



Obligation of Funds

General Guidance

Obligation occurs when an agency or Local Education Agency (LEA) enters into a binding commitment to disburse money. This commitment is often in the form of a contract to pay for supplies or services. An obligation does not indicate that the money has been spent; rather, it signifies a commitment to spend it. More information regarding the Obligation of Federal Funds can be found at "When obligations are made. (34 CFR 76.707)

Obligation Types

Obligations include:

Orders placed

Contracts and subgrants awarded

Goods and services received

Similar transactions during a given budget period that will necessitate payment by the grantee during the same or a future budget period.

WHEN DOES AN OBLIGATION OCCUR?

If the obligation is for—	The obligation is made—
(a) Acquisition of real or personal property	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
(e) Public utility services	When the State or subgrantee receives the services.

If the obligation is for—	The obligation is made—
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When the State or subgrantee uses the property.
(h) A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E—Cost Principles	On the first day of the grant or subgrant performance period.

Obligation vs. Performance
Can the total cost of a contract be obligated to a grant award, even if some services will be performed after the period ends?
<p>Possibly. An entire contract could be charged to the earlier period, even though services extend to the subsequent period.</p> <p>Some grants have special provisions. Ask your grant manager for more details.</p>