

THE BOND BUYER

New Jersey will provide up to \$600M for Gateway rail project

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WASHINGTON – New Jersey officials announced Wednesday they have come up with \$600 million for a key part of the Gateway passenger rail project that should strengthen their application for a federal grant.

The multibillion-dollar Gateway project consists of a new tunnel under the Hudson River between New York and New Jersey and a new rail bridge over the Hackensack River in New Jersey as well as related work. Gateway is run by the Gateway Development Corporation, a partnership between the two states, Amtrak and the Port Authority of New York and New Jersey, all of which insist the project is vital to the regional economy.

The latest development in the project is that the NJ Transit board of directors approved an agreement with the New Jersey Economic Development Authority to provide up to \$600 million toward the \$1.7 billion cost of constructing new Portal North Bridge over the Hackensack River.

A second application by New Jersey and New York for federal grants and loans to help finance the \$11.1 billion cost of the new Gateway Hudson Tunnel also has been in limbo because of what federal transportation officials say has been the lack of a firm local financing commitment.

“We’re not going to kick the can down the road any longer,” said Dianne Gutierrez-Scaccett, commissioner of New Jersey’s Department of Transportation Commissioner and chair of NJ Transit’s board. “The time is long overdue for a new Portal Bridge, which is the foundation of many commuter frustrations. The taxpayers of New Jersey deserve a transportation system which will drive the economy and reliably get them to jobs, schools, and recreation.”

Both the proposed tunnel and the Portal North Bridge received a "medium-low" rating in February from the Federal Transit Administration on its annual list of projects seeking federal funding under its Capital Investment Program because

of the perceived lackluster commitment of local funds. Medium-low is the second lowest on a five point scale for projects.

U.S. Transportation Department Secretary Elaine Chao told a Senate committee in March that her staff had calculated the two states were committed to only paying 5% of the cost. Chao said her department would not consider a commitment by the states to repay a federal loan as a local share, using the analogy that a home buyer's commitment to pay a mortgage is not considered part of their equity down payment.

New York Gov. Andrew Cuomo and former New Jersey Gov. Chris Christie committed to paying half the cost of the new tunnel, but that assurance was not considered binding by U.S. DOT.

John D. Porcari, interim executive director of Gateway, said Wednesday the \$600 million agreement to partially finance the Portal North Bridge "demonstrates that the partners are 100% serious about making sure the vital set of projects that constitute Gateway are built."

Federal grants are available for Gateway on a competitive basis, with the proposed tunnel and new rail bridge competing with other projects around the country.

The Trump administration proposed zeroing out DOT's Capital Investment Grant program for new projects, but in March Congress approved \$2.6 billion for the program for fiscal 2018 in an omnibus spending bill. House appropriators recently approved another \$2.6 billion for CIG program in fiscal 2019, while those in the Senate approving \$2.55 billion.

Thirty percent of the engineering and design work on the new rail tunnel has been completed and construction is currently scheduled to start in mid-2019 with completion of the two side-by-side rail tubes anticipated in 2026.

The House and Senate appropriation committees recently approved \$650 million in fiscal 2019 funding for Amtrak's North East Corridor (NEC) between Washington and Boston on top of the \$650 million Congress previously approved for fiscal 2018.

That's \$107 million more than the \$543 million Amtrak requested to finance capital improvements along the NEC in fiscal 2019 that starts Oct. 1. But it's less than the \$900 million that the House Appropriations earmarked solely for Gateway last summer.

President Trump drew national attention to the project in March when he threatened to veto the omnibus spending bill for fiscal 2018 if the Gateway earmark remained in the final package.

The compromise in the omnibus that Trump signed into law could allow Amtrak to move forward with smaller projects that are Gateway-related.

But a spokeswoman for Chao seemed to close the door on that possibility in an email Wednesday, saying that none of the fiscal 2018 federal funding will be allocated to the Gateway project.

Amtrak President and CEO Richard Anderson said in March that the increased funding for the NEC “will allow us to address many important needs along the corridor and we look forward to working closely with the Department of Transportation on investing these funds to advance the most critical projects.”

The NEC also is funding smaller Gateway-related projects such as a cement casing that is being built on the Manhattan side of the tunnel to carry trains from the exit point of the new tunnel to existing underground tracks that lead to Pennsylvania Station. Two other casings are already in place.

And on the New Jersey side, early construction work is underway on the new Portal North Bridge that’s being financed by a federal Transportation Investment Generating Economic Recovery (TIGER) grant. That project is scheduled for completion in February 2019.

“We’re able to move these projects along with whatever funding we have available, which is why we are moving these early construction projects forward and will continue to do that while we pursue the larger funding packages that we need,” said Gateway spokesman Craig Schulz.