
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

LOCATION: 33 West State Street
Trenton, New Jersey

DATE: November 15, 2013
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

B. Carol Molnar, Chair
Anthony F. Annese, Vice Chair
Senator Steven V. Oroho
Assemblyman Declan J. O'Scanlon Jr.
Robert Romano
James M. Rutala
Beth Schermerhorn



ALSO PRESENT:

Thomas J. Solecki
Executive Director

Sonia Das
*Senate Majority
Commission Aide*

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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(The New Jersey Commission on Capital Budgeting and Planning held a teleconference meeting on November 15, 2013, at 10:00 a.m. Members of the Commission present via teleconference were B. Carol Molnar, Anthony F. Annese, Senator Steven V. Oroho, Assemblyman Declan J. O'Scanlon Jr., Robert Romano, James M. Rutala, and Beth Schermerhorn.)

B. CAROL MOLNAR, Esq. (Chair): I'd like to call the meeting to order.

In accordance with the Open Public Meeting Law, the Commission has provided adequate notice of this meeting by giving written notice of the time, date, and location. The notice of the meeting has been filed at least 48 hours in advance by mail and/or fax to the *Trenton Times* and the *Star-Ledger*, and filed with the Secretary of State.

We will now take a roll call.

MR. SOLECKI (Executive Director): Senator Sarlo. (no response)

Senator Oroho.

SENATOR OROHO: Here.

MR. SOLECKI: Assemblyman Fuentes. (no response)

Assemblyman O'Scanlon.

ASSEMBLYMAN O'SCANLON: Here.

MR. SOLECKI: Rob Romano.

DEPUTY STATE TREASURER ROMANO: Here.

MR. SOLECKI: Steven Petrecca. (no response)

Beth Schermerhorn.

MS. SCHERMERHORN: Here.

MR. SOLECKI: Tom Neff. (no response)

Joanne Cimiluca. (no response)

James Rutala.

MR. RUTALA: Here.

MR. SOLECKI: Anthony Annese.

MR. ANNESE: Here.

MR. SOLECKI: And Carol Molnar.

MS. MOLNAR: Here.

MR. SOLECKI: Madam, we have a quorum.

MS. MOLNAR: Thank you so much.

The first item on our agenda is approval of the minutes of October 25, 2013.

May I have a motion?

(recorder malfunction)

On page 2 of the minutes of November 15 2013, the recording machine malfunctioned as the Commission was about to make a motion for approval of the minutes of October 25, 2013. During the period of machine malfunction, Senator Oroho questioned remarks attributed to Senator Sarlo regarding OIT's capital request during the October 25, 2013 meeting. Mr. Solecki indicated he would check to make sure those remarks were made by Senator Sarlo, (and not by Senator Oroho). As such, the motion to approve the minutes of October 25, 2013 was tabled.

MR. SOLECKI: The Building Our Future Bond Act mandates that the Capital Commission hear Higher Ed generate a summary of their plan for those expenditures to the Commission on an annual basis when they submit their capital requests. So that's why we have the folks from Higher Ed on the phone with us today to present that request to you.

MS. MOLNAR: So we have to approve the summary of their plan today -- or when we vote on all of these items in January.

MR. SOLECKI: That is correct. The funds have already been appropriated. What Higher Ed needs to do for the Commission today is

present their plan for the expenditure of these funds, and we can approve that plan with a vote.

MS. MOLNAR: All right. So you sent to us their plan the other day. Also, though, in our packet there are other items that aren't in their plan. What are we supposed to do about those items?

MR. SOLECKI: So you have two items before you. You have Higher Ed's Fiscal Year '15 capital requests just like you have for Corrections, DEP, and Interdepartmental, and Human Services. Those are funds that they're requesting for capital projects to be done in Fiscal Year '15. None of those projects are included in the Building Our Future Bond Act. Those are projects outside of the bond funding. So they're looking for additional projects to be funded.

The package I sent to everyone last night is a summary of what they're going to do with the bond funds, and they're going to speak to you about those projects today.

MS. MOLNAR: Okay, wonderful.

So should I open up the floor to Betsy and Gregg? What would you like me to do?

MR. SOLECKI: I think so. Thank you.

MS. MOLNAR: Okay. I'll give it to Higher Ed at this point.

E L I Z A B E T H G A R L A T T I: This is Betsy Garlatti.

Basically, the expenditures for the coming year were listed by project in the attachment of our summary report.

MS. MOLNAR: What was the total? What do they total -- all those projects?

MS. GARLATTI: Seven hundred and fifteen million dollars has been obligated, and then there are some small balances left.

