

# MEMORANDUM

# State of Alaska

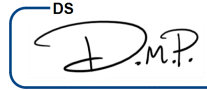
Department of Transportation & Public Facilities  
Administrative Services Division

**TO:** Ryan Anderson  
Commissioner

**DATE:** December 28, 2023

**PHONE NO:** 907-465-3911

**FROM:** Dom Pannone  
Director



**SUBJECT:** FY2025 Indirect Cost  
Rate Proposal Rates

The Indirect Cost Rate Proposal (ICRP) for FY2025 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, 2024.

ICRP Rate by Type	Proposed 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, and operating programs for Alaska Marine Highways, Alaska International Airport System, State Equipment Fleet, and Highways & Aviation Maintenance & Operations. The direct costs for these programs have increased significantly over last year, most notably

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for Alaska Marine Highway System operations increasing by \$22 million, and the DRER program tripling in size, 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. A table is attached to show the ICRP five-year comparison.

State Airports (SAPT) increased from \$8 million in FY2022 to \$12 million in FY2023. Because this is a small cost group with few capital projects, the impact of an expenditure increase is more substantial. Two large state airport projects that contributed to the increase, the ANC Parking Garage PG111 Repairs and Improvement and the FIA Don Bennett Shooting Range Site Characterization and Remediation.

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.

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, 2024, a one-time adjustment to retroactively charge FY2025 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](mailto:christina.zepp@alaska.gov), or Christina Giehl, at [christina.giehl@alaska.gov](mailto:christina.giehl@alaska.gov) if you have any questions.

Attachments enclosed.

CC:

Katherine Keith, Deputy Commissioner  
Sean Holland, Regional Director, Central Region  
Joe Kemp, Regional Director, Northern Region  
Christopher Goins, Regional Director, Southcoast Region  
Danny Gibson, Director, Division of Facilities Services  
John Linnell, Director, Central Region Construction  
James Marks, Director, Program Development  
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  
Tom Mayer, Chief Contracts Officer, Commissioner's Office  
Sunny Haight, Deputy Director, Statewide Administrative Services  
Michelle Vuille, Budget Manager, Statewide Administrative Services  
Elizabeth Dunayski, Financial Services Manager, Statewide Administrative Services  
Cris Cowles-Brunton, Finance Officer, Statewide Administrative Services

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Imelda Soriano, Public Building Fund Accountant, Statewide Administrative Services  
Christina Zepp, Rate Accountant, Statewide Administrative Services  
Daniel Baines, Accountant, Statewide Administrative Services  
Christina Giehl, Accountant, Statewide Administrative Services  
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  
Wayne Phillips, Vessel Construction Manager, Alaska Marine Highways System  
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

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**Stated in thousands**

These are Actual costs. The indirect costs have not been adjusted for over/under collection or for Hold Harmless projects.  
 Direct and Indirect costs are increasing.  
 Direct costs are increasing at a faster rate than indirect costs, leading to decreased indirect rates overall.  
 Individual programs vary widely.

<b>DIRECT</b>						<b>FY2023 increase / (decrease) from FY2022</b>	<b>5 year Average (Leasing at two year average)</b>	<b>FY2023 increase / (decrease) from 5 yr average</b>
<b>PROGRAM</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>			
FHWY	632,394	624,324	609,651	683,921	737,047	53,127	657,467	79,580
SHWY	73,376	100,712	85,448	56,014	60,682	4,668	75,247	-14,564
FAPT	221,195	134,739	161,409	220,467	188,379	-32,088	185,238	3,141
SAPT	8,467	10,454	6,414	4,651	12,478	7,827	8,493	3,985
PFAC/FACL	33,026	35,174	44,195	69,509	51,663	-17,846	46,713	4,949
MISC	27,517	23,442	27,594	26,851	36,101	9,250	28,301	7,800
LEAS	0	0	0	43,483	44,080	597	43,781	298
DRER	21,659	540	5,871	15,380	46,045	30,665	17,899	28,146
AMOP	134,100	90,624	92,219	102,046	124,040	21,993	108,606	15,434
IAPO	84,471	80,369	79,259	81,087	97,423	16,336	84,522	12,901
SEFO	31,640	31,884	31,946	34,849	36,723	1,874	33,408	3,315
MOPS	130,458	120,704	115,198	116,515	134,123	17,608	123,400	10,723
	<u>1,398,303</u>	<u>1,252,966</u>	<u>1,259,204</u>	<u>1,454,773</u>	<u>1,568,784</u>	<u>114,010</u>	<u>1,413,074</u>	<u>155,709</u>
						7.27%		11.02%

