New York City Independent Budget Office

The Transportation Infrastructure Bond Act of 2000

On November 7, 2000, New Yorkers will vote on the Transportation Infrastructure Bond Act of 2000. If passed, the Act would authorize the state to borrow up to $3.8 billion by issuing bonds for capital projects related to the maintenance and improvement of the state's transportation infrastructure. The borrowing would be general obligation (GO) state debt to be paid back with interest from the state's general revenues—primarily taxes. The Act would provide $1.6 billion to the Metropolitan Transportation Authority, $300 million to other public transportation providers, and $1.9 billion for a mix of highway, bridge, canal, and bicycle path projects. Our principal findings are as follows:

- IBO estimates that if the Bond Act is approved, the share of proceeds that would directly benefit New York City (44 percent) would exceed the share of new debt service borne by city resident taxpayers (40 percent).
- In present value terms (which account for the timing of the Bond Act disbursements and the debt service), city residents would pay about $1.18 billion for $1.33 billion in new funding for city transportation projects. The rest of the cost would be borne by other state taxpayers, including commuters.
- Despite the $1.6 billion of funds the Bond Act would provide, the MTA's capital plan still includes debt restructuring which will impede the Authority's ability to finance future capital plans.
- Most of the money for system expansion projects (including the Second Avenue subway) in the MTA capital plan will be used for design and engineering work rather than actual construction. Virtually all of the actual construction costs for a new subway line would be financed in future capital plans beginning after 2004.
- The Bond Act's impact on MTA's capital spending is unlikely to be felt for several years, because in recent years actual spending has lagged behind levels in the MTA's capital plan.
- If the Bond Act is rejected and the MTA were to rely on its own borrowing to replace the full $1.6 billion it expects to receive, annual fare-backed debt service would grow by $119 million on top of the $464 million already included in the MTA's capital financing plan. City residents would bear over two-thirds of these additional costs.

The Independent Budget Office (IBO) has prepared this fiscal brief to enhance public understanding of the proposed Bond Act. In accordance with our mandate to provide objective and impartial analysis, this brief contains information intended to help voters reach their own conclusions about the relative merit of the Act given our analysis of its costs and benefits.

October 2000

The brief begins with an overview of the recently adopted capital plans of the Metropolitan Transportation Authority (MTA) and the New York State Department of Transportation (NYSDOT). It then turns to a consideration of how the Bond Act's proceeds would contribute to the financing of the two plans. Next, we consider the likely fiscal impact of the Bond Act on city residents, estimating the share of proceeds that would flow to the city and city residents' contribution to the debt service to pay off the bonds. Finally, we discuss the implications of some alternative means of financing the capital programs if the Bond Act is defeated, and then present a brief conclusion.

Background

The decision by the Governor and the Legislature to place a transportation bond act on the November ballot was the last step in the state's periodic transportation capital planning and financing process which yielded new five-year plans for the state's highway and transit systems. The Bond Act provides a portion of the financing needed to carry out these plans. While the larger capital plans are not subject to referendum and will not be voted up or down with the Bond Act, they provide the context for understanding the Bond Act.

Despite ambitious programs to rebuild the transportation infrastructure of the city and state beginning in the mid-1980s, much work remains to be done. In 1998 the City Comptroller estimated that over $21 billion was needed to bring the entire subway and bus system to a state of good repair. At the state level, the Federal Highway Administration has estimated that 39 percent of New York's bridges are deficient, a higher percentage than in all but seven other states. A study by researchers at the University of North Carolina at Charlotte calculates that the state's roads and bridges need roughly $26.5 billion in repairs and improvements.

New York State directs an extensive funding program for transportation capital projects. This funding is channeled through the capital programs of the MTA and NYSDOT. The MTA plan funds the capital projects of New York City Transit (NYCT), the Staten Island Railway (SIRTOA), and two commuter railroads— the Long Island Rail Road and Metro-North Railroad. The NYSDOT plan, commonly referred to as the highway and bridge plan, also includes funding for aviation, freight and passenger rail, public transit other than systems operated by the MTA or the Port Authority of New York and New Jersey (PA), port facilities not operated by the PA, and canals.

