State agencies are responsible for evaluating the condition of their facilities, determining their priorities, estimating capital costs, and preparing a seven-year capital request. These agencies have the opportunity to appear before the Capital Planning Commission to present testimony on their capital requirements and provide additional information as requested by the Commission.

To provide a consistent and integrated system for capital requests and information, the State of New Jersey uses a computerized database program that resides on the State's information network and is accessible to all participating agencies. In addition to their annual capital requests, agencies are required to input their capital needs over short-range (three years) and long-range (seven years) periods, including project descriptions, justifications, priorities, costs, funding sources, and impact on future operating costs. The information submitted in agencies' capital project requests is reviewed and analyzed by the Commission and OMB, culminating in the generation of the annual State Capital Improvement Plan.

Capital Definition and Funding Methods

A capital project includes the acquisition of land, new structures and equipment, and other projects whose cost of land, planning, furnishing and equipment is estimated over $50,000. Projects or acquisitions under $50,000 are appropriated in the maintenance accounts in the Direct State Services section of the Budget. New Jersey funds capital projects by means of four methods:

- Through general obligation bonds approved by voters and guaranteed by the State;
- Through bonds issued by semi-autonomous authorities, normally repaid over the life-expectancy of the project and funded by annual appropriation of the Legislature;
- Annual pay-as-you-go capital appropriations and;
- A master lease program.

In the master lease program, debt service on projects cannot exceed three years and the useful life must be at least five years. The types of projects funded through the master lease include automobiles, computers, and telecommunication systems. This is in contrast to new construction, major rehabilitation of buildings, land acquisition, with a useful life of at least 20 years, undertaken by semi-autonomous authorities or paid through general obligation bonds. The pay-as-you-go capital projects are funded through annual appropriations. These projects include roof replacements, building equipment acquisition, renovations, life/safety improvements, and mandated programs such as open space acquisition, shore protection, remediation of hazardous waste and industrial sites, and transportation programs.

Funding Criteria

Because of the large number of capital requests, the Commission applies strict criteria to ensure that only the most urgent and necessary projects are recommended for funding. The Commission usually centers its attention on projects that are focused on life-safety requirements, critical to essential programs, mandated by statute, use non-State funding sources, or preserve State assets.

Fiscal 2015 Capital Recommendations

For fiscal year 2015, the Commission was presented with $3.36 billion in General Fund capital requests from State departments. After holding public hearings from October of 2013 through February of 2014, the Commission recommended funding of $1.58 billion for capital projects.

Of the $1.58 billion recommended for capital projects in fiscal 2015, $1.42 billion (or 90%) is for programs funded by dedicated revenue in the State Budget. Of the dedicated revenues, the Commission recommends $1.26 billion for transportation infrastructure improvements, $25.0 million for shore protection, $14.5 million for underground storage tank remediation, $16.0 million for park development, $12.0 million to clean up contaminated industrial sites, $20.3 million for mitigation of hazardous waste sites, and $97.7 million for open space preservation. Also recommended is $32.4 million for discretionary projects for departments and agencies and $101.9 million for New Jersey Building Authority Debt Service.

A summary of the recommendations by department is displayed in Table 1.

Table 1
FY 2015 Capital Recommendations ($000's)

Department	Recommended
Agriculture	$0
Children and Families	$240
Corrections	$4,575
Education	$0
Environmental Protection	$94,493
Human Services	$5,200
Law and Public	$528
Juvenile Justice Commission	$5,400
Military and Veterans Affairs	$0
Transportation	$1,260,043
Treasury Office of Information Technology	$0
Interdepartmental Accounts	$209,639
The Judiciary	$0
Total	$1,580,118

In addition to the $1.58 billion in capital recommendation, funds from proceeds on the sale of surplus State property may be used to fund capital improvement projects. Major construction projects proposed in the Capital Improvement Plan may also be funded through sources other than the General Fund that include the New Jersey Building Authority, the Economic Development Authority, general obligation bond funds, and other funding sources.

