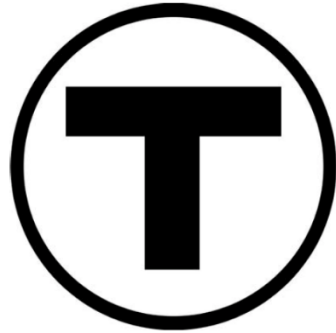




Massachusetts Bay Transportation Authority

FY26 Preliminary Budget

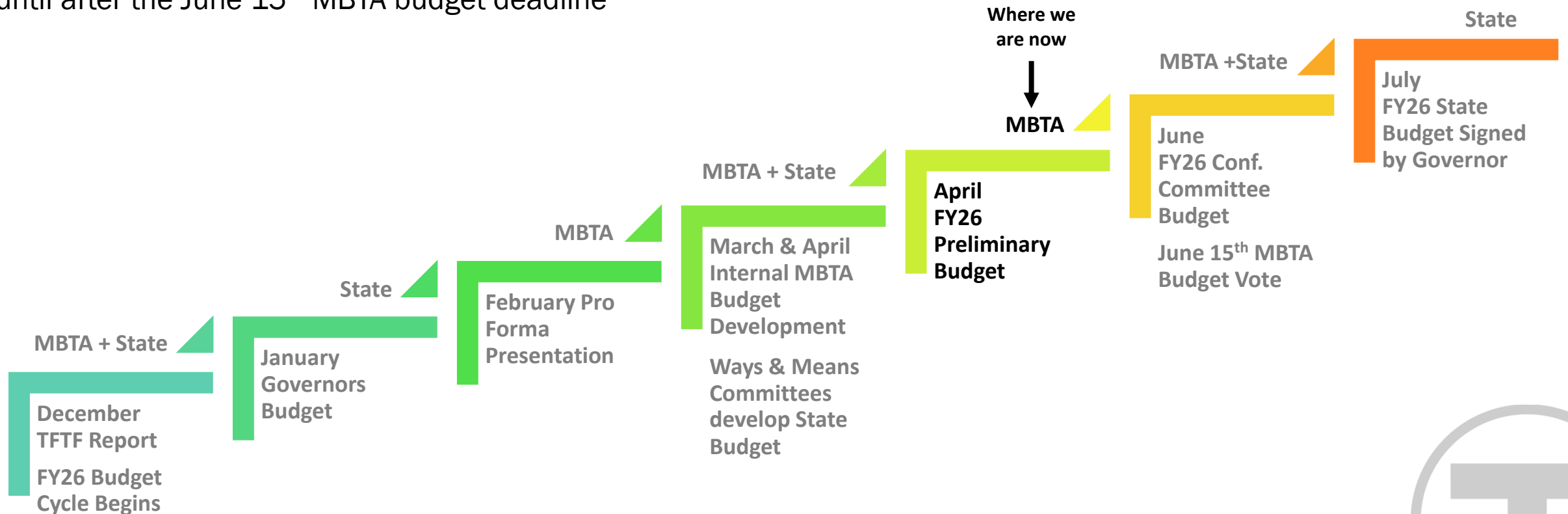
MBTA Audit and Finance Subcommittee

April 17, 2025

Mary Ann O'Hara

FY26 Budget Timeline & Milestones

- The Board Approval Deadline for the FY26 budget is June 15th
- Board Vote is currently scheduled for June 12th
- The MBTA and State budget cycles overlap, and the official revenue appropriation to the MBTA will not be finalized until after the June 15th MBTA budget deadline



FY26 Budget Overview

- **FY26 Budget Deficit is currently -\$168M** compared to -\$307M in FY25 budget
 - After \$82M savings target is included for FY26, the budget deficit is \$86M
 - \$86M deficit will be funded using the deficiency fund
- **\$361M (13%) increase in revenue in FY26** due to proposed investments made in Governors H1 budget and FY25 Supplemental Budget, and increased Fare Revenue
- **\$93M (20%) in additional Debt Service expenses** due to not capitalizing interest in FY26 which artificially reduced debt service by \$102M in FY25
- **\$222M (7%) total expense increase in FY26** due to Collective Bargaining Increases and increased hiring, as well as Commuter Rail CBA's, Utilities, and insurance

