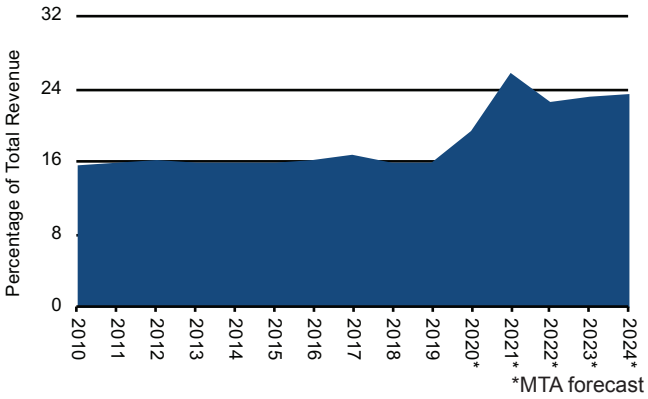


Sources: Metropolitan Transportation Authority; OSC analysis

The MTA has recently structured its bond sales to defer the payment of principal for more than 20 years, which would result in lower debt service costs in the short term as the MTA deals with its financial crisis. However, this approach locks in higher costs for the next generation of taxpayers and exacerbates the MTA's already highly-leveraged future.

The share of total revenue needed to fund debt service has averaged 16.1 percent for the past decade (see Figure 17). As a result of losses in revenues due to the pandemic, the debt burden is projected to be 19.4 percent in 2020 and 25.7 percent in 2021 before declining to around 23 percent for 2022 through 2024. This would leave a smaller share of revenue for other priorities. (The share of fare and toll revenue needed to fund debt service would reach 78.9 percent in 2020 and 64.6 percent in 2021 before declining to 47.2 percent in 2022.)

FIGURE 17
MTA Debt Burden



Sources: Metropolitan Transportation Authority; OSC analysis

According to the MTA, the share of revenue (i.e., operating revenues and subsidies) needed to fund debt service on MTA-supported debt (i.e., excluding bonds funded with additional State aid and bonds funded with revenue from the capital lockbox) would reach around 21 percent for 2022 through 2024.

In addition, these estimates exclude the MTA's share of the New York City Transit and commuter railroad portions of the 2020-2024 capital program ($9.8 billion), which is expected to be issued after the financial plan period.

These estimates also exclude any possible borrowing for operating purposes. If the MTA borrowed $10 billion for operating purposes as allowed to by the State, debt service could rise by $675 million annually starting in 2023, bringing the debt burden to 27 percent that year.

There is also a risk that the MTA could be left to fund some or all of the debt service on the bonds issued to cover the State's contribution to the MTA's 2015-2019 capital program. The July Plan assumes that the State will provide $76 million in 2021, rising to $428 million in 2024, for the debt service on these bonds. The Governor's enacted budget for State fiscal year 2021 included $31 million for this purpose, but funding in subsequent years will be subject to future appropriations.

[1] Bus ridership outpaced subway ridership partially because riders entered buses through the rear door to reduce contact with the bus driver and fares were not collected. Fare collection on buses resumed on August 30, 2020 and ridership dropped as a result.

[2] The MTA's baseline budget does not include further enhanced cleaning at New York City Transit as a result of COVID-19. The MTA estimates that the additional cleaning could cost $94 million in 2020 and around $380 million annually thereafter.

[3] Bridge and tunnel crossings are expected to return to pre-pandemic levels by September 2022 and ridership by February 2023. Dedicated tax revenues are also expected to return to pre-pandemic levels by 2023.

[4] The Metropolitan Mass Transportation Operating Assistance Account is funded from the petroleum business tax, the corporate franchise tax surcharge, a regional sales tax, and the corporate franchise tax on transportation and transmission companies.

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

[6] The MTA's baseline overtime costs do not include further enhanced cleaning at New York City Transit as a result of COVID-19. The MTA plans to reflect these estimates in the MTA's overtime forecast in its November financial plan update.

[7] On January 4, 2019, New York City launched a pilot program known as Fair Fares NYC to provide half-fares to low-income New Yorkers who use the subway or bus systems.

