**Section 3200.160 Method for Awarding Grants**

a) Contribution Amount – Each eligible public museum applying for financial assistance pursuant to this Part may receive financial assistance in an amount determined by the following formula:

1) A proportionate amount equal to the fraction obtained by dividing the applicant's average operating expenditures by the aggregate operating expenditures of all eligible applicants, except that:

A) The administrative costs to operate the program, not to exceed 5% of the total appropriation, will be deducted from the appropriation before calculating the awards to determine the amount remaining for financial assistance.

B) No qualifying public museum may receive more than 10% of the amount remaining for financial assistance after administrative costs are deducted.

C) Except as provided in subsection (a)(3), no qualifying museum may receive less than 0.2% of the amount remaining for financial assistance after administrative costs are deducted.

D) No qualifying museum may receive more than 50% of its total operating budget.

2) In the event there is a balance left after the awards have been computed, the surplus will be allocated to museums on a prorated basis. The surplus balance shall be allocated proportionately to those museums not receiving the minimum or maximum awards from the initial computations. No museum may receive more than 10% of the amount remaining for financial assistance, after administrative costs have been deducted, and no museum may receive more than 50% of its total operating budget.

3) In the event there is a deficit after the awards have been computed, the amount of the deficit will be prorated against all awards. The amount of deficit prorated to each award will be calculated by taking the initial award allocations as calculated above, including the adjustments for minimums and maximums divided by the aggregate awards to determine the allocation fraction and applying it to the deficit. The result will be subtracted from the initial award amount.

b) Allocation Procedure – A contribution amount shall be determined by the following sequence of procedures:

1) The total operating expenditures of each public museum during its 2 fiscal years preceding its application shall be divided by 2 in order to determine the amount of average operating expenditures of each public museum;

2) The average operating expenditures of all eligible public museums shall be added together in order to determine the amount of aggregate operating expenditures of all public museums;

3) The average operating expenditures of each public museum shall be divided by the aggregate operating expenditures of all public museums in order to determine the allocation fraction of each public museum:

A) If the allocation fraction is more than 10% of the amount remaining for financial assistance, the award will be adjusted as required in subsection (a)(1)(B).

B) If the allocation fraction is less than 0.2% of the amount remaining for financial assistance, the award will be adjusted as defined in subsection (a)(1)(C).

c) Operating Expenditures – For purposes of this Part, the amount of operating expenditures, as defined in Section 3200.100, shall be derived by the public museum from the total amount of program and supporting services expense that is reported on its audited financial statement. However, to accommodate variations among applicants in accounting methods and expense descriptions on the financial statements, each public museum shall examine its financial statements in conformity with subsections (c)(1) and (2).

1) Operating expenditures may specifically include the following or similar types of expenses:

A) Expenditures from restricted and unrestricted accounts that are ordinary and necessary for the public museum's routine day-to-day operations, including salaries and benefits, products and services, and routine maintenance and repairs. Restricted funds are those whose use is restricted by outside agencies or persons as contrasted with funds over which the organization has complete control and discretion. Unrestricted funds are those that have no external restriction on their use or purpose, that is, funds that can be used for any purpose designated by the governing board as distinguished from funds restricted externally for specific purposes (for example, operations, plant, and endowment).

B) The depreciation expense for capital assets may be included.

C) All expenditures from current restricted accounts that qualify as operating expenditures as defined under this subsection (c). Excluded from operating expenses are the capital expenditures listed in subsection (c)(2)(E). For example, expenditures related to the development of museum exhibitions and displays may be included even if made from a fund that is limited for this purpose. Expenditures from restricted accounts for preliminary planning or schematic design work are also allowable, including architectural, engineering, design, and consultant fees related to routine maintenance or rehabilitation.

D) Direct expenditures made on behalf of the public museum by an affiliated entity, provided that they are ordinary and necessary for the day-to-day operations of the public museum and are separately itemized and verified in writing by the chief executive officer or chief financial officer affiliated entity. As used in this subsection (c)(1)(D), "direct expenditures" means expenditures that are identified specifically with the public museum and are incurred by the affiliated entity only for the museum's project.

E) The depreciation expense for movable equipment and other types of personal property may be included.

F) Interest expenses on funds borrowed by the public museum to finance expenditures that are otherwise allowable under this Part.

G) Expenses incurred by the public museum for the cost of educational, food service and gift shop activities may be included in the operating expenditure total. The receipts from these activities should not be deducted from the expenditure total.

2) Operating expenditures shall not include any of the following or similar types of expenses:

A) Transfers made to or between the public museum's accounts or funds;

B) Losses or other costs associated with loans and/or investments made by the public museum;

C) Expenses for the direct and indirect costs of programs operated by the public museum that are unrelated to museological purposes. For example, the costs of salaries, equipment, facilities and other direct and indirect costs of a school with a regular curriculum that is run by the public museum are not allowable;

D) Capital expenditures from restricted accounts, including but not limited to:

i) real property;

ii) buildings, additions and/or structures (including site development and associated fixed equipment);

iii) extensive remodeling and/or rehabilitation work or site improvement; and

iv) utilities – lines fees, tapping fees, meter fees and other expenses not related to normal daily consumption;

E) Expenditures for repayment of principal on funds borrowed by the public museum.

3) If the amount of operating expenditures claimed by the public museum under this Part is not the same as a reported expense amount on the audited financial statement, the public museum shall prepare a reconciliation statement. This explanation shall describe in detail for the reviewer to understand the amount and purpose of each expense added to or subtracted from the amount of expense reported in the audited financial statements in arriving at operating expense.

d) The Director shall determine and approve the amount that each eligible public museum receives as contribution under this Part.

(Source: Amended at 28 Ill. Reg. 2201, effective January 26, 2004)