

DATE:	April 22, 2021
SUBJECT:	Changes to Federal Grant Regulations
CATEGORY:	Notice to Local Educational Agencies (LEAs)
NEXT STEPS:	Share with business office and federal program staff and complete any required actions by July 1, 2021

In November 2020, the federal Office of Management and Budget issued revised Uniform Grant Guidance updates that are incorporated into the Education Department General Administrative Regulations (EDGAR) of the U.S. Department of Education (USDE). The new grant regulation changes are generally effective with new USDE Grant Awards to the state on or after November 12, 2020, such as the ESSER II, ESSER III, and July 1 awards of other federal grants. There are several key changes that may impact LEA federal grant awards.

Key New Provisions and Changes

2 CFR §200.210 stipulates that federal guidance is nonbinding and requires the federal awarding agencies to post any potential legally binding requirements for public notice and comment.

A new section in 2 CFR §200.216 defines vendors owned by some foreign entities or governments as a risk to the nation.

2 CFR §200.320 officially sets the micro-purchase threshold at \$10,000 in the aggregate across all federal grant programs for the fiscal year. It also allows the LEA to self-certify a higher micro-purchase threshold of up to \$50,000 if the LEA is:

- a low-risk auditee for their most recent federal audit; or
- conduct an annual internal risk assessment to identify, mitigate, and manage financial risk.

The LEA must determine the local threshold based on internal controls, risk, and documented procedures. This section also adds micro-purchases as allowable noncompetitive procurements.

2 CFR §200.344 increased the federal grant closeout timeline from 90 days to 120 days. This will allow subrecipients (LEAs) to have 90 days, rather than the current 60 days, to liquidate all obligations and submit final expenditure reports. The Texas Education Agency (TEA) will have the remaining 30 days of the 120-day period to conduct state-level closeout.

2 CFR §200.458 removed TEA's authority to allow pre-award costs to federal grant programs. While TEA has requested such authority from USDE, in the interim TEA is creating a statewide administrative waiver under its Ed-Flex authority to authorize TEA to allow pre-award costs for those programs covered by the Ed-Flex program.

LEA Action Required by July 1, 2021

The updated regulations renumbered many of the existing regulations. Federal auditors will be checking the local policies for these updated citations. LEAs must update the citation references in their local policies and procedures to be compliant.

TEA advises LEA legal staff to review 2 CFR §200.216 of the regulations for any potential impact to the LEA.

If the LEA chooses to self-certify a higher micro-purchase threshold, the LEA must take the following actions.

1. Develop a written policy justifying and clearly identifying the new threshold. Due to state *Financial Accountability System Resource Guide* (FASRG) rules, the LEA may only self-certify a threshold up to \$49,999.
2. For a threshold from \$10,001 to \$25,000, the LEA must notify TEA at <https://app.smartsheet.com/b/form/e2f879cc182e47a69a39afec56084aa5>.
3. For a threshold from \$25,001 to \$49,999, the LEA must:
 - a. notify TEA of the threshold at the link above;
 - b. attach the LEA's written policy; and
 - c. attach: 1) verification of risk level of most recent federal audit; or 2) internal risk assessment and internal controls for mitigating and managing financial risks.

If you have questions regarding these federal regulation changes, contact TEA via electronic mail at GrantSupport@tea.texas.gov.

Sincerely,



Cory Green, Associate Commissioner
and Chief Grants Officer
Department of Grant Compliance and Administration