



U.S. Department  
of Transportation  
**Federal Highway  
Administration**

# Memorandum

Subject: **INFORMATION:** Tapered Match on Federal-aid Projects

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In Reply Refer To:  
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To: Associate Administrators  
Chief Counsel  
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The purpose of this document is to provide guidance on the application of the Tapered Match provisions on Federal-aid Highway Program projects. Tapered match is a process, allowed under specific conditions as addressed below, that allows flexibility in meeting the non-Federal share requirements, provided the overall Federal share is not exceeded at the close of the project.

The Transportation Equity Act for the 21st Century (TEA-21), section 1302, modified Title 23, United States Code, section 121 (Payment to States for Construction), by removing a sentence which required the Federal share of project costs be applied to each progress payment. Section 1108(d) of TEA-21 removed a similar restriction from the Surface Transportation Program provisions in 23 U.S.C 133. The removal of this restriction allows the Federal Highway Administration (FHWA) to establish a more flexible matching share policy for progress payments.

The legal Federal share for a project is established at the time of project approval, either as a pro rata percentage or a lump sum amount [23 CFR 630.106(f)], and the amount of Federal funds obligated is entered on the project agreement (the legal Federal share may be revised at the time of contract award). Using the traditional billing process, progress payments to the State are determined by the Federal share of costs incurred. The Federal share is either the established pro rata as identified in the project agreement or a percentage based on the relationship of the lump sum amount compared to the total participating costs of the project.



When a tapered match is authorized, the established Federal share is applied to the total project costs, instead of applying to each progress payment. The billing percentage applied to progress payments may be higher or lower than the Federal share pro rata (or the lump sum pro rata) established for the project.

### Policy Guidance

The Division Administrator may approve a tapered match on any project authorized under the provisions of Title 23 (except advance construction, STP program approval, and bond projects authorized under section 122) when the approval would result in one or more of the following:

- The use of tapered match, when compared to the use of traditional match procedures, would result in an earlier project completion.
- The project costs would be reduced by using a tapered match.
- Tapered match would provide for additional non-Federal funds to be leveraged for the project.

For purposes of application of costs incurred to the non-Federal share requirement of the project, a fourth condition is added:

- When costs for services are donated by a local public agency acting as a third party, incurred by a local public agency acting as a subgrantee, or in limited circumstances, incurred by a State agency acting as a grantee. Advance construction (AC) procedures (23 U.S.C. 115) may be used in conjunction with this fourth tapered match condition only. Authorization for this option may be granted by the FHWA Division Administrator, case-by-case, dependent upon assurance of the existence and effectiveness of necessary procedures and related internal controls. Authorization using AC procedures requires compliance with Federal requirements in 23 U.S.C. and 23 CFR and permits the costs or the donation to be credited to the non-Federal share.

When the State requests the use of a tapered match, the State should include in its request for project approval a statement that tapered match will achieve one of the above objectives. The Division Administrator may then approve the tapered match by describing the specific technique in the remarks section of the project agreement [23 CFR 630.108(c)(1)]. For example, the project agreement will show the authorized Federal share, e.g. 80 percent (or the lump sum amount) and the amount of Federal funds obligated with a statement under remarks that tapered match is approved to reimburse the State initially for all eligible project costs incurred up to the amount of Federal funds authorized. The statement should also include assurances from the State that it shall meet its non-Federal share commitment and make provision for reconciliation and cost recovery, if necessary. The agreement should also specify when the non-Federal share will be provided. The Division Administrator should assure that the non-Federal share is

provided in a timely manner and, if not, may rescind the tapered match approval and apply the Federal share to costs incurred to date.

Tapered match, using the provisions under the fourth condition described above may be authorized for projects approved on or after the date of this memorandum.

At no time will Federal payments exceed the amount of Federal funds authorized in the project agreement, and this amount should be adjusted when necessary to reflect the latest cost estimate. Any overpayment of the final Federal share will be credited back to the project as soon as the final costs are known.

With or without the authorization of tapered match, the State remains committed to providing the required non-Federal share of project costs. The State must also be able to properly control the Federal share amount in its Federal-aid billing system.

If you have any comments or need additional information, please contact Dave Bruce at (802) 828-4567 or via email at [david.bruce@dot.gov](mailto:david.bruce@dot.gov).