

MEMORANDUM

State of Alaska

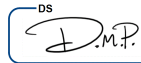
Department of Transportation & Public Facilities
Administrative Services Division

TO: Distribution

DATE: June 28, 2024

PHONE NO: 907-465-3911

FROM: Dom Pannone
Director



SUBJECT: FY2025 Indirect Cost
Rate Approval

The Fiscal Year (FY) 2025 Indirect Cost Rate Proposal (ICRP) has been approved by the Federal Highway Administration (FHWA). Attached is a copy of the federal approval. Occasionally other agencies may request a copy of this federal approval for capital projects.

The rates listed below will be used to assess ICRP charges against project expenditures that are processed on or after July 1, 2024, through June 30, 2025.

ICRP Rate by Type	FY2025 Rate	FY2024 Rate	Percentage Point Increase / (Decrease)	5 Year Average Rate	5 Yr Average Percentage Point Increase / (Decrease)
Federal Highways CIP	5.17%	6.35%	(1.18)	5.62%	(0.45)
State Highways CIP	3.52%	1.89%	1.63	3.37%	0.15
Federal Airport CIP	3.37%	7.03%	(3.66)	6.00%	(2.63)
State Airport CIP	8.21%	1.17%	7.04	6.66%	1.55
Public Facilities	9.40%	8.05%	1.35	9.35%	0.05
Leasing	2.15%	0%	2.15	1.67%	0.48
Reimburs. / Harbors / Misc CIP	6.38%	7.14%	(0.76)	5.99%	0.39

Rates fluctuate from year to year for a variety of reasons. Proposed FY2025 rates are within 1 percentage point to the five-year average, except for FAPT. This illustrates the benefit the Department achieved beginning with the FY2020 ICRP of averaging direct costs over time. FAPT rates have decreased due in part to over-collection from FY2023, decreased capital spending and to changing the cost group of AIAS Engineers to direct costs.

Federal Highways and Federal Airports were over collected in FY2023, resulting in a decrease to those two federal programs.

Indirect rates are calculated but not billed for other programs, including the capital Disaster Relief/Emergency Response program. Operating programs for Alaska Marine Highways, Alaska International Airport System, State Equipment Fleet, and Highways & Aviation Maintenance & Operations are also calculated but not billed.

The direct costs for programs not charged ICAP has increased significantly over last year. Alaska Marine Highway System operations increasing by \$22 million, and the Disaster Relief/Emergency Response program costs tripled, from \$15 million in FY2022 to \$46 million in FY2023. Though indirect costs for

these programs are not billed, the fluctuation in spending patterns does affect the indirect rates for programs that are billed.

The State Airport rate fluctuates from year-to-year because this is a small cost group with few capital projects. The impact of a single capital project starting or ending can change a particular year's rate significantly. The FY2025 State Airport rate is much closer to the 5 year average rate than to the FY2024 specific rate.

The FY2025 proposed rates could be subject to adjustment if there are any major changes in the FY2025 budget, or if actual spending patterns deviate significantly from those costs used in the rates. A review of expenditures will be conducted quarterly to monitor spending patterns.

These rates are assessed on total project costs. At the end of each week, total project expenditures for that week are determined and multiplied by the appropriate rate. The resulting amount is charged to each project on the Friday following the direct expenditures.

Exceptions to application of the indirect cost rate may be requested via memorandum to me. Justification must demonstrate the alternate source of funding to be used, and that there is no department oversight or financial responsibility for project expenditures.

Please contact Christina Zepp, (907) 465-8118, christina.zepp@alaska.gov, or Christina Giehl, (907) 269-6675, christina.giehl@alaska.gov, if you have any questions.

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