

# FIRM AND TERM CONTRACTS AND CONTRACT RENEWAL OPTIONS

Because a procurement contract is a legal and binding document for both parties, it contains contractual terms and conditions in addition to the specifications.

The following pages introduce the standard contractual terms that must be included in applicable Arkansas procurement contracts regarding the type of contract and renewal options. The OSP templates provide contractual language for these key elements.

## HELPFUL HINT

*In the template sections containing the contractual terms, areas are marked where a buyer may insert or adjust language to make the resulting contract fit the needs of his/her agency.*

## Firm Contract

In your solicitation, you must specify if the resultant contract will be a “firm” contract or “term” contract.

A firm contract:

- Is an agreement between the State and the contractor for a one-time purchase.
- Expires after the delivery of a commodity or provision of a service is complete.
- Is typically executed by issuing an independent PO.

Examples:

The one-time purchase of a paper shredder.

The one-time purchase of services to cut down a tree.

## Term Contract

A term contract:

- Is an agreement (OA) between the State and a contractor which is effective for a specified time frame, typically one year.
- Allows for multiple purchases and/or payments during the effective term(s).
- Often allows for optional annual renewals after the initial term.

Per Arkansas Procurement Law, the life of a contract can be up to, but no more than, a total seven years. (Refer to A.C.A. § 19-11-238.)

Examples of term contracts:

The repetitive purchase of medical supplies.

The purchase of maintenance services which will be provided on an as-needed basis.

## **Contract Renewal Options**

If you require a term contract that can renew for additional time periods, as opposed to one that is valid for an initial amount of time and then expires, you must also state in the solicitation the parameters of the renewal options.

Term contracts are typically renewed annually upon mutual agreement of the State and the contractor, on the condition that the total contract duration does not exceed seven years. At the time for renewal, both the State and the contractor have the option to not renew the contract.

The solicitation templates provide language for renewal options. Simply adjust the language in the template to fit the possible renewal needs of your contract.

### ***WARNING***

*If you do not complete the renewal process prior to the expiration date of the current contract term, the contract becomes invalid and cannot be renewed.*