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Tunnel Shows Risks of Trump Public Works Plan.

President Donald Trump's war with his hometown over one of the nation's priciest transportation projects shows the challenges ahead for his plan to upgrade crumbling public works by having locals pay more of the bill.

The $30 billion Gateway proposal, which includes a new rail tunnel under the Hudson River between New York City and New Jersey, has bogged down in an acrimonious fight with the states as Trump prepares to roll out his infrastructure plan on Monday.

Democratic senators from New Jersey and New York are blocking Trump's transportation nominees until he commits federal funds to Gateway. The administration rejected an earlier deal to split the cost, saying it's a local project — even though the tunnel would help bind the entire Northeast corridor to the New York area.

The president's infrastructure plan is expected to propose spending at least $200 billion over the next decade, largely to spur states, localities and the private sector to provide the balance of at least $1.5 trillion.

State and local officials — loath to raise taxes or levy tolls — want more help. While Gateway is unique for its scope and gritty politics, standoffs with Washington could play out across the nation if Trump's plan to shift the burden of financing improvement projects to states and local governments succeeds.

"What they're going to be hearing from governors and mayors and people all over the country is, 'We don't have the money,' particularly for projects of national significance, which the Gateway project is," said Ray LaHood, a Republican and former transportation secretary under President Barack Obama.

Weakest link

The administration expects to release the president's plan on Monday, the same day he submits his fiscal 2019 budget blueprint to Congress. Half of the new federal money would go toward incentives to spur non-federal entities that own most U.S. infrastructure to raise and spend their own funds, rather than for specific projects.

The needs are great, with the American Society of Civil Engineers estimating an additional $2 trillion is required by 2025 just to restore public works to a "B" grade level. But the Hudson tunnel dispute shows how hard it might be to conjure money for even the most crucial and high-profile projects.

Hurricane damage

The Gateway project includes a new $13 billion tunnel with two tracks that would supplement a decaying, century-old tunnel that's failing because of its age and saltwater flooding from Hurricane Sandy in 2012. That tunnel provides the only direct train link between New Jersey and Manhattan

for New Jersey Transit and Amtrak.

The Obama administration described the tunnel as the nation's most urgent rail infrastructure need. It is critical to the Northeast corridor, which carries more than 750,000 passengers daily and serves a region that produces about 20 percent of the gross domestic product, according to Amtrak. A 2016 Amtrak report found that implementation of the full Gateway project could generate $3.87 worth of economic benefits for every $1 spent.

Mixed signals

After New Jersey Gov. Chris Christie killed an earlier tunnel plan in 2010, saying taxpayers would be on the hook, the project appeared to revive. The cost-sharing agreement with the Obama administration was announced in November 2015 by Christie, New Jersey Sen. Cory Booker, New York Gov. Andrew Cuomo and New York Sen. Charles Schumer.

The Trump administration has sent mixed signals about Gateway since the president took office. After Transportation Secretary Elaine Chao called Gateway "an absolute priority" in testimony before the Senate Environment and Public Works Committee last May, the department withdrew from the board overseeing the project, Democrats said.

Schumer and Senate colleagues from New York and New Jersey then began holding up the confirmation of Transportation Department nominees. Schumer cited "the lack of focus on infrastructure investment by the current administration, and the continued roadblocks the administration has erected in front of the Gateway project" in a Nov. 13 statement opposing Derek Kan as undersecretary of transportation.

On Dec. 29, the Federal Transit Administration sent a letter to New York state's budget director saying "there is no such agreement" to finance half the cost of Gateway. Deputy Administrator K. Jane Williams also questioned "the responsibility for funding a local project where nine out of 10 passengers are local transit riders."

Senate slow-walk

"You get the feeling the feds just don't have any real funds for infrastructure, so they want to knock down this expensive project," said Tom Wright, president of the Regional Plan Association, a New York urban policy group.

The nominations and the Gateway project should be considered on their own merits, said Jeffrey Rosen, deputy Transportation secretary. He said it was particularly important to seat Ronald Batory to lead the Federal Railroad Administration after recent fatal derailments.

"From our vantage point, the nominations and those New York and New Jersey transit projects are totally separate issues, and we think they should have been kept separate," Rosen said in a telephone interview.

Democratic support

Wright said the administration needs Democratic support to pass an infrastructure bill, and Gateway could be a major negotiating chip. Williams' letter to New York pointed out that "Congress is poised to begin discussing infrastructure legislation in the coming weeks."

Democratic Sen. Kirsten Gillibrand of New York raised Gateway funding in "a pretty heated discussion" during a Jan. 9 meeting with Trump administration officials about their infrastructure

proposal, according to Sen. Tom Carper of Delaware, the top Democrat on the Senate Environment and Public Works Committee.

Gillibrand became angry when Chao said there would be no funding because Democrats are holding up nominations, according to a source familiar with the meeting who requested anonymity to discuss a private gathering.

LaHood said that the Gateway battle could be seen as both a political struggle between two New Yorkers, Trump and Schumer, and a striking example of the philosophical change the administration is trying to establish over the role of the federal government.

There are many large projects across the U.S. for which states and cities just don’t have the resources to build without federal help, LaHood said. It will be up to Congress, which will write and pass any infrastructure legislation, to decide whether Washington continues to play the role it has.

“The $64 billion question is, is Congress willing to change the philosophy on that?” he said.

The Associated Press

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