



333 Washington Street | Suite 853 | Boston, MA 02108 | 617.720.1000
www.masstaxpayers.com

MTF Session Preview: The MBTA

The MBTA is in crisis. As the new administration and legislature grapple with fixes, they will do so under the watchful eye of federal regulators who flagged key safety issues at the T – and the underlying factors that created them.

Following numerous safety incidents and a rigorous investigation, the Federal Transit Administration (FTA) issued four immediate safety directives in June on issues that include improvements to staffing, track maintenance, train movements, the Operations Control Center, and safety certifications. In its final report, the FTA added four directives covering workforce assessment analysis, safety management system, safety committee process, and quality assurance and control.

The FTA also issued several findings regarding the failures of the Department of Public Utilities (DPU) that require an updated workforce assessment, assurance that it has organizational and legal independence from the MBTA to perform oversight, and its ability to ensure that the MBTA completes FTA’s required actions on schedule.

In short, in laying out a corrective safety agenda, the FTA also struck at core issues, from personnel to fiscal to governance, that have been identified as problems-needing-to-be-fixed for decades. The turnaround will be lengthy. The former General Manager recently testified that some of the FTA’s safety directives would require multi-year processes. Workforce provides a stark example. It is likely to take years to develop and implement an FTA recommended five-year workforce plan that ties skills shortages to recruiting and training initiatives to operate and fix the MBTA.

The FTA’s mandated corrective actions and the debilitating workforce shortages across the Authority will demand the attention of the administration, MBTA leadership and new Board. It will consume considerable time, personnel, and resources to solve these threats. The economic and equity impacts of continued failures at the MBTA are too great to do otherwise.

On fiscal matters, the MBTA may have pushed the operating and capital cliffs back a year or two but those gaps will widen and, if left unaddressed, will debilitate its ability to operate the system safely and reliably.

Background

In our recent report, [*The MBTA Crisis Is Complicated – Fixing It Will Be Too*](#), MTF summarized the intersecting challenges that confront the T:

“Let’s start with a simple premise. A sound MBTA requires three key components: working physical infrastructure, fiscal health, and a functioning organization.

That requires the T to fix or upgrade its tracks, power, signals, vehicles, and the rest of its infrastructure – quickly. It means that the MBTA’s grave fiscal problems, highlighted in [MTF’s report](#) of a year ago, must be resolved within the next two years. And it means remaking the T into an effectual organization. That third leg of a sound MBTA may prove to be the most difficult of the three.”

Scathing Reports Question MBTA’s Safety Practices and Culture

In June 2019, following a series of derailments and other safety-related issues, the FMCB commissioned the Safety Review Panel (SRP) to evaluate the MBTA’s “procedures, practices and policies for managing risks and hazard”. The SRP released its [report](#) in December 2019, issuing 34 recommendations and 61 corrective actions. The Panel concluded:

“In almost every area we examined, deficiencies in policies, application of safety standards or industry best practices, and accountability were apparent. The foundation for safety is also not obvious as the agency has not identified or adopted a comprehensive vision, mission, values or set of strategies and goals to guide the agency’s actions to achieve a safe work environment and to deliver quality service.”

Nearly three years later, in April 2022, following several more egregious safety problems, the FTA initiated a Safety Management Inspection (SMI) of the MBTA. Alarmed by their initial findings, in June the FTA issued mandatory directives requiring immediate corrective actions. In the final [report](#), released at the end of August, the FTA noted the MBTA’s lack of familiarity with safety risk management principles, writing:

“For example, when discussing available safety reporting channels in safety risk management most MBTA leaders interviewed by the FTA were aware only of the Employee Safety Hotline. Other avenues of obtaining safety information, such as Local Safety Committees, SRM workshops, data analysis groups specified in the Agency Safety Plan, hazard logs, and routine review of normal operations and maintenance were never identified. Significantly, many MBTA leaders indicated that it was solely the responsibility of the Safety Department to identify safety concerns.”

Staffing Shortages Threaten Safety; Plague Operations and Capital Delivery

The FTA found that the MBTA lacked sufficient personnel to maintain its operations, leading to several safety incidents. It mandated that a shortage in rail dispatchers required a slowdown in Red, Orange, and Blue Lines services that continues six months later.

1. The MBTA estimates that it needs to add 1,100 personnel to its headcount in operations in FY 2023. That figure includes a shortfall of 350 bus drivers but does

not include backfilling approximately 670 personnel expected to leave the Authority or the additional headcount needed to respond to the FTA directives.

2. The MBTA also projects a need for 400 additional personnel to manage its capital spending programs due to a shortfall of engineers, electricians, and mechanics among others who must shift time between capital project delivery and maintenance work on track, signals, power, and other components for daily operations.

