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Federal Spending Limits Increase for Purchasing

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Effective October 1, 2025, the dollar limits that govern how federal funds can be spent were updated. These limits – called *thresholds* – determine which purchasing rules a municipality must follow based on the size of the purchase. With the new updates, local governments can now use higher dollar amounts before more formal purchasing steps are required.

This matters because **any purchase made with federal dollars** (such as FEMA Public Assistance, many transportation grants, or Community Development Block Grants) must follow these federal spending rules. Using outdated limits can lead to compliance issues and may put federal funding at risk.

What Has Changed?

The federal spending limits have increased to keep pace with inflation. As a result, some purchases that previously required a more complex process may now qualify for simpler procedures. **Municipalities are allowed to adopt stricter (lower) limits in their own policies if they choose, but they cannot set limits higher than the federal rules.**

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Purchasing Type	Previous Threshold	New Threshold (Effective Oct 1, 2025)	Why It Matters for Local Governments
Micro-Purchase	$10,000	$15,000	Purchases below this amount can be made without competitive quotes if the price is reasonable, making small buys easier.
Simplified Acquisition	$250,000	$350,000	Purchases below this amount can use simplified procedures, reducing paperwork and speeding procurement.
Large Purchases	Greater than $250,000	Greater than $350,000	Any purchase above this amount must use a sealed bid process. Construction projects of more than $2,000 must use a sealed bid process.

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Purchasing Type	Previous Threshold	New Threshold (Effective Oct 1, 2025)	Why It Matters for Local Governments
Construction Threshold (for bonds, etc.)	$150,000	$175,000	This change impacts requirements for payment or bonds in federally funded construction projects.

Purchases that involve State of Vermont funds or municipal funds may have different purchasing thresholds.

The federal threshold increase **do not affect Davis-Bacon wages rates.** Those rates apply to federally-funded construction projects and are set through a different law.

What Actions Can or Should Municipalities Take?

Local governments can **update their procurement or purchasing policies** to reflect the new thresholds if they want to use the higher federal thresholds. Updating policies to the new thresholds is not required.

The update process should include:

- Revising written policies and manuals related to purchasing.
- Communicating changes to elected and appointed officials, volunteers, and staff that regularly use federal funds.
- Training staff and volunteers on the updated limits so they can apply the correct rules when handling federal funds.

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The new thresholds are already in effect. By updating local procurement (purchasing) policies now, municipalities can continue to make the most of federal funding opportunities.

Is There a Model Policy We Can Use to Help Ensure Compliance with Federal Requirements?

Yes! VLCT has published a Model Procurement Policy with guidance on its website. Both this policy and its accompanying guidance have been updated to reflect these federal changes.

Municipalities should keep in mind that adopting a procurement policy is **the first step** in meeting federal requirements. **Federal rules include taking other actions during purchasing**. Click through any links in the model policy to learn more about other federal requirements.

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