Massachusetts Bay Transportation Authority
FY 2027 Operating Budget
Oversight Report

Approved and presented by:
MBTA Advisory Board

June 9, 2026

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Boston, Massachusetts 02115
www.mbtaadvisoryboard.gov

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The MBTA Advisory Board is a government body organized under Massachusetts General Law to oversee the finances, operations, and activities of the Massachusetts Bay Transportation Authority. The Advisory Board represents the interests of the 178 cities and towns in the MBTA service district. In FY27 these municipalities will contribute over $200 million in subsidies via municipal assessments to the MBTA.

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EXECUTIVE SUMMARY

The MBTA's FY27 operating budget projects revenues of $2.8 billion and expenditures of $3.4 billion, yielding a structural revenue deficit of $546 million. This deficit will be plugged via a deficiency fund transfer. The Massachusetts House and Senate approved an FY26 supplemental budget on June 4, 2026 authorizing the transfer of $595 million to the MBTA. As of the issuing of this report, this legislation awaits the Governor's consideration. The FY27 MBTA budget also includes over $100 million in internal savings. Such savings are on top of the $80+ million in savings projected for this current fiscal year.

Just two years ago, the Advisory Board raised serious alarms about an imminent fiscal cliff, yielding only service cuts, fare increases, and a less safe MBTA. The commitment of this Governor, and of House and Senate leadership to increased support for public transportation has shielded the MBTA and the region from this degradation in public transportation, and is laudable. It is clear that investment, not austerity, is the key to improving public transportation in the Commonwealth.

Despite persistent fiscal challenges, the MBTA's FY27 operating budget is a well structured plan that prioritizes service continuity, operational improvements, and safety advances. Spending projects to grow by $297 million compared to the FY26 operating budgets. With targeted savings, this budget represents a 6.3% expense growth over the preceding year which marks a downward trend from the 8% expense growth in FY26 and 11.3% expense growth in FY25. Continued legislative support, transparency, and accountability will be crucial to sustaining and improving public transportation in Greater Boston. The MBTA Advisory Board recommends approval of the MBTA's proposed FY27 operating budget.

THE MBTA ADVISORY BOARD

FY2027 STATEMENT OF REVENUE

Other Operating (Own Source)	FY25Actuals	FY26Budget	FY27Budget
Fares	440,688,130	448,754,375	485,000,000
Advertising	19,213,490	23,142,533	26,346,400
Parking	29,761,862	32,945,131	34,906,082
Real Estate	27,593,677	20,725,040	23,970,888
Other Operating	8,475,943	7,553,319	8,428,154
Own Source Subtotal	**525,733,102**	**533,120,398**	**579,000,000**
Non-Operating			
Dedicated Sales Tax	1,444,308,852	1,425,298,393	1,445,000,000
Dedicated Local Assessments	193,093,640	197,895,348	203,000,000
Other Income	36,507,023	35,691,003	37,000,000
Federal Funds	59,541,614	-	-
Safety Directives-Add'l Assistance	210,776,402	196,300,000	122,000,000
State Contract Assistance	319,760,000	687,000,000	470,000,000
Non-Operating Subtotal	**2,263,987,531**	**2,542,298,393**	**2,276,000,000**
TOTAL REVENUE	**2,789,720,634**	**3,075,305,142**	**2,855,000,000**

FY2027 STATEMENT OF EXPENSE

Wages	FY25 Actual	FY26 Budget	FY27 Budget
Regular Wages	715,604,342	814,701,290	847,000,000
Overtime	75,824,239	61,600,701	73,000,000
Wages Subtotal	**791,428,581**	**876,301,991**	**920,000,000**
Fringe Benefits			
Pensions	169,244,653	195,375,295	203,000,000
Health	124,491,732	131,952,684	141,000,000
Life Insurance	628,208	663,138	1,000,000
Workers Compensation	13,738,401	15,670,097	18,000,000
Other Fringes	397,317	500,000	1,000,000
Fringe Subtotal	**308,500,311**	**344,161,214**	**364,000,000**
Payroll Taxes			
FICA	59,320,430	66,914,648	71,000,000
Unemployment	4,241,010	7,026,268	6,000,000
Payroll Tax Subtotal	63,561,440	73,940,916	77,000,000
Health & Welfare Fund	**16,775,382**	**20,146,632**	**20,000,000**
Materials, Supplies, & Services (MSS)			
Materials	73,337,088	91,474,474	99,000,000
Services	216,968,066	290,660,574	286,000,000
Fuel	17,808,325	18,413,490	18,000,000
Utilities	60,372,791	60,873,437	73,000,000
Contract Cleaning	42,879,577	48,742,632	51,000,000
Uniform	0	7,571,998	0
MSS Subtotal	**411,365,845**	**510,164,607**	**527,000,000**
Casualty & Liability (C&L)			
Risk Insurance	26,456,411	36,816,692	31,000,000
Injuries & Damages	17,184,238	9,707,268	10,000,000
C&L Subtotal	**43,640,650**	**46,523,960**	**41,000,000**
Commuter Rail			
Fixed Price	378,771,719	388,241,012	
Extra Work and Services	153,803,897	157,658,751	
Fuel	35,640,906	38,887,774	
PRIIA	13,173,933	14,032,441	
Commuter Rail Subtotal	**581,390,455**	**598,819,978**	**687,000,000**
Local Services			
The RIDE	149,059,194	163,172,220	180,000,000
Ferry	24,523,637	29,440,522	40,000,000
LSS Other	6,145,133	5,700,118	8,000,000
Local Subtotal	**179,727,965**	**198,312,860**	**228,000,000**
Financial Service Charges	**13,046,044**	**14,966,500**	**17,000,000**
Debt Service			
Interest	176,019,073	276,863,218	
Principal	282,189,802	283,334,666	
Debt Subtotal	**458,208,875**	**560,197,885**	**520,000,000**
TOTAL EXPENSE	**2,867,645,547**	**3,243,536,543**	**3,401,000,000**

INTRODUCTION

The Operating Budget Oversight Committee presented this report and its recommendations to the MBTA Advisory Board on June 9, 2026 in fulfillment of the charge made to the committee on May 26, 2026.

The MBTA's FY27 operating budget is $546 million in deficit based on projected revenue of $2.8 billion, $3.4 billion in expenses, and an additional $102 million in internal cost savings. To close the deficit, the initial budget proposes a $546 million transfer from the Commonwealth to the MBTA's deficiency fund. In addition to this deficiency fund transfer, the MBTA budget also expects $122 million in ongoing safety support, and $470 million in contract assistance from the state. These amounts are included in H2- the Governor's FY27 state budget request to the Massachusetts legislature.

