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Feds Want Tunnel Money

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New Jersey has less than 30 days to pay back more than \$271 million from a canceled Hudson River tunnel project, the federal government said in a letter sent to the state last week.

The Federal Transit Administration threatened to charge interest, report the state to credit bureaus and ratings agencies and send the debt to the Department of Justice for collection if it doesn't get paid by Christmas Eve.

It also said it might withhold federal funding for other transit projects until the money is repaid. This was the second letter the agency has sent demanding payment.

"There's nothing as powerful as the dead arm of a bureaucrat," said Mitchell Moss, the director of New York University's Rudin Center for Transportation Policy and Management. "New Jersey, which is a state built on freeways, is now going to figure out how hard it is to access federal funds."

The \$271 million had been spent on the Access to the Region's Core project, a tunnel that would have allowed New Jersey Transit to run more trains into Manhattan.

New Jersey Gov. Chris Christie scrapped the project in October, saying the state couldn't pay the escalating price tag. He rebuffed in-person pleas from U.S. Transportation Secretary Ray LaHood to reconsider.

Earlier this year, state estimates put the cost of the project at \$8.7 billion, with \$3 billion paid for by the federal government, \$3 billion from the Port Authority of New York and New Jersey, and the balance paid by New Jersey. Updated federal estimates put the total cost of the project between \$9.8 billion and \$12.7 billion, prompting Mr. Christie to review and ultimately cancel the project.

On Nov. 8, the federal agency sent its first letter to New Jersey asking for immediate repayment of the money, which was used for expenses such as engineering, design and property acquisition, according to New Jersey Transit. The second letter, dated Nov. 24, said the state has 30 days to pay the debt in full before the federal government begins charging 1% interest. After 90 days, it would add an annual delinquency charge of 6%.

New Jersey can challenge the amount that the federal government says it owes or propose an installment plan to repay the money, the letter said. It's not clear where New Jersey Transit—which has seen its budget cut sharply in the last year--would come up with the money.

State officials now are considering whether the federal government has a legitimate claim on the entire \$271 million, which came from various funding sources, according to a person with knowledge of the project.

New Jersey Transit said in a statement it "does not agree that the issues are as clear cut as portrayed in the FTA letter."

Caley Gray, a spokesman for ARC champion Sen. Frank Lautenberg, said there is no ambiguity and the money needs to be repaid. Still, he said, Mr. Lautenberg has contacted the U.S. Department of Transportation "to try to reduce the amount of money New Jersey taxpayers will owe."

Mr. Christie's decision to kill the tunnel is among a series of cost-cutting moves that have helped increase his standing in the national Republican Party and have generally been supported by state voters.

But Michael Drewniak, a spokesman for Mr. Christie, said even a full repayment would leave New Jersey better off than spending billions more than planned on the tunnel. "Billions of dollars is more than \$271 million," he said.

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