

# Incremental Funding Guideline - 6.8.G (10/18/04)

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[Last Update: \(10/18/04\) RShibata:kma - 6.8.G.0](#)

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## Last Update: (10/18/04) RShibata:kma - 6.8.G.0

This guideline was extensively revised to address administrative changes throughout the document. This guideline was also revised to address the renumbering of the Limitation of Obligation clauses. For example, SC 217 is now SC 219 and SC 218 is now SC 220.

### Definitions

**Fixed-Price** contracts for which full funding is not available may be placed utilizing the Limitation of Obligation -- Fixed-Price Contracts clause (SC 219-FLO). This clause differs from SC 220-CLO – Limitation of Obligation – Cost Reimbursement Contracts clause in effect primarily in that it specifies that it supersedes any conflicting language contained in the Limitation of Obligation – Cost-Reimbursement Termination for Convenience clause in the Section II Terms and Conditions (Ts&Cs).

**Limitation of Obligation** is a method of minimizing Sandia's commitments by use of a clause in a contract which prohibits the Contractor from incurring costs and/or making commitments in excess of specified amounts. The Limitation of Obligation (LO) controls amount of costs a Contractor can incur. The funding limitation remains in full force and effect until the LO has been amended either by letter authorization or by contract revision.

**Standard Commercial Off-the-Shelf Product:** For the purposes of this guideline commercial off-the-shelf product is product other than real property, that is of a type customarily used for

nongovernmental purposes and which: has been sold, leased, or licensed to the general public (general public means Sandia Contracting Representative (SCR) other than the government or affiliates of the offeror); has been offered for sale, lease, or license to the general public; or would not require modification to meet Sandia’s requirements.

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## Background - 6.8.G.1

This guideline discusses the process that Sandia uses to place contracts where full funding is not available at time of placement.

Over the years, the terms “Incremental Funding,” “Funds Availability,” “Limitation of Obligation,” “Limitation of Funds,” “Limiting Contract Funding or Activity” have been used to describe this process. The process is now referred to as “Incremental Funding.” The following clauses are used in these types of contracts. They are: Limitation of Obligation - Fixed-Price Contracts (SC 219-FLO); and Limitation of Obligation – Cost-Reimbursement Contracts (SC 220-CLO).

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## Limitation of Obligation - 6.8.G.2

An LO is required if the project has insufficient funding and/or spend plan.

An LO is not appropriate for a Firm-Fixed Price (FFP) contract for the procurement of standard commercial-off-the-shelf product(s).

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## Funding Limitation Section I Clause - 6.8.G.3

Use this table to determine the correct Section I clause to use in a solicitation/contract issued against a Purchase Requisition (PR) with a limitation on funding or contract activity as indicated in the notes the SCR field in Oracle.

<b>If contract is...</b>	<b>then use Standard Clause...</b>	<b>in...</b>
cost-type (including Consultants and	SC 220-CLO	solicitation/contract.

other Professional  
Services  
Agreements)

fixed-price (not  
fully funded)

SC 219-FLO

solicitation/contract.

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## Limitation of Obligation Instructions - 6.8.G.4

Use this procedure in solicitations and contracts if an LO is applicable. The appropriate Section I LO clause should normally follow immediately after the price, cost estimate, or cost ceiling clause for the contract.

The amount of funding available at the time of anticipated placement of the contract should be disclosed to the potential Contractor during the solicitation phase of the procurement, using SC 025-LOF - Level of Funding in the solicitation.

Prior to placing a contract based on a PR with an applicable LO, the SCR has the discretion to increase the limitation amounts on the original PR by \$5K without further documentation. However, it is a prudent business practice to document Requester consent for any increases in the funding authorized in a contract. A LO can be increased for an amount greater than \$5K if the Requester's desire or acquiescence to do so is clearly communicated to the SCR in writing or electronically.

**Note:** The responsible line organization has the authority to increase the LO funding on a contract. This increase in funding shall be authorized by LO change authorization letter from the authorized Sandia LO Delegated Representative identified in SC 403-DLO, Delegation of Authority, Sandia Limitation of Obligation Delegated Representative. The LO change authorization will be sent to the Procurement Help Desk Center who will input the change into Oracle and distribute copies to the Contractor and scan the letter into Oracle/Markview. This copy becomes part of the contract and is legally binding. No formal contract revision is required to increase the LO with this process. A decrease in an LO shall be made by contract revision only. In certain circumstances, the SCR may revise the contract to address changes to the Statement of Work (SOW) and also to increase the LO at the same time.

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## Applicable Clauses - 6.8.G.5

- SC 219-FLO - Limitation of Obligation – Fixed-Price Contracts
- SC 220-CLO - Limitation of Obligation – Cost-Reimbursement Contracts

- SC 403-DLO - Delegation of Authority, Sandia Limitation of Obligation Delegated Representative
  - SC 025-LOF - Level of Funding
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Send feedback on ideas and information on this page to the Process Expert, Randy Shibata.



[\*Randy Shibata\*](#)



[\*Karen Archibeque\*](#)

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