[8] Excludes the Connecticut portion of the New Haven line.

[9] Projects in the 2020-2024 capital program that are federally funded and those that involve in-house work are continuing.

[10] This includes revenue from an increase in the real estate transfer tax on sales of residential properties in New York City of $3 million or more and on sales of other properties in the City of $2 million or more, as well as a progressive supplemental transfer tax on sales of residential properties in the City totaling $2 million or more.

Appendix A
Revenue and Expenditure Trends (in millions)

	< Forecast >					Average Four-Year Growth Rate
	2020	2021	2022	2023	2024	
Revenues						
Farebox Revenue						
New York City Transit	$1,651	$2,378	$3,801	$4,620	$4,655	29.6%
Metro-North Railroad	264	405	644	784	789	31.5%
Long Island Rail Road	271	407	653	801	816	31.7%
MTA Bus Company	79	115	184	224	225	30.1%
Staten Island Railway	2	3	5	7	7	32.1%
Subtotal – Farebox Revenue	**2,267**	**3,309**	**5,287**	**6,435**	**6,492**	**30.1%**
Toll Revenue	**1,238**	**1,396**	**1,962**	**2,127**	**2,130**	**14.5%**
Dedicated Taxes						
Payroll Mobility Tax	$1,400	$1,375	$1,596	$1,763	$1,841	7.1%
Metro. Mass Trans. Operating Asst.	1,523	1,535	1,795	2,090	2,118	8.6%
Petroleum Business Tax	477	478	605	641	641	7.7%
Urban Tax	327	322	350	381	414	6.1%
Mortgage Recording Tax (net)	319	279	304	331	361	3.2%
Other	765	809	936	944	966	6.0%
Subtotal – Dedicated Taxes	**4,810**	**4,798**	**5,585**	**6,149**	**6,341**	**7.2%**
State and Local Subsidies	**1,321**	**1,598**	**1,533**	**1,489**	**1,515**	**3.5%**
Other Revenue	**4,617**	**732**	**820**	**853**	**950**	**32.7%**
Total Revenues (Baseline)	**$14,252**	**$11,833**	**$15,187**	**$17,053**	**$17,427**	**5.2%**
Fare and Toll Increases	–	145	267	592	650	N/A
Additional Federal Funding	3,900	–	–	–	–	N/A
Other Adjustments	(133)	71	205	325	428	N/A
Adjusted Revenues	**$18,019**	**$12,049**	**$15,659**	**$17,970**	**$18,505**	**0.7%**
Expenditures						
Payroll	5,455	5,670	5,821	5,925	6,101	2.8%
Debt Service	2,765	3,039	3,424	3,938	4,078	10.2%
Health and Welfare	2,142	2,316	2,484	2,658	2.866	7.6%
Pensions	1,529	1,459	1,470	1,467	1,467	-1.0%
Overtime	992	926	947	967	987	-0.1%
Other Fringe Benefits	964	996	1,045	1,081	1,122	3.9%
Maintenance and Other Contracts	934	779	811	818	832	-2.9%
Professional Service Contracts	710	709	651	611	614	-3.6%
Energy (Fuel and Electric)	532	631	650	672	696	7.0%
Claims	421	420	432	447	461	2.3%
Paratransit Service Contracts	365	417	532	566	603	13.4%
Other	941	948	969	985	1,031	2.3%
Reimbursable Overhead	(388)	(423)	(422)	(418)	(421)	2.1%
General Reserve	170	175	185	185	205	4.8%
Other Adjustments	99	41	28	28	23	-30.6%
Total Expenditures (Baseline)	**$17,631**	**$18,103**	**$19,027**	**$19,930**	**$20,665**	**4.0%**
MTA Transformation Plan	-	(430)	(472)	(475)	(475)	N/A
Other	290	248	711	410	408	8.9%
Adjusted Expenditures	**$17,921**	**$17,921**	**$19,266**	**$19,865**	**$20,598**	**3.5%**
Net Surplus (Deficit)	**98**	**(5,872)**	**(3,607)**	**(1,895)**	**(2,093)**	**N/A**
Conversion to Cash Basis	**119**	**28**	**122**	**119**	**134**	**N/A**
Cash Balance	**217**	**(5,844)**	**(3,485)**	**(1,776)**	**(1,959)**	**N/A**
Prior Year Carryover	**485**	**702**	**–**	**–**	**–**	**N/A**
Net Cash Surplus (Deficit)	**$702**	**$(5,142)**	**$(3,485)**	**$(1,776)**	**$(1,959)**	**N/A**