On June 4, 2026, during the drafting of this report, the Massachusetts House and Senate passed an FY26 supplemental budget for the Commonwealth. Included in this is $595 million for the MBTA, of which $535 is available for the operating budget. The legislation legalizing this transfer awaits the Governor's consideration.

In their FY27 state budget submissions, the House and Senate each include $470 million in contract assistance to the MBTA. Neither version includes the $122 million in ongoing safety support sought by the Authority and the Governor. The final amount of additional support the MBTA will receive will be determined in the final budget approved by the legislature and signed by the Governor.

The legislative architects of "Forward Funding" in 2001 likely did not anticipate that by 2027, the Commonwealth would need to appropriate over $1 billion in additional state assistance each year to fill a structural gap between the MBTA's expenses and revenues. Nor was the Fair Share revenue generation intended to cover deficits over transportation improvements and expansions.

Across the country, public transit systems and state lawmakers have been forced to make difficult decisions about allocations of resources and prioritization of services amid slow ridership returns and rising infrastructure and labor costs. Some authorities have undergone temporary solutions. After the Southeastern Pennsylvania Transportation Authority (SEPTA) was forced to take a 20% service reduction and 21.5% fare increase due to a $213 million operating deficit, the authority was authorized to transfer funds from its capital budget to its operating budget.[1] This transfer stabilized operations while deferring capital projects such as bus purchasing, accessibility upgrades, and a Zero Emission Bus retrofit pilot.

Other states have reached long-term funding solutions through legislative processes. The Illinois General Assembly increased the regional sales tax by 0.25% and redirected existing sales tax revenue from motor fuel purchases towards the Northern Illinois Transit Authority this year to address significant deficits at the Chicago Transit Authority, Metra, and Pace Suburban Bus.[2] Similarly, in Minnesota the State Legislature approved a 0.75% regional sales tax increase to fund Metro Transit's operations.[3] In five counties of California's Bay Area, a November regional ballot measure to increase the sales tax may provide a lifeline to the Bay Area Rapid Transit's structural deficit of $400 million or the region will be forced to carry out their approved Alternate Service Plan of a 40% reduction to service.[4]

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[1] SEPTA Capital Budget & 12-Year Plan
[2] Governor Pritzker signs Illinois transit funding bill
[3] MOVE Minnesota
[4] BART Board initially approves Alternative Service Plan outlining budget balancing details

The Commonwealth's allocation of funds will allow the MBTA to continue its crucial investments in the long-term reliability, safety, and sustainability of the system. However, without reform to the broader funding structure these investments will continue to face significant threats. The FY27 Operating Budget is a demonstration of the MBTA's ability to attract ridership, modernize, and grow but it is crucial that investments are sustained.

PROCESS OVERVIEW

Massachusetts General Law Chapter 161a, Section 20 provides for the MBTA Advisory Board to conduct an independent analysis and oversight review of the MBTA's proposed annual operating budget. MBTA staff presented a first draft of the FY27 operating budget to the MBTA's Board of Directors' Audit and Finance Committee on February 28, 2026. MBTA staff formally presented the draft FY27 Operating Budget to the full MBTA Advisory Board at its May 26, 2026 meeting. At its May 28, 2026 meeting, the Board of Directors formally authorized the transmittal of the draft FY27 budget to the Advisory Board for its review. At this meeting, the Advisory Board voted to refer the budget to the Operating Budget Oversight Committee with a charge to review it, report back, and make a recommendation for the full Advisory Board's consideration. The Operating Budget Oversight Committee met on May 29, June 5, and June 8 to provide direction to Advisory Board staff on drafts of this report, and approve its final version. The full Advisory Board received this report at its June 9, 2026 meeting and approved this report and recommendation for presentation to the MBTA Board of Directors at its June 11, 2026 meeting.

Despite this very tight timeline, MBTA staff made FY27 budget documents and information available to the Advisory Board well in advance. The Advisory Board thanks MBTA staff who assisted it with its oversight activities, specifically: Mary

Ann O'Hara, Debbie Maffie, Max Nugiel, Joe Regan, Susan Everett, and Mona Mtet.

REVENUE

Total budgeted revenue in FY27 is $2.855 billion, a decrease of $9 million (0.3%) compared to FY26's budgeted amount, and $67 million (2.0%) more than FY25's actual amount of revenue received. Operating budget revenue in FY27 comprises seven main categories: $1,445 million from state sales tax (51%), $485 million from fares (16%), $470 million in state contract assistance (16%), $203 million in local assessments (7.1%), $122 million from the Commonwealth for ongoing safety initiatives (4.3%), $94 million in own source revenue (3.3%), and $37 million in other income (1.3%). Figure 1, below shows the proportion of revenue by type.

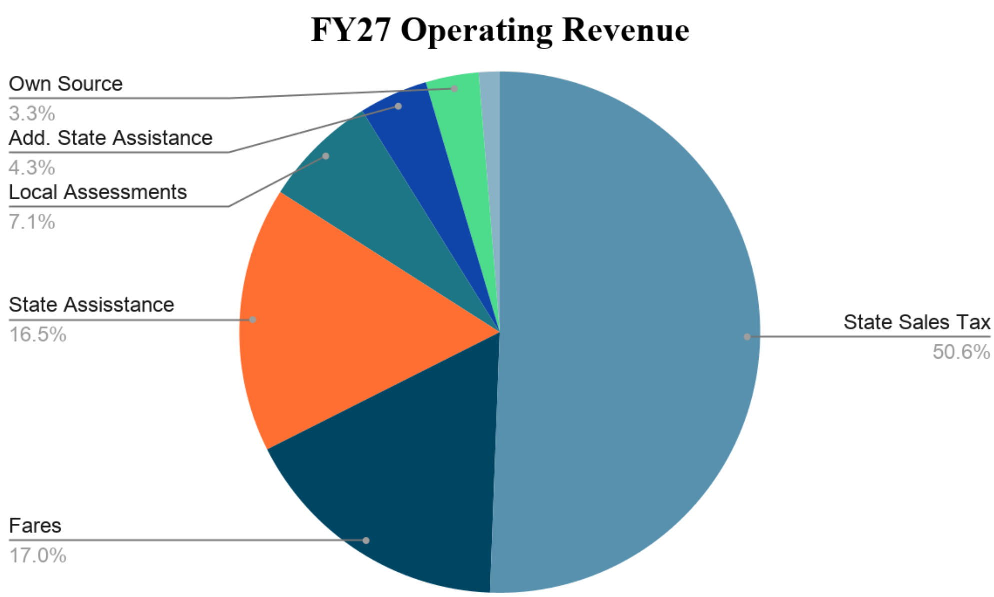

Figure 1: FY27 Operating Budget Revenue.

