

MEMORANDUM

State of Alaska

Department of Transportation & Public Facilities
Program Management and Administration Division

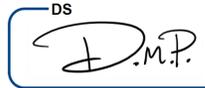
TO: Ryan Anderson
Commissioner

DATE: December 30, 2025

PHONE NO: 907-465-3911

FROM: Dom Pannone
Director

SUBJECT: FY2027 Indirect Costs
Proposed Rates



The Indirect Cost Rate Proposal (ICRP) for FY2027 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, 2026.

ICRP Rate by Type	Proposed FY2027 Rate	FY2026 Rate	Percentage Point Increase / (Decrease)
Federal Highways CIP	7.21%	5.37%	1.84
State Highways CIP	8.15%	5.60%	2.55
Federal Airport CIP	7.24%	4.07%	3.17
State Airport CIP	2.08%	13.33%	(11.25)
Public Facilities CIP	0.00%	0.00%	N/A
Reimbursable / Harbors / Misc CIP	9.31%	5.48%	3.83
Disaster Relief / Emergency Response CIP	0.00%	0.00%	0.00
Facilities (Operations – external agencies)	8.61%	8.12%	N/A
Leasing (Operations – external agencies)	1.12%	1.78%	(0.66)

Most rates have increased this year primarily because FY2025 capital expenditures were less than 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 (the \$10 million Anchorage International Airport Parking Garage capital project caused the spiking 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 1.12%. Disaster Relief / Emergency Response (DRER) rate is set at 0% per Department policy. I evaluate disaster projects on a case-by-case basis.

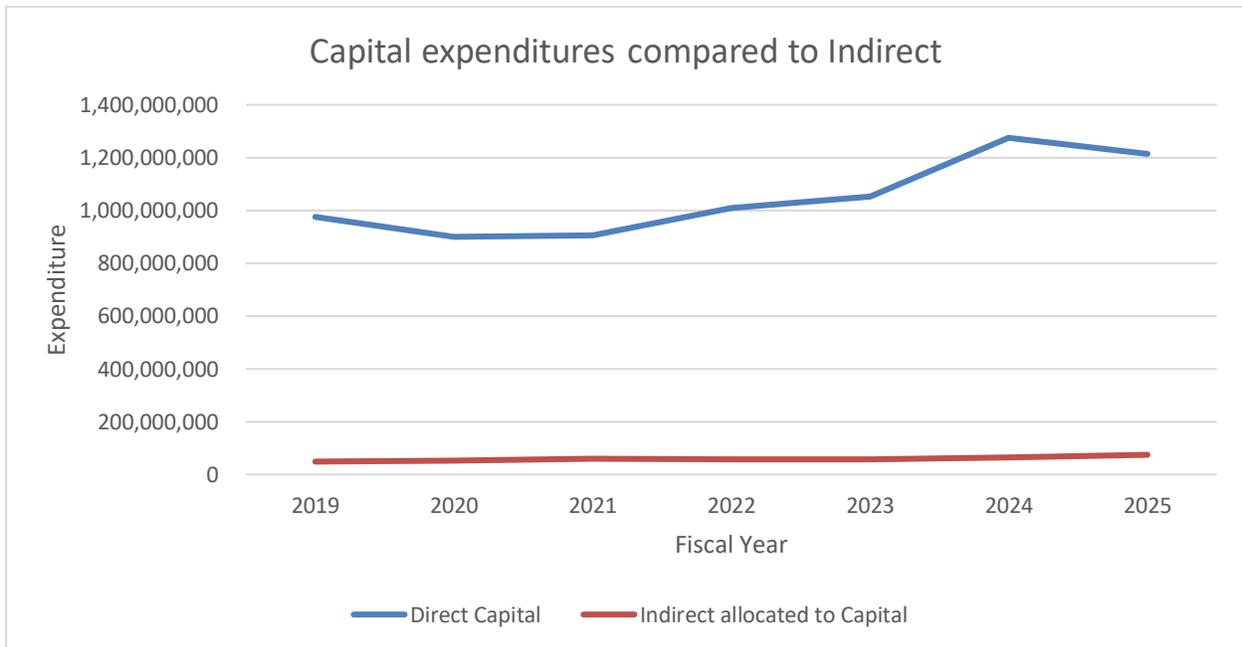
A table is attached to show the seven-year rate comparison.

FY2025 Capital expenditures were less than in FY2024. The decrease in capital expenditures is a decrease to the distribution base (denominator), resulting in higher rates regardless of other changes. This is the first year that capital expenditures have decreased since FY2020.

Capital Expenditures, stated in thousands

	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>	<u>Public</u>	<u>All</u>	<u>Total</u>
	<u>Highways</u>	<u>Highways</u>	<u>Airports</u>	<u>Airports</u>	<u>Facilities</u>	<u>Other</u>	<u>Capital</u>
					<u>CIP</u>	<u>Capital</u>	<u>Expenditure</u>
FY2019	632,394	73,376	221,195	8,467	11,384	27,517	974,333
FY2020	624,324	100,712	134,739	10,454	6,411	23,442	900,081
FY2021	609,651	85,448	161,409	6,414	15,201	27,594	905,716
FY2022	683,921	56,014	220,467	4,651	16,848	26,851	1,008,753
FY2023	737,047	60,682	188,379	12,478	19,149	36,101	1,053,837
FY2024	810,610	62,849	334,518	21,252	16,174	29,587	1,274,989
FY2025	749,373	69,070	309,878	12,837	28,797	44,992	1,214,947

Indirect costs allocated to capital programs were \$10 million higher than in FY2024. \$4 million of the increase is due to non-expenditure, non-cash Memo Bills from the Department of Administration for central services.



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 expenditure is 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, 2026, a one-time adjustment to retroactively charge FY2027 rates will be applied.

These rates are assessed on total project costs. At the end of each week, total project expenditure for that week is determined and multiplied by the appropriate rate. The resulting amount is charged to each project 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
Lauren Little, Acting Regional Director, Northern Region
Christopher Goins, Regional Director, Southcoast Region
Danny Gibson, Director, Division of Facilities Services
Judy Chapman, Director, Project Delivery
Christine Langley, Director, Data Modernization and Innovation Office
Vicky Roberts, Director, Southcoast Support Services
Daniel Smith, Director, Measurement Standards and Commercial Vehicle Compliance
Angela Spear, Director, International Airport Systems Office
Craig Tornga, Marine Director, Alaska Marine Highways System
Susan Ault, Controller, Alaska International Airport System
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