MS. MOLNAR: Going forward on a yearly basis, we have to, I believe, approve or look at an evaluation of the expenditures to date, but that's not for this year.

MS. GARLATTI: Right. Not this year, because they haven't--

MS. MOLNAR: (indiscernible)

MS. GARLATTI: Yes, exactly.

MS. MOLNAR: Any questions or comments from the Commission members? (no response)

So when we approve our -- at our meeting where we approve all the capital requests, we will have to approve your plan.

Now, are there any questions?

You did -- Higher Ed did submit additional projects for 2015 above and beyond the bond funds. Do you know what all those requests total? I don't know if I found a total. It might be here somewhere.

MR. SOLECKI: They total \$1.1 billion for Fiscal Year '15.

MS. MOLNAR: And the bond that was approved was only for \$750 million, so this is another \$1 billion above and beyond that. Wow.

SENATOR OROHO: Madam Chair, may I ask a general question? This is Senator Oroho.

MS. MOLNAR: Yes.

SENATOR OROHO: With the Higher Ed -- if somebody could just explain how the capital process works. Because obviously each one of these universities and colleges have a number of ways of funding. One is their private foundations, some of which is obviously tuition-related, and

then obviously State aid. How do we allocate what gets capital financing or capital money from the State versus other sources? Is there a process?

MS. GARLATTI: Are you asking me, Betsy Garlatti, to answer that?

SENATOR OROHO: Yes, or anybody on the Capital Budgeting -- from the Administration, or Tom.

Is there a way, is there a process to say, "Okay, this project in Higher Ed gets State capital," as opposed to, "This is something that should be funded through other sources available to the colleges."

MR. SOLECKI: I have Nancy Style, the OMB Manager for the Higher Ed accounts.

NANCY STYLE: I'll take a shot at this because there is no clear-cut way. There are various sources, as you point out, of funding capital in Higher Education. We have the General Bond Act, we have contract debt that is kind of a shared program between the institutions and the State. The EFA actually issues the bond.

All of those programs have fairly specific guidelines on the types of projects that can be funded. The most obvious that don't generally get State support are revenue-producing facilities, dormitories, things that can be funded on their own with a revenue stream. And those are usually funded by the institutions through the Educational Facilities Authority.

Obviously you can tell that they're asking for \$1.1 billion in addition to the \$750 million. State resources are not sufficient, in most cases, to meet the needs of the institutions. So every institution basically deals with those problems themselves. As you say, they use foundation.

They can issue debt through EFA for academic, non-revenue producing facilities. That's kind of a hodgepodge.

The State-funded facilities are usually fairly-- The use of State funds are fairly clearly designated in the legislation that creates that spending authority -- the types of facilities that can and cannot be used. Sometimes they're preconditioned, such as all outstanding deferred maintenance has to be certified as done before you can build a new building. I mean, it just depends on the specific statute that authorizes the State funding.

So there is a vast *hodgepodge*, for lack of a better word, on how the colleges fund their facilities. Many years ago the Capital Commission did, in fact, provide some amount of money every year, usually for deferred maintenance, brick pointing, and those types of projects. I can't remember the last time the Capital Commission actually provided funding to the institutions. So the institutions are pretty much dependent on getting legislation passed to get State money for their facilities.

SENATOR OROHO: Okay. So there is -- this is Senator Oroho -- specific criteria that before it comes to the Capital Commission there would be a few filters to go through to say, "Okay, this is a project that would qualify for State capital funding," as opposed to some private capital or some other fund-raising activity at each of the colleges.

MS. STYLE: Yes. And in reference to the first example, the Bond Act, I would defer to the Secretary's Office on that because they had quite a lengthy process for approval of those requests. So, again, it varies by program. And the Capital Commission, historically, limited the support to non-revenue producing facilities, those things that had no other source. For

example, most colleges now have parking garages that are fee-supported, so we're not necessarily building parking garages with State money anymore.

SENATOR OROHO: Thank you for the explanation.

MS. MOLNAR: This is Chair Molnar. Would it be possible-- You mentioned that the use of State funds is clearly designated. Is it possible for us to get a list of this designation?

MR. SOLECKI: If you look at the capital requests from Higher Ed, they are saying that all of these projects are eligible for general State funding -- capital funding.

MS. MOLNAR: But there's a list, right? There has to be deferred maintenance or something like that. There's not a list of items that can be submitted -- types of items? Maybe I'm thinking of types of items.

MR. SOLECKI: So are you talking about like in energy improvements, roof improvements?

MS. MOLNAR: Yes. Is there any list like that -- the college can come to us for the following items: one, two, three, four, five.

