**Section 7000.420 Centralized Indirect Cost Rate Negotiation**

This Subpart applies to State awarding agencies and awardees receiving awards from State and federal pass-through funds. With permission from the federal government, Illinois has centralized the negotiation and election of indirect cost rates with State and federal pass-through awardees.

a) The State of Illinois' Indirect Cost Rate Negotiator will support the negotiation of indirect cost rates and cost rate elections. A User Guide for the Indirect Cost Rate Negotiation System is provided in the GATA Resource Library to support State agency and awardee use of the system.

b) Requirements for State Awarding Agencies

1) Illinois will use the centralized Indirect Cost Rate Election System (ICRES). This system will be used by awardees, from the Grantee Portal, to make an indirect cost rate election. Options for indirect cost rate election include:

A) If eligible, election of the de minimis rate of 10% of modified total direct costs (MTDC) allowed by UR section 200.414(f);

B) If applicable, submit a copy of the current federal Negotiated Indirect Cost Rate Agreement (NICRA);

C) Election of "waive" or "no rate", meaning the awardee will not request or receive reimbursement for any indirect costs;

D) Negotiate a rate with the State of Illinois (State Rate); or

E) Federal Rate Maintained Internally (FRMI) (local governments only).

2) All approved elections and negotiated rates shall be recorded in the State Staff Inquiry Screen for State agency reference.

3) Once a rate is negotiated or an election is recorded, all State awarding agencies are required to accept the approved rate, unless an exception has been granted by GATU requiring a lower rate or limitation on the amount charged.

A) The effective period of the de minimis rate election will remain in effect in perpetuity, or until a different election is made by the grantee, and therefore does not require an annual election;

B) The effective period of the Federal Negotiated Indirect Cost Rate Agreement (NICRA) is determined by the federal cognizant agency;

C) The effective period of the “waive” or "no rate" election will remain in effect in perpetuity, or until a different election is made by the grantee, and therefore does not require an annual election;

D) The effective period of a Negotiated Indirect Cost Rate with the State of Illinois will be based on the grantee’s fiscal year. A State Rate requires an annual election, submission and negotiation process; and

E) The effective period of the Federal Rate Maintained Internally (FRMI) (local governments only), will be based on the grantee’s fiscal year. An FRMI requires an annual election, submission and review process.

4) The awardee may volunteer to accept a lower indirect cost rate on an award. State agencies shall not force or coerce an awardee to take a lower rate.

c) Requirements for the Grant Accountability and Transparency Unit

1) Provide and maintain the ICRES;

2) Review, accept and record elections of Federal NICRA; and

3) Provide technical assistance as required by Section 60(a)(9) of GATA.

d) Requirements for State Cognizant Agencies (SCA)

1) The assigned SCA is required to review and accept or reject the State Rate and FRMIs of its awardees. Acceptance must be recorded in the Indirect Cost Rate Negotiation System maintained by the State of Illinois Indirect Cost Rate Negotiator.

2) If the State Rate or FRMI is rejected, the SCA shall provide technical support to its assigned awardees during the indirect cost rate election and negotiation/election process.

e) Requirements for an Organization Receiving a State or Federal Pass-through Funded Award

1) Each organization receiving an award from a State awarding agency is required to make one of the following indirect cost rate elections through ICRES in the Grantee Portal:

A) Election of the de minimis rate of 10% of MTDC;

B) Federal Negotiated Indirect Cost Rate Agreement (NICRA);

C) Election to waive or not to charge indirect costs;

D) Negotiate a State rate; or

E) Federal Rate Maintained Internally (FRMI) (local governments only).

2) The awardee shall make one election or negotiate one rate that all State agencies must accept unless there are federal or State program limitations, caps or supplanting issues.

3) The accepted election or negotiated rate shall be recorded in the Grantee Portal and the State Staff Inquiry Screen.

4) The awardee may volunteer to accept a lower indirect cost rate on an award. State agencies are not allowed to force or coerce an awardee to take a lower rate.