In September 1999, the MTA proposed a five-year $16.5 billion transit capital plan, with an additional $1 billion program for its Triborough Bridge and Tunnel Authority subsidiary.[1] This plan met with opposition on several fronts. There was widespread concern over the MTA's heavy reliance on fare-backed debt and how the financing was structured.[2] Advocates of a "full length" Second Avenue subway (125th Street to the Battery) faulted the plan for only funding a line from 125th Street to 63rd Street. In addition, some members of the State Legislature argued that the MTA plan should be considered in tandem with the highway and bridge plan, and that there should be "rough parity" in the two plans; at the time NYSDOT was planning on a $14.3 billion capital program. The MTA's capital plans must be unanimously approved by the Capital Program Review Board, composed of representatives of the Governor's office, the Mayor's office, and the two houses of the State Legislature. At the end of December 1999 the legislative members of the Review Board vetoed the proposed plan, setting the stage for new rounds of negotiation between the MTA, the Governor, and the State Legislature.

As part of the 2000/2001 fiscal year budget deal, the Governor and the Legislature agreed on amended five-year capital programs of $17.1 billion each for the MTA and NYSDOT. The agreement also included the proposed Transportation Infrastructure Bond Act to provide $3.8 billion in funding for the two programs.

Overview of the Capital Plans

MTA. As shown in Table 1, spending in the MTA's 2000-2004 capital plan is split between NYCT (70 percent) and the commuter rail system (30 percent).[3] Roughly 15 percent of NYCT's spending is for system expansion, a category that includes the Second Avenue subway ($1.05 billion, increased from $700 million in the September plan), a rail link to LaGuardia Airport ($645 million), and several small planning studies. The balance is for the maintenance, repair, and upgrade of existing facilities and equipment, including $1.9 billion for 1,130 new subway cars, $1.3 billion for rehabilitation of 72 stations, and $1.4 billion for upgrading signal and communications systems. System expansion makes up about 30 percent of the projected

Table 1. MTA and NYSDOT Capital Plans 2000-2004 ***(dollars in billions)***

	Proposed Expenditures
Metropolitan Transportation Authority (MTA)	
NYC Transit maintenance, repair and upgrade	$10.2
NYC Transit system expansion	1.8
Total NYC Transit	12.0
Commuter rail maintenance, repair and upgrade	3.5
Commuter rail system expansion	1.6
Total commuter rail	5.1
Total MTA	**$17.1**
New York State Department of Transportation (NYSDOT)	
Highways and bridges	$16.3
Non-MTA public transit	0.3
Rail/port intermodal facilities	0.3
Aviation	0.1
Canals	0.1
Total NYSDOT	**$17.1**

SOURCES: Metropolitan Transportation Authority, *The MTA Plan for 2000-2004*; *Revisions to MTA 2000-2004 Capital Program*. State of New York, *3-Way Agreement Reached on State´s Five-Year Transportation Plan* (press release).

spending on commuter rail, almost entirely for the East Side Access project to connect the Long Island Rail Road to Grand Central Terminal.

Most of the money for system expansion in the MTA capital plan will be used for design and engineering work rather than actual construction.[4] For example, the MTA estimates that a Second Avenue subway from 125th Street to 63rd Street will ultimately cost a total of $3.4 billion. The cost of a line extending all the way to lower Manhattan is expected to exceed $8 billion. The shorter version would not be completed until 2015 and the "full-length" version would presumably take even longer to build. With only $1.05 billion provided in the 2000-2004 plan, including $350 million from the Bond Act, most of the funding for actual construction of the Second Avenue subway will come during subsequent capital plans.

NYSDOT. Over 90 percent of the funding in the NYSDOT capital plan is for highways and bridges, including construction, engineering, and preventive maintenance.[5] The remaining funds in the NYSDOT program—roughly $800 million—are split between non-MTA public transit, rail/port inter-modal facilities, aviation, and canals.

How the Plans are Financed

MTA. The funding sources for the $17.1 billion MTA capital program are shown in Table 2. The plan is projected to receive around $5 billion of its funding from federal grants, $500 million in city funds, and $700 million from a variety of smaller sources, including a carryover from the previous capital plan ($225 million) and part of the proceeds from the MTA's sale of the New York Coliseum ($145 million). The bulk of the funding for the capital plan, roughly $9.3 billion, relies on MTA revenue-backed debt. The agency plans to issue $6.3 billion of what the MTA calls "new" debt. In addition, it will generate $3.0 billion in new resources through a restructuring of existing debt.[6]

The heavy reliance on revenue-backed debt to finance the MTA capital plan has drawn criticism from many quarters. The MTA originally proposed using debt finance to pay for roughly two-thirds of its (then) $16.5 billion capital program, with $7.3 billion coming from "new" debt. The plan finally approved by the Legislature added $1.6 billion in state funding—proceeds from the proposed Bond Act— and reduced the amount of "new" bonding by $1.0 billion, from $7.3 billion to $6.3 billion.