<b>INDIRECT</b>						<b>FY2023 increase / (decrease) from FY2022</b>	<b>5 year Average (Leasing at two year average)</b>	<b>FY2023 increase/(decrease) from 5 yr average</b>
<b>PROGRAM</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>			
<b>BILLED</b>								
FHWY	31,480	34,479	39,779	38,285	41,309	3,024	37,066	4,243
SHWY	2,891	4,273	4,165	1,923	2,624	700	3,175	-552
FAPT	11,307	10,154	12,021	14,298	10,475	-3,822	11,651	-1,176
SAPT	565	1,057	741	350	709	359	684	25
PFAC/FACL	3,018	3,680	3,724	2,689	5,869	3,180	3,796	2,073
MISC	1,262	1,366	1,568	1,596	1,915	319	1,541	374
LEAS	0	0	0	207	979	772	593	386
<b>NOT BILLED</b>								
DRER	412	36	311	375	1,898	1,524	607	1,292
AMOP	6,238	6,001	5,734	8,085	8,968	884	7,005	1,963
IAPO	6,738	7,455	7,411	7,325	5,099	-2,227	6,805	-1,707
SEFO	2,625	3,395	3,512	2,807	1,641	-1,166	2,796	-1,155
MOPS	9,742	11,149	10,835	10,118	10,718	600	10,512	205
	<u>76,277</u>	<u>83,046</u>	<u>89,801</u>	<u>88,057</u>	<u>92,204</u>	<u>4,147</u>	<u>86,233</u>	<u>5,971</u>
						4.50%		6.92%

Stated in whole dollars.

	FY2019 Actual Indirect Cost	FY2020 Actual Indirect Cost	FY2021 Actual Indirect Cost	FY2022 Actual Indirect Cost	FY2023 Actual Indirect	FY2023 increase/(decrease) from 5 year Average	FY2023 increase/(decrease) from 5 yr average
FHWY	31,480,040	34,479,153	39,778,598	38,284,836	41,308,861	37,066,298	4,242,563
SHWY	2,891,014	4,273,078	4,165,183	1,923,191	2,623,638	3,175,221	(551,583)
FAPT	11,306,859	10,153,501	12,021,095	14,297,597	10,475,242	11,650,859	(1,175,617)
SAPT	564,860	1,057,432	741,161	349,946	709,057	684,491	24,566
PFAC/FACL	3,017,808	3,680,118	3,724,120	2,688,626	5,868,501	3,795,835	2,072,666
MISC	1,262,358	1,365,502	1,567,910	1,595,951	1,915,043	1,541,353	373,690
LEAS	0	0	0	207,458	979,233	593,346	385,888
	50,522,939	55,008,784	61,998,067	59,347,605	63,879,575	58,507,401	5,372,174

	FY2019 Actual Direct Cost	FY2020 Actual Direct Cost	FY2021 Actual Direct Cost	FY2022 Actual Direct Cost	FY2023 Actual Direct Cost	FY2023 increase/(decrease) from 5 year Average	FY2023 increase/(decrease) from 5 yr average
FHWY	632,393,758	624,324,198	609,650,809	683,920,661	737,047,272	657,467,340	79,579,932
SHWY	73,376,374	100,711,856	85,447,995	56,014,495	60,682,230	75,246,590	(14,564,360)
FAPT	221,195,320	134,738,640	161,409,096	220,467,218	188,378,961	185,237,847	3,141,114
SAPT	8,466,720	10,453,917	6,413,959	4,651,341	12,477,854	8,492,758	3,985,096
PFAC/FACL	33,025,886	35,174,225	44,195,299	69,509,201	51,662,835	46,713,489	4,949,346
MISC	27,517,430	23,442,012	27,593,504	26,850,925	36,101,302	28,301,035	7,800,267
LEAS	0	0	0	43,482,568	44,079,516	43,781,042	298,474
	995,975,488	928,844,848	934,710,662	1,104,896,409	1,130,429,970	1,045,240,101	85,189,869

	FY2019 for FY2021 Initial Rate	FY2020 for FY2022 Initial Rate	FY2021 for FY2023 Initial Rate	FY2022 for FY2024 Initial Rate	FY2023 for FY2025 Initial Rate	5 Yr Average Percentage 5 year Average Rate	5 Yr Average Percentage Point Increase / (Decrease)
FHWY	4.98%	5.52%	6.52%	5.60%	5.60%	5.65%	(0.04)
SHWY	3.94%	4.24%	4.87%	3.43%	4.32%	4.16%	0.16
FAPT	5.11%	7.54%	7.45%	6.49%	5.56%	6.43%	(0.87)
SAPT	6.67%	10.12%	11.56%	7.52%	5.68%	8.31%	(2.63)
PFAC/FACL	9.14%	10.46%	8.43%	3.87%	11.36%	8.65%	2.71
MISC	4.59%	5.83%	5.68%	5.94%	5.30%	5.47%	(0.16)
LEAS	N/A	N/A	N/A	0.48%	2.22%	1.35%	0.87

