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/ ICYMI: Gateway Development Commission Files Breach of Contract Claim Against Federal Government

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Posted on 02/3/2026

Lawsuit makes clear that federal government's action is unlawful

NEWARK/NEW YORK – The Gateway Development Commission (GDC) today filed a lawsuit against the federal government in the U.S. Court of Federal Claims seeking judgment that would release contractually-obligated grant and loan funds for the Hudson Tunnel Project (HTP). If additional funding does not become available by February 6, 2026, construction of the HTP will have to pause, resulting in the loss of nearly 1,000 jobs.

The HTP is an urgent investment in America's passenger rail network that involves building a new train tunnel connecting New Jersey and New York under the Hudson River and rehabilitating the North River Tunnel, which has been in service since 1910 and is a source of chronic delays for hundreds of thousands of daily riders.

The majority of the budget for the project is funded by federal grants. The U.S. Department of Transportation (USDOT) and GDC have been legally bound to the terms of Capital Investment Grants (CIG), Federal-State Partnership (FSP) Grant, and RAISE Grant agreements, and Railroad Rehabilitation and Investment Financing (RRIF) loans, since July 2024, when full funding for the HTP was secured. More than \$1 billion worth of construction and investment has already been made into building the HTP.

Despite its contractual commitments to fund the project, the federal government has suspended the release of its contractually obligated funds since October 1, 2025. The lawsuit makes clear that the shifting explanations the Administration has provided for this breach are plainly unlawful.

For months, GDC has worked cooperatively with its federal partners to meet their requirements for restoring funding. GDC responded thoroughly and promptly to each request for information about the project's federally-mandated Disadvantaged Business Enterprise (DBE) program and provided documentation that the project is in compliance with the Administration's latest regulations.

"The Gateway Tunnel is essential to the future of New York and the economy of the entire region – every day 200,000 commuters who power 20% of the nation's economy depend on a safe, reliable ride under the Hudson River," **New York Governor Kathy Hochul** said. "For months, Donald Trump and his enablers in Washington have illegally withheld committed funding for this project in a brazen act of political retribution intended to hurt New Yorkers, putting thousands of union jobs and billions of dollars in economic benefits at risk. I said New York would fight like hell to keep this project moving and today, that is exactly what we are doing."

"I made a commitment to fight for Gateway and New Jersey's economy, which is why we're taking action to hold the Trump Administration accountable for breaching its contract. When it comes to fighting for jobs and opportunity in New Jersey, I'm all in," said **New Jersey Governor Mikie Sherrill**.

"As this lawsuit makes clear, President Trump has illegally frozen congressionally appropriated and contractually obligated funding for Gateway," said **Senator Chuck Schumer**. "This lawsuit would be unnecessary if President Trump did the right thing for New York and New Jersey and lifted his arbitrary freeze. Gateway is the most important infrastructure project in the country, and tens of thousands of union workers depend on it moving forward."

GDC CEO Tom Prendergast said, "Our goal has always been to work with our federal partners and get funding flowing again. At the same time, we must hold the federal government to its contractual obligations so that construction is not halted. It's our responsibility to fight for the nation's most urgent infrastructure project and the nearly 1,000 workers whose jobs are threatened."

GDC has utilized available funding sources and credit to keep the project moving forward as planned while federal funding disbursements are paused. However, GDC [announced](#) at its January 27, 2026, Board Meeting that all available sources and credit have been exhausted and construction must pause by February 6, 2026, if federal disbursements do not resume.



Pausing construction will result in the immediate loss of nearly 1,000 jobs. An extended pause would put at risk approximately 11,000 jobs on the current projects, as well as the 95,000 jobs and \$19.6 billion in economic activity that construction of the HTP is anticipated to generate overall.

It also increases the risk that the 116-year-old North River Tunnel – already a leading cause of delays that impact hundreds of thousands of daily riders – will shut down, severing the most heavily used passenger rail line in the country and leading to billions of dollars in lost time and productivity.

In addition to the \$205 million in disbursements due to GDC, the complaint seeks damages that will be incurred in the event of a construction pause or termination of existing contracts.

GDC is represented by Milbank LLP, as lead counsel, and Mayer Brown LLP. The full complaint can be found on the GDC website [here](#).

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