However, the adopted plan still contains the debt restructuring which for many observers is the most troubling feature of the MTA's financing plan. The restructuring provides short-term fiscal relief by extending debt service payments far into the future but damages the Authority's ability to finance future capital programs. IBO concluded earlier this year that:

> If the refinancing proceeds as planned, …[much of the MTA's bonding capacity] between 2015 and 2030 will be consumed by service on debt that had been scheduled to be paid off in the 1980s and 1990s. Unless there are dramatic increases in revenue from fares, direct subsidies, tax-supported subsidies, or productivity, the Authority's ability to finance the necessary investments in the region's transportation infrastructure in 2015 and beyond will be severely constrained by decisions made today.

NYSDOT. The NYSDOT plan is funded primarily by federal grants, the Dedicated Highway and Bridge Trust Fund, and proceeds from the Bond Act. Created in 1993, the Trust Fund receives revenue from the highway use tax, portions of the motor fuel tax, motor vehicle registration fees, the petroleum business tax, and bonds issued by the Thruway Authority and secured by these same sources. In anticipation of the 2000-2004 capital program, the State Legislature has raised the cap for Dedicated Highway and Bridge Trust Fund bonds issued by the Thruway Authority from $4.75 billion to $10.25 billion.

The Role of the State Bond Issue

If passed, the Bond Act would provide $1.6 billion for the MTA capital plan and $2.2 billion for the highway and bridge capital plan. The enabling legislation for the Bond Act apportions the $2.2 billion into two parts: $1.9 billion for highways, bridges, and canals, and $300 million for projects related to rail, aviation, and non-MTA public transit. A September 2000 memorandum of understanding between the Governor and the leaders of the State Senate and Assembly further specified how spending would be divided.

The Bond Act would fund 9.4 percent of the MTA capital plan. The enabling legislation for the Bond Act does not formally commit the MTA to spending its $1.6 billion share of the proceeds on specific projects. However, the Authority's approved capital plan allocates $1.0 billion of the Bond Act's proceeds to reduce the amount of "new" MTA revenue-backed debt by $1.0 billion. Of the remaining $600 million, $350 million is allocated to planning, environmental review, final design, and engineering work for a Second Avenue subway from 125th Street to the Financial District. The rest of the funds are for the purchase of clean fuel buses ($100 million), and a series of smaller projects ($150 million).

It is quite possible that the Bond Act would have only a modest impact on the completion schedule of the MTA's current five-year plan. In recent years, actual MTA spending has lagged behind the levels approved under the capital plans. According to a recent MTA bond offering statement, as of February 2000 the Authority still planned to issue $2.7 billion in debt approved under the 1995-1999 capital plan. IBO expects that a significant proportion of the spending authorized in the 2000-2004 plan will likewise be pushed into the 2005-2009 plan period.

The Bond Act is also slated to fund 12.9 percent of the cost of the DOT capital program. The Act provides 11.0 percent of the funding for state and local highways and bridges. For the other, smaller components of the program, the proportion covered by the Bond Act is much higher. The Act provides all of the funding for canal corridor improvements, two-thirds of the funding for aviation facilities, and almost one-half of the funding for non-MTA transit systems.

New York State's Debt Burden

If approved, the Bond Act would add to the state's already substantial debt burden. With $36.8 billion in outstanding state-supported debt, New York carries the fourth-highest debt burden (both in terms of debt per person and debt as a percentage of personal income) in the nation. This is accompanied by one of the lowest credit ratings of any state. According to Standard and Poor's, only Louisiana has a lower credit rating than New York; Moody's has these two states tied for last.

The state's debt management practices have been changing in recent years. Between 1989 and 1995, the average annual growth of state-supported debt (14.6 percent) in New York State was three and a half times as fast as that of state personal income (4.2 percent). Since then, however, state-supported debt growth has been more restrained (4.4 percent per year, compared with 5.2 percent annual personal income growth).