Operating Revenue

Operating revenue consists of fares and other revenue generated from operating the MBTA including parking fees, advertising, and rental of MBTA land and property. Collectively these revenue sources are known as own source revenue.

Operating Revenue	FY25 Actual	FY26 Budget	FY27 Budget
Fares	440,688,130	448,754,375	485,000,000
Other Operating	85,044,972	84,366,023	94,000,000
Total Operating Rev.	**525,733,102**	**533,120,398**	**579,000,000**

Ridership & Fare Revenue

The MBTA estimates FY27 fare revenue at $485,000,000, an increase of $36.2 million (7.5%) compared to the FY26 budgeted amount, and $44.3 million (9.1%) more than the actual amount of fare revenue realized in FY25. In the first 8 months of FY26, from July 1, 2025 to February 28, 2026, actual fare revenue collected was $373.9 million. The amount the Authority expected to collect by the end of February 2026 was, $346.3, a $27.6 million positive variance. This positive variance suggests that the MBTA's FY27 fare projection is achievable. With the introduction of South Coast Rail service to Fall River and New Bedford and the implementation of fare gates at North and South Station, Commuter Rail has seen a significant boost to fare revenue. In 2025, Fare Revenue collection came in $13 million (10%) more than budgeted and, in 2026, $4 million (4%) more revenue has been collected than was budgeted.

Ridership

Historically, ridership is below pre-pandemic levels, which is seeing widespread use as the new benchmark. Average weekday ridership on all modes for the month of March 2026 was 909,255 unlinked passenger trips compared to March 2023's average weekday total of 740,321. This compares to total ridership for all modes in March 2019 of 1,203,418. Figure 2, below shows average weekday ridership on all modes per month from July 1, 2018 through the end of December 2024. Although ridership is down historically, it is trending up compared to the last two years.

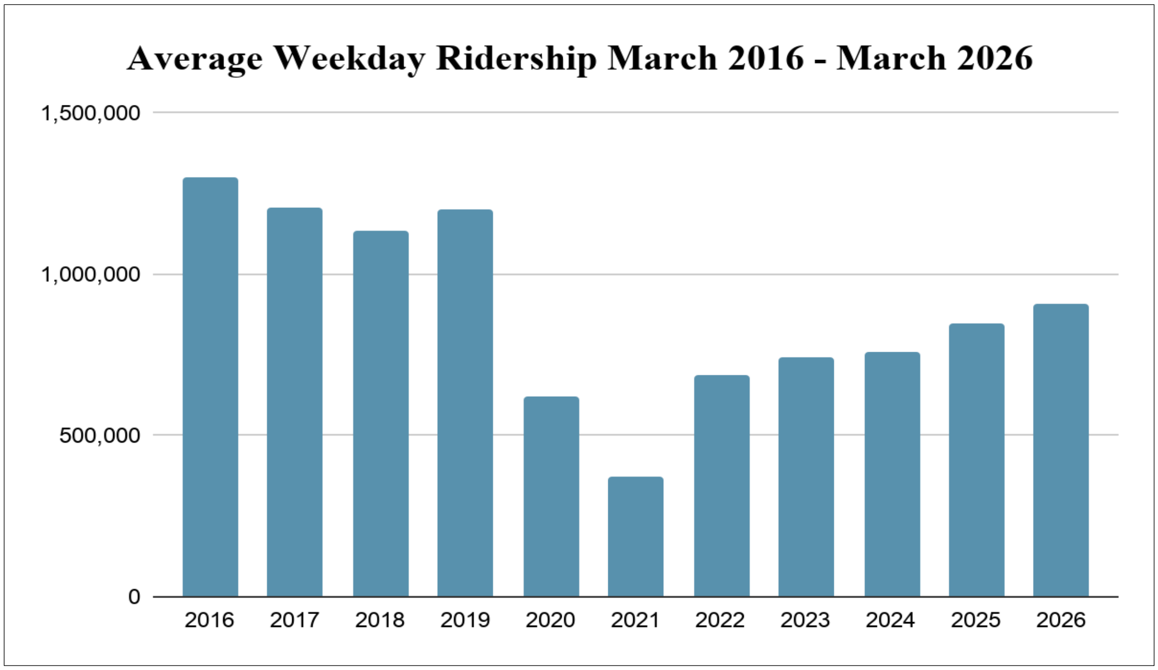

Figure 2: Average Weekday Ridership for all modes March 2016 -March 2026

Fare Revenue by Mode

Fare revenue by mode per fiscal year is shown in Table 1, below.

Fare Revenue	FY22	FY23	FY24	FY25	FY26 (June -Feb)
Heavy Rail	125,112,804	128,794,748	137,016,233	143,424,468	96,830,693
Light Rail	47,061,388	47,726,099	52,090,774	54,954,493	35,758,838
Bus (all)	62,305,422	76,548,951	82,264,461	83,815,507	52,603,716
Commuter Rail	80,783,986	112,801,398	132,997,512	145,170,026	101,880,707
Ferry	4,309,134	7,127,213	8,805,909	10,146,971	6,143,493
The RIDE	2,718,009	3,358,860	3,420,337	2,503,296	1,409,459

Table 1: Fare revenue by mode by 7/1/21 – 2/28/26

In FY25 the Authority initiated its "Tap to Ride" program which allows customers to pay via contactless credit cards on board bus, Green Line, and Mattapan High Speed Line vehicles, and at all gated subway stations. This "Tap to Ride" system is separate from the MBTA's legacy Automatic Fare Collection (AFC) system operated by Scheidt & Bachman. For comparison purposes, revenue from Tap to Ride and the Scheidt & Bachman systems are combined.

Fare and Revenue Recovery Ratios

Fare recovery ratio (FRR) measures the percentage of operating expenses covered by passenger fares. Revenue recovery ratio (RRR) measures the same percentage of operating expenses covered by fares plus other operating-related revenue such as parking fees and advertising.

