

MEMORANDUM

State of Alaska

Department of Transportation & Public Facilities
Program Management & Administration

TO: Distribution

DATE: September 4, 2026



For

PHONE NO: 907-465-3911

FROM: Dom Pannone
Director

SUBJECT: FY2027 Indirect Cost
Rate Approval

The Fiscal Year (FY) 2027 Indirect Cost Rate Proposal (ICRP) has been approved by the Federal Highway Administration (FHWA). Attached is a copy of the Negotiated Indirect Cost Rate Agreement (NICRA) approval, which may be provided to other funding agencies 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, 2026, through June 30, 2027.

ICRP Rate by Type	Approved FY2027 Rate	FY2026 Rate	Percentage Point Increase / (Decrease)
Federal Highways CIP	7.52%	5.37%	2.15
State Highways CIP	7.64%	5.60%	2.04
Federal Airport CIP	6.50%	4.07%	2.43
State Airport CIP	2.29%	13.33%	(11.04)
Public Facilities CIP	0.00%	0.00%	N/A
Reimbursable / Harbors / Misc CIP	7.86%	5.48%	(2.38)
Disaster Relief / Emergency Response CIP	0.00%	0.00%	0.00
Facilities (Operations – external agencies)	9.32%	8.12%	1.20
Leasing (Operations – external agencies)	1.13%	1.78%	(0.65)

Most rates have increased this year primarily due to FY2025 capital expenditures being less than the prior year. Federal Highways, State Highways, Federal Airports, Reimbursable/Harbors/Miscellaneous, and Facilities Operations rates have increased this year.

The State Airport Rate decreased, as it had been abnormally large in FY2026 (\$10 million Anchorage International Airport Parking Garage capital project caused a spike in the rate). Because the state airport program is small compared to our other capital groups, a single project can cause a significant shift. The Leasing rate decreased slightly, from 1.78% to 1.13%. Disaster Relief / Emergency Response (DRER) rate is set at 0% per department policy. Disaster projects are evaluated on a case-by-case basis.

The FY2027 proposed rates could be subject to adjustment if there are any major changes in the FY2027 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.

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 following the direct 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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