Moreover, the fact that the new borrowing would take the form of General Obligation debt (as opposed to the usually lower-rated, more expensive “back-door” debt the state has resorted to in the past) is an important plus for voters considering this new issue.

Finally, it is important to note that despite concerns about the state’s debt burden, the well established rationale of bond finance is that it be used for projects providing a long-term stream of benefits. Such financing ensures that the costs of public improvements are borne by the future beneficiaries of those improvements.

Benefits for New York City Residents

The health of the city’s economy is linked to the rest of the state’s (and vice versa) in many ways, so that even infrastructure investments far upstate will benefit the city. Similarly, many New York State residents living outside the city—primarily commuters—use city facilities and benefit from investment in them. A full assessment of the benefits of the Bond Act to the city would require analysis of the effect on the city’s economy of each project being financed with Bond Act proceeds, regardless of where it is located. A more feasible, but limited, approach is to compare the spending for Bond Act-financed NYCT projects and NYSDOT projects located in the city with the costs borne by city residents in financing these projects.

The MTA plan contains $12.0 billion in proposed spending for NYCT, and the NYSDOT plan contains $3.8 billion—22.5 percent of the statewide total—in New York City projects. This gives a total of $15.8 billion in transportation capital spending for the city, roughly 46 percent of the $34.2 billion total spending contained in the two plans.

Unfortunately, it is considerably more difficult to determine the share of *Bond Act* proceeds that would directly benefit New York City. Neither the Bond Act itself nor the associated memorandum of understanding issued by the Governor and the legislative leaders provide a complete inventory of the projects to be funded with proceeds from the Act.

By making a few assumptions, however, it is possible to estimate the share of Bond Act proceeds directly benefiting New York City. Of the $1.6 billion in Bond Act proceeds allocated to the MTA, $450 million is clearly identifiable for NYCT projects ($350 million for the Second Avenue subway and $100 million for cleaner fuel buses). Because 70 percent of MTA capital plan spending is for NYCT, we assume that $805 million of the remaining $1.15 billion available to the MTA would be used for NYCT projects, bringing the total spending for NYCT projects financed through the Bond Act to $1.26 billion.[7] City residents would also benefit from an estimated $428 million in NYSDOT projects in the five boroughs financed with Bond Act proceeds.[8]

Adding together the MTA and NYSDOT projects that directly benefit New York City brings the estimated city share of Bond Act proceeds to $1.69 billion, slightly over 44 percent of total Bond Act disbursements.

Table 2. MTA 2000-2004 Capital Plan: Funding Sources ***(dollars in billions)***

Transportation Infrastructure Bond Act	$1.6
Federal government	5.0
New York City	0.5
Other	0.7
Issues of “new” debt	6.3
Debt restructuring	3.0
Total	**$17.1**

SOURCES: Metropolitan Transportation Authority, *The MTA Plan for 2000-2004*; *Revisions to MTA 2000-2004 Capital Program*. State of New York, *3-Way Agreement Reached on State´s Five-Year Transportation Plan* (press release).

Cost for New York City Residents

If the Bond Act is approved by the voters, its costs will be borne by taxpayers and users of public services through the state taxes and charges that must be dedicated to the future debt service on the bonds. The distribution of the Bond Act's cost among New York City and non-city (suburban, upstate, and out-of-state) taxpayers will therefore correspond to their respective contributions to the state's coffers. Were the share of state taxes and charges—and therefore of Bond Act debt service—borne by New York City residents to be substantially greater than the share of Bond Act disbursements going to projects in the city, this might be an argument against supporting the Act. It could be cheaper under these circumstances to simply fund the city-specific transportation projects at the city level.

Table 3. NYSDOT 2000-2004 Capital Plan: Funding Sources ***(dollars in billions)***

	Total
Transportation Infrastructure Bond Act	$2.2
Dedicated Highway and Bridge Trust Fund	6.8
Federal grants	7.6
Other	0.5
Total	**$17.1**

SOURCE: IBO´s estimates based on appropriations and re-appropriations contained in New York State Division of the Budget, *Capital Program and Financing Plan Update, August 2000*.

However, IBO estimates that if the Transportation Infrastructure Bond Act is approved, the share of new state GO debt service borne by New York City resident taxpayers (40 percent) will actually be less than the likely share of new disbursements to transit and road projects in the city (44 percent).[9] In present value terms (which account for the timing of the Bond Act disbursements and the debt service) city residents would pay about $1.18 billion for $1.33 billion in new funding for city transportation projects. The rest of the cost would be borne by other state taxpayers (both resident and nonresident, including commuters to the city).