Given that the MBTA successfully added 575 personnel to their headcount over three fiscal years (2019, 2020, and 2022; skipping 2021 due to COVID), increasing headcount by 1,500 during one of the tightest labor markets in memory will prove to be an enormous challenge, especially since the MBTA has seen its net headcount grow by just 61 year-to-date in FY 2023.

Critical Capital Investments Are Behind Schedule Jeopardizing Future Services

Even as it must address FTA-mandated improvements, the T has several capital projects that are critical to the operations of the current system that are behind schedule, with unclear completion dates. They include:

- Red & Orange Line Cars: MBTA leadership recently updated the Board of new delays in Orange and Red Line car deliveries. The T has 78 Orange Line cars in operation and awaits the remaining 74. The MBTA has received 12 completed Red Line cars of the 240 ordered. The latest delivery schedules, which the Interim GM suggested were not achievable, pushed completion of Orange Line cars to December 2023 and Red Line cars until September 2026. As the MBTA awaits a more realistic schedule from CRRC, it's likely that all remaining Red Line cars will not arrive before 2027 forcing the MBTA to continue to rely on 45+ year old cars.
- Climate Resilient and Redundant Infrastructure: The MBTA is in the process of developing a capital needs assessment that will include investments required to preserve its infrastructure from the impacts of climate change. This is a critical step in preserving the existing system that will also show a sizable increase in the capital resource gap.
- Automated Fare Collection System: The MBTA must complete and roll out its long-awaited new fare collection system (AFC 2.0) to replace the Charlie Cards introduced 15 years ago that would provide, among other features, faster onboarding, reduced fare evasions, and greater flexibility in fare policies.

MTF has reported extensively on the looming fiscal crisis at the MBTA. Operating costs are once again growing faster than revenues, leading to ever larger budget gaps and capital resources fall well short of what's needed to fix the T's current infrastructure. What's changed is the timing of these cliffs.

First, the MBTA has had difficulty meeting staffing goals, which has exacerbated service, safety and capital challenges, but has eased operating budget pressures. Also, as discussed in the next section, additional state revenues have pushed operating budget gaps out 12-18 months to at least FY 2025.

The MBTA's fiscal situation has also benefitted from its inability to fully spend its programmed capital budget in FY 2022 falling short by approximately \$600 million which will shift to FY 2024 and FY 2025 as needed. Further, the Legislature authorized \$400 million in state supported bonds helping to keep capital spending at or near \$2 billion in FY 2025 and FY 2026.

Key Policy Actions, 2021-22

MBTA dedicated revenues up – Surging tax collections significantly increased MBTA dedicated revenues. The MBTA's share of sales tax collections jumped to \$1.633 billion in FY 2023 from \$1.053 billion in FY 2019, an increase of \$310 million or nearly 30 percent.

New MBTA board created – The MBTA's Fiscal and Management Control Board (FMCB), created in 2015, expired in June of 2021 and was replaced by a new seven-member MBTA Board. Modeled after the MassDOT Board, the new Board lacks much of the authority and daily oversight function of the FMCB, meeting once a month rather than the 30+ meetings conducted by the FMCB. Further, the new Board is principally responsible for approving contracts and annual budgets.

Significant safety investments – The final FY 2023 budget included \$266 million in supplemental funding to address the estimated costs of responding to the FTA's four immediate special directives issued in June 2022. In November 2022, economic development legislation provided a further \$112 million to address the four FTA directives covering workforce assessment analysis, safety management system, safety committee process, and quality assurance and control in the final report. It is important to note that the MBTA has not yet estimated the total costs of compliance of these four directives leaving a potentially larger budget gap in FY 2025.

Policy Context

Changes in the work paradigm and people's reluctance to commute have altered the landscape. U.S. Census data show that 23.7 percent of Massachusetts employees primarily worked from home in 2021. That's quadruple the rate from before the pandemic. Only Maryland and Washington have a higher percentage of people working remotely.

As we showed in [*Heeding the Warning Signs*](#), Census data reveal that Massachusetts lost a net 46,000 people to other states, the fourth most in 2021. In contrast, the five neighboring New England States gained nearly 40,000. As residents disperse geographically, Massachusetts now finds itself in stiffer competition for the talent to support continued economic growth.

The State's Transportation System Isn't Helping

The MBTA cannot now provide reliable rail and bus services. But while not the focus of this memo, the transportation conundrum goes beyond the Authority. Massachusetts has some of the worst road conditions and traffic congestion in the country leaving commuters with ever-worsening transportation options. Factoring in high costs of living and flexibility to work remotely, the attraction to live or work in Massachusetts is diminishing.

And Massachusetts residents have noticed. A recent survey showed that just 1 in 5 respondents thought the state's transportation system was either excellent or good.

FTA Corrective Actions Could Lead to Years of Service Disruptions

The MBTA took the unprecedented step to shut down the entire Orange Line for 30 days in part to eliminate several areas where train service has slowed due to safety reasons – one of the issues raised by the FTA. The 30-day shutdown included the newly opened Green Line Extension as service from Government Center to Union Square in Somerville was suspended to manage safety concerns.

