

14 AUG 2025

Fitch Rates New York City TFA's \$1.36 Billion Building Aid Revs 'AA'; Outlook Stable

Fitch Ratings - New York - 14 Aug 2025: Fitch Ratings has assigned 'AA' ratings to approximately \$1.36 billion of New York City Transitional Finance Authority (TFA) building aid revenue bonds, consisting of:

--\$842,410,000 fiscal 2026 series S-1;

--\$500,075,000 fiscal 2026 series S-2;

--\$19,500,000 fiscal 2026 series S-3;

The bonds are scheduled to price Aug. 19-20, 2025 by negotiated sale. The par amounts and pricing date are subject to change.

The Rating Outlook is Stable.

SECURITY

The bonds are payable from annual New York State appropriations of building aid to New York City (the city), assigned and paid to TFA.

Analytical Conclusion

The 'AA' rating, one notch below the state's 'AA+' Issuer Default Rating (IDR), reflects the inherent optionality of state-appropriated school building aid used for debt service and structural protections for bondholders that limit leverage and fund debt service several months in advance.

KEY RATING DRIVERS

Link to New York State Credit: School building aid that secures the bonds requires annual state legislative appropriation. Therefore, the rating is linked to the State of New York's credit quality, reflected by its 'AA+' IDR. Appropriation risk is minimal given the constitutional mandate for, and strong history of, state support for education.

Structural Protections Strengthen Credit: The additional bonds test (ABT) only considers aid associated with projects that have already been approved even though aid related to additional projects that will be approved by the state in the future is also pledged to the bonds. Monies for debt service are retained in the city fiscal year prior to the year in which the debt service is due.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A downgrade of the state's IDR.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--An upgrade of the state's IDR.

CREDIT PROFILE

Building aid revenue bonds, which are rated one notch below New York State's 'AA+' IDR, are payable from annual state appropriations of building aid. State building aid assists local school districts across the state with the cost of constructing and improving elementary and secondary education facilities. Appropriation risk is minimal given the constitutional mandate for, and strong history of, state support for education. Moreover, the ABT only considers aid associated with projects already approved by the state, even though aid related to additional projects that will be approved in the future is also pledged.

Bonds Supported by Approved and Future Building Aid

In the 2006 state legislative session, the New York City TFA was authorized to have outstanding an amount up to \$9.4 billion for education, supported by state building aid appropriations; about \$7.2 billion is currently outstanding prior to the fiscal 2026 sale. As permitted by the legislation, the city assigned all of its state building aid to the TFA to secure the bonds.

State building aid, which is earned on an individual project basis, consists of confirmed building aid and incremental building aid. Confirmed building aid refers to aid payable for projects already approved by the state. Such aid is subject to annual state appropriation but is not subject to any additional statutory or administrative conditions or approvals. The state has covenanted that the calculation of reimbursable costs for a project will not change once the project is approved.

For subsequent projects, the base reimbursement rate can change over time pursuant to a statewide formula calculated every year. This ratio shifted gradually downward from 48.2% in fiscal 2014 to 36.6% in 2024, but is projected to rise to 39.5% in 2025 and 41.7% in fiscal 2026.

Incremental building aid refers to state building aid to be received for projects approved by the state in the future. Fitch expects that the incremental building aid generated by the city's ongoing education capital program will result in higher actual coverage in future years.

By statute, both confirmed and incremental building aid are the property of the TFA and are pledged to the bonds. However, the ABT considers only confirmed building aid. In order for additional bonds to be issued, confirmed building aid payable in the fiscal year preceding each year in which bonds are scheduled to be outstanding must be at least 1x debt service in that year. Since state building aid for a given project is provided over 30 years, debt service coverage by confirmed building aid drops from about 2.45x in fiscal 2026 to 1.85x in fiscal 2035, before increasing to 19x in fiscal 2048.

The TFA receives all building aid regardless of whether the project is financed with TFA building aid

revenue bonds or through a different financing mechanism.