Financing the Capital Programs Without the Bond Act

If the state's voters prove unwilling to add to the existing state-supported debt burden by rejecting authorization of $3.8 billion in additional state-supported GO debt, there would be three basic choices for the MTA and NYSDOT. They could obtain new cash subsidies for pay-as-you-go financing, increase the amount of MTA and NYSDOT debt backed by fare-box revenues and dedicated taxes, or adjust the timing and/or scope of the capital programs.

Pay-As-You-Go Financing

When there are concerns about the level of government debt, pay-as-you-go (pay-go) financing is often viewed as an alternative to increased government borrowing. Pay-go is particularly attractive when governments are running operating budget surpluses, since using surpluses for irregular expenses (like major capital investments) is fiscally more prudent than using surpluses to fund recurring spending commitments. If the Bond Act is rejected, existing state and city capital subsidies could be supplemented by transferring current operating budget surpluses to the transportation agencies.

The principal argument for pay-go is that it reduces the burden on future generations, as less debt taken on now translates into lower taxes in support of debt service later. It should be noted, though, that future debt ratios would also be eased by simply refunding operating budget surpluses to taxpayers; this would not lower the future taxes required to support debt service, but it would increase the future income available to support taxes.

While voters may be concerned with adding to the existing high levels of state debt when considering the Bond Act, they should understand that substituting state pay-go for state borrowing would not change the overall costs of financing the transportation capital plan. Nor does pay-go alter the approximate distribution of those costs among New York City and non-city taxpayers.[10]

Table 4. Capital Plan Expenditures by Category and Share of Bond Act Funds ***(dollars in millions)***

	Planned Spending	Funds from Bond Act	Share Funded by Bond Act (percent)
MTA capital program	**$17,100**	**$1,600**	**9.4%**
NYSDOT capital program			
State and local highways and bridges	16,300	1,800	11.0
Non-MTA transit systems	271	125	46.1
Rail and port facilities	280	100	35.7
Aviation facilities	113	75	66.4
Canal corridor improvements	100	100	100.0
Total NYSDOT	**$17,064**	**$2,200**	**12.9%**

SOURCE: State of New York, *3-Way Agreement Reached on State´s Five-Year Transportation Plan* (press release).

MTA and NYSDOT Revenue-Backed Debt

If the Bond Act does not pass and pay-go subsidies are not forthcoming, the MTA and the NYSDOT could turn to their existing revenue sources to preserve their full capital programs.

MTA revenue-backed debt. Of the $1.6 billion from the Bond Act earmarked for the MTA, $600 million represents an addition to the MTA's originally proposed $16.5 billion plan, and $1.0 billion is a contribution that allows the MTA to reduce its own bond issues by an equivalent amount. If the Bond Act is rejected, the MTA could revert to its original plan to issue $7.3 billion in MTA revenue-backed bonds rather than the current plan's $6.3 billion. The $600 million added to the original MTA plan would presumably be eliminated unless new funding—perhaps from even more MTA revenue-backed debt—could be found.

If the MTA relied on its own bonding power to replace the full $1.6 billion, IBO estimates that annual debt service would grow by $119 million. This would come on top of the already planned increase in annual debt service of $464 million attributable to the "new" debt in the adopted MTA capital plan. If the combined new level of debt service ($583 million) were to be funded entirely from the fare-box, passenger revenues would have to increase around 20 percent over their 1999 level of $2.8 billion. Assuming proportionate increases in subway, bus, and commuter rail fares, city residents would bear over two-thirds of the cost of the new debt service.

NYSDOT revenue-backed debt. Rejection of the Bond Act is unlikely to have much of an impact on the NYSDOT capital plan. Although the State Legislature approved the DOT capital plan with the understanding that $2.2 billion of the anticipated funding would come from the Bond Act, some of the plan's other funding sources were also strengthened during the last legislative session. As noted previously, the cap on Dedicated Highway and Bridge Trust Fund bonds issued by the Thruway Authority on behalf of the state was raised from $4.75 billion to $10.25 billion. In addition, compared with the 1995-1999 period, the 2000-2004 plan earmarks a larger proportion of the petroleum business tax, motor fuel tax, motor vehicle fees, and the highway use tax to the Trust Fund for debt service. These measures by themselves could potentially provide sufficient resources to fund the highway and bridge program without the financing from the Bond Act. New debt service would absorb $164 million in Highway Trust Fund revenues. City residents would bear just under one-third of the cost.