FY25 Budget vs. FY26 Budget: Rev + Exp (\$M)

CATEGORY	FY25 Budget	FY26 Budget	Variance \$	Variance %
Total Operating Revenue	483	533	50	10%
Total Non-Operating	2,231	2,542	310	14%
TOTAL REVENUES	2,714	3,075	361	13%
Total Wages & Overtime	803	876	73	9%
Total Fringe Benefits & Taxes	434	438	4	1%
Total Materials & Services	550	571	21	4%
Total Commuter Rail	578	599	20	4%
Total Ferry, RIDE, LSS	189	198	10	5%
Total Operating Expenses	2,554	2,683	129	5%
Total Debt Service	467	560	93	20%
Total Expenses	3,021	3,243	222	7%
Net Revenue/Expenses	(307)	(168)	139	-45%
Savings Target	93	82	(11)	-12%
Net Rev/Exp After Savings	(214)	(86)	128	-60%

FY26 Revenue Overview

- **\$361M (13%) increase in revenue** due to proposed investments made in Governors H1 budget and FY25 Supplemental Budget, and increased Fare Revenue:
 - **\$50M (10%) increase in Operating Revenue**, as ridership improves on Commuter Rail & Bus, matching FY25 trends
 - **\$310M (14%) increase in Non-Operating Revenue**
 - **-\$40M (-3%) decrease in Sales Tax revenue**
 - Decreasing consumer sentiment and motor vehicle sales. Department of Revenue forecast for FY26, matching FY26 Governors Budget
 - **-\$191M (-100%) decrease in federal revenue**
 - All outstanding FEMA payments expected to be received in FY25. No 5307 Preventative Maintenance funds are currently planned for use on the operating budget
 - **\$151M (371%) increase in state assistance (FY25 Supp)**
 - \$133M additional FTA Support
 - \$13M Sumner Tunnel Reimbursement
 - \$50M additional Income Eligible Fare Support
 - **\$373M (119%) increase in Contract Assistance (FY26 Gov Budget)**
 - Historical \$187M state assistance plus proposed \$500M in additional assistance in the FY26 Gobs Budget, compared to \$127M additional contact assistance appropriated in FY25

