



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Management Services
Division

Contracting Policy No. 17.204
Contract Length

Purpose: This Contracting Policy provides agency procedures for establishing the maximum length of contracts awarded by the Contracting Group in the United States Office of Personnel Management (OPM).

Effective Date: Immediately

Expiration Date: None. (May only be cancelled or superseded.)

Background:

Paragraph 17.204(e) of the Federal Acquisition Regulation (FAR) establishes a maximum of five years, which includes the basic and all option periods, for contracts for services as well as for supplies. Similarly, FAR 22.1002-1 indicates that services contracts subject to the Services Contract Act (SCA) cannot extend beyond five years.

However, the FAR contains three exceptions to these time limits, two explicit and one implicit:

- FAR 17.204(e) allows for longer contracts, if approved in accordance with agency procedures;
- FAR 17.204(e) also exempts information technology (IT) contracts from these limits; and
- FAR 17.208(f) allows for the use of a clause (52.217-8) which gives the Government the option of extending services up to six months, without indicating whether this six months must be part of the five-year maximum length, or rather extends the contract to five years and six months.

This Contracting Policy provides OPM-specific guidance regarding maximum contract length, the circumstances which allow using contracts longer than the FAR maximum, and the procedures for obtaining approval of contracts lasting longer than the FAR maximum.

The Policy:

1) Maximum Contract Lengths

The following guidelines apply to OPM contracts, with “total length” referring to the base period and all options:

- Contracts for supplies cannot exceed a total length of five years.

- Contracts for services subject to the SCA cannot exceed a total length of five years.
- Contracts for services NOT subject to the SCA cannot exceed a total length of five years, unless they use performance-based acquisition (PBA) procedures (see Contracting Policy 37.4, Performance-Based Acquisitions). If they do use PBA, and the exercise of options is tied to successful performance, then the maximum total length can be ten years.
- Contracts for IT supplies cannot exceed a total length of ten years
- Contracts for IT services cannot exceed a total length of ten years, unless they use PBA procedures. If they do use PBA, and the exercise of options is tied to successful performance, then the maximum total length can be 15 years.

FAR clause 52.217-8, “Option to Extend Services,” should be used in contracts for services not subject to the SCA and in contracts for IT services (see Contracting Policy 17.2, Options) whenever it is applicable. When it is used, the maximum total length of these contracts can be extended by six months.

2) **Determining and Documenting Contract Length**

Although paragraph 1) above specifies the maximum length for a given contract type, the maximum length will not be appropriate for every contract of that type. The optimum contract length for any given requirement will depend on a number of factors:

- a) For a non-recurring requirement for supplies or services, the contract length should generally conform to the specific delivery date or performance period associated with the requirement.
- b) For a recurring requirement for supplies or services, optimum contract length will depend on considerations such as:
 - Competition and small business participation: If there are many vendors capable of providing the supplies or services, then the total contract length should allow for reasonably frequent re-competition. Similarly, if the contract can be set aside for small businesses, then the total length should allow for reasonably frequent re-competition among these businesses.
 - Evolution in methods for performing the requirement: Some industries, such as the IT industry, undergo relatively rapid advances in methods for manufacturing supplies or performing services. In such cases, contract lengths should be kept to a minimum, in order to allow re-competition to take advantage of improvements in these methods.
 - Best value: Contract length will often impact pricing, delivery, and performance parameters. The optimum contract length in terms of obtaining the best value may also require conforming to standard or preferred practices within a given industry.

