FAQ Area of the DAY:

Each day we will provide a frequently asked question topic area, based on questions we have fielded throughout the day.

September 13, 2017:

"Infrastructure, equipment and technology upgrades" mean different things to different people. Most of today's questions are around how to interpret this. Luckily, the State is happy to help us out.

1. **What is meant by "technology upgrades" in the bond language?**
   In the context of "infrastructure, equipment and technology upgrades," "technology" means software and applications that are hosted on the infrastructure and equipment. In other words, the upgrade applies to the entire stack, not just to the hardware, but also to the software that sits on top of that hardware.

2. **Does the MTAF 2.0 cover software and hardware?**
   Computer equipment of any kind with a useful life of a year or more is an eligible use of program funds.

3. **Can highly specialized analytical and simulation software packages that will be capitalized and depreciated as assets be purchased with MTAF 2.0 funds?**
   Because the bond funding can be used for capital equipment with a useful life of at least one year, this software would qualify.

4. **What components of IT infrastructure are considered as capital expense? (IT infrastructure may include servers, software purchase, custom software development, and graphic user interface development)**
   Computer equipment with a useful life of a year or more is an eligible use of MTAF 2.0 program funds. Custom software purchase or development integral to the project would also be eligible.

5. **What is the definition of a capital expenditure or asset for bond funds?**
   Bond funds may be used for capital expenditures or assets that can be capitalized. To do so, the asset should meet the following criteria:

   - The business needs to own the asset. In other words, rented equipment isn't eligible.
   - The asset must be used to conduct business activities.
   - The asset must have a determinable useful life span of greater than one year.

   An acquired asset that does not demonstrably lose value over time cannot be capitalized and is not eligible.

6. **What if we are building the capital infrastructure “in-house” or developing the software in-house? Is it still considered a capital cost?**
   No. If the asset or software is being developed by a third party, then the cost of development could be paid out of bond proceeds. If it is being developed in-house, bond money cannot be used to paid employees. The analogy is work done by the Maine Department of Transportation. Engineering costs incurred by a contractor can be paid with bond proceeds. The same engineering work done by employees of DOT cannot be paid out of bond proceeds.