



## Department of Transportation & Public Facilities

### Administrative Services Division

Phone: 907-465-8829

Fax: 907-465-3124

## MEMORANDUM

**TO:** Distribution

**DATE:** January 13, 2020

**FROM:** Dom Pannone  
Director

*DMP*

**SUBJECT:** FY2021 Indirect Cost  
Rate Proposal Rates

The Indirect Cost Rate Proposal (ICRP) for FY2021 has been submitted for approval to the Federal Highway Administration (FHWA).

When approved, the rates listed below will be used to assess ICAP charges against capital project expenditures that are processed on or after approval by FHWA.

Rate Type	FY21 Rate	FY20 Rate	Increase / (Decrease)
Federal Highways CIP	4.75%	7.64%	-2.89%
State Highways CIP	2.04%	5.20%	-3.15%
Federal Airport CIP	6.34%	9.61%	-3.27%
State Airport CIP	7.23%	12.52%	-5.29%
Public Facilities CIP	10.36%	9.56%	0.80%
Reimburs. / Harbors / Misc CIP	2.77%	10.00%	-7.23%

Factors resulting in these rate differences include the following:

- The FY2020 rates incorporated the significant under-recoveries of indirect expenses that occurred during FY2018 (approximately \$19 million under-recovery across all cost groups). This element caused FY2020 rates to be substantially higher than normal for a single year. In contrast, the FY2021 rates incorporate a small over-recovery of \$2.9 million across all cost groups, which acts to reduce rates slightly. The combination of not having a significant under-recovery, but instead having a slight over-recovery, acts to reduce the rates significantly.
- Direct spending levels in capital projects have exhibited significant annual swings. The department has refined its method of estimating future year direct costs, and has adopted a four year average method of estimating these costs, instead of the one year prior method previously

used. It is anticipated that a four-year average method of estimating future fiscal year direct spending will smooth over/under recovery and rate fluctuations. This four-year average method is applied in all cases except for the Public Facilities Combined Cost Group (PFCCG). Prior to FY2020, the PFCCG did not include Facilities operating, as the Division of Facilities Services did not exist, so historical information is not available.

The FY2021 proposed rates could be subject to adjustment if there are any major changes in the FY2021 budget for salaries and benefits, or other unforeseen costs.

Unique ICRP's on general fund pass-through projects must be requested on an individual basis. Justification must demonstrate that there is no department oversight or ultimate financial responsibility, and DOT&PF's only involvement is to provide funding. Requests for unique rates must be submitted for each project impacted via memo through me to the Commissioner.

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, 2020 a one-time adjustment to retroactively charge FY2021 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 Susan Endicott, 465-2079 [susan.endicott@alaska.gov](mailto:susan.endicott@alaska.gov) or Christina Zepp, 465-8118 [christina.zepp@alaska.gov](mailto:christina.zepp@alaska.gov) if you have any questions.

Distribution List:

John MacKinnon, Commissioner  
John Binder, Deputy Commissioner  
Mary Siroky, Acting Deputy Commissioner  
John Falvey, General Manager, Alaska Marine Highways System  
Ben White, Director, Division of Program Development  
Carolyn Morehouse, Division Director, Statewide Design and Engineering Services  
Keith Day, Controller, Alaska International Airport System  
Angela Spear, Airport Manager, Fairbanks International Airport  
Wolfgang Junge, Division Director, Central Region Support Services  
Diana Rotkis, Division Director, Central Region Construction  
Ryan Anderson, Regional Director, Northern Region  
Lance Mearig, Regional Director, Southcoast Region  
Daniel Smith, Director, Division of Measurement Standards and Commercial Vehicle Enforcement  
Brad Bylsma, State Equipment Fleet Manager, SEF

cc: Roger Baines, Accountant V, Statewide Administrative Services  
Geri Henriksen, Accountant V, Statewide Administrative Services  
James Marks, Division Operations Manager, Division of Program Development  
Amber Marshall, Southcoast Region Project Control  
Shelley Dykema, Northern Region Project Control  
Jennifer Coisman, Central Region Project Control  
Jerry Mastin, AMHS Vessel Contract Manager  
Vicky Roberts, Administrative Operations Manager, Southcoast Support Services