5) Awardees that fail to make an election in ICRES or negotiate a rate in the Indirect Cost Rate Negotiation System will not be allowed to charge indirect costs to awards. Any indirect costs previously reimbursed during the corresponding grant period without making an election may be credited against future payments.

f) Requirements for Local Education Agencies (LEAs)

1) Based upon the U.S. Department of Education delegation agreement with the State of Illinois, the Illinois State Board of Education (ISBE) has the authority to develop indirect cost rates for LEAs. The indirect cost rates developed by ISBE for the LEAs shall apply to all State and federal pass-through awards issued by State agencies to the LEAs.

2) LEA indirect cost rates will be posted centrally by GOMB on the State Staff Inquiry Screen. LEAs are not required to enter information into ICRES (see subsection (b)(1)).

g) Requirements for Local Governments

1) Based on how the local government registers (in accordance with Section 7000.320), the local governmental department or agency unit shall make an indirect cost rate election through ICRES. If the governmental department or agency unit registers separately, for example, each governmental department or agency unit would make a separate indirect cost rate election.

A) Local governments can make one election that will cover all governmental departments or agency units; or

B) Local governments can make an election per individual governmental department or agency unit.

2) If a governmental department or agency unit receives more than $35 million in direct federal funding, it must submit an indirect cost rate proposal to its federal cognizant agency. The State of Illinois cannot negotiate an indirect cost rate for local governmental departments or agency units receiving more than $35 million in direct federal funding.

A) If the governmental department or agency unit chooses not to negotiate a rate with its federal cognizant agency, no indirect costs can be reimbursed.

B) If the federal cognizant agency will only negotiate a rate for its administered programs, the local government shall provide the federal refusal to negotiate to GATU. The local government will then be eligible to elect to negotiate a State Rate.

3) If the local governmental department or agency unit receives less than $35 million in directfederal funding, it must make an indirect cost rate election through ICRES and submit the proposal in the Indirect Cost Rate Negotiation System.

A) Per UR appendix VII, these governmental departments or agency units must develop an indirect cost proposal in accordance with this subsection (g) and maintain the proposal and related supporting documentation for audit and monitoring. The local government must make the election of a Federal Rate Maintained Internally (FRMI) in ICRES.

B) These indirect cost rate proposals shall be submitted to the Indirect Cost Rate Negotiation System for review and monitoring.

C) The State of Illinois is required to monitor the rate. Monitoring includes reviewing the allocation methodology for reasonableness and to ensure no unallowable costs are included in the rate methodology.

4) If a local governmental department or agency unit does not receive direct federal funding, it must make an election through ICRES and if applicable, submit an indirect cost rate proposal through the centralized Indirect Cost Rate Negotiation System.

5) All local governments that use a central service cost allocation plan must submit this plan in conjunction with an indirect cost rate proposal.

h) Requirements for Nonprofits

1) Except as otherwise provided in 2 CFR 200.414(f), nonprofits that receive direct federal funding must negotiate an indirect cost rate with their federal cognizant agency. They may elect the de minimis rate through the federal cognizant agency.

A) If the nonprofit chooses not to negotiate a rate with its federal cognizant agency, no indirect costs can be reimbursed.

B) If the federal cognizant agency will only negotiate a rate for its administered programs, the nonprofit shall inform GATU of the federal agency's refusal to negotiate. The nonprofit is then eligible to make an election in ICRES.

2) The State of Illinois cannot negotiate an indirect cost rate for nonprofits that receive direct federal funding.

i) Retention of Indirect Cost Rate Proposals and Central Service Cost Allocation Plans

This subsection applies to the following types of documents and their supporting records: indirect cost rate computations or proposals, central service cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer usage chargeback rates or composite fringe benefit rates).

1) If Submitted for Negotiation

If the proposal, plan or other computation is required to form the basis for negotiation of the rate, the 3-year retention period for the supporting record starts from the date of that submission.

2) If Not Submitted for Negotiation

If the proposal, plan or other computation is not required for negotiation purposes, the 3-year retention period for the proposal, plan or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan or other computation.

(Source: Amended at 47 Ill. Reg. 7893, effective May 26, 2023)