**Section 1.2060 Duration of Contracts − General**

a) General

The term of a contract, including potential renewals, may not exceed 10 years except a software license designated as a perpetual license is not considered a multi-term contract; it is instead a one-time purchase.

b) Subject to Appropriation

Each contract is contingent upon and subject to the availability of funds. The State agency, at its sole option, may terminate or suspend a contract, in whole or in part, without penalty or further payment being required, if the Illinois General Assembly or the federal funding source fails to make an appropriation sufficient to pay that obligation or if funds needed are insufficient for any reason. Each contract payable in whole or in part by any funds appropriated by the Illinois General Assembly shall recite that the contract is subject to termination and cancellation for lack of, or insufficiency in, funding. A vendor will be notified in writing by the State agency of a failure to receive or a reduction or decrease in any appropriation affecting the contract. This provision applies to only those contracts that are funded in whole or in part by funds appropriated by the Illinois General Assembly or other governmental entity.

c) Conditions for Use of Multi-Year Contracts

A multi-year contract may be used when:

1) special production of definite quantities or the furnishing of long-term services is required to meet State needs; or

2) a multi-year contract will serve the best interests of the State by encouraging effective competition or otherwise promoting economies in State procurement. The following factors are among those relevant to such a determination:

A) firms that are not willing or able to compete because of high start-up costs or capital investment in facility expansion will be encouraged to participate in the competition when they are assured of recouping costs during the period of contract performance;

B) lower production costs because of a larger quantity of service requirements, and substantial continuity of production or performance over a longer period of time, can be expected to result in lower unit prices;

C) stabilization of the vendor's work force over a longer period of time may promote economy and consistent quality; or

D) the cost and burden of contract solicitation, award and administration of the procurement may be reduced.

d) Multi-Year Contract Procedure

The solicitation shall state:

1) the proposed term;

2) the amount of supplies or services required for the proposed contract period;

3) the type of pricing requested (e.g., firm for term); and

4) how award will be determined.

e) Renewals

1) The initial term of a contract plus available renewals may not exceed 10 years. When the original contract specifically calls for an initial term plus renewals, the renewals may be exercised without further procurement activity, except for the publication of the renewal in the Bulletin as required by Section 15-25 of the Code and Section 1.1525 of this Part and subject to review by the PPB under Section 5-30 of the Code. The renewal terms and conditions shall not change except as provided in the contract (such as price escalations tied to an index). Renewal provisions may be exercised by the State or by mutual agreement, but shall not be exercised solely at the option of the vendor. Any renewal that requires modification to a material term or condition of the contract shall be treated as a new contract and shall be subject to competitive procurement procedures established by the Code and this Part.

2) A renewal may only be entered into if authorized by the original contract.

3) When a renewal will result in the total term, counting the initial term and any previous renewals, exceeding 10 years, the State agency's need must be procured using one of the methods of source selection authorized by the Code and this Part.

4) Renewals must be fully executed on or before expiration of the current contract term. If the renewal is not exercised prior to expiration of the current contract term, the supplies and services must be procured using one of the methods of source selection authorized by the Code and this Part.

5) Filing of Proposed Renewals and Extensions Exceeding $249,999

Prior to executing a renewal or extension with a cost estimated to exceed $249,999, the proposed renewal or extension must be submitted to PPB. The PPB shall have up to 30 days to review and comment on the proposal. The SPO assigned to the State agency may request a waiver of the review for reasons set forth in Section 20-60(c) of the Code.

(Source: Amended at 46 Ill. Reg. 10208, effective June 2, 2022)