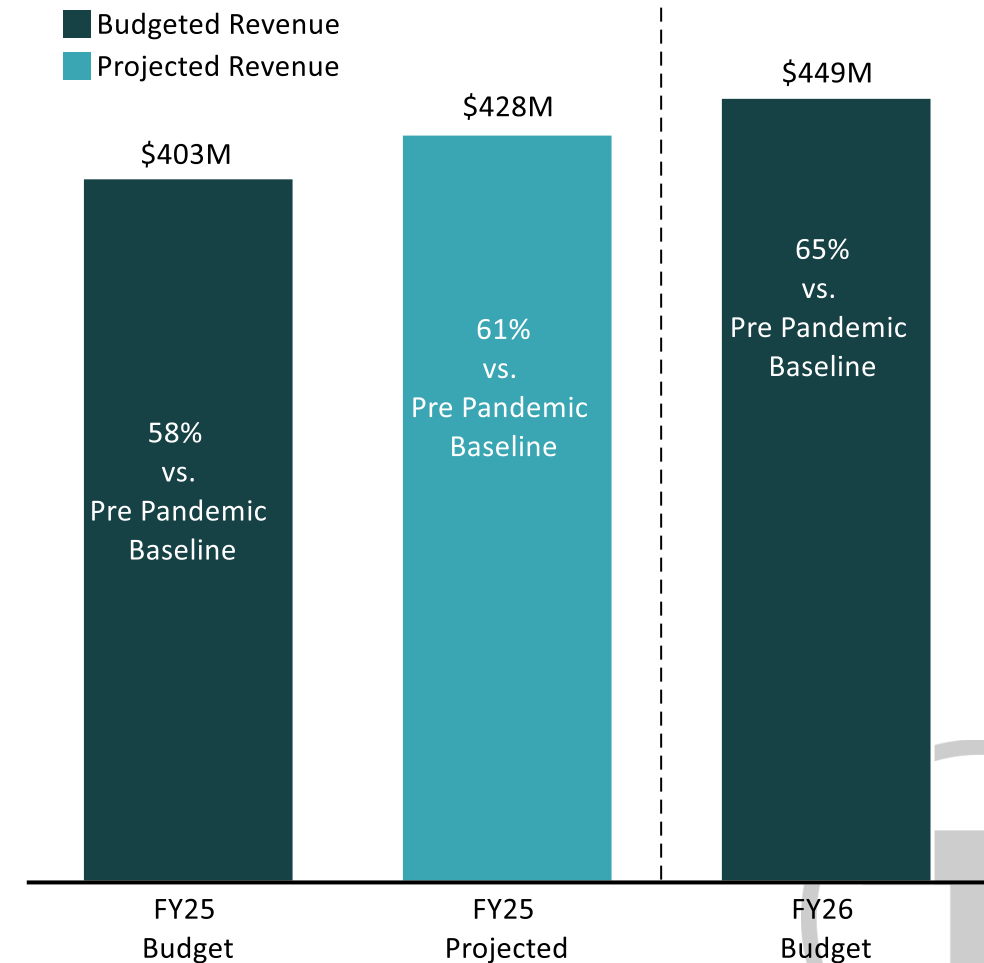
FY25 Budget vs. FY26 Budget: Rev + Exp (\$M)

CATEGORY	FY25 Budget	FY26 Budget	Variance \$	Variance %
Revenue from Transportation	403	449	46	11%
Own-Source	80	84	5	6%
<i>Advertising</i>	18	23	5	28%
<i>Parking</i>	34	33	(1)	-3%
<i>Real Estate</i>	21	21	0	1%
<i>Other Operating</i>	7	8	0	3%
Total Operating Revenue	483	533	50	10%
Dedicated Sales Tax	1,465	1,425	(40)	-3%
Dedicated Local Assessments	193	198	5	3%
Other Income	23	35	13	55%
Federal Funds	191	-	(191)	-100%
Additional State Assistance	45	196	151	336%
<i>Income Eligible Fares</i>	45	50	5	11%
<i>FTA Directive Support</i>		133	133	100%
<i>Sumner Tunnel Reimburse</i>		13	13	100%
State Contract Assistance	314	687	373	119%
Total Non-Operating	2,231	2,542	310	14%
TOTAL REVENUES	2,714	3,075	361	13%

FY26 Fare Revenue Exceeding Expectations

- **FY26 Budgeted Fare Revenue is \$449M which is 65% of the pre-pandemic baseline**
 - **\$46M (11%) above the FY25 Budget of \$403M**
 - **\$21M (16%) increased Commuter Rail Revenue** due to South Coast Rail, South Station Fare Gates, and increased off-peak ridership due to enhanced regional rail schedule
 - **\$20M (11%) increased Heavy & Light Rail Revenue** due to the completion of the TIP Program, decreased headways, and elimination of slow zones
 - **\$4M (5%) increase in Bus Revenue** as bus operators continue to be hired and dropped trips continue to decrease
 - **\$1M (13%) increase in Ferry Revenue** due to continuation of new routes to Winthrop, East Boston and Lynn
- **FY25 Fare Revenue projected at \$428M, which is \$25M (6%) above the FY25 Budget**
 - Increased Commuter Rail Revenue due to increase in off-peak ridership
 - Heavy & Light Rail ridership breaking above 60% for the first time since the beginning of the Pandemic