SENATOR OROHO: Right.

MR. SOLECKI: Yes. There is a breakdown by capital improvement type. But all of the requests you see before you, in essence, would qualify for State capital funding.

MS. MOLNAR: It made the filter. I was just curious. It's very obvious types, you're saying.

MR. SOLECKI: Yes.

SENATOR OROHO: Chairwoman, I think the question is a very good one. This is Senator Oroho. I'd be interested-- I'm sure it went

through the filters. I'd be interested to see what those kinds of criteria are that say, "Here is the allowable projects to make it to the list for the Capital Commission." And obviously anything that doesn't make that list is funded -- whether it be through other revenue sources, a specific fee, support, or any other kind of fund-raising activity -- it's specifically at the college.

I mean, I'd be interested to see what kind of list falls under what would be State -- what would make it to the Capital Commission for the State -- other than, obviously, the Build Our Future Bond.

MR. SOLECKI: Right. And when we send out the instructions to the Higher Ed colleges and universities to send in their requests, we ask them to please delineate what kind of funding would be applicable to these projects, whether it be the general fund, bond funds, Federal funds, other funds. And so, again, the requests you see before you are all general fund requests.

SENATOR OROHO: Okay. Thank you.

MS. MOLNAR: Any other questions or comments? (no response)

If not, I want to thank the folks at Higher Ed for sitting in on this meeting.

If there are no other questions for Higher Ed, we'll move along to -- going back to the top of the list -- we'll go back now to the Department of Corrections.

MS. GARLATTI: Thank you very much, Chairwoman Molnar.

MS. MOLNAR: Thank you.

We are now at Corrections.

I had a question about Priority 4. It's not a question, but I was kind of like amazed.

Priority 4 -- it reads that, of the \$2 million, \$1.6 million is for Northern State and has nothing to do with construction. That \$1.6 million will just be for cost and design study, (indiscernible) fees, and other nonconstruction costs. But the \$452,000 at Edna Mahan would be for construction. I guess this \$1.6 million for a design study -- this is usual and customary?

MR. SOLECKI: I wouldn't say it's usual and customary. I think the issue here with Northern State Prison is that it's a huge roof and there are HVAC systems up there. And so just to get some sense in terms of what it would take to put a roof replacement on that prison is expensive.

MS. MOLNAR: Now, that's only Wings 1 to 4. Down in Priority 5, they're actually replacing the roof in Building 5, and that's going to be \$3.2 million. That's the same prison, right -- Northern State -- \$3.2 million, \$3.8 million -- \$3,238,000 to replace the roof on Building 5.

MR. SOLECKI: Right.

MS. MOLNAR: That's the actual roof. The one up above in 4 is just a design, etc., etc., for \$1.6 million. Thanks for clarifying that.

Any other questions or comments? (no response)

If not, I'll move along to Environmental Protection.

SENATOR OROHO: This is Senator Oroho.

Chairwoman, I just have some general questions. Is there any thought toward-- I mean, obviously there is a number of priorities within the Department of Environmental Protection, some of which, I guess, seem to be Sandy-related, which a lot of Federal funds are for. Is there any

thought -- or maybe I just missed it -- where there are separate priorities for Sandy-related work as opposed to other normal recurring work for the DEP?

MR. SOLECKI: Most of these projects are not Sandy-related.

SENATOR OROHO: Not Sandy-related?

MR. SOLECKI: And that's because most of these projects-- Those properties that were damaged because of Sandy will be receiving anywhere from 75 to 90 percent funds from FEMA and other Federal resources. Most of these requests you're seeing are typical of what DEP asks for each year, and they're primarily funded with constitutionally dedicated fees from the Corporate Business Tax.

SENATOR OROHO: Right. Just in reading through some of the descriptions, I thought that maybe some of them were -- maybe some of the flood-related stuff. I know we normally have these kinds of descriptions every year, but I thought maybe this was higher than normal. But if not, I retract my question.

Thank you.

MS. MOLNAR: Good question though.

SENATOR OROHO: The other thing with respect to the Department of Environmental Protection-- I see -- and this is a general question -- for the Palisades Parkway -- and I see a lot of road improvement stuff there. Is there-- The first thing I thought about was, "Why wouldn't that be under the Department of Transportation and possibly maybe some matching funds or whatever?" Any feedback?

MR. SOLECKI: Senator, I can look into that. It could be that this is DEP-protected land and that's why they're involved. I can get back to you and the Commission with a written response from DEP.

SENATOR OROHO: The one thing I'd be concerned about is: If it's under the DEP, do they qualify for Federal highway money, whereas the DOT obviously does get Federal money?

