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## Finance Project Funding Matching or Cost Sharing Requirements

[www.fhwa.dot.gov/federal-aidessentials](http://www.fhwa.dot.gov/federal-aidessentials)



*Alternative sources can be used to provide the matching funds share for Federal-aid projects*

Most federally funded transportation projects require the recipient to apply some of its funds to match the Federal funds. But during times when your agency's funds are in short supply, it may be difficult to find those matching dollars.



Rather than delay worthy projects, in recent years some agencies have explored flexible alternatives to contribute their share.

Let's look at some of the alternative sources of funding that can be used to match Federal funds on a highway transportation project. We will also look at options to adjust the matching share requirement on each request for payment.

One allowable method for matching Federal funds is to use in-kind contributions from qualified third parties.

As an example of how this method might be used on a project, imagine that you are planning to add an exit ramp on an Interstate freeway, one that will provide access to a new business park. As part of your matching funds, you use land contributed by an individual.

Such real property contributions—and even services, materials, equipment or facilities – can

be counted toward your match contribution provided you give the contribution a fair market value and diligently follow the conditions set out by the regulations.

When used to promote public-private partnerships, the regulations allow contributions from individuals, organizations and other local agencies, who are considered to be a third party to the Federal-aid agreement. Under most conditions, a sub-grantee is not considered a third party and cannot donate services, materials, equipment or facilities.

If the conditions are right, there are several additional potential funding sources that can be used as your match. But be certain to ask the right questions.



For example:

- Does your project provide access to a scenic byway? In some cases, funds from a Federal land-use agency, such as the U.S. Forest Service, may be used as your agency's match.

- Does your project provide access to Indian lands? If so, funds from the Federal Lands Highway Program may be used.
- Has your agency or State department of transportation, or State DOT, funded 100 percent of the costs to refurbish one of its bridges? If so, the majority of those costs may be counted as your match.

In addition to recognizing allowable sources of funding, it's also important to understand payment options. The most common is "payment by payment," which offers consistent application of Federal share of incurred costs throughout the lifecycle of a project.

But flexible payment schedules, known as "tapering," are also available under certain conditions. This approach allows an agency to claim Federal reimbursement of up to 100 percent of incurred costs on individual claims as long as the overall matching requirement is met.

Tapering is not available as an automatic option, but your agency may be considered for it if you can demonstrate that tapering will:

- Allow your project to be finished sooner
- Allow you to lower the cost of your project
- Provide for additional non-Federal funds
- Be leveraged for the project
- Accommodate the full utilization of in-kind contributions from third parties

If your agency is able to maximize its dollars for the matching share of a Federal-aid project by using the alternative sources of funding and tapering options presented here, you are expected to comply with all Federal requirements when accounting for project funds and costs.

The whiteboard displays a table titled "Payment Options" with the subtitle "Tapering". The table has three columns: "Federal-Aid", "Local Share", and "Project Total". The rows represent months: "Jan", "Feb", and "Mar". The values are as follows:

	Federal-Aid	Local Share	Project Total
Jan	\$700k	-	\$700k
Feb	\$900k	\$100k	\$1000k
Mar	-	\$300k	\$300k
	<u>\$1600k</u>	<u>\$400k</u>	<u>\$2000k</u>

## Additional Resources

- Clarification of Federal-aid project funding match guidelines  
<http://www.fhwa.dot.gov/legregs/directives/policy/memonfmr20091229.htm>
- Guidance on application of the Tapered Match provisions on Federal-aid projects  
<http://www.fhwa.dot.gov/legregs/directives/policy/tapered20091229.htm>
- U.S. DOT regulation detailing matching or cost-sharing requirements for locally funded Federal-aid projects  
<http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=635f40442cd64d8932f55a090c19f20f&rqn=div5&view=text&node=49:1.0.1.1.12&idno=49>
- U.S. DOT regulation detailing matching or cost-sharing requirements  
<http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=9a2afa4f414a08c8727f6f80ca0e7ff9&rqn=div5&view=text&node=49:1.0.1.1.13&idno=49>
- Part 225 of the general accounting regulation that is the codified material originally developed as OMB Circular A-87  
<http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=5a4eef46fbff218c61a60ed608be3367&rqn=div5&view=text&node=2:1.1.2.10.6&idno=2>
- The text of the law that established the Federal-aid highway program  
<http://frwebgate.access.gpo.gov/cgi-bin/usc.cgi?ACTION=BROWSE&TITLE=23USCC1>
- Text of the current regulations of the Federal-aid highway program.  
[http://www.ecfr.gov/cgi/t/text/text-idx?&c=ecfr&tpl=/ecfrbrowse/Title23/23cfrv1\\_02.tpl](http://www.ecfr.gov/cgi/t/text/text-idx?&c=ecfr&tpl=/ecfrbrowse/Title23/23cfrv1_02.tpl)

The content of this document is not a substitute for information obtained from State departments of transportation, appropriate FHWA Division Offices, and applicable laws. Scenarios have been simplified for emphasis and do not necessarily reflect the actual range of requirements applicable to the scenario or this topic. This document was created under contract number DTFH61-11-D-00025 by the Federal Highway Administration, U.S. Department of Transportation, and is offered to the public to heighten and focus awareness of Federal-aid requirements within the local public agencies community and reinforces the importance of these necessary policies, procedures, and practices.

This companion resource is the script content for the video production of the same name.