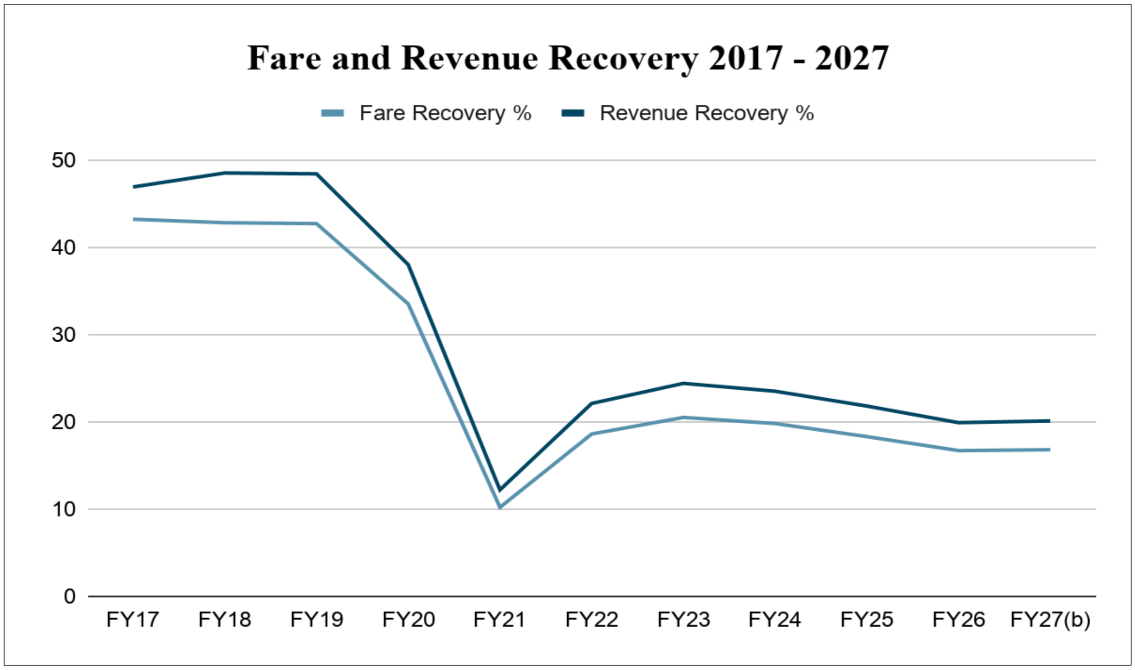

Figure 3: Fare & Revenue Recovery Ratio FY17-FY27(b)

The projected FY27 FRR is 16.8%; about the same as the projected FY26 ratio of 16.7%. The actual FRR for FY25 was 18.3%; and 19.8% for FY24. In FY19, pre-pandemic, the MBTA's FRR was 42.7%. The projected FY27 RRR is 20.1%; up from the projected FY26 ratio of 19.9%. The actual RRR for FY25 was 21.8%; and 23.5% for FY24. In FY19, pre-pandemic, the MBTA's RRR was 48.4%. According to the Massachusetts Department of Transportation's "Tracker" report from December 2023, the MBTA's FRR target in 2022 was 45%; and its long-term goal is 50%.[5] To achieve a 50% FRR, with all other variables remaining the same, fare revenue would have to increase to $1.257 billion, a 259% increase.

Other Operating Revenues:

Other non-fare operating revenue consists of advertising, parking, real estate concessions (leases on Authority property), and other such revenues that are considered the MBTA's "own sources." Own Source revenue is budgeted at $94 million in FY27, an increase of $10 million (11.9%) compared to the FY26 budgeted amount, and $9 million (10.5%) over the amount actually realized in FY25.

Other Operating (Own Source)	FY25 Actuals	FY26 Budget	FY27 Budget
Advertising	19,213,490	23,142,533	26,346,400
Parking	29,761,862	32,945,131	34,906,082
Real Estate	27,593,677	20,725,040	23,970,888
Other Operating	8,475,943	7,553,319	8,428,154
Total Own Source	**85,044,972**	**84,366,023**	**93,651,888**

Advertising:

Advertising revenue consists of three parts- systemwide advertising, billboards, and merchandise. Systemwide advertising includes in-station digital signs, bus/train wraps, in-vehicle placards/signs, bus shelter ads, etc. Advertising revenue is projected in FY27 at $26,346,400, a $3.2 million increase over the FY26 budgeted amount, or 13.8%. Compared to FY25 actuals, the FY27 projection represents a $7.1 million increase, or 27.1%. Much of the increase in advertising revenue results from the increasing number of digital billboards and signs on MBTA property.

Parking:

Parking revenue is derived from fees charged to store private vehicles at MBTA facilities. Parking operations is outsourced to a private, 3rd party (including enforcement), and overseen by the MBTA. In FY27, parking revenue is projected at

[5] https://www.mass.gov/doc/2023-annual-performance-report/ p. 64)

$34.9 million, which is $3.2 million above the FY26 budgeted amount (13.8%), and $7.1 million over the FY25 actual amount (27.1%)

Real Estate:

Real Estate revenue includes rental fees from private parties operating inside MBTA stations such as coffee shops, ATMs, etc. It also includes rental fees paid by private utilities for easements over MBTA property, and license fees paid to access MBTA land. In FY27, total real estate revenue is projected at just under $24 million, a $2 million increase over the FY26 budget (15.7%), but $3.6 million less than the actual amount received in FY25 (-15.1%).

Other Operating Revenue:

Other operating revenue, in this context relates to funds from the Massachusetts Port Authority paid by them for fare-free Silver Line access at Logan Airport, rents paid at the South Station facility, and several other, smaller fees paid by transportation-related entities to the Authority. $8.4 million is projected in FY27, an $847,835 increase, or 11.6% over the FY26 budgeted amount, but $47,789, or -0.6% less than the actual amount received in FY25.

NON-OPERATING REVENUE

Non-operating revenues included state subsidy sources, as well as small amounts of non-transportation related income such interest from investments, and any one-time funds received.

State, Federal & Local Assistance

Non-Operating Revenues	FY25 Actuals	FY26 Budget	FY27 Budget
State: Dedicated Sales Tax	1,444,308,852	1,425,298,393	1,445,000,000
State: Appropriated Fair Share	-	-	
State: Appropriated Contract Assist.	319,760,000	687,000,000	470,000,000
State: Other Assistance	-	13,000,000	122,000,000
State: Assistance Safety Directives		133,300,000	
Federal: FTA 5307/5337	-	-	-
Federal: Cares Grant	-	-	-

Federal: American Rescue	-	-	-
Federal: FEMA/MEMA Grant	59,541,614	-	-
Local: Dedicated Assessments	193,093,640	197,895,348	203,000,000
MBTA: Other Income	38,683,941	22,882,902	37,000,000n
Total	**2,227,480,508**	**2,506,493,741**	**2,276,000,000**

State: Dedicated Sales Tax:

The largest part of revenue in this category is dedicated sales tax. The FY27 consensus tax revenue estimate projects regular sales and use tax revenue at $6.8 billion. Of this, $1.4 billion is dedicated (i.e. not subject to appropriation) to the MBTA, which is 21.2% of all regular sales tax. The amount dedicated in FY27 is $20 million more than the FY26 budgeted amount. This follows a $40.4 million decrease from the FY26 budgeted.