FY25 & FY26 Fare Revenue



FY26 Expense Overview

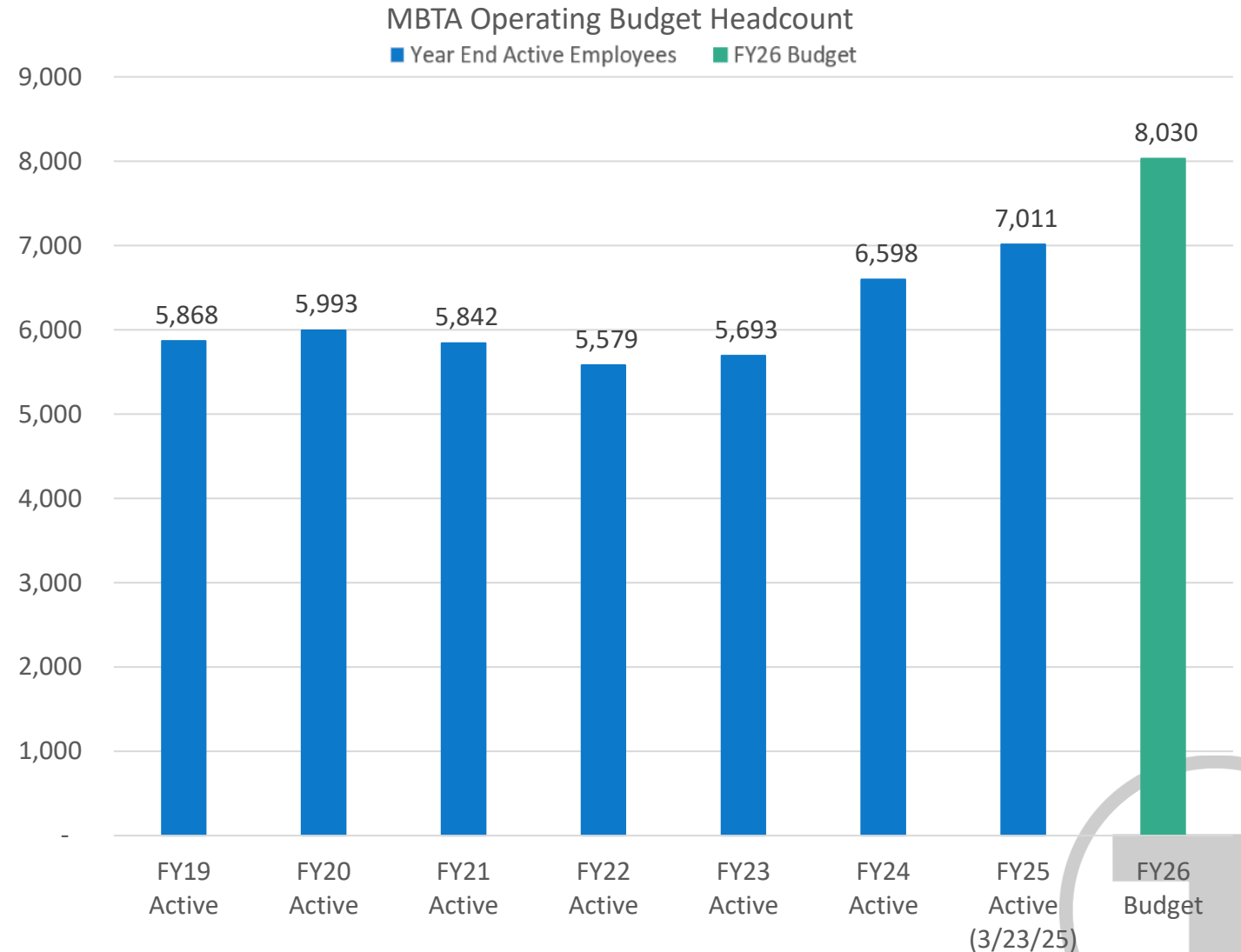
- **\$222M (7%) total expense increase in FY26** due to Wages, Utilities, Insurance, Commuter Rail and Debt Service
 - **\$73M (9%) increase in Total Wages** due to CBA's and 8,030 Budgeted Headcount
 - **\$4M (1%) increase in Benefits and Taxes** due to historical true-up for pension expense offsetting increased healthcare and payroll taxes
 - **\$21M (4%) increase in Materials & Services** primarily due to increases in utilities (\$7M) and insurance (\$7M). Materials increase (\$8M) is driven by preventative battery and radiator maintenance for the bus fleet. Services decrease (-\$8M) due to reduced 3rd party contracts and professional services
 - **\$20M (4%) increase in Commuter Rail** driven by contractual Fixed Price Increases (\$15M), Collective Bargaining Increases (\$3M), and Federal Railroad Administration (FRA) mandates for Cybersecurity (\$3M)
 - **\$10M (5%) increase in RIDE, Ferry, and LSS** driven by Income Eligible Fare (\$5M) and contract escalations in the Ferry to operate the new Lynn, Winthrop and East Boston lines (\$4M)
 - **\$93M (20%) in additional Debt Service** due to capitalizing interest (\$102M) in FY25 but **not** in FY26

