

Hallsville Independent School District

For the Consideration of the Board of Trustees

Date of Board Meeting: April 21, 2025

Agenda Item#: _____

Topic: Approval of Increased Capitalization Threshold to \$10,000 beginning 9/1/2025

Background and Rationale:

This item has been prepared to request approval for the increase to the District's asset capitalization threshold to \$10,000 per asset unit, effective on September 1, 2025 with the 2025-2026 fiscal year. This will be a \$5,000 per item increase from the current \$5,000 threshold. As is discussed in the attached TEA notice, the USDE recently implemented updated federal grant rules and regulations that increase the federal capitalization threshold to \$10,000 per unit, and the District would like to implement the increased \$10,000 threshold for any per unit assets purchased from all funds (State, Local and Federal), in order to ensure that the implementation of the new rule is consistently applied across funds and for easier tracking and planning purposes. This increased threshold will not have any effect on fund balances, but would only change the dollar level at which the District capitalizes and depreciates assets on the Government Wide Statement of Net Position, where assets are reported.

Relationship to Strategic Plan:

Personnel Affected:

Budget Implications:

☒ N/A

Recommendation:

It is the recommendation of Administration that the per unit asset capitalization threshold be increased to \$10,000, to be applied for assets purchased from all fund sources, State, Local and Federal, and to be effective with the 2025-26 fiscal year on September 1, 2025, as presented.



Signature
(Person Bringing Information to the Board)



Superintendent's Signature



To the Administrator Addressed

Commissioner Mike Morath

1701 North Congress Avenue • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • tea.texas.gov

DATE:	February 13, 2025
SUBJECT:	<i>Rescinded</i> Revised Timeline for Implementation of the new Federal Grant Regulation Changes
CATEGORY:	Federal Grant Compliance
NEXT STEPS:	Share information with federal grant, program, and business staff

This letter provides important updated information relevant to all current federal grant programs and grant applications and should be shared within the school system as quickly as possible.

On February 10, 2025, USDE published a new notice in the *Federal Register* rescinding the previous notice of January 16 that led the Texas Education Agency (TEA) to issue the January 30, 2025, To the Administrator Letter under a similar subject line. This letter replaces the January 30 letter.

All federal grant rules and regulation changes go into effect July 1, 2025, unless the Local Educational Agency (LEA) has received a separate new federal grant award on or after October 1, 2024. LEAs should continue to create, revise, and/or update all applicable grant policies and procedures to align to the implementation of all the federal grant changes for a July 1, 2025, implementation as previously explained in TEA guidance and trainings.

Key points of the January 30 letter are still of importance and applicable to school systems for implementation purposes on July 1, 2025. For example, the definition of equipment has changed the initial purchase price from \$5,000 per unit or local acquisition threshold, whichever is lower, to \$10,000 per unit or local acquisition threshold, whichever is lower. School systems will need to determine if they will utilize the new federal definition of equipment or make a more restrictive policy to remain at the \$5,000 threshold or a different local acquisition threshold amount.

On July 1, 2025, this letter will supersede current Financial Accountability System Resource Guide (FASRG) rules 1.2.4.3 Capitalization of Assets referring to the \$5,000 threshold per unit cost for capitalized assets. The FASRG will be updated to reflect this change in April of 2026. The new per-unit cost will be increased to \$10,000 to align with the federal changes outlined in this letter.

In addition, the required federal audit threshold of \$750,000 total federal grant funds expended during the grantee's fiscal year increasing to \$1,000,000 will not go into effect until the grantee's next fiscal year which covers most of the 2025-2026 grant year.

For Further Information

For federal grant information and guidance on the new federal grant regulations, please contact Nick Davis (nick.davis@tea.texas.gov) in the Department of Grant Compliance and Administration.

For information and guidance related to FASRG, please contact the Financial Compliance Division at financialaccountability@tea.texas.gov.

Fwd: [title_i_region7] Compliance to the Max

Whittle, Amy <awhittle@hisd.com>

Thu, Mar 13, 2025 at 3:11 PM

To: Mary Brown <mbrown@hisd.com>, Kathryn Bradford <kbradford@hisd.com>

----- Forwarded message -----

From: **Clark, Angela** <aclark@esc7.net>

Date: Thu, Mar 13, 2025 at 1:36 PM

Subject: [title_i_region7] Compliance to the Max

To: title_i_region7@lists.esc7.net <title_i_region7@lists.esc7.net>

Good afternoon,

The topic of today's Compliance to the Max are the upcoming Uniform Grants Guidance (UGG) changes concerning the Equipment and Supplies Threshold.

The new guidance will allow an increase in the equipment and supplies threshold to \$10,000. **By July 1, 2025, you must ensure your policy and procedures around equipment and supplies are updated across all federal grant programs.** If you choose to increase your capitalization threshold to \$10,000, keep [this TAA](#) concerning the changes for your auditor. *On July 1, 2025, this letter will supersede current Financial Accountability System Resource Guide (FASRG) rules 1.2.4.3 Capitalization of Assets referring to the \$5,000 threshold per unit cost for capitalized assets. The FASRG will be updated to reflect this change in April of 2026.*

Below are a few guiding questions to assist with this process.

- Ensure that a cross-functional team of involved staff are a part of the decision-making.
- Does the LEA have a more restrictive local capitalization threshold? Will the LEA increase to the updated federal threshold? Will the LEA retain it's current local threshold?
- Notify all related staff of the changes to disposition rules (Disposition will be at a current fair market value of \$10,000 for all equipment (individually) and \$10,000 current fair market value for the aggregate of all unused, unopened supplies. ***This \$10,000 disposition threshold will be in place even if the district sticks with a lower capitalization threshold.***
- Ensure that you file disposition paperwork with TEA even if you are late doing so (Forms located in the EDGAR Connect app in Smartsheet.
- Train all fiscal and program staff on the changes.

Please feel free to reach out if you have any questions!

Angela Clark, M.B.A.,
CTSBO

Specialist II

Region 7 Education Service Center

1909 North Longview St.

Kilgore, TX 75662

Phone: (903) 988-6850



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Amy Whittle, M.Ed.

Director of Special/Federal Programs