Sources: Metropolitan Transportation Authority; OSC analysis

Appendix B
MTA Staffing Levels (Full-Time and Full-Time-Equivalents)

	Actual	Actual	Projected for the End of the Calendar Year				
	Dec. 2019	August 2020	2020	2021	2022	2023	2024
Administration	**4,108**	**3,946**	**4,458**	**4,440**	**4,424**	**4,402**	**4,401**
NYC Transit	1,179	1,107	1,254	1,237	1,229	1,219	1,219
Long Island Rail Road	457	445	509	505	503	497	497
Metro-North Railroad	446	420	495	505	494	494	494
Bridges & Tunnels	70	67	74	74	74	74	74
Headquarters	1,811	1,772	1,966	1,958	1,958	1,958	1,957
Staten Island Railway	20	21	28	28	28	28	28
Capital Construction Company	16	14	19	19	19	19	19
Bus Company	109	100	113	114	119	113	113
Operations	**31,426**	**29,966**	**31,435**	**31,640**	**31,580**	**31,461**	**31,461**
NYC Transit	23,836	22,494	23,503	23,575	23,533	23,467	23,467
Long Island Rail Road	2,638	2,634	2,796	2,927	2,909	2,851	2,851
Metro-North Railroad	2,155	2,106	2,269	2,278	2,278	2,278	2,278
Bridges & Tunnels	85	104	129	129	129	135	135
Headquarters	–	–	–	–	–	–	–
Staten Island Railway	121	113	130	123	123	123	123
Capital Construction Company	–	–	–	–	–	–	–
Bus Company	2,591	2,515	2,608	2,608	2,608	2,607	2,607
Maintenance	**32,200**	**31,003**	**32,783**	**32,723**	**32,592**	**32,219**	**32,631**
NYC Transit	22,422	21,400	22,437	22,013	21,738	21,385	21,691
Long Island Rail Road	4,202	4,148	4,360	4,567	4,601	4,677	4,795
Metro-North Railroad	3,837	3,773	4,242	4,446	4,431	4,443	4,443
Bridges & Tunnels	381	354	384	384	384	384	384
Headquarters	–	–	–	–	–	–	–
Staten Island Railway	207	201	209	189	189	189	177
Capital Construction Company	–	–	–	–	–	–	–
Bus Company	1,151	1,127	1,151	1,124	1,249	1,141	1,141
Engineering/Capital	**1,871**	**1,713**	**2,247**	**2,146**	**2,126**	**2,094**	**2,094**
NYC Transit	1,244	1,164	1,450	1,361	1,342	1,323	1,323
Long Island Rail Road	190	183	229	217	216	203	203
Metro-North Railroad	118	75	133	133	133	133	133
Bridges & Tunnels	184	160	241	241	241	241	241
Headquarters	–	–	–	–	–	–	–
Staten Island Railway	9	9	16	16	16	16	16
Capital Construction Company	100	99	143	143	143	143	143
Bus Company	26	23	35	35	35	35	35
Public Safety	**2,066**	**2,125**	**2,678**	**2,746**	**2,746**	**2,746**	**2,746**
NYC Transit	632	612	652	639	639	639	639
Long Island Rail Road	–	–	–	–	–	–	–
Metro-North Railroad	–	–	–	–	–	–	–
Bridges & Tunnels	576	555	650	650	650	650	650
Headquarters	846	946	1,363	1,444	1,444	1,444	1,444
Staten Island Railway	–	–	–	–	–	–	–
Capital Construction Company	–	–	–	–	–	–	–
Bus Company	12	12	13	13	13	13	13
Baseline Total Positions	**71,671**	**68,753**	**73,601**	**73,695**	**73,468**	**72,922**	**73,333**

Source: Metropolitan Transportation Authority

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