

DATE:	January 30, 2025
SUBJECT:	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 (local educational agency (LEA) as quickly as possible.

As described in the series of trainings TEA staff conducted around the regions last Fall, the federal Office of Budget and Management (OMB) released changes to the federal Uniform Grant Guidance (UGG) that is incorporated into the Education Department General Administrative Regulations (EDGAR) last summer with an effective date of new grant awards issued by the federal government on or after October 1, 2024. For most LEAs this limited the implementation until July 1, 2025, for all its new formula grant awards.

In September, USDE issued additional federal regulation changes under EDGAR effective immediately. These changes were mostly technical clean-ups with only a few substantial changes. Your regional education service center (ESC) will be providing information on these changes.

Please note that in mid-January 2025 the U.S. Department of Education (USDE) issued notice making all the new UGG changes effective immediately, like the EDGAR changes, for all active awards from USDE. While much of the new regulations provide increased flexibility and spending threshold changes, this implementation date change in the middle of the year may have major impacts on LEA compliance, policies, and procedures. Below are a few of the key impacts for LEAs.

Key Changes and Impacts to LEAs

1. 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. LEAs will need to quickly determine if they will continue to utilize the federal definition of equipment or make a more restrictive policy to remain at the \$5,000 threshold or different local acquisition threshold amount.

This letter supersedes 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.

2. The modified total direct cost (MTDC) threshold for use in determining your indirect cost rate for grants has increased from \$25,000 to \$50,000.

However, these changes do not affect the LEA's rate or implementation of the rate in this grant year.

3. The threshold for requiring a federal single audit increased from \$750,000 total expenditures in federal funds per the LEA's fiscal year to \$1 million of federal expenditures.

This change will determine if you are required to have the federal audit at the end of your current fiscal year. Remember, if you are not required to have the federal audit you may not use federal funds to pay for one if you choose to continue to have the federal audit. Many LEAs currently use the low-risk identification in the federal audit as their eligibility for locally certifying a higher micro-purchase threshold.

Implementation

All LEAs should create, revise, and/or update all applicable grant policies and procedures to align to the implementation of all the federal grant changes as quickly as possible.

TEA federal grant monitoring reviews will issue findings with no questioned costs this year for findings solely related to the changes implemented early by this new USDE notice.

Keep this letter as documentation for auditors.

For Further Information

For federal grant information and guidance on the new regulations contained in this letter, 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 financialaccountability@tea.texas.gov.