State: Contract Assistance:

Since 2009, when the statewide sales tax was increased from 5% to 6.25%, the MBTA has been provided with extra funding appropriated by the Commonwealth of Massachusetts as part of its annual budgeting process. This amount was $160 million annually from FY10-13, when it increased to $275.2 million in FY14, before reducing to $125.4 million in FY15. Between FY16 and 24, this amount has varied between the $125.4 million provided in FY15 up to of $187.6 million in the FY24 budget. In FY26, $687 million in additional state assistance was included in the initial MBTA budget, but this amount was reduced to $470 million in the final consensus budget approved by the Governor. In FY27, the MBTA requested and the Governor included in H2 a request for $122 million in ongoing safety support, and $470 million in contract assistance from the state. However, in their respective budgets, both the House and the Senate each only included $470 million in contract assistance for the Authority. The good news is that since both houses included the same amount of funding, the $470 is all-but guaranteed to be in the final, consensus version of the legislative budget sent to the Governor. The bad news is that neither version includes the $122 million sought for ongoing safety improvements.

Federal Funds:

No federal funds are programmed for use in the FY27 operating budget. This is in line with FY26 and in contrast to FY25, when the authority budgeted all federal dollars available for either operating or capital to the operating budget. These funds, known as 5307 and 5337 funds, can either be used for preventive capital maintenance for infrastructure, or for an agency's operating budget. In FY25, $191 million in such funds were programed to support the operating budget. In FY27, federal preventative maintenance funds are allocated to the capital budget and are included in the FY27-31 Capital Improvement Program.

Local: Assessments

As authorized under its enabling legislation, the MBTA assesses a fee on the 178 cities and towns which comprise the MBTA Service District. These Massachusetts municipalities each either host an MBTA station or abut a community that does. The total assessments charged to cities and towns in FY27 is $203 million, an increase of $5.1 million over the FY26 amount. This 2.5% increase is the maximum allowed under the state law commonly known as proposition two-and-a-half. The assessment totals are certified by the Executive Office of Administration and Finance.

MBTA: Other Non-Operating Income

Revenues in this category include interest earned by MBTA cash in the bank, invoicing of lease-holders, and concessionaires for utilities and other fees, fees charged to Amtrak, additional revenue from South Station leases, and other smaller sources.

EXPENSES

Total FY27 expenses are budgeted at $3.4 billion, an increase of $157 million, or 4.8% more than the FY26 budgeted amount of $3.243 billion, and $533 million, or 18.5% more than FY25's actual amount of $2.867 billion. Employee costs (wages, overtime, fringe benefits, payroll taxes, and health & welfare fund contributions) represent the largest category of budgeted spending, at over 40.6% of spending or $1.381 billion. After MBTA employee costs, the next most expensive spending category is the cost to provide commuter rail service, including costs for Keolis personnel, which is expected to be $687 million, or 20.2% of all expenses. The cost of materials, supplies, consultants, insurance, finance charges and other related costs are projected to cost $585 million, or 17.2% of the budget. Debt costs will consume $520 million, or 15.3% of expenses. Finally, the cost to provide The RIDE (the MBTA's mandated parallel paratransit service), ferry service, and subsidized local private bus services consumes 6.7% of costs or $227 million. Figure 4, below, shows the proportion of expenses projected in the FY27 operating budget.

FY27 expenses should not be considered in a vacuum, but rather in the context of the reforms undertaken at the Authority since 2023. Austerity was guiding budget principal at the MBTA from before the pandemic, until this time. As the MBTA was starved of revenue for ideological reasons, service and more importantly safety declined.

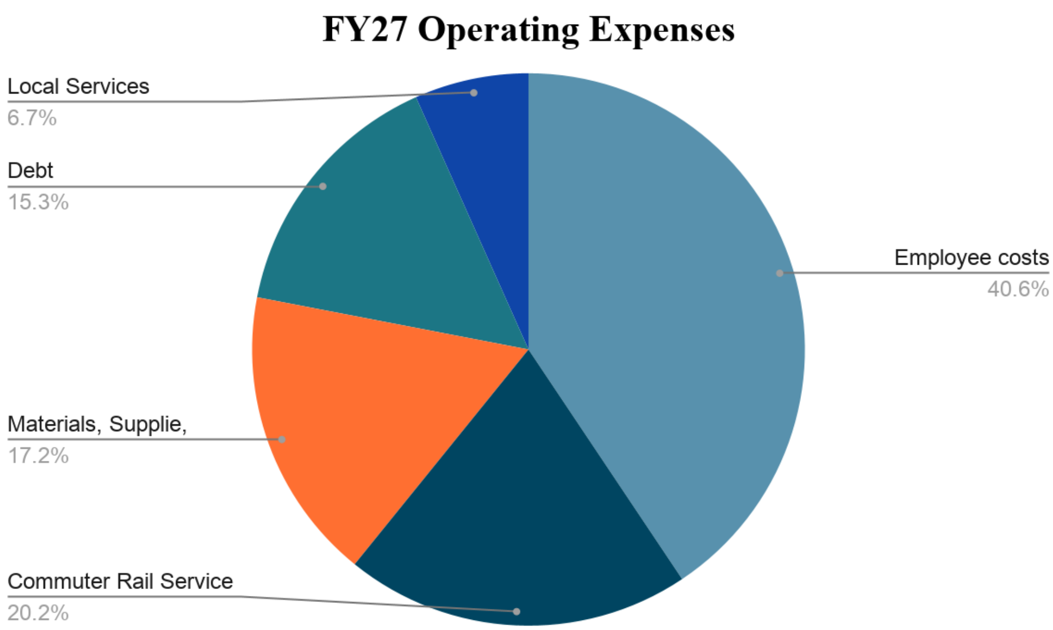

Figure 4: FY27 Operating Budget Expenses

All those who value public transportation in Massachusetts should not forget the intervention of the Federal Transit Administration (FTA) in 2022 in response to a series of safety incidents experienced by employees and customers of the MBTA. The FTA, in its 2022 Safety Management Inspection Report stated:

> "...The MBTA is still recovering from the long-standing impact of funding cuts made in 2015-2019 to the MBTA's operations and maintenance budget, which resulted in a reduction in hundreds of millions of dollars and hundreds of positions…" – FTA 2022 MBTA SMI Report p. 34.