MBTA officials confirmed that some FTA corrective actions are likely to require multi-year processes and that further shutdowns are scheduled in 2023 to address vital fixes. These disruptions, while necessary, further erode riders' confidence the MBTA.

Leadership and Governance Changes Require Quick Decisions

The General Manager of the MBTA resigned effective January 3, 2023. The Secretary of Transportation serves at the discretion of the Governor and as an ex-officio member of the MBTA Board. Four other Board members serve coterminous with the Governor. The administration will have to choose transportation leaders at MassDOT and the MBTA while assessing candidates for four Board positions.

The current board's role is designed after the MassDOT model, which lacks the oversight authority granted to the FMCB. The current board meets monthly, approves contracts and budgets, leaving key decisions to the General Manager which may be inadequate given the issues the MBTA currently confronts.

FTA-Mandated Safety Oversight of the MBTA

The FTA requires states with public transit systems to establish an independent agency to oversee safety matters. For the past 50 years, the Department of Public Utilities has held that responsibility for the MBTA. Following harsh reviews by the FTA in 2019 and again in 2022 and criticisms from Legislative leaders, DPU's longstanding role is now in question.

The DPU's transportation division lacks the requisite expertise and resources to oversee safety at the MBTA; working with six field staff, an assistant director and a division director who focuses on both MBTA rail and private buses and towing companies. Further, the FTA questions whether the DPU can demonstrate sufficient independence to oversee the MBTA.

Complicating the task, the FTA added a risk-based inspection program because of the new Bipartisan Infrastructure Law which states that oversight must include, "qualitative and quantitative data analysis to inform inspection activities and is designed to prioritize safety concerns and hazards associated with the highest levels of risk."

Regardless of who's in charge of safety oversight, that agency must find and hire far greater expertise than the DPU possesses, necessitating substantially more resources.

Key Questions for the Upcoming Session

Who will lead the MBTA?

As the new administration evaluates potential candidates, one thing stands out from the failures documented by the SRP and the FTA: the MBTA needs seasoned leaders with safety and change management experience in large organizations. Management of public institutions and transit expertise should be essential requirements.

The second greatest need – recruiting and maintaining talent – means finding managers with the expertise to direct organizational changes that overcome the MBTA’s entrenched cultural impediments and inspire a diverse workforce to consider the MBTA as a rewarding career path.

What happens if hiring falls short?

Given the threats from staffing shortages and the need to hire at least 2,100 people to address operations/maintenance, capital project delivery, and anticipated attritions, how will leadership manage priorities while seeking alternative workforce solutions to address FTA directives, full transit services, and its capital investment plan? And, how will the MBTA communicate its staffing progress and the implications on services to riders and the media?

What if the new Red and Orange Line cars are delayed further?

As we await a revised manufacturing schedule from CRRC, the MBTA can have little confidence in the revised delivery dates, acknowledging that once the contract is completed, CRRC has no further work at the Springfield plant. Recognizing their lack of leverage, it is critically important that the MBTA develop options and strategies to secure safe and reliable Orange and Red Line cars.

What is the right level of Board oversight?

Many within and outside the MBTA grew frustrated with the FMCB’s oversight, calling out the dozens of meetings and excessive time senior personnel spent preparing presentations rather than managing the organization. Conversely, some now find the current board’s largely hands-off policy to be inadequate for the struggles confronting the MBTA.

The new administration must decide on the appropriate level of authority and then recruit a diverse board with individuals who can balance their respective representative roles with their fiduciary responsibility to the organization. Once again, experience makes a difference.

Can the DPU deliver or is another agency needed?

Following legislative hearings, several lawmakers stated that a new agency is warranted. Still, creating a new organization in statute, and hiring the requisite expertise to oversee the MBTA could be prolonged, jeopardizing its effectiveness in a crucial time.

Ultimately, the decision to maintain the DPU as the oversight agency and hire the number of personnel with the tools for oversight demanded by the FTA or to find/create a new agency will be made by the Legislature but the choice will be the administration’s to make in early 2023.

What's the financial ask and when?

While operating and capital budget cliffs have been pushed back a bit, the resource gaps to operate and maintain the current system will accelerate quickly; requiring legislative action within the next 12 – 18 months. It's been 10 years since the last transportation revenue package was passed in 2013, while the prolonged efforts in 2019 fell short.

Clearly, lawmakers will look to the recently passed Fair Share amendment as the primary source of new transportation revenues. While new income tax revenues from the 4 percent surtax may take time to collect and longer to accurately track, budget proposals, first from the administration followed by the House and Senate, will provide guidance as to how much each body thinks should be directed to the MBTA. Equally important, will these funds be additive to current spending levels and dedicated to the MBTA or require annual appropriations?