



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

California Division

May 1, 2012

650 Capitol Mall, Suite 4-100  
Sacramento, CA 95814  
(916) 498-5001

In Reply Refer To:  
HDA-CA

Ms. Rachel Falsetti, Chief  
Division of Transportation Programming  
California Department of Transportation  
1120 N Street, MS 82  
Sacramento, CA 95814

Attention: Muhaned Aljabiry, Chief, Office of Federal Transportation Management Program

Dear: Ms. Falsetti

SUBJECT: Clarification of the Eligible uses of Congestion Mitigation and Air Quality Improvement (CMAQ) Program Funds to Purchase Alternative Fueled Vehicles

Since the establishment of the Congestion Mitigation and Air Quality Improvement (CMAQ) program under the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991, the Federal Highway Administration (FHWA) California Division Office (CADO) in direct coordination with the California Department of Transportation (Caltrans) and the CA Metropolitan Planning Organizations (MPOs) have successfully implemented the delivery of many CMAQ projects across the State. These projects have been a success and served to enhance air quality and the quality of life here in CA.

To further enhance the success of the CMAQ program and continue to provide the highest level of technical assistance to Caltrans and the CA MPOs, FHWA would like to address and clarify several ongoing CMAQ program issues. These issues include the following:

*General Use Vehicles Purchased with CMAQ Program Funds and 2 CFR 225, Cost Principles for State and Local Governments*

On April 6, 2011, FHWA issued a policy memo entitled "Federal Cost Principles and CMAQ Alternative Fuel Vehicles (AFV) Projects". This memo was forwarded to Caltrans, via email, on April 6, 2011. In general, this policy memo clarifies that 2 CFR 225 applies to all CMAQ projects and provides additional information related to the purchase of public fleet AFVs. Moreover it clarifies that Federal participation in the purchase of these vehicles is eligible for CMAQ funding only to the degree that the purchased vehicle's use will contribute to air quality improvements. The portion of the purchase price associated with general government benefits not related to air quality improvement or congestion relief is outside the statutory purpose of CMAQ funding and is not eligible for Federal funding.

Therefore, pursuant to 2 CFR 225, the total vehicle cost is not eligible for CMAQ funding, but only the portion of the vehicle cost prorated based on the emission-reducing element of the project. The emissions reducing element of the project could be either on: 1) the incremental cost difference between the AFV and a conventional vehicle; or 2) the computed emission reduction projected from the AFV use. For example, if the AFV is anticipated to reduce emissions 20%

from a conventionally-fueled vehicle of the same year, make and model, then 20% of the purchase cost would be eligible for CMAQ funding.

The methodology and/or calculation used by the project sponsor to determine the attributed air quality benefit must be part of the project documentation. The Department of Energy has an extensive website comparing conventionally-fueled vehicles with its alternative fuel counterpart, demonstrating the incremental difference in both air quality benefit and/or cost is typically no more than 15-20%. In addition, the project agreement for acquisitions should include a commitment to use alternative fuels as a primary fuel for the vehicles for the vast majority of their time in operation.

The 2 CFR 225 does not affect the eligibility of 100% Federal share toward the total project cost related to the purchase of transit revenue vehicles (*i.e. transit buses and para-transit*), freeway courtesy vans/tow trucks, incident management patrol vehicles, refuse vehicles (*i.e. garbage/waste haulers*), and street sweepers (*i.e. street sweepers are only eligible for 100% Federal share of total project cost in PM nonattainment or maintenance areas*). The FHWA's decision to limit CMAQ funding to the share of costs attributed to generating air quality benefits, marks a clarification in how the agency approaches the acquisition of vehicles with CMAQ funding. This decision, which is not retroactive, is consistent with government-wide cost principles that are applicable to all Federal grants. FHWA will be administering the CMAQ program using these provisions on all projects moving forward that have not been authorized.

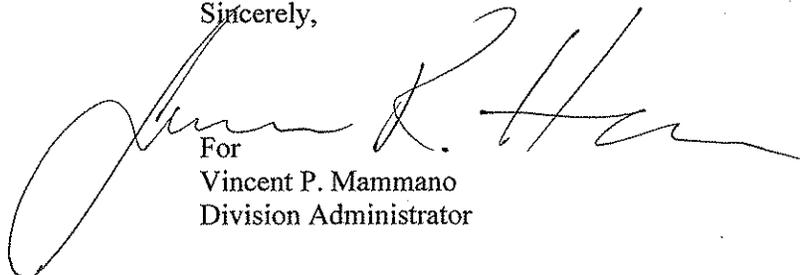
*Buy America Provisions and the purchase of Alternative Fuel Vehicles*

All iron or steel products that are permanently incorporated in all Title 23-funded projects must be in compliance with the Buy America requirements. As established through an FHWA Local Programs Team, October 13, 2011 communication to Caltrans, Buy America applies to the acquisition of vehicles purchased with CMAQ funding. If the provisions cannot be met, the project sponsor must request a Buy America waiver for the project. All waiver requests must be coordinated through the FHWA Division Office.

