



THE SECRETARY OF TRANSPORTATION

WASHINGTON DC 20590

December 14, 2010

The Honorable Frank R. Lautenberg
United States Senate
Washington, DC 20510

Dear Senator Lautenberg:

Thank you for your letter, cosigned by Senator Robert Menendez, regarding the Access to the Region's Core (ARC) project. Your letter requests that the U.S. Department of Transportation (DOT) consider mitigating the amount of funds that the State of New Jersey owes the Federal Government.

We share your concern regarding the impact on the people of the State of New Jersey of Governor Chris Christie's decision to cancel and abandon the ARC project and forfeit the Federal Government's unprecedented commitment of \$3 billion for the development and construction of the project. The ARC project certainly would have created thousands of needed jobs and been of great benefit to the State's recovering economy.

In the history of the FTA's New Starts program, there have only been five Early Systems Work Agreements (ESWAs) executed for projects like ARC. The New Jersey Transit ARC project is the first, and only one, of those five projects in which the sponsor abandoned the project after receiving an ESWA. All projects under the earlier ESWAs have been completed or are well along in construction. Specifically, the Seattle "LINK" light rail, the New Orleans Canal streetcar, and the Salt Lake City-Weber commuter rail project are in operation. The New York City Second Avenue Subway, Phase One, is now under construction.

The Federal Transit Administration (FTA) is required by Federal statute, 49 U.S.C. §5309(g)(3)(B)(iv), to obtain repayment of Federal financial assistance expended under the ARC ESWA. Governor Christie was informed by U.S. Department of Transportation officials that if the State of New Jersey failed to live up to its final commitments to the ARC project, as spelled out in the ESWA, New Jersey would have to repay the Federal funds awarded under the ESWA.

The FTA is being fair and equitable in its treatment of New Jersey (NJ) Transit. The FTA is not seeking repayment from NJ Transit of funds expended for Alternative Analysis, Preliminary Engineering, and environmental analysis totaling more than \$22 million. The FTA is seeking repayment only of the funds expended under the ESWA.

Page 2
The Honorable Frank R. Lautenberg

However, should NJ Transit fulfill its obligation under the law and repay the \$271 million, DOT will transfer \$128 million back into the State of New Jersey's Congestion Mitigation Air Quality (CMAQ) account to replenish the CMAQ funds originally expended in this project for future use for other eligible projects.

Senator Menendez and you have been tireless advocates for the ARC project and the New Jersey transportation system, and I assure you that DOT and the FTA will continue to work closely with you, and other appropriate members of Congress, to find ways to invest in other major capital projects to enhance mobility, reduce congestion, and improve air quality throughout the our great Nation. A similar letter has been sent to Senator Menendez.

If I can provide further information or assistance, please feel free to call me.

Sincerely yours,

Ray LaHood

