



Rating Action: Moody's Ratings assigns Aa2 to NYC TFA Building Aid Revenue Bonds; outlook stable

14 Aug 2025

New York, August 14, 2025 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to the New York City Transitional Finance Authority's (TFA) \$842.4 million Building Aid Revenue Bonds, Fiscal 2026 Series S-1, \$500.1 million Building Aid Revenue Bonds, Fiscal 2026 Series S-2 and \$19.5 million Building Aid Revenue Bonds, Fiscal 2026 Series S-3. The bonds will price the week of August 18.

We also maintain Aa2 ratings on TFA's \$7.2 billion of outstanding Building Aid Revenue Bonds and Aa1 ratings on the City of New York's \$57.1 billion of Future Tax Secured Subordinate Bonds. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating is one notch below New York State's Aa1 issuer rating and reflects the state's strong commitment to provide building aid payments to New York City (Aa2 stable), which assigns the payments to the TFA, and the satisfactory debt service coverage forecast. The rating also reflects the subject-to-appropriation nature of the state aid payments securing the bonds, the state's constitutional mandate to fund education aid, a statutory framework that assigns the city's state building aid to the TFA, and state non-impairment provisions. A 1x additional bonds test based on confirmed building aid supports satisfactory coverage. The School Financing Act authorizes the issuance of Building Aid Revenue Bonds of TFA in an amount outstanding of up to \$9.4 billion, with \$7.2 billion currently outstanding.

Once the State Education Department (SED) has approved a school construction project, the state is statutorily required to provide a 30-year stream of building aid payments, subject to annual appropriation. The state has covenanted not to impair the rights of bondholders, however the state is able to vary the building aid ratio on a year-to-year basis, which can alter scheduled payments.

New York City's education aid is subject to certain competing or contingent claims, however a memorandum of understanding (MOU) between the city, TFA, the State Education Department, and the New York State comptroller, directs the state comptroller to satisfy such competing claims from other school aid before state building aid. New York City has agreed to pay to TFA any amounts of building aid that may be diverted for these claims.

A constitutional mandate to fund education also supports the inclusion of appropriations for educational aid, including building aid, in the state's annual budget.

RATING OUTLOOK

The stable outlook reflects New York State's outlook which is based on the state's strong reserves, budget flexibility and sound management tools available to balance the budget over the next 12 to 18 months. The state's budget flexibility is also supported by moderate fixed costs and leverage, however these could weaken if the state needs to fund New York Metropolitan Transportation Authority's capital plan or distressed entities such as hospitals.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Upgrade of the state issuer rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Downgrade of the state issuer rating
- Significant decrease in debt service coverage
- Weakened state commitment to appropriate education aid payments

PROFILE

New York State is the fourth-largest US state by population and third largest by real gross state product. Located in the Northeastern US, New York has a population of 19.6 million with high per capita income at 116% of the US average and a large and diverse economy with a real gross state product of \$1.8 trillion.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425428>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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