	FY2019 for FY2021 Approved Rate	FY2020 for FY2022 Approved Rate	FY2021 for FY2023 Approved Rate	FY2022 for FY2024 Approved Rate	FY2023 for FY2025 Approved Rate	5 Yr Average Percentage 5 year Average Rate	5 Yr Average Percentage Point Increase / (Decrease)
FHWY	4.75%	4.64%	7.18%	6.35%	5.17%	5.62%	(0.45)
SHWY	2.04%	4.46%	4.93%	1.89%	3.52%	3.37%	0.15
FAPT	6.34%	5.88%	7.39%	7.03%	3.37%	6.00%	(2.63)
SAPT	7.23%	6.15%	10.54%	1.17%	8.21%	6.66%	1.55
PFAC/FACL	10.36%	9.28%	9.67%	8.05%	9.40%	9.35%	0.05
MISC	2.77%	6.78%	6.87%	7.14%	6.38%	5.99%	0.39
LEAS	N/A	2.24%	2.29%	0.00%	2.15%	1.67%	0.48

**Certificate Of Completion**

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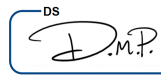
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**Signer Events**

Dom Pannone  
dom.pannone@alaska.gov  
Admin Services Director  
State of Alaska  
Security Level: Email, Account Authentication (None)

**Signature**



Signature Adoption: Uploaded Signature Image  
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ID: 180d33db-7571-43d1-83ee-9ce827e11f36  
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Elizabeth Dunayski  
elizabeth.dunayski@alaska.gov  
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Company Name: State of Alaska

ASD Info Box  
dot.asd.jnu.info@alaska.gov



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**Electronic Record and Signature Disclosure:**

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<b>Electronic Record and Signature Disclosure</b>
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## **ELECTRONIC RECORD AND SIGNATURE DISCLOSURE**

Please read this Electronic Records and Signature Disclosure (ERSD). It concerns your rights regarding electronically undertaking, and the conditions under which you and the State of Alaska agree to electronically undertake, the transaction to which it relates (the “TRANSACTION”).

### **Consent to Electronically Undertake the TRANSACTION**

You can electronically undertake the TRANSACTION only if you confirm that you meet the following requirements by selecting the box next to “I agree to use electronic records and signature” (the “AGREE BOX”):

1. you can fully access and have read this ERSD;
2. you can fully access all of the information in the other TRANSACTION records;
3. you can retain all of the TRANSACTION records in a form that you will be able to fully access for later reference;
4. you consent to undertake the TRANSACTION electronically; and
5. you are authorized to undertake the TRANSACTION. (Please note that falsely undertaking the TRANSACTION may subject you to civil liabilities and penalties and/or to criminal penalties.)

If you cannot or are not willing to confirm each of these five things, do not select the AGREE BOX.

### **Withdrawing Consent**

If you select the AGREE BOX, you can withdraw your consent to electronically undertake the TRANSACTION at any time before you complete the TRANSACTION: simply do not finalize it. The only consequence of withdrawing your consent is that you will not finalize the TRANSACTION.

If you select the AGREE BOX, your consent will apply only to this TRANSACTION. You must separately consent to electronically undertake any other transaction with the State of Alaska.

### **Paper Option for Undertaking the TRANSACTION**

You may undertake the TRANSACTION with the State of Alaska using paper records. (State of Alaska employees who want to undertake the TRANSACTION in paper should contact the agency responsible for the TRANSACTION.) Print the paper records on the website of the State of Alaska agency responsible for the TRANSACTION, or request them from the agency. The State of Alaska homepage is at <http://alaska.gov/>.

### **Copies of TRANSACTION Records**

After completing the TRANSACTION but before closing your web browser, you should download the TRANSACTION records. Or you can download the records within 30 days after



completing the TRANSACTION using the link in the DocuSign email sent to the email address you used to complete the TRANSACTION. The State of Alaska will not provide a paper copy of the TRANSACTION records as part of the TRANSACTION. Under the Alaska Public Records Act (APRA), AS 40.25.100–.295, you can request a copy from the agency responsible for the TRANSACTION, but if too much time has passed, the agency may no longer have the records when you make your request. If required under the APRA, the agency will charge a fee.

### **Required Hardware and Software**

For the minimum system requirements to electronically undertake the TRANSACTION, including accessing and thereby retaining the TRANSACTION records, visit <https://support.docusign.com/guides/signer-guide-signing-system-requirements>. These requirements may change. In addition, you need access to an email account.

### **How to Contact the State of Alaska**

To ask a question on this ERSD or the DocuSign document generated after you complete the TRANSACTION or on using DocuSign to electronically undertake the TRANSACTION, contact the Alaska Department of Administration at either of the following addresses:

State of Alaska  
Department of Administration  
550 West 7th Avenue  
Suite 1970  
Anchorage, AK 99501  
Reference: DocuSign

[doa.commissioner@alaska.gov](mailto:doa.commissioner@alaska.gov)  
Subject: DocuSign

To ask any other question on the TRANSACTION records or to update the information for contacting you electronically, contact the State of Alaska agency responsible for the TRANSACTION using the contact information in the TRANSACTION records or, if those records contain no contact information, using the contact information on the agency's website. Again, the State of Alaska homepage is at <http://alaska.gov/>.