MR. SOLECKI: Right.

SENATOR OROHO: So I just want to know whether -- look for an issue right there.

MR. SOLECKI: Okay. I will look into that and get back to the Commission.

SENATOR OROHO: Thank you.

MS. MOLNAR: Thank you. Good question.

If there are no further questions on that, we'll move to the Department of Human Services. The total request for next year is \$24 million.

Any questions or comments? (no response)

If not, I'll move along to Interdepartmental. There are a lot of statewide projects, roof replacements -- \$256 million total.

MR. SOLECKI: I will say that part of that -- \$98 million of it is for Open Space, and that's debt service.

MS. MOLNAR: Good.

MS. SCHERMERHORN: This is Beth. I have one question.

Priority 4 is DEP backup generator. And maybe I should have asked this when we were in DEP. Their Priority 4, I think, was also a

generator. Are they two separate things, or is this one inclusive of the smaller one in DEP for the 7th floor?

MR. SOLECKI: I'm looking for the DEP--

MS. SCHERMERHORN: It's on Page 3 of their-- One is for 210-- The one in DEP is for \$210,000; this is for \$1 million.

MR. SOLECKI: Ms. Schermerhorn, it does sound like these may be one in the same. I have to look into that. We try very hard to make sure there is no duplication here. But in this case, what happens is-- This is probably DEP's headquarters, which Treasury's Division of Property Management and Construction are responsible for maintaining. Normally DEP's requests are for a whole slew of things, not including their administrative headquarters. So I will take a look at that and also get back to the Commission on that.

MS. SCHERMERHORN: Okay.

MS. MOLNAR: Good catch.

MR. RUTALA: This is Jim Rutala. On that same issue -- and actually following up on the Senator's question before -- the State has gotten a fair amount of Federal money for generators. And actually they're trying to spend that money not just on generators, but on off-grid systems. They're encouraging the towns to look beyond generators to other technologies.

I guess two things: One is, couldn't-- Since this same money is being used in municipal buildings and other government buildings, could it possibly be used for some of these State projects? And then, secondly, are they looking at other technologies than just putting in generators? Because that's not what they're encouraging the towns to do.

MS. SCHERMERHORN: This is Beth. I can answer half of that.

MR. RUTALA: Okay.

MS. SCHERMERHORN: I believe all the money from Sandy that was allocated for generator purchases has been allocated. So since there is not any money left--

MR. SOLECKI: This is Tom. My understanding is that most of what the Feds are reimbursing us for are generators and anything else that was damaged specifically due to the storm. In a lot of cases, we have some very old generators, and they could have failed -- or the Federal government might argue they failed because they were so old. And so therefore they don't qualify, necessarily, for Federal funds.

That being said, the Feds did come out with something that is called a *hazard mitigation grant*. And that's a little bit closer to what I think Mr. Rutala was talking about, where they were trying to provide funding so that in the event we have something like Sandy occur again, we're a little bit better prepared. Those Federal mitigation amounts were just recently announced. Most of them are going to the towns and the local government agencies. Very little is coming to the State.

MR. RUTALA: Okay.

MS. MOLNAR: Any other questions or comments on Interdepartmental? (no response)

If not, is there any other business, Tom, that we have to vote on or anything like that?

MR. SOLECKI: I believe that's it for today.

MS. MOLNAR: All right. Now, it's my understanding the debt report will not be ready by December 20th. Tom is suggesting we not meet in December and we meet in January. We don't know the date yet because the CAFR (Comprehensive Annual Financial Report) report isn't done until mid-December. It won't be done until then.

It was also suggested that we meet in person in January for the debt report and to make our recommendations. Barring a blizzard, it might make sense for us to meet in person. We can meet all of our new members, which would be nice.

Anybody else have suggestions or questions?

SENATOR OROHO: It's Senator Oroho. I think that's a good idea to meet in person for the debt report.

MS. MOLNAR: Perfect.

ASSEMBLYMAN O'SCANLON: Assemblyman O'Scanlon. I'm on board as well. One less meeting in December would be a good thing. (laughter)

MS. MOLNAR: Yes, it's such a busy time of year. Hopefully it won't be right before the Super Bowl -- our meeting. Last year I believe we met in mid-January -- the 20th.

MR. SOLECKI: The 18th.

MS. MOLNAR: The 18th?

MR. SOLECKI: Yes.

MS. MOLNAR: January 18th. So hopefully we can do something similar.

Well, if there is no other business, I want to wish you all a happy Thanksgiving and happy holidays. And we'll see you all in January.

(MEETING CONCLUDED)