

Exhibit D: Determining the Price Reasonableness of Software Maintenance Contracts

Agencies should assess the price reasonableness of software maintenance contracts by answering the following:

- How, if at all, will the pricing of maintenance change based on the potential declining frequency of upgrades on a system nearing obsolescence?
- Can the agency obtain a price reduction if it opts out of certain features or modules of the product?
- Is there a corresponding change in the price for software maintenance based on the number of end users?
- If the agency will not use the vendor's help desk, or plans to use it infrequently, can it obtain a price reduction?
- If the agency incorporated a "best and final offer" as part of its request for proposal, or if it is procuring the software maintenance in a single or sole source market, has it sought a price reduction from the vendor?
- How, if at all, will the pricing change based on number and quality (e.g., advanced degree, certifications, number of years experience, title) of the personnel the vendor dedicates to providing software maintenance?
- Is it more cost-beneficial to pay a fixed price for maintenance or an hourly rate?
- How much will the maintenance contract cost if the vendor response time for addressing problems is:
 - The next business day?
 - Within four hours?
 - Within two hours?
 - Some other time frame required by the agency?
- Based on the number and qualifications of personnel the vendor will provide to perform software maintenance, what is the annual cost per Full Time Equivalent (FTE) to maintain the software?
 - Is this cost reasonable based on the FTE's
 - Time and activities?
 - Skills and competencies?
 - How does this compare to the FTE cost for a State employee with similar skills and competencies (if comparable State employees exist)?
 - How does this compare to the FTE cost for non-State employees with similar skills and competencies?
 - How does the vendor's markup on the cost for FTEs compare to its gross margin (Consider involving staff within, or outside, the agency with expertise in analyzing financial statements to obtain this information)?

- If the vendor's gross margin is not available, is the estimated gross margin reasonable in comparison with similar services provided by the same or similar vendors?

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