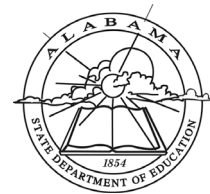




STATE OF ALABAMA
DEPARTMENT OF EDUCATION



Eric G. Mackey, Ed.D.
State Superintendent of Education

July 1, 2026

MEMORANDUM

TO: City and County Superintendents

FROM: Arthur Watts, Jr.
Deputy State Superintendent
Administration and Finance

SUBJECT: Capitalization and Procurement Thresholds

In order to assist local school boards in determining the appropriate thresholds for the capitalization of assets, we are updating the capitalization guidance previously issued by this department. The capitalization level for buildings, building improvements, and exhaustible land improvements is increased to \$100,000 or more. The capitalization level for equipment is increased to \$10,000 or more per equipment item. Generally accepted accounting principles require a current inventory of capitalized equipment, confirmed by an annual physical review of the equipment.

Rule 290-2-1-.01(4)(a) of the State Board of Education states "*Local boards of education are required to maintain a supplemental inventory of equipment items not classified as fixed assets.*" The supplemental inventory of non-capitalized equipment (items with a useful life of one year or more but a unit cost of less than \$10,000) would not require as much detailed information as capitalized equipment, but is important for internal control purposes.

Changes to the current capitalization thresholds in your system's policies or procedures must be updated if your system chooses to adopt the increased amounts.

In addition to the previous increases to the State Bid threshold (\$40,000) and the Public Works threshold (\$100,000), there have been increases to the Federal Procurement thresholds. Per the Code of Federal Regulations (CFR), the current Micro-purchase threshold is \$15,000, and the current Simplified Acquisition threshold is \$350,000. These threshold amounts are in 48 CFR 2.101. Future adjustments to the thresholds in the federal definitions of these procurement classifications may be adopted by the Local Education Agency at the time they are approved at the federal level.

If you have any questions about these requirements, please contact Ms. Sonja Peaspanen at speaspanen@alsde.edu.

AW/SSP

cc: Chief School Finance Officers
Mrs. Angela Martin
Mrs. Shantia Washington
Dr. Melissa Shields
Mr. Dodd Hawthorne
Dr. Molly Killingsworth
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LEA Accounting

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