



The State University
of New York

Office for Capital Facilities

Guidance Document

CLC-15

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Capital vs. Operating Funding

A reference guide to assist State-operated
and Statutory campuses in identifying
appropriate uses for capital funding

Summary

Under the Educational Facilities Capital Program, capital funding is used to construct, acquire, reconstruct, rehabilitate and improve academic facilities and site infrastructure. The funding for the capital program comes from bond proceeds, which means that the State has borrowed money (i.e. sold bonds), and is paying interest on those bonds over a 30-year period. When bonds are sold, regulations are in place to guide how the funding can be used – one of the requirements is that capital bond proceeds only be used for capital expenses.

When campuses use capital accounts to encumber contracts or purchase orders, and process invoices or journal vouchers, it is important to ensure operating expenses are not charged to capital accounts.

Capital Funding – appropriate items to charge to capital accounts

- Contractual obligations for capital projects
 - Construction-related services agreements, including term agreements and studies
 - Construction agreements, including term agreements
 - Construction Management agreements
 - Agreements or purchase orders for commissioning or other testing related directly to a capital project
- Construction materials related to a capital project
- Furniture, Fixtures, and Equipment purchases related to a capital project (see [Guidance Document CLC-9](#) for more details)
- Minor Critical Maintenance projects (see [Procedure 7563](#) for details)
- Staff Charged to Capital Appropriations (see [Procedure 7302](#) for details)

Operating Funding – items NOT appropriate to charge to capital accounts

Required for routine and recurring expenses, including maintenance and repair, such as:

- Cleaning services or cleaning supplies for general building cleaning
- Disposal of waste, including hazardous waste from academic or research facilities
- Landscaping or lawn service supplies or services
- Library/Reference Books/Media including magazines and subscriptions
- Maintenance plans/supplies
- Monthly rentals
- Painting (unless part of a capital project)
- Parking maintenance and operations, including resealing, resurfacing, and restriping
- Service contracts (i.e. elevator maintenance, boiler maintenance, etc.)
- Small scale hardware replacement
- Snow removal & rock salt
- Travel mileage or travel parking tolls and incidentals
- Vehicle service
- Warranties

Considerations

In some cases, whether an item is charged to capital or operating funding depends on whether the activity is directly related to a capital project as other components have a longer useful life (e.g. elevators, structural steel, insulation, concrete, etc.) that offsets components that have a shorter useful life.

<u>Example</u>	<u>Capital Funding</u>	<u>Operating Funding</u>
Equipment See Guidance Document CLC-9 for detailed information	Fixed equipment, defined as attached, installed or fastened to a building. Moveable or specialty (e.g. Zamboni) equipment as part of a larger renovation/new build capital project.	Replacement of movable equipment, which is not connected permanently to utilities or the building structure.
Landscaping	Improvements as part of a larger capital project	General or routine landscaping
Painting	If part of a of a larger capital project	General yearly refreshing / touchup
Maintenance (electrical, elevator etc.)	Repair a broken system under Minor Critical Maintenance (i.e. \$5000 or more)	Routine servicing and maintenance of equipment Any repairs less than \$5000

Capitalization

Regardless of the funding source, capital assets must be capitalized appropriately in accordance with [SUNY Policy 7004, Capitalization Policy and Depreciation Policy for Capital Assets](#).

Related Documents

- [Guidance Document CLC-9 - Furniture, Fixtures, and Equipment \(FFE\) Purchases](#)
- [Procedure 7563 Minor Critical Maintenance](#)
- [Procedure 7302 Staff Charged to Capital Appropriations](#)
- [Policy 7004, Capitalization Policy and Depreciation Policy for Capital Assets](#)