



BLOG | TRANSPORTATION

# What to Look for in the February 2022 Update to the MTA's Financial Plan

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The Metropolitan Transportation Authority (MTA) will release an update to its operating budget Thursday. Here, we identify some critical items on which to focus.

The November 2021 Plan significantly increased the estimate of dedicated taxes and subsidies (nearly \$1.5 billion over five years) and cancelled \$1.5 billion in planned savings actions, leaving the MTA's bottom line forecast virtually unchanged. The MTA still faces an annual structural deficit of at least \$2.0 billion, which is covered by \$11.9 billion in federal aid and borrowing from 2021 to 2025. (See Table 1.) This provides the MTA runway to implement changes that [increase the efficiency of its operations](#). The MTA also should continue planned fare increases, which, importantly, would be coupled with the City's increased funding for Fair Fares. Restructuring operations and preserving the fare policy would help stabilize the MTA's finances for the future and stave off possible future service cuts or dramatic tax or fare increases.

The February Plan Update will clarify the financial impacts of the continued but rocky recovery, changes to ridership, the MTA's management and policy decisions, the federal Infrastructure Investment and Jobs Act (IIJA), and the New York State Fiscal Year 2023 Executive Budget. It also will show how re-estimates of expenses and revenues could affect 2026, and whether the structural deficit will be revealed then or continue to be covered by federal aid.

Specifically, the plan will show how much more the MTA will receive in dedicated taxes and subsidies, the revenue impact of canceling the 2021 fare increase, and if the IIJA affects the capital plan and resulting debt service. The new plan will likely contain favorable revisions that will allow the MTA to use federal COVID aid and borrowing to cover its structural deficit further into the future. Table 1 shows that selected re-estimates may provide \$1.6 billion over the plan period, which, when added to the remaining funds that were borrowed from the Municipal Liquidity Facility (MLF), would allow federal aid to cover the structural deficit roughly one more year.

**Table 1: MTA Fiscal Cliff May Be Deferred**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2021 to 2025 Total</b>
<b>November Plan Updated Baseline Before Non-recurring Federal Aid</b>	<b>(\$3,439)</b>	<b>(\$2,410)</b>	<b>(\$1,554)</b>	<b>(\$2,018)</b>	<b>(\$2,446)</b>	<b>(\$11,867)</b>
CRRSAA Federal Aid	3,439	561	-	-	-	4,000
American Rescue Plan (ARPA)	-	1,849	1,554	2,018	1,080	6,500
MLF Deficit Financing	-	-	-	-	1,367	1,367
<b>"Balanced" November Plan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CBC Estimates of Selected Potential Changes to the November Plan</b>						
Favorable 2021 Year-End Results	\$599	\$ -	\$ -	\$ -	\$ -	\$599
Dedicated Taxes and Subsidies	-	337	406	475	544	1,762
Announced Cancellation of Fare Increase in July 2022 (4% Yield)	-	(90)	(204)	(208)	(208)	(710)
<b>Total Fiscal Impact of Selected Potential Changes</b>	<b>\$599</b>	<b>\$247</b>	<b>\$202</b>	<b>\$267</b>	<b>\$336</b>	<b>\$1,651</b>

**Sources:** CBC staff analysis of Metropolitan Transportation Authority, *2022 Final Proposed Budget, November Financial Plan 2022-2025* (November 2021), Volume 1, pgs. II-2 and II-3; Metropolitan Transportation Authority, *Budgetwatch January 2022 Flash Report* (January 2022), pgs. 1-4; Verbal Commentary, MTA CEO Janno Lieber at the MTA January 2022 Full Board Meeting (January 26, 2021).

Five specific questions to understand better the MTA’s financial plan update are:

1. Will the ongoing baseline expenses be reduced? (MTA operating expenses ended 2021 roughly \$321 million below plan.)
2. Will ridership and farebox forecasts be revised after Omicron’s negative effects?
3. Following full cancellation of the 2021/2022 deferred fare increase, will the planned 2023 fare increase still target a 4 percent yield, or will it be higher to “catch up”?
4. With changes to revenue and expense forecasts, how much of the \$2.9 billion borrowed from the MLF will support operations beyond 2025?
5. Will the MTA include any initiatives to increase the efficiency of operations, many of which require labor participation, such as [facility maintenance improvements or one-person train operation](#)?

By Alex Armlovich