Wages:

Wages are the largest single component of MBTA expenses. Wages and overtime are budgeted at $919 million in FY27, a $43 million, or 4.9% increase over the FY26 budgeted amount, and $127.6 million, or 16% more than the FY25 amount actually spent.

Wages	FY25 Actual	FY26 Budget	FY27 Budget
Regular Wages	715,604,342	814,701,290	847,000,000
Overtime	75,824,239	61,600,701	73,000,000
Wages total	**791,428,581**	**876,301,991**	**919,000,000**

This category comprises two segments: Regular Wages, and Overtime. Regular Wages are budgeted at $847 million in FY27, an amount of $32.3 million, or 4% increase over the FY26 budgeted amount, and $131.4 million, or 18.3% more than the FY25 amount actually spent. Overtime is budgeted at $73 million in FY27. This is $11.4 million, or 18.5% more than the amount budgeted in FY26, but $2.8 million, or 3.6% less than the $75.1 million amount budgeted in FY25.

Headcount

In FY27, the MBTA expects to employ 8,250 employees, an increase in headcount of 550 compared to the projected headcount at the end of this month.

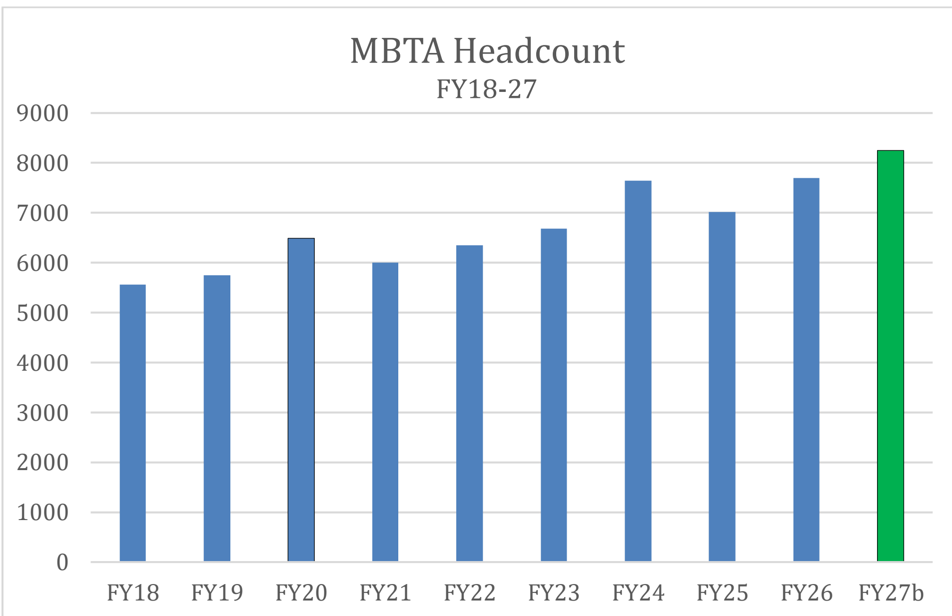

Figure 5: MBTA Headcount FY18 to FY27
Source: MBTA Advisory Board

The Authority's headcount continues to grow, but this growth comports to the requirements of the FTA's interventions of 2022, and mandated and approved 5-year hiring plan approved on May 13, 2025.[6]

Fringe Benefits:

Fringe Benefit expenses include pension costs, employee and retiree healthcare, employee group life insurance, health insurance costs for employees, worker's compensation costs, and other fringe benefit charges.

Fringe Benefits	FY25 Actual	FY26 Budget	FY27 Budget
Pensions	169,244,653	195,375,295	203,000,000
Health	124,491,732	131,952,684	141,000,000
Life Insurance	628,208	663,138	1,000,000
Workers Compensation	13,738,401	15,670,097	18,000,000
Other Fringes	397,317	500,000	1,000,000
Fringe Total	**308,500,311**	**344,161,214**	**462,000,000**

Fringe Benefits expenses are budgeted to increase by $117.8 million, or 34% compared to the FY26 budgeted amount, and by $153.5 million, or around 50% more than the FY25 actuals amount. The MBTA makes contributions for its employees' retirements to the MBTA Main Retirement Fund, the Transit Police Retirement Fund, 401k plans, and other retirement instruments, which are matched by employee contributions. The MBTA's operating budget does not pay retirees directly. The amount paid by the Authority as the employer contribution, and the amount employees pay is mostly set by union contracts and by the fund's requirements based on the number of retirees, and market returns. Pension costs are budgeted to increase by $7.7 million, or 3.9% compared to FY26 budget amounts, and $34 million, or 30% more than the FY25 actual costs. In addition, the Authority pays a percentage of health insurance premiums for its employees and retirees via the Commonwealth's Group Insurance Commission. Additional fringe benefit costs

[6] https://www.transit.dot.gov/sites/fta.dot.gov/files/2025-05/Response-to-Closeout-Request-for-FTA-22-MBTA-CATI-2-Five-Year-Recruitment-and-Hiring-Plan-05-13-2025.pdf

include group life insurance premiums for employees, worker's compensation expenses and additional other fringe benefits. Life Insurance costs are budgeted to increase by $336 thousand, or 50.7% compared to FY26 budgeted amounts. Workers Compensation costs are budgeted to increase by $2.3 million or 14.8% compared to FY26. Finally, other fringe benefits are budgeted to increase by $500 thousand, or 50% of FY26 budgeted amounts.

Payroll Taxes:

Like almost all employers, the Authority pays employee taxes to the state and federal governments as required. Contributions under the Federal Insurance Contributions Act (FICA) is a U.S. payroll tax deducted from employee paychecks.

Payroll Taxes	FY25 Actual	FY26 Budget	FY27 Budget
FICA	59,320,430	66,914,648	71,000,000
Unemployment	4,241,010	7,026,268	6,000,000
Payroll Tax Total	**63,561,440**	**73,940,916**	**77,000,000**

6.2% of gross wages goes towards the federal Social Security tax, and 1.45% of gross wages towards Medicare tax. These FICA taxes are set at a total of 7.65% of wages. $71 million is budgeted in this category for FY26, an amount $4.1 million, or 6.1% more than the FY26 budgeted amount, and $12 million, or 20.3% more than the actual amount spent in FY24. In addition, unemployment insurance costs are budgeted at $6.0 million in FY27 with a $1 million decrease from the amount budgeted in FY26.

