



**US Army Corps  
of Engineers®**

# **Office of The Principal Assistant Responsible For Contracting (OPARC)**

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## **INCREMENTAL FUNDING OF CONTRACTS**

### **Description of Incremental Funding**

An incrementally funded contract is a contract in which the total work effort is performed over multiple time periods and funds are allotted to cover discernible phases or increments of performance. This funding method allows for contracts to be awarded for periods in excess of one-year, even though the total estimated amount of funds to be obligated for the contract is not available at the time of contract award.

### **When is Incremental Funding Used**

It is used when the total contract/task order is awarded and the dollar amount of the work is more than the client has available at the desired start time. Pricing for the project is totaled and assigned on the contract, but the pricing is charged incrementally as it becomes available. The overall scope of work and pricing does not change from the original contract amount. The

incremental funds are added by modifications, but the modifications are not supposed to add on to the period of performance or to add money on to the full amount of the contract.

### **Regulations Governing Use of Incremental Funded Contracts**

#### **a. Cost Reimbursement contracts.**

Per FAR 32.705-2, Clauses for Limitation of Cost or Funds, the contracting officer shall insert the clause at 52.232-22, Limitation of Funds, in solicitations and contracts if an incrementally funded cost-reimbursement contract is contemplated. This provision limits the government's obligation to the funds allotted to the contractor. The contract also typically contains a schedule for providing funding. Typically, the contractor promises to manage its costs, so as to perform the contract until the next increment is provided.

#### **b. Fixed-Price contracts.**

232.703-1 General.

Per DFARS 232.703-1, General, a fixed-price contract may be incrementally funded only if-

(i) The contract is funded with research and development appropriations;

(ii) Congress has otherwise incrementally appropriated program funds; or

(iii) The head of the contracting activity approves the use of incremental funding for either base services contracts or hazardous/toxic waste remediation contracts.

Incrementally funded fixed-price contracts shall be fully funded as soon as practicable after full funding is available.

DFARS 232.705-70, Clause for limitation of Government's obligation, requires the use of DFARS clause 252.232-7007, Limitation of Government's Obligation, in solicitations and resultant incrementally funded fixed-price contracts.

### **Use of Incrementally Funded Contracts by USACE**

USACE typically uses incrementally funded contracts in its Fixed Price Remediation with Insurance [(FPRI), formerly called Guaranteed Fixed Price Remediation (GFPR)], contracts.

It is very important to have incremental funding authority on these types of projects because the scope of work is performance based, the projects require purchase of insurance upfront, and the authority creates efficiency of operations. Without incremental funding authority, the Government may not be able to require site closeout because it cannot afford to fund the entire project upfront. Therefore, it gives the contractor an

opportunity to get out of its site closeout responsibilities.

Another major issue is purchase of insurance. The nature of the work requires the Government to purchase the insurance upfront (otherwise, the insurance company is not bound to insure the site thus allowing the insurance company to dramatically increase its costs or refuse to insure the project). Without incremental funding authority, the Government may purchase insurance that it doesn't use because the sites are never optioned resulting in a waste of Government funds to purchase insurance.

Finally, if the Government did not use incremental funding authority for these types of contracts, it would force the Government to break up sites along geographic boundaries instead of the more cost effective work effort boundaries. For example, with limited funds and no incremental funding authority, the Government is forced to fund a site from remedial investigation through site closeout and then move onto another site. With limited funds and incremental funding authority, the Government could fund multiple sites for remedial investigation (thus saving money by mobilizing the crews for such activities once). And the next year fund multiple sites for remedial action (again saving money by mobilizing the crews for such activities only once).