**Section 500.700 Types of Contracts**

a) Subject to the limitations of this Section and unless otherwise authorized by law, any type of contract that will promote the best interests of the State may be used.

b) Prohibition of Cost-Plus-a-Percentage-of-Cost Contracting

The cost-plus-a-percentage-of-cost contract is prohibited. This type of contracting may not be used alone or in conjunction with an authorized type of contract. A cost-plus-percentage-of-cost contract is one in which the vendor selects the supply or service on which the vendor's percentage is applied.

1) A percentage mark-up from an agreed price list is not a cost-plus-a-percentage-of-cost contract.

2) A percentage mark-up from the cost of a supply or service selected by the State or another vendor under contract to the State is not a cost‑plus-a-percentage-of-cost contract.

3) A percentage mark-up from the cost of parts needed in relation to a contract for services does not convert the services contract to a prohibited cost-plus-a-percentage-of-cost contract, provided the parts supplied under the cost-plus-a-percentage-of-cost method do not exceed 20% of the value of the contract.

c) A cost-reimbursement contract may be used only when a determination is made in writing that a cost-reimbursement contract is likely to be less costly to the State than any other type or that it is impracticable to obtain the item required except under that type of contract.

d) Option Provisions

When a contract is to contain an option for renewal, extension or purchase, notice of such provision shall be included in the solicitation. These options may be exercised without taking other procurement action when the option is established for exercise at the OAG's option or by mutual agreement.

e) State Produced Supplies and Services

Notwithstanding any provision in any contract, supplies or services available from the State's own programs, such as Correctional Industries, may be ordered without violating any contract.

(Source: Amended at 37 Ill. Reg. 3741, effective April 1, 2013)