



Professional Development (PD) in 15: Obligation



Obligation of Federal Funds



OBLIGATION OF FEDERAL FUNDS (EDGAR 34 CFR PART 76.707)
IT IS IMPORTANT TO UNDERSTAND THAT OBLIGATED DOESN'T
NECESSARILY MEAN "SPENT".

- Obligation occurs when the agency or an LEA has entered into a *binding commitment to pay out money*, such as entering into a contract to pay for supplies or services.
- Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given budget period that will require payment by the grantee during the same or a future budget period.

When Does an Obligation Occur?



OBLIGATIONS

The point in time when an obligation occurs depends on the type of property or services for which the obligation is made. The following table illustrates when an obligation that is directly charged is considered to occur (i.e., to be made) for various kinds of property and services:

Obligation Periods



If the obligation is for—

- (a) Acquisition of real or personal property
- (b) Personal services by an employee of the State or subgrantee
- (c) Personal services by a contractor who is not an employee of the State or subgrantee
- (d) Performance of work other than personal services
- (e) Public utility services
- (f) Travel
- (g) Rental of real or personal 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](#)

The obligation is made—

- On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
- When the services are performed.
- On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
- On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
- When the State or subgrantee receives the services.
- When the travel is taken.
- When the State or subgrantee uses the property.
- On the first day of the grant or subgrant performance period.

Obligation vs Performance



Can total cost of a contract be obligated to a grant award even if some services will be performed after the period ends?

Possibly. An entire contract could be charged to the earlier period, even though services extend to the subsequent period.

Some grants have special provisions. Ask your grant manager for more details.