For your reference, the April 6, 2011 FHWA policy memo entitled "Federal Cost Principles and CMAQ Alternative Fuel Vehicles (AFV) Projects" can be found on the FHWA website at the following address: [http://www.fhwa.dot.gov/environment/air\\_quality/cmaq/policy\\_and\\_guidance/cmaqaltfuel.cfm](http://www.fhwa.dot.gov/environment/air_quality/cmaq/policy_and_guidance/cmaqaltfuel.cfm). The FHWA encourages Caltrans and all project sponsors to consult this policy guidance and continue to coordinate with FHWA on CMAQ related questions and/or issues. The FHWA is more than willing to provide technical assistance in order to ensure that these CMAQ Program issues are being addressed.

If you have any questions or concerns please contact Jermaine R. Hannon, Planning and Air Quality Director, at [Jermaine.Hannon@dot.gov](mailto:Jermaine.Hannon@dot.gov) or (916) 498-5066; or Rebecca Bennett, Local Programs Director, at [Rebecca.Bennett@dot.gov](mailto:Rebecca.Bennett@dot.gov) or (916) 498-5041.

Sincerely,



For  
Vincent P. Mammano  
Division Administrator

cc:

Muhaned Aljabiry, Caltrans Programming ([muhaned\\_aljabiry@dot.ca.gov](mailto:muhaned_aljabiry@dot.ca.gov))  
Lima Huy, Caltrans Programming ([lima\\_huy@dot.ca.gov](mailto:lima_huy@dot.ca.gov))  
Denix Anbiah, Caltrans Local Assistance ([denix.anbiah@dot.ca.gov](mailto:denix.anbiah@dot.ca.gov))

Dianne Eidame, AMBAG ([deidam@ambag.org](mailto:deidam@ambag.org))  
Jon Clark, BCAG ([jonclark@bcag.org](mailto:jonclark@bcag.org))  
Tony Boren, Fresno COG, ([tboren@fresnocog.org](mailto:tboren@fresnocog.org))  
Ron Brummett, Kern COG ([rbrummett@kerncog.org](mailto:rbrummett@kerncog.org))  
Terri King, KCAG ([tking@co.kings.ca.us](mailto:tking@co.kings.ca.us))  
Patricia Taylor, MCTC ([patricia@maderactc.org](mailto:patricia@maderactc.org))  
Jesse Brown, MCAG ([jesse.brown@mcagov.org](mailto:jesse.brown@mcagov.org))  
Jim Kemp, SBCAG ([jkemp@sbcag.org](mailto:jkemp@sbcag.org))  
Mike McKeever, SACOG ([mmckeever@sacog.org](mailto:mmckeever@sacog.org))  
Gary Gallegos, SANDAG ([gga@sandag.org](mailto:gga@sandag.org))  
Steve Heminger, MTC ([sheminger@mtc.ca.gov](mailto:sheminger@mtc.ca.gov))  
Andrew Chesley, SJCOG ([achesley@sjcog.org](mailto:achesley@sjcog.org))  
Ron DeCarli, SLOCOG ([rdecarli@slocog.org](mailto:rdecarli@slocog.org))  
Dan Little, SC RTPA ([dlittle@co.shasta.ca.us](mailto:dlittle@co.shasta.ca.us))  
Hasan Ikhata, SCAG ([ikhata@scag.ca.gov](mailto:ikhata@scag.ca.gov))  
Vince Harris, StanCOG ([vharris@stancog.org](mailto:vharris@stancog.org))  
Nick Haven, TMPO ([nhaven@trpa.org](mailto:nhaven@trpa.org))  
Ted Smalley, TCAG ([tsmalley@co.tulare.ca.us](mailto:tsmalley@co.tulare.ca.us))

Jermaine R. Hannon, FHWA  
Stew Sonnenberg, FHWA  
Joseph Vaughn, FHWA  
Wade Hobbs, FHWA  
Scott Carson, FHWA  
Michael Morris, FHWA  
Cecilia Crenshaw, FHWA  
Rebecca Bennett, FHWA  
Gary Sweeten, FHWA  
David Tedrick, FHWA  
Jean Mazur, FHWA  
Arianna Valle, FHWA  
Peter Pangilinan, FHWA  
Zylkia Martin-Yambo, FHWA  
Jacob Waclaw, FHWA

jrh/km