Flow of Funds

State building aid received by TFA is retained for debt service each year when the amount of building aid outstanding before the end of the city's fiscal year is not more than 110% of the debt service payable on the building aid revenue bonds in the following city fiscal year. Although the state's fiscal year runs from April-March, the state budgets education aid, which includes building aid, based on the city's fiscal/school year (July-June). The retention mechanism is likely to trap building aid in the April through June period for debt service payments in the following July and January. Building aid that is not required to be retained flows to the city.

The level and timing of state education aid, of which building aid is a part, has periodically been affected by the state's fiscal condition. In the Great Recession, education aid paid to the city declined and education aid payments were deferred, although the portion attributable to building aid continued to increase.

Early in the COVID-19 pandemic, capital projects were suspended and the enacted budget for state fiscal 2021 allowed up to 20% recurring local aid reductions, including education aid, subject to approval of additional federal aid. The state ultimately delayed approximately \$129 million in education aid, which was later paid. State school aid has increased substantially in recent years, with the state achieving full funding of Foundation Aid in the 2024 school year; fiscal 2026 school aid in the enacted budget will rise 4.9%, to \$37.1 billion.

While building aid was available first to TFA future tax secured bonds (rated AAA/Stable) issued prior to the first issuance of building aid revenue bonds in fiscal 2007, no such TFA future tax secured debt remains outstanding. TFA future tax secured bonds sold after the date of the initial issuance of the building aid bonds, of which \$57.1 billion are currently outstanding, have no claim on building aid.

In addition to previously outstanding TFA future tax secured bonds, the payment of building aid is also subject and subordinate to certain other limited prior statutory and state constitutional claims on education aid, of which building aid is a part. Fitch does not believe that these will impair the ability to pay debt service.

Holders of the TFA building aid revenue bonds benefit from statutory covenants in the original TFA Act prohibiting action that would impair bondholders and the bankruptcy-remote nature of the issuer. However, since the pledged revenue stream requires annual state appropriation, the bondholders do not enjoy the same insulation from government operations that is a key factor in the 'AAA' rating of the TFA future tax secured bonds.

Credit Quality of New York State

The 'AA+' IDR reflects New York State's very strong gap-closing ability and responsive budget management that leave it well-positioned to address near-term fiscal challenges, including from inherent revenue cyclicity and expanding commitments for K-12 public schools and Medicaid. New

York's low long-term liability burden suggests significant capacity to address capital spending pressures, including for the Metropolitan Transportation Authority (MTA).

For more information on the state's 'AA+' IDR, see 'Fitch Assigns 'AA+' Rating to \$541MM GO Bonds, Affirms New York 'AA+' IDR; Outlook Stable' (March 14, 2025). For more information on the TFA future tax secured bonds, see 'Fitch Rates NYC Transitional Fin Auth \$200MM Fiscal 2026 Subseries A-2 Adj-Rate Bonds 'AAA' (July 29, 2025).

Date of Relevant Committee

13-Mar-2025

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Fitch does not provide ESG relevance scores for New York City Transitional Finance Authority building aid revenue bonds.

In cases where Fitch does not provide ESG relevance scores in connection with the credit rating of a transaction, program, instrument or issuer, Fitch will disclose any ESG factor that is a key rating driver in the key rating drivers section of the relevant rating action commentary. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products>.

Fitch Ratings Analysts

Tammy Gamerman

Director

Primary Rating Analyst

+1 212 908 0216

Fitch Ratings, Inc. Hearst Tower 300 W. 57th Street New York, NY 10019

Douglas Offerman

Senior Director

Secondary Rating Analyst

+1 212 908 0889

Karen Krop

Senior Director

Committee Chairperson

+1 212 908 0661

Media Contacts

Cristina Bermudez

New York
+1 212 612 7892
cristina.bermudez@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
New York, State of (NY) [General Government]				
• New York, State of (NY) /State Building Aid Appropriation Revenues/ 1 LT	LT	AA	Affirmed	AA

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	⦿	◆
STABLE	⦿	

Applicable Criteria

[U.S. Public Finance State Governments and Territories Rating Criteria \(pub.04 Feb 2025\)](#)
(including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.0 [\(1\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

New York City Transitional Finance Authority (NY) EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or

in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the

securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

Endorsement policy

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international

credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.