Health & Welfare Fund:

In 2009 legislation known as "Transportation Reform" became law, and intended to shift MBTA employees into the state payroll and benefit systems. MBTA employees represented by labor unions retained their titles, pay, and labor affiliations. As part of this change, MBTA employees represented by labor unions lost the ability to collectively bargain for health insurance benefits, and instead were required to receive their medical insurance via the Commonwealth's Group Insurance Commission (GIC), and accept those plans offered by the GIC each year. Previously, most T employees had access to insurance plans collectively bargained for via the union contract process, with the Authority often paying 100% of the premiums for such plans. Under the GIC, however, premium costs for most employees were added on, and the number of plans, and premium costs to the Authority, decreased. Unionized employees shifted to the GIC as their labor contracts expired and were renegotiated.

Health & Welfare Fund	FY25 Actual	FY26 Budget	FY27 Budget
Total Health & Welfare	**16,775,382**	**20,146,632**	**20,000,000**

In 2015, MBTA labor unions won an arbitration award compelling the Authority to supplement the benefits of its employees through a health and welfare fund. In FY27, the cost of this fund is budgeted at $20 million with no decrease compared to the FY26 budgeted amount, and $3.3 million, or 19.7% more than the FY25 actual amount.

Materials, Supplies, and Services:

Expenses in this category include non-durable goods used on the MBTA fleet, professional services such as engineering and management consultant activities, fuel for MBTA vehicles, utility costs to operate vehicles and facilities, cleaning services for stations, vehicles, and facilities and the cost of uniforms for certain employees.

Materials, Supplies, & Services	FY25 Actual	FY26 Budget	FY27 Budget
Materials	73,337,088	91,474,474	99,000,000
Services	216,968,066	290,660,574	286,000,000
Fuel	17,808,325	18,413,490	18,000,000
Utilities	60,372,791	60,873,437	73,000,000
Contract Cleaning	42,879,577	48,742,632	51,000,000
MSS Total	**411,365,845**	**510,164,607**	**527,000,000**

The FY27 budget of $527 million, an amount 3.3% greater than the FY26 budgeted amount, and $115.7 million, or 28.1% more than the amount actually spent in FY25.

Casualty & Liability:

Casualty and Liability expenses are for the Authority's insurance and self-insurance programs, as well as for payouts for litigation involving the MBTA. The budgeted amount is $41 million in FY27, an amount $5.5 million, or -11.8% less than the FY26 budgeted amount, and $2.6 million, or 5.9% less than the actual amount spent in FY24.

Casualty & Liability	FY24 Actual	FY25 Budget	FY26 Budget
Risk Insurance	26,456,411	36,816,692	31,000,000
Injuries & Damages	17,184,238	9,707,268	10,000,000
C & L Total	**43,640,650**	**46,523,960**	**41,000,000**

Commuter Rail:

The cost to operate the commuter rail contract is budgeted at $687 million in the FY27 budget, an $88.2 million, or 14.7% increase over the FY26 budget, and $105.6 million, or 18.0% greater than the FY25 actual cost. FY27 is the final year of the Commuter Rail concession by the Authority to Keolis Commuter Services, and Advisory Board communities look forward to a robust and thorough selection process to select the next concessionaire starting July 1, 2027.

Local Service Subsidy:

Costs in this category include THE RIDE, the MBTA's parallel paratransit service, the Authority's ferry service, and subsidies to certain cities and towns for small, contracted bus operations. Costs in this category are projected to increase by $29 million, or 14.6% compared to the FY26 budget, and $47 million, or 26.1% more than FY25's actual costs.

Local Services	FY25 Actual	FY26 Budget	FY27 Budget
THE RIDE	149,059,194	163,172,220	180,000,000
Ferry	24,523,637	29,440,522	40,000,000
LSS Other	6,145,133	5,700,118	8,000,000
Local total	**179,727,965**	**198,312,860**	**227,000,000**

Paratransit costs are projected to increase by $17 million, or 10.4% compared to the FY26 budgeted amount, and $31 million, or 20.8% more than the FY25 actual. Ferry costs are also projected to increase compared to both FY26 budget (by 37.9%) and FY25 actuals (by 60%).

Financial Service Charges:

Financial service charges relate to the charges credit card companies charge the Authority every time a customer uses a credit-card to purchase goods or services from the MBTA. This line item also includes the fees the MBTA pays its financial advisors for advice on its many complex debt and other financial transactions. FY27 financial service charges are budgeted to increase by $2.03 million and 13.5% compared to the FY26 budgeted amount, and by $3.95 million and 30.2% more than the FY25 actual amount.

Financial Service Charges	FY25 Actual	FY26 Budget	FY27 Budget
Total Fin. Service Charges	13,046,044	14,966,500	17,000,000

The significant increase in recent years (from $5.5 million in FY22 to $17 million budgeted for FY27) is due to increased use of credit cards to pay for fares under the MBTA's new "Tap To Pay" system.

Debt Service:

In FY27 debt service expenses are budgeted at $520 million, which is $40 million, or 7.1% less than the amount budgeted in FY25, and $88.8 million, or 13.5% above the FY25 actual amount. The MBTA itself plans to borrow $3.8 billion over the next five years to support its capital spending. All MBTA borrowing is repaid from its operating budget in the form of debt service. In addition to impoverishing future operations, this approach also ensures the perpetual underfunding of the MBTA's capital needs, as it is clear that the amount borrowed per year is insufficient.

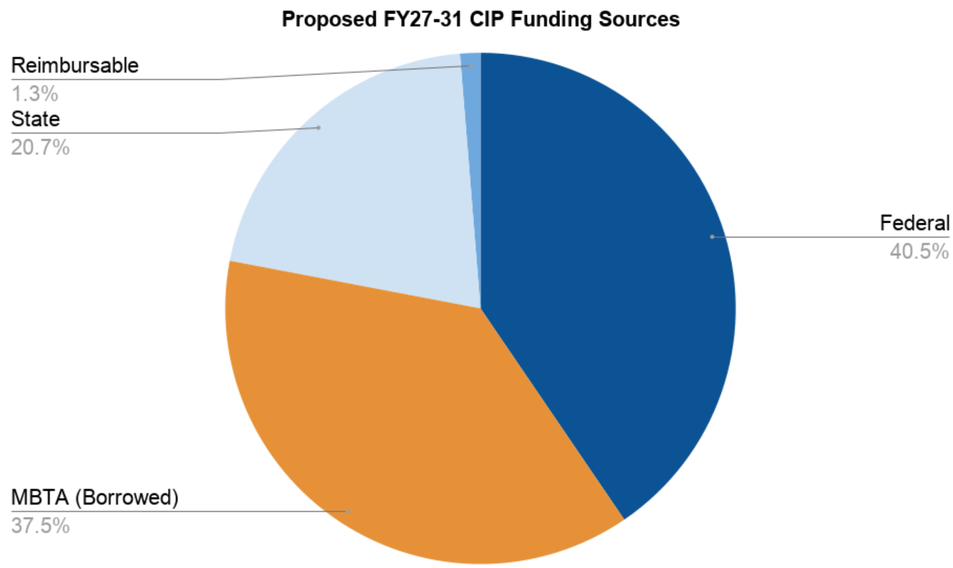

Figure 6: FY27-31 CIP Funding by Source

ANALYSIS

Since 2022, MBTA spending has increased. Claims by some that the MBTA's current spending levels are reckless are misleading. These investments have yielded a safer system, with growing ridership.

