**Section 1120.2060 Duration of Contracts − General**

a) General

1) A multi-term contract for a term of up to 10 years is authorized when determined by the CPO to be in the best interest of the State, inclusive of proposed contract renewals.

2) A software license may have a term longer than 10 years, including for a perpetual term, provided the payment term is limited to no more than 10 years.

3) The length of the payment terms of the bonds issued by or on behalf of the IOC shall be limited as provided in the statute authorizing the issuance of bonds.

b) The contractual obligation of both parties in each fiscal period succeeding the first is subject to the appropriation and availability of funds. The contract shall provide that, in the event that funds are not available for any succeeding fiscal period, the remainder of the contract shall be canceled without penalty to, or further payment being required by, the IOC. 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 are required to meet IOC 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 those costs during the period of contract performance;

B) lower production costs because of 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 contractor'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 or term); and

4) how the award will be determined.

e) Renewals

1) When the original procurement specifically called for an initial term plus renewals, the renewals may be exercised without further procurement activity, provided the initial term and the exercised renewals may not exceed 10 years, the terms and conditions do not change except as provided in the contract (such as price escalations tied to an index) and the option to renew is reserved solely to the IOC or to mutual agreement of the parties.

2) When a renewal will result in the total term, counting the initial term and any previous renewals, exceeding 10 years, the renewal must be procured using one of the methods of source selection authorized by the Code and this Part. This renewal will start a new term that shall not exceed 10 years.

(Source: Amended at 37 Ill. Reg. 3075, effective March 1, 2013)