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Designers Lighting Forum

BABA, BAA, and Tariffs

Tools for Executing in a Complex and Changing Landscape

Paul Kennedy and Veena Cagle
U.S. Outdoor Lighting

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Learning Objectives

At the end of this course, participants will be able to:

1. Develop a clear understanding of BAA and BABA project qualification requirements, both current and future changes

2. Understand how changing component and product tariffs affect BOM compliance for BAA and BABA

3. Review simple tools to evaluate BAA and BABA sensitivity to future requirement and tariff changes.

4. Understand where to go for real information and support to meet project compliance requirements for your customers.

“Made in the USA” – what does that mean?

Build America Buy America (BABA)

- Infrastructure Investment and Jobs Act (IIJA)
- Applies to federally funded infrastructure projects
- US Manufactured products + domestic component %

Buy American (BAA)

- Direct federal procurement/purchases (FAR Part 25)
- GSA Sch, VA Hospitals, Military Bases, Fed Building
- Similar to BABA, but Trade Agreements can override, and waivers are common

Buy America (DOT)

- Transportation programs (FHWA, FTA, FRA)
- Project-based domestic content rules generally align with BABA on Luminaires
- Longstanding State DOT-specific implementation

Does this project require **BABA**?

What is it? When does it apply?

Infrastructure Investment and Jobs Act (Public Law 117-58)

> Part 184—Buy America Preferences for Infrastructure Projects

"Is this project BABA?"

You should request the funding source + the award terms/conditions.

What is the definition of Infrastructure? Examples:

- Roadway and streetscape lighting (transportation / roads / bridges)
- Transit station lighting and site lighting (public transportation)
- Park, trail, and public space lighting (public facilities / public accommodation)
- Lighting installed with broadband, EV charging, utility, or site upgrades (utilities/energy infrastructure)

Specifiers, agents, reps, and distributors

Your quote language matters

If the project is federally assisted infrastructure, include a clear BABA compliance statement tied to the exact configuration quoted, and spell out what documentation will be provided.

Avoid accidental noncompliance via substitutions from your manufacturers.

A late driver or lens substitution can break the 55% calculation.

Request the project's funding source and award terms early

Ensure you identify, spec, and bid compliant product families before the submittal crunch.

BABA Product Categories and Requirements

1. Iron & Steel

   All manufacturing processes **from initial smelting through application of coatings** must occur in the United States. (Cost of Iron/Steel > 50% of total cost – **ex. Poles**)

2. Manufactured Products

   The product was **manufactured in the United States** and the **cost of domestic components is greater than 55%** of the total cost of all components. **(Luminaires)**

3. Construction Materials

   For construction materials (e.g., non-ferrous metals **(Alum poles), glass or acrylic lens** as a standalone item), the rule is generally **"all manufacturing processes" in the U.S.**

Luminaire BABA compliance

A manufactured product is BABA-compliant (2 CFR Part 184), only if **both conditions are met:**

1. Final manufacturing occurs in the United States
2. More than 55% of the total component cost is domestic (U.S. manufactured)

These are **independent tests** and **both must be passed** to comply.

It is important to note that **the cost of Final Assembly of the product does NOT count toward the 55% domestic component cost.**

Calculating component cost

More on this in a bit

Component costs include:

- Acquisition cost of purchased components (including transport + **duty***)
- Cost to manufacture a component or subassembly if the manufacturer makes that component, including:
  - Direct labor
  - Materials
  - Directly allocated overhead
  - Profit is excluded

Component costs do NOT include:

- Costs associated with final assembly of the end product
- Factory overhead tied to final assembly
- Testing, burn-in, packaging, warehousing
- Sales, marketing, and G&A

When is a component considered Manufactured the U.S.?

A component is considered **U.S.-manufactured** if:

- The **final manufacturing process** for that component **occurs in the U.S.**
- Only testing, warehousing, labeling, or packaging **does not qualify.**

Examples:

- ✓Driver assembled, soldered, tested in the U.S.
- ✓Wire harness cut, terminated, assembled in the U.S.
- ✓Light Module assembled (SMT) in the U.S. from imported LEDs
- × LED modules produced in Mexico with final burn-in in the U.S.
- × Imported finished driver stocked in a U.S. warehouse

Real world example

Decorative Site and Area Light Manufacturer

- **Activities performed in the U.S.**
  - Final assembly
  - Wiring
  - Optical installation and alignment
  - Testing
  - Packaging
- **In House Component Manufacturing**
  - Aluminum housing castings (in-house)
  - Sheet metal door
  - Wire harness

Real world example (cont.)

Item	Included	Why?
Cost to cast aluminum housing parts in U.S. factory	Yes	US Mfg Part
Cost to produce sheet metal Brackets in U.S. Factory	Yes	US Mfg Part
Cost to manufacture wire harness in U.S. Factory	Yes	Us Mfg Part
Indirect labor + overhead to make (above) parts in factory	Yes	US Mfg Part
Cost of U.S. sourced Optics	Yes	US Component
Cost of U.S. sourced LED Module	Yes	US Component
Freight to factory for components	Yes	US Component

Item	Included	Why?
Cost of imported driver	No	Not US Part
Final assembly labor	No	Final Assembly
Assembly overhead	No	Final Assembly
Burn-in / testing	No	Final Testing
Packaging	No	Final Packaging
Factory profit	No	Not Allowed
Duty for Imported Components	No	Not Allowed

Does this meet the 55% threshold?

