

TO: School Board Members

FROM: Scott LeSage, Director of Finance

DATE: August 18, 2025

SUBJECT: First Reading of Policy 721 – Uniform Guidance Policy Regarding Federal Revenue Sources

BACKGROUND:

An administrative review of Policy 721, Uniform Guidance Policy Regarding Federal Revenue Sources, has been performed. There were several updates to the policy, as recommended by the auditors, which include:

The purchase of items using federal funds (i.e. Title, School Nutrition, special education) must comply with federal standards. One of these standards is that micro-purchases, items costing less than \$10,000, can be purchased without obtaining competitive quotes. This is a different standard than MN state law, which assigns micro-purchase status up to \$25,000.

Federal law allows the school board to increase the micro-purchase limit to \$50,000. To create consistent purchasing standards, we recommend an increase in line with MN statute, or \$25,000. We recommend that this action be retroactive to July 1, 2025 and used going forward.

This action has been taken by several MN school districts.

RESOLUTION:

WHEREAS, a School District entering into an agreement for the sale or purchase of supplies, materials, equipment, or the rental thereof, or the construction, alteration, repair, or maintenance of real or personal property must abide by the Minnesota statutes relating to contracting and bidding.

Minn. Stat. § 471.345, the Uniform Municipal Contracting Law, was established to provide dollar limits for all municipalities upon contracts which shall or may be entered into on the basis of competitive bids, quotations, or purchase or sale in the open market. Minn. Stat. § 471.345. Generally, the following thresholds apply:

1. For contracts over \$175,000 - sealed bids, solicited by public notice, and subject to the particular requirements of the governmental subdivision.
2. For contracts from \$25,000 to \$175,000 - sealed bids or direct negotiation, with two quotations whenever possible.

3. For contracts of \$25,000 or less - open market or quotations (with at least two contract quotations, if practicable).

WHEREAS, the School District must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this 2 CFR § 200.318, for the acquisition of property or services required under a federal award or subaward.

WHEREAS, all procurement transactions for the acquisition of property or services required under a federal award must be conducted in a manner providing full and open competition consistent with the standards of 2 CFR § 200.319 and 2 CFR § 200.320.

2 CFR § 200.320 Methods of Procurement to be followed:

1. For contracts over the Simplified Acquisition Threshold, generally defined as \$250,000 in the Federal Acquisition Regulations (FAR) - formal procurement methods such as sealed bids or proposals are appropriate.

2. For contracts determined to be “small purchases” that is the aggregate dollar amount of which is higher than the micro-purchase threshold and smaller than the Simplified Acquisition Threshold, price or rate quotations must be obtained from an adequate number of qualified sources.

3. For contracts determined to be “Micro-purchases” currently defined in the Federal Acquisition Regulations (FAR) as \$10,000 or less- Micro-purchases may be awarded without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents it files accordingly.

Purchase cards can be used for micro-purchases if procedures are documented and approved by the non-Federal entity.

WHEREAS, 2 CFR 200.320 (a) {1} {iv} allows for the School District to increase their micro-purchase threshold up to \$50,000. Non-Federal entities may establish a threshold higher than the micro-purchase threshold identified in the FAR in accordance with the requirements of this section. The School District may self-certify a threshold up to \$50,000 on an annual basis and must maintain documentation to be made available to the Federal awarding agency and auditors in accordance with 2 CFR § 200.334. The self-certification must include a justification, clear identification of the threshold, and supporting documentation of a higher threshold consistent with State law.

THEREFORE; BE IT RESOLVED that the School Board of Independent School District 197, approves an increase to the School District’s federal Micro-purchase threshold from \$10,000 to \$25,000 to be consistent with Minnesota Stat. § 471.345, subd. 5, as allowed by 2 CFR § 200.320(a)(1)(iv), for the acquisition of property or services under a federal award. This increase is retroactive to July 1, 2025.