Austerity always fails

Today's investments are a direct response to years of deferred maintenance and staffing shortages—conditions that worsened under an austerity-driven approach extending from 2016 to 2022.

The FY23 state budget, signed by then -Governor Charlie Baker in 2022, created the MBTA Safety and Workforce Reserve and funded it with $266.3 million to address findings from the Federal Transit Administration's Safety Management Inspection. At the time, the system was in crisis. Nearly 10 percent of subway track was under speed restrictions. Five runaway train incidents had occurred in just 18 months. More than one-fifth of dispatcher positions on the Red, Orange, and Blue Lines were vacant.

Since then, discretionary state investment in the MBTA has increased from $127 million in FY22 to $595 million in the proposed FY27 consensus budget. Such investments have paid off. Chronic slow zones on the subway have been eliminated. Safety and inspection departments have been expanded. The MBTA has launched long-overdue initiatives to modernize its signal systems, increase core capacity, build new bus facilities for battery-electric fleets, and advance electrification of the Fairmount Line as a proof of concept for its vision of regional rail. Such progress is intentional not accidental and is the result of sustained funding paired with stable, competent leadership.

Returning to an austerity-first mindset would set the MBTA, Boston, cities and towns, and the Commonwealth back. Past emphasis on austerity did not produce efficiency or safety; in fact, it produced the opposite- understaffing, deferred maintenance, fare increases, breakdowns, and a less safe system. Let us not forget the lessons of the 2022 Federal Transit Administration's Safety Management Inspection Final Report. This report found 610 individual deficiencies. Some selected quotations from this report:

> "...The chronic lack of personnel resources to address requirements for operations, maintenance, and capital projects results in a situation where the organization is overwhelmed, there is chronic fatigue in key positions in the agency, there is a lack of support for training and supervision, and limited professional development is available for the MBTA's workforce. In this environment, emphasizing capital project demands above passenger operations and preventive maintenance can negatively impact the safety culture of the agency. FTA found that unwritten norms have emerged that emphasize a "get it done and go" mentality over following safety rules or ensuring compliance with minimum safety standards, particularly when staff are working 12 to 16-hour days, six days a week…" - SMI Report p. 36

> "...Due to staffing shortages, MBTA Safety Department personnel and other MBTA personnel are not always available to support safety engineering and safety certification reviews or system designs. Several MBTA personnel interviewed

> indicated that additional support from the Safety Department for these reviews, if it were available, would greatly support that implementation of the agency's safety certification program. Interviews also indicated that there is a shortage of Safety Department and other MBTA personnel to support project engineering, start-up, and testing activities. The lack of available personnel can also impact testing and acceptance schedules as well as the activities that can be performed…" - SMI Report p. 40

From 2015 to 2022, constrained operating budgets hollowed out the workforce and eroded safety. Since 2023, reinvestment in staffing, maintenance, and in-house expertise has reversed that trajectory. The MBTA today is safer, more resilient, and more reliable than it was just a few years ago. The T is in a better place today than it was in 2021 or 2022. Massachusetts should not—and must not—go back. Spending is up at the MBTA compared to 2022 because the federal government made it abundantly clear that austerity made the system less safe, and because it mandated increased investments in public transportation in Massachusetts. Since then, spending has increased and it has purchased real, tangible results including, most importantly, a significantly safer system today compared to pre-2023 times. Indeed, it can be argued that FY27's expenses represent the actual cost of providing safe, reliable, efficient, and enjoyable public transportation in a modern, world-class city and region such as Boston is in 2027.

Returning Ridership:

MBTA data makes it clear that investments yield more riders. Comparing FY25 (July 1, 2024 – June 30, 2025) ridership totals to those of FY23 (July 1, 2022 to June 30, 2025) shows this trend. Figure 7, below shows the ten months since the start of FY21 with the largest number of unlinked trips reported. Half of these months took place within the last twelve months. Each month from July to November 2025 saw are among the highest ridership months since the pandemic.

Month	Unlinked Trips (millions)
Oct-25	25.7
Oct-24	23.9
Sep-25	23.5
Apr-25	23.3
May-25	23.3
Jul-25	22.9
May-23	22.7
Oct-23	22.7
Nov-25	22.5
Aug-25	22.5

Figure 7: Top 10 Months by Unlinked Trips July 2020 to Feb. 2026

CONCLUSION:

The FY27 operating budget is sound, and will continue to support necessary transformation at the MBTA. Nevertheless, concerns remain. While the total amount of state subsidies the Authority will receive are unknown as of this writing, given that neither the House nor the Senate included continuing support for MBTA safety improvements in their budget submissions suggests that FY27 will begin with at least an additional $122 million operating budget deficit. This is in addition to the $546 structural deficit in the budget, which is expected to be partially cleared by a transfer of $535 in operating support from the FY26 supplemental budget from Fair Share Amendment funds. This suggests a starting deficit of $133 million on July 1, 2026.

There is always more to be done, and while not perfect, this budget is well conceived, organized, and executes a policy direction to improve the quality of public transportation in Greater Boston. The Advisory Board urges continued strong fiscal management. We urge the Board of Directors to **continue to manage workforce growth** and focus on controlling non-operational headcount expansion. We request additional reporting on efforts to **reduce 3rd party consultant use** and cost as internal capacity grows. We also urge the Board of Directors to **reject austerit**y and any and all calls to return to austerity as a guiding principle at the MBTA.

The Operating Budget Oversight Committee recommended that the full MBTA Advisory Board accept this report and authorize the Executive Director to transmit it to the MBTA Board of Directors on behalf of, and in the name of the MBTA Advisory Board in fulfilment of MGL Chapter 161a, §20.