FY25 Budget vs. FY26 Budget: Rev + Exp (\$M)

CATEGORY	FY25 Budget	FY26 Budget	Variance \$	Variance %
Regular Wages	744	815	71	9%
Overtime	59	62	3	5%
Total Wages	803	876	73	9%
Pensions	208	195	(12)	-6%
Healthcare	121	132	11	9%
Health & Welfare Fund	21	20	(1)	-5%
Workers Compensation	15	16	0	2%
Life Insurance	1	1	0	1%
Other Fringe	0	1	0	39%
Payroll Taxes	61	67	5	9%
Unemployment/PFML	7	7	0	5%
Total Fringe Benefits & Taxes	434	438	4	1%
Materials	83	91	8	10%
Services	299	291	(8)	-3%
Fuel	18	18	0	1%
Utilities	54	61	7	12%
Contract Cleaning	43	49	5	12%
Insurance	30	37	7	22%
Trial/Claims Settlements	10	10	-	0%
Financial Service Charges	13	15	2	14%
Total Materials and Services	550	571	21	4%
Fixed Price	374	388	15	4%
Extra Work & Services	151	158	7	5%
Fuel	42	39	(3)	-7%
PRIIA (NECC)	12	14	2	18%
Total Commuter Rail	578	599	20	4%
THE RIDE	158	163	5	3%
Ferry Services	26	29	4	14%
Other LSS	5	6	1	13%
Total RIDE, Ferry, LSS	189	198	10	5%
Total Operating Expenses	2,554	2,683	129	5%
Total Debt Service	467	560	93	20%
TOTAL EXPENSES	3,021	3,243	222	7%

