

## **Elementary and Secondary Education Act (ESEA) Disposition of Federally Funded Purchases**

The purpose of this document is to provide guidance to local educational agencies (LEA) in the disposition of federally purchased equipment and supplies under the Elementary and Secondary Education Act (ESEA).

### **Equipment Definition**

2 CFR § 200.1

Equipment is a tangible item (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes, or \$10,000.

### **Supply Definition**

2 CFR § 200.1

Supply is defined as a tangible item other than those described in the equipment definition. A computing device is a supply if the acquisition cost is below the lesser of the capitalization level established by the recipient or subrecipient for financial statement purposes or \$10,000, regardless of the length of its useful life. See this section's definitions of computing devices and equipment.

### **Equipment Usage, Management, and Transfer Requirements**

2 CFR § 200.313 (c)

Equipment with a per-unit cost of \$10,000 or more that is purchased with ESEA grant funds must continue to be used for the program for which it was acquired for as long as it is needed, even if the program is no longer supported by the ESEA grant.

The subrecipient may not sell, transfer, pledge, or otherwise encumber the equipment without prior approval from the Oklahoma State Department of Education (OSDE).

When the equipment is no longer needed for its original purpose, it may be used for other federally funded activities in the following order of priority:

1. Activities funded by the same federal awarding agency that originally funded the equipment.
2. Activities funded by other federal awarding agencies, including consolidated information technology systems.

While the equipment is being used for the original ESEA-funded program, the subrecipient must also make it available for use by other current or former federally

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funded programs, provided that such use does not interfere with the original program's operations. Priority for shared use must be as follows:

1. Programs or projects funded by the same federal awarding agency that paid for the equipment.
2. Programs or projects funded by other federal awarding agencies.

The equipment may also be used for non-federally funded activities if doing so does not interfere with its original federally funded purpose.

When replacing equipment, the subrecipient may trade in the existing equipment or sell it and apply the proceeds toward the cost of the replacement equipment.

All equipment purchased in whole or in part with federal funds must be tracked throughout its entire useful life. At a minimum, the following information must be maintained:

- Description and serial number or other identification number
- Source of funding for the property, including Federal Award Identification Number (FAIN#); and Assistance Listing Number (ALN) previously known as Catalog of Federal Domestic Assistance (CFDA#)
- Title owner/holder
- Acquisition date and cost
- Percentage of cost related to Federal participation for the program under which the property was acquired
- Location, use and condition of property
- Documentation of the equipment's final disposition, including the disposal date, sale price (if applicable), and evidence of federal approval or release of title prior to disposal

### **Equipment Disposition Requirements**

2 CFR § 200.313 (e)

When equipment purchased with federal grant funds, or replacement equipment acquired under a federal grant, is no longer needed for its original program or for any other activities currently or previously supported by a federal awarding agency, the subrecipient must follow the LEA's equipment disposition policy.

The district's disposition policy must include the following requirements for federally funded equipment:

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- Equipment with a current per-unit fair market value of \$10,000 or less may be retained, sold, or otherwise disposed of without any further obligation to the federal awarding agency.
- Equipment with a current per-unit fair market value greater than \$10,000 may be retained or sold by the subrecipient. However, the federal awarding agency is entitled to its proportional share of the current fair market value or sale proceeds, based on its percentage of participation in the original purchase cost. If the equipment is sold, the federal awarding agency may allow the subrecipient to retain up to \$1,000 of the federal share of the proceeds to cover selling and handling expenses.
- Transfer of title to the federal government or an eligible third party is permitted. In such cases, the subrecipient is entitled to compensation equal to its proportional share of the equipment's current fair market value.

\*Fair market value is the estimated value of the equipment at the time of disposition.

### Disposition of Unused Supplies

2 CFR § 200.314

Unused supplies are defined as supplies that remain in new condition and have not been used or opened.

If a subrecipient has a residual inventory of unused supplies with an aggregate value greater than \$10,000 and the supplies are no longer needed for the original program or for any other activities currently or previously supported by a federal awarding agency, the subrecipient may retain, sell, or otherwise dispose of the supplies in accordance with the LEA's disposition policy.

The district's disposition policy must include the following requirements for unused supplies purchased with federal grant funds:

- Unused supplies with an aggregate value of \$10,000 or less may be retained, sold, or otherwise disposed of without any further obligation to the federal awarding agency.
- Unused supplies with an aggregate value greater than \$10,000 may be retained, sold, or otherwise disposed of. However, the federal awarding agency is entitled to compensation based on its proportionate share of the original purchase cost. The amount owed is calculated by multiplying the federal agency's percentage of participation in the original purchase by the current fair market value\* or the proceeds from the sale.

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- If the supplies are sold, the federal awarding agency may allow the subrecipient to retain up to \$1,000 of the federal share of the sale proceeds to cover selling and handling expenses.

\*Fair market value is the estimated value of the supplies at the time of disposition.

### **Disposition of Used Supplies**

The Uniform Guidance does not provide specific requirements for the disposition of used supplies.

If an LEA has an inventory of used supplies that are no longer needed for the original program or for any other activities currently or previously supported by a federal awarding agency, the subrecipient must follow the LEA's disposition policy.

Because federal regulations do not specifically address the disposition of used supplies, the Oklahoma State Department of Education (OSDE) recommends that districts develop procedures using the applicable disposition principles outlined in this document for equipment and unused supplies.