

BOARD OF REGENTS

BRIEFING PAPER

1. AGENDA ITEM TITLE: Handbook Revision, Capitalization Threshold

MEETING DATE: June 12-13, 2025

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

An October 1, 2024, update to the Uniform Guidance Federal regulations (2 CFR 200) that establish cost accounting standards and guidelines for expenditures charged to Federal Awards increased the equipment capitalization threshold from \$5,000 to \$10,000 (2 CFR 200). This threshold increase aligns with inflation since the threshold applicable to higher education institutions was last updated effective July 1, 2004, at \$5,000.

In addition, in consultation with the System's external auditors, the Institution Controllers recommend an addition to the capitalization threshold policy to provide guidelines for the treatment of bulk purchases. This policy threshold was established with input from our auditors and consideration of peer institutions' policies for this topic. The threshold established is not expected to be encountered routinely, and this is intentional as the intent is to comply with required governmental accounting standards at a system-wide level while preventing an unnecessary additional administrative burden on the current process of tracking and monitoring System capital assets.

The capitalization threshold policy update was reviewed and promoted by the Institution Controllers and is supported by the Institution Business Officers.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Chief Financial Officer, Chris Viton, requests approval of a revision to Board policy (Title 4, Chapter 9, Section C2) Capitalization Threshold in order to align the System's capitalization threshold with the limit allowed under the Uniform Guidance Federal cost accounting regulations applicable to Federal awards. In addition, the policy amendment incorporates a new threshold for bulk purchases, added in consultation with the System's external auditor, to ensure compliance with governmental accounting standards

4. IMPETUS (WHY NOW?):

The Uniform Guidance was updated effective October 1, 2024. Approval of this policy revision will align the System's policy with the updated guidance and the addition of the threshold applicable to bulk purchases will ensure continued compliance with governmental accounting standards.

5. CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- ☐ Access (Increase access to higher education)
- ☐ Success (Improve student success)
- ☐ Close Institutional Performance Gaps
- ☐ Workforce (Meet workforce needs in Nevada)
- ☐ Research (Increase solutions-focused research)
- ☐ Coordination, Accountability, and Transparency (Ensure system coordination, accountability, and transparency)
- ☒ Not Applicable to NSHE Strategic Plan Goals

6. INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

This proposed *Handbook* revision does not directly relate to a specific strategic plan goal.

7. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

Adopting the proposed revision will align the System's policy with updated Uniform Guidance and ensure continued compliance with governmental accounting standards.

8. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

None noted.

9. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

Maintain the current provisions of NHSE *Handbook* Title 4, Chapter 9, Section C2 (Capitalization Threshold).

10. RECOMMENDATION FROM THE CHANCELLOR'S OFFICE:

The Chancellor's Office recommends approval.

11. COMPLIANCE WITH BOARD POLICY:

- ☐ Consistent With Current Board Policy: Title # _____ Chapter # _____ Section # _____
- ☒ Amends Current Board Policy: Title # 4 Chapter # 9 Section # C2
- ☐ Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
- ☐ Other: _____
- ☐ Fiscal Impact: Yes _____ No X
Explain: _____

POLICY PROPOSAL - *HANDBOOK*
TITLE 4, CHAPTER 9, SECTION C2
Financial Policies

Additions appear in ***boldface italics***; deletions are [~~stricken~~ and bracketed]

Section 2. Financial Policies

. . . .

12. Capitalization Threshold

Capital equipment is defined as ***1) those items [exceeding a \$5,000] having an acquisition cost of \$10,000 or more, [expense threshold and] having a useful life of greater than one year, and be an individual, stand-alone, moveable, tangible item; or 2) a bulk purchase which is defined as assets whose individual acquisition cost is less than \$10,000 but purchased in bulk and the aggregated total cost of the identical units purchased on a single requisition and for a single project has a total value greater than \$25,000,000 and above per Institution, are capitalized. Computers, classroom furniture, and communication equipment are some of the assets that may not meet the capitalization policy on an individual cost basis but might meet the threshold in the aggregate.***