FY26 Operating Budget Headcount

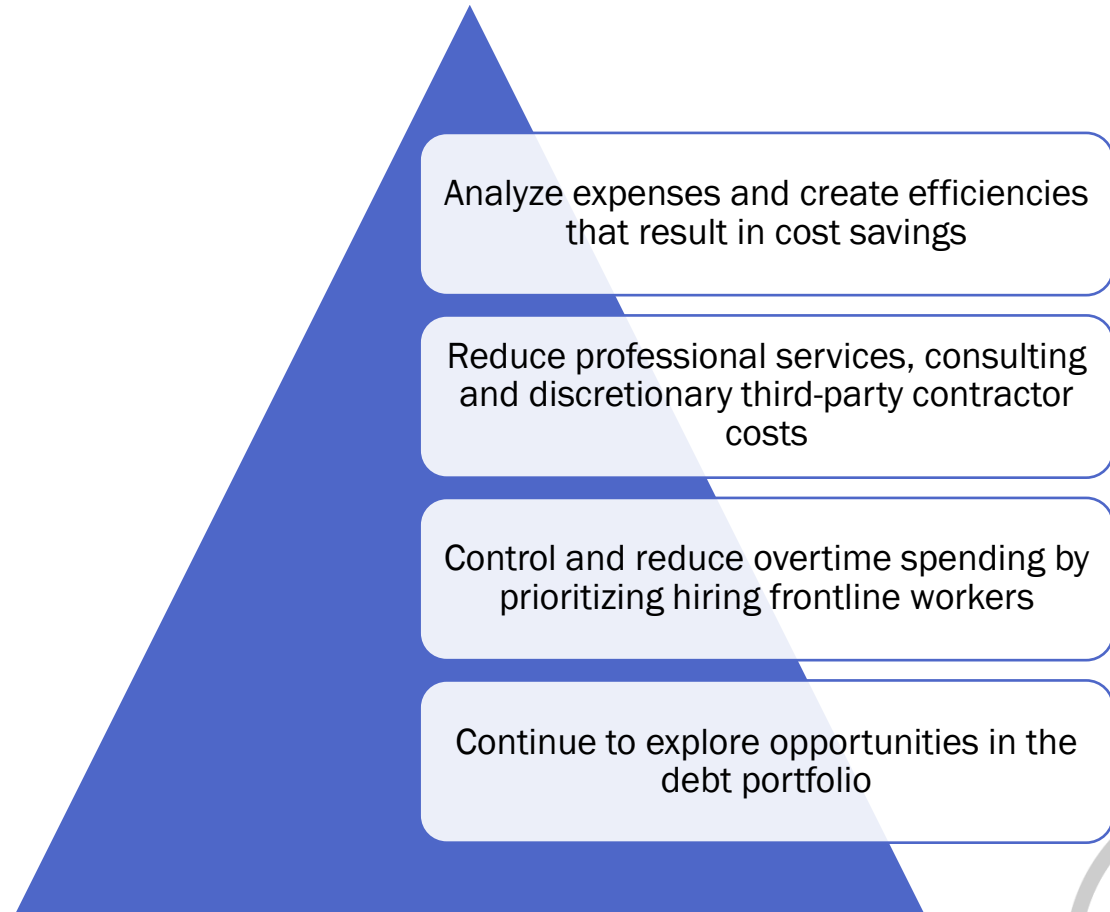
- **FY26 Budget allows for additional hiring** to support service delivery, maintenance activities, and the FTA Directive Response (Workforce Assessment)
- **Workforce Assessment** for Safety, Maintenance and Rail Transit Divisions was used as the guiding principle for allocating headcount and developing the FY26 Budget
 - **4,182 Total Workforce Assessment positions** Budgeted in FY26, in line with what was submitted to FTA
- FY26 Budget also includes nearly **2,000 Bus Operators** to continue making progress on Bus Network Redesign



FY26 \$82M Savings Target

- Like other transit agencies and best fiscal practices, we must continuously identify savings to bend the cost curve and create efficiencies
- We are establishing cross-functional working groups to generate department and program initiatives to reduce spending
- Savings identified will help maintain reserves for future fiscal years

The following actions will be taken to achieve the savings:



FY26 Preliminary Budget Vote* (For Full Board 4.24.25)

- That the General Manager is hereby authorized and directed to submit the Preliminary FY26 Itemized Budget, in the name and on behalf of the Authority, to the MBTA Advisory Board; and
- That following the Advisory Board review, a Final FY26 Itemized Budget will be submitted to the MBTA Board of Directors no later than June 15, 2025, in accordance with section 20 of chapter 161a of the Massachusetts General Laws as amended by chapter 56 of the acts of 2020



Appendix



MBTA Ridership vs. Fare Revenue