Total impact. Without general government financing, city residents would bear a larger share of the transportation capital plans' costs.[11] If the Bond Act failed and was replaced by more MTA borrowing supported by farebox increases and more NYSDOT borrowing supported by Highway Trust Fund revenues, city residents would bear almost 48 percent of the total NYSDOT/MTA costs of financing. This is higher than the 44 percent share of disbursements going to the city. Moreover, authority debt would be lower-rated and cost more than state GO debt. In present value terms, city residents would pay approximately $1.48 billion for $1.33 in disbursements to the city—over $300 million (25 percent) more than under Bond Act financing.

Conclusion

If the Bond Act is approved, residents of New York City would benefit financially. IBO estimates that 44 percent of the Act's proceeds would be used for projects directly benefiting city residents—particularly bus and subway riders—while city residents would bear about 40 percent of the debt service costs. In contrast, if the MTA and NYSDOT were forced to replace the Bond Act funds in their capital plans with debt backed by their own revenue sources, city residents' share of the debt service would reach 48 percent.

The major reason to vote against the Bond Act is concern over adding to New York State's already high burden of debt. Although state-backed debt has recently been growing at a slower pace than personal income, the long-term capacity of the state to sustain its debt burden remains an issue.

Finally, it is important to note that while Bond Act proceeds would be used to reduce the MTA's use of "new" revenue-backed debt, the capital plan continues to include a problematic debt restructuring that will impede the Authority's ability to finance the actual construction of a Second Avenue subway or other system expansion projects.

Endnotes

[1] Unless otherwise noted, the MTA capital plan described in this brief is exclusive of this separate plan for Triborough bridges and tunnels. The Triborough Authority projects are financed almost entirely with bonds backed by toll revenues. The Triborough Authority capital plans are not subject to legislative approval.

[2] IBO's concerns over the financing plan were discussed in *Inside the Budget* (No. 62, April 2000).

[3] This 70 percent share is less than in past capital programs for NYCT. Between 1982 and 2000, NYCT received 79 percent of the MTA's capital funding. The NYCT plan includes roughly $33 million for the Staten Island Railway, 0.27 percent of the value of the total NYCT plan.

[4] An MTA memorandum commits the Authority to spending a nominal amount—$50 million—in order to ensure that construction of the Second Avenue subway is initiated by the end of 2004.

[5] NYSDOT's capital plan covers state fiscal years 2000/2001 to 2004/2005. Nevertheless, in this brief it will be referred to as the 2000-2004 plan in order to line up with the MTA's plan which is designated by calendar year. The calendar period covered by the NYSDOT plan extends from April 1, 2000 to March 31, 2005.

[6] The debt restructuring assumes that the MTA will replace much of its outstanding debt (currently $14.2 billion) with an equivalent amount in new bonds. Because the refinancing yields some immediate debt service savings, the agency expects to be able to issue an additional $2.1 billion in bonds without increasing its current level of debt service. The refinancing will also free up $900 million currently held in reserve funds. Although the debt restructure involves issuing new bonds worth $12 billion, the MTA's description of their financing plan distinguishes the refinancing from the $6.3 billion of "new" debt.

[7] The estimated $345 million for the commuter railroads is assumed to benefit non-residents only.

[8] It appears that $300 million of the $2.2 billion in NYSDOT proceeds from the Bond Act have been set aside for upstate projects. To estimate the city's share of the NYSDOT proceeds, we assume that 22.5 percent (the city's share of NYSDOT capital plan projects) of the remaining $1.9 billion in bond proceeds allocated to NYSDOT would be spent on projects in the city.

[9] This assumes that the current share of state taxes borne by city residents does not change appreciably over time.

[10] Changes in the share of state taxes borne by New York City residents in future years could produce

somewhat different distributions of capital costs under pay-go versus bond financing.

[11] New York City faces its own borrowing constraints. However, if it were somehow possible for the city to issue its own GO bonds in place of Bond Act financing, IBO estimates that the share of debt service costs borne by city residents would be higher.

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