Highlights -- Recommendations by Departments and Programs

Environmental Protection
For the Department of Environmental Protection, $94.5 million is recommended, including $20.4 million for Cleanup of Hazardous Substance Discharges, $12.0 million in loans and grants for Brownfields Redevelopment projects, $25.0 million for Shore Protection, $14.6 million for Underground Storage Tank remediation, and $16.0 million for Parks Development and Conservation projects. These four mandated programs are funded through dedicated sources. In addition, $6.5 million is recommended for the HR-6 flood prevention program. Both the HR-6 and Shore Protection programs will generate substantial federal matching funds.

Department of Transportation
New Jersey lies at the heart of a giant metropolitan area stretching from Boston to Washington, D.C. To take advantage of this unique position, New Jersey's highways, buses, and rail service provides businesses with a responsive and reliable transportation system that moves people and goods. To ensure such a system's effectiveness, the fiscal 2015 recommendation for the Transportation Trust Fund (TTF) is $1.26 billion. The funds are derived from the constitutional dedications of motor fuel taxes and the

petroleum products gross receipts tax, as well as a portion of the sales tax, toll road authority contributions and certain motor vehicle and insurance surcharge fees. Such funds, in combination with federal funds, will pay for debt service on bonds issued by the Transportation Trust Fund Authority and for capital improvements to the State's highway and mass transit systems.

Interdepartmental Accounts

For fiscal 2015, $209.6 million is recommended in the Interdepartmental budget, consisting of $97.7 million for the constitutionally-mandated Open Space, Farmland, Parks and Historic Preservation programs, 10.0 million for life safety and emergency projects, and $101.9 million for New Jersey Building Authority debt service.

Other Capital Recommendations

Other funding recommended for various departments totaled $15.9 million for preservation, life/safety, compliance, and other critical projects including:

• Asbestos abatement at day schools within the Department of Children and families, ($240,000).
• Roof replacements at Corrections facilities, ($4.6m).
• Roof replacements and HVAC systems at Human Services facilities, ($5.2m).
• Roof replacement at Law and Public Safety's Weights and Measures facility, ($528,000).
• Boiler decentralization at the New Jersey Training School for Boys, ($5.4m).

Maintenance of State Facilities

As part of its mission, the Commission is required to comment on the maintenance of State buildings and building systems. The Commission recommends that State departments and agencies review their facility maintenance operations to ensure that they adhere to the principles, practices and techniques of maintenance management. Because proper maintenance is critical to the protection and preservation of New Jersey's capital assets, each facility's maintenance operation should, at a minimum, incorporate a set of management practices that include:

• An inventory of items that require periodic maintenance, such as HVACs, pumps, motors, and other electrical and mechanical systems;
• A preventive maintenance program;
• A work order system that distinguishes the various types of maintenance work performed;
• A work control center responsible for planning, estimating, scheduling, and tracking work;
• A materials inventory system;
• A maintenance management information system that determines what has been accomplished with the available work force, time, and material resources.

The Commission strongly believes that adherence to such principles, practices, and techniques will preserve the State's capital investments in buildings, equipment and building systems, and prevent premature deterioration and replacements.

Long-term Debt

The State Capital Improvement Plan is required to include a report on the overall State debt, assessing the State's ability to increase such debt and recommending the amount of increase, if any. In February 2014, the Commission reviewed the fiscal 2013 *State of New Jersey Debt Report* submitted by the Office of Public Finance and voted to accept the report's findings.

The Commission advocates a prudent policy of debt management to ensure fiscal responsibility. Capital projects that are undertaken utilizing long range financing, whether through general obligation debt or debt subject to appropriation, must be essential to the citizens of the State and critical to State operations.

The Commission endorses the concept that pay-as-you-go capital funds should be used primarily for repairs, renovations, and additions to State-owned facilities. Projects funded with pay-as-you-go capital are relatively small, less costly, and can be funded through annual appropriations. General obligation debt and debt incurred by autonomous authorities, however, should be used to finance costly capital construction projects that yield substantial benefits to present and future generations. Such projects should have a useful life equal to, or exceeding, the time required to retire the debt.