Imported Optics and LED Module

Component	Supplier	Origin (US/Foreign)	Material	Labor/ OH	Transport	Duty	Cost ($)	Domestic Cost ($)
Aluminum Sand Castings	In House Factory	US	40.00	35.00	-	-	75.00	75.00
Sheet Metal Brackets	In House Factory	US	5.00	5.00	-	-	10.00	10.00
Wire Harness Assembly	In House Factory	US	8.00	14.00	-	-	22.00	22.00
PLED™ Type IV HSS Optics	Injection Molder	Foreign	15.00		1.00		16.00	-
PLED™ Tru Amber LED Module	LED Module Manufacturer	Foreign	20.00		1.00		21.00	-
80W 120-277V LED Power Supply	Power Supply Vendor	Foreign	85.00		3.00	5.50	93.50	-
Die Cast Heat Sink	Die Cast Vendor	Foreign	12.00			1.20	13.20	-
							-	-
Total Component Cost							250.70	
Total Domestic Cost								107.00
Domestic %								43%

Component	Supplier	Origin (US/Foreign)	Material	Labor/ OH	Transport	Duty	Cost ($)	Domestic Cost ($)
Aluminum Sand Castings	In House Factory	US	40.00	35.00	-	-	75.00	75.00
Sheet Metal Brackets	In House Factory	US	5.00	5.00	-	-	10.00	10.00
Wire Harness Assembly	In House Factory	US	8.00	14.00	-	-	22.00	22.00
PLED™ Type IV HSS Optics	Injection Molder	US	20.00		1.00		21.00	21.00
PLED™ Tru Amber LED Module	LED Module Manufacturer	US	25.00		1.00		26.00	26.00
80W 120-277V LED Power Supply	Power Supply Vendor	Foreign	85.00		3.00	7.50	95.50	-
Die Cast Heat Sink	Die Cast Vendor	Foreign	12.00			1.20	13.20	-
							-	-
Total Component Cost							262.70	
Total Domestic Cost								154.00
Domestic %								59%

Optics and LED Module moved to the U.S.

What actually moves the needle?

To ensure BABA compliance build your BOMs with a focus on

High-dollar components

- Drivers
- LED engines
- Castings
- Optics

In-house manufacturing of components/sub-assemblies (not just final assembly)

Domestic sourcing of cost-heavy subassemblies

Create sensitivity models to understand where you are most vulnerable to cost changes: material and labor inflation, shortages/ lead-times/alternate components, and **tariffs**

What’s going on with tariffs?

SCOTUS decision, ongoing country negotiations, tit-for-tat tariff rate changes, and uncertainty

Suppliers still working to optimize where to produce components

Manufacturers changing supply chains / dual-sourcing

BABA compliance impact is real…and can change quickly

Does this meet the 55% threshold with Tariffs?

Optics and LED Module sourced in U.S.

Component	Supplier	Origin (US/Foreign)	Material	Labor/ OH	Transport	Duty	Cost ($)	Domestic Cost ($)
Aluminum Sand Castings	In House Factory	US	40.00	35.00	-	-	75.00	75.00
Sheet Metal Brackets	In House Factory	US	5.00	5.00	-	-	10.00	10.00
Wire Harness Assembly	In House Factory	US	8.00	14.00	-	-	22.00	22.00
PLED™ Type IV HSS Optics	Injection Molder	US	20.00		1.00		21.00	21.00
PLED™ Tru Amber LED Module	LED Module Manufacturer	US	25.00		1.00		26.00	26.00
80W 120-277V LED Power Supply	Power Supply Vendor	Foreign	85.00		3.00	25.50	113.50	-
Die Cast Heat Sink	Die Cast Vendor	Foreign	12.00		1.00	3.60	16.60	-
							-	-
Total Component Cost							284.10	
Total Domestic Cost								154.00
Domestic %								54%

Component	Supplier	Origin (US/Foreign)	Material	Labor/ OH	Transport	Duty	Cost ($)	Domestic Cost ($)
Aluminum Sand Castings	In House Factory	US	40.00	35.00	-	-	75.00	75.00
Sheet Metal Brackets	In House Factory	US	5.00	5.00	-	-	10.00	10.00
Wire Harness Assembly	In House Factory	US	8.00	14.00	-	-	22.00	22.00
PLED™ Type IV HSS Optics	Injection Molder	US	20.00		1.00		21.00	21.00
PLED™ Tru Amber LED Module	LED Module Manufacturer	US	25.00		1.00		26.00	26.00
80W 120-277V LED Power Supply	Power Supply Vendor	Foreign	85.00		3.00	25.50	113.50	-
Sand Cast Heat Sink	In House Factory	US	15.00	15.00			30.00	30.00
							-	-
Total Component Cost							297.50	
Total Domestic Cost								184.00
Domestic %								62%

Heat Sink also moved to the U.S.

Manufacturers

Manage BABA as a BOM and sourcing activity. Marcom comes later.

Ensure both U.S. manufacturing and >55% domestic component cost.

Set up BABA SKUs/configurations in advance.

Pre-identify and source qualified drivers, LED engines, castings, lenses/diffusers, harnesses, etc. that allow compliant builds.

Ensure you have compliance flexibility built into your cost models and sourcing

Determine in advance if a supplier country shift or tariff change could affect your compliance - have reaction plans to avoid putting your customer's project in jeopardy.

Re-confirm with your suppliers on a regular basis

They are facing the same uncertainties and continually making changes to adapt – avoid any surprises.

Document your final manufacturing process.

The manufacturer is the entity performing the final manufacturing process – component manufacturing vs. final assembly and test.

Be prepared to provide documented support material at an auditable level

Ensure your customer can demonstrate compliance.

Looking to the future

What is next for BAA/BABA and Tariffs in your Market?

Self certification vs. independent (paid) certification? (NEMA)

How to future proof your business – reps, specifiers, manufacturers?

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Questions?

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