

MEMORANDUM

State of Alaska

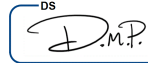
Department of Transportation & Public Facilities
Program Management and Administration Division

TO: Ryan Anderson
Commissioner

DATE: December 31, 2024

PHONE NO: 907-465-3911

FROM: Dom Pannone
Director



SUBJECT: FY2026 Indirect Cost
Rate Proposal Rates

The Indirect Cost Rate Proposal (ICRP) for FY2026 has been submitted for approval to the Federal Highway Administration (FHWA).

When approved, the rates listed below will be used to assess ICRP charges against capital project expenditures that are processed on or after July 1, 2025.

ICRP Rate by Type	FY2025 Rate	Proposed FY2026 Rate	Percentage Point Increase / (Decrease)	6 Year Average Rate	6 Yr Average Percentage Point Increase / (Decrease)
Federal Highways CIP	5.17%	5.37%	0.20	5.58%	(0.04)
State Highways CIP	3.52%	5.60%	2.08	3.74%	0.37
Federal Airport CIP	3.37%	4.07%	0.70	5.68%	(0.32)
State Airport CIP	8.21%	7.75%	(0.46)	7.77%	1.11
Public Facilities (Capital)	N/A	0.00%	N/A	N/A	N/A
Reimburs. / Harbors / Misc CIP	6.38%	5.48%	(0.90)	5.90%	(0.09)
Disaster Relief / Emer. Resp. CIP	0.00%	0.00%	0.00	0.00%	0.00
Facilities (Operating)	N/A	8.12%	N/A	N/A	N/A
Leasing	2.15%	1.78%	(0.37)	1.81%	0.14

Rates fluctuate from year to year for a variety of reasons. Proposed FY2026 rates are within 1 percentage point to the six-year average, except for SAPT and Public Facilities. This illustrates the benefit the department achieved beginning with the FY2020 ICRP of averaging direct costs over time.

A table is attached to show the ICRP six-year comparison.

The State Airport (SAPT) direct costs had increased from \$12 million in FY2023 to \$21 million in FY2024. This is a small cost group with few capital projects, so the impact of an expenditure increase is more substantial. This significant increase is due to the Anchorage International Parking Garage project CSAPT00566. This single project with over \$10 million in costs caused an abnormal spike in the SAPT rate at 13.33%, which is 5.52 percentage points higher than the prior year. The Department may, at its

discretion, charge a rate that is lower than calculated. To stabilize the rate, the six-year average for SAPT will be charged.

The Public Facilities rate has been split between operating and capital. The prior year combined rate was 9.40%. The Public Facilities operating rate for FY2026 is 8.12%. The Public Facilities capital rate calculates to a negative amount due to a slight overcollection. 0% will be charged in FY2026, which will result in some under collection in FY2026 to offset current overcollection.

Disaster Relief / Emergency Response (DRER) rate is set at 0% per the Department policy. I evaluate disaster projects on a case-by-case basis.

The FY2026 proposed rates could be subject to adjustment if there are any major changes in the FY2026 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.

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.

The rates currently in place will continue to be assessed against capital project expenditures processed until FHWA has approved new rates. If FHWA approval is not received by July 1, 2025, a one-time adjustment to retroactively charge FY2026 rates will be applied.

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.

Please contact Christina Zepp, Rate Accountant, at christina.zepp@alaska.gov, or Christina Giehl, at christina.giehl@alaska.gov if you have any questions.

Attachments enclosed.

CC:

Katherine Keith, Deputy Commissioner
Sean Holland, Regional Director, Central Region
Christopher Goins, Regional Director, Southcoast Region
Danny Gibson, Director, Division of Facilities Services
John Linnell, Director, Central Region Construction
Vicky Roberts, Director, Southcoast Support Services
Daniel Smith, Director, Measurement Standards and Commercial Vehicle Compliance
Craig Tornga, General Manager, Alaska Marine Highways System
Susan Ault, Controller, Alaska International Airport System
Brad Bylsma, Manager, State Equipment Fleet
Troy LaRue, Division Operations Manager, Statewide Aviation
James Woods, Chief Contracts Officer, Commissioner's Office
Sunny Haight, Deputy Director, Program Management and Administration Division
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Elizabeth Dunayski, Financial Services Manager, Program Management and Administration Division
Cris Cowles-Brunton, Finance Officer, Program Management and Administration Division
Imelda Soriano, Public Building Fund Accountant, Program Management and Administration Division
Christina Zepp, Rate Accountant, Program Management and Administration Division

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Shawn Miller, Accountant, Program Management and Administration Division
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Jennifer Coisman, Central Region Project Control Chief
Shelley Dykema, Northern Region Project Control Chief
Amber Marshall, Southcoast Region Project Control Chief
Ben Johnson, Capital Project Accountant, Motor Safety Carrier/Vehicle Compliance
Ryan Marlow, Transportation Planner, Statewide Aviation
Jerry Mastin, Vessel Contract Manager, Alaska Marine Highways System
Deborah Yeager, Administrative Operations Manager, Northern Support Services
Justin Shelby, Administrative Operations Manager, Central Support Services
Sara Brown, Administrative Operations Manager, South Coast Support Services
Natalie Wolfe, Administrative Operations Manager, Division of Facilities Services