32.205 Procedures for offeror-proposed commercial contract financing.

(a) Under this procedure, each *offeror may* propose financing terms. The *contracting officer must* then determine which *offer* is in the best interests of the *United States*.

(b) *Solicitations.* The *contracting officer must* include in the *solicitation* the provision at 52.232-31, invitation to Propose Financing Terms. The *contracting officer must* also-

(1) Specify the *delivery payment* (*invoice*) dates that will be used in the evaluation of financing proposals; and

(2) Specify the interest rate to be used in the evaluation of financing proposals (see paragraph (c)(4) of this section).

(c) Evaluation of proposals.

(1) When contract financing terms vary among *offerors*, the *contracting officer must* adjust each proposed price for evaluation purposes to reflect the cost of providing the proposed financing in order to determine the total cost to the Government of that particular combination of price and financing.

(2) Contract financing results in the Government making payments earlier than it otherwise would. In order to determine the cost to the Government of making payments earlier, the *contracting officer must* compute the imputed cost of those financing payments and add it to the proposed price to determine the evaluated price for each *offeror*.

(3) The imputed cost of a single financing payment is the amount of the payment multiplied by the annual interest rate, multiplied by the number of years, or fraction thereof, between the date of the financing payment and the date the amount would have been paid as a *delivery payment*. The imputed cost of financing is the sum of the imputed costs of each of the financing payments.

(4) The *contracting officer must* calculate the time value of proposal-specified contract financing arrangements using as the interest rate the nominal discount rate specified in AppendixC of the Office of Management and Budget (OMB) CircularA-94, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs," appropriate to the period of contract financing. Where the period of proposed financing does not match the periods in the OMB Circular, the interest rate for the period closest to the finance period *shall* be used. AppendixC is updated yearly, and is available from the Office of Economic Policy in the Office of Management and Budget (OMB).

Parent topic: Subpart 32.2 - Commercial Product and Commercial Service Purchase Financing