



# Requirements, Risks, and Rewards: Navigating BAA Compliance in Lighting

This brief aims to provide clarity on the requirements, risks, and potential benefits of BAA compliance in the lighting industry, offering valuable insights for all stakeholders involved in government-funded projects.



## Executive Summary

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There is a need for the lighting industry to navigate significant changes as Buy American Act (BAA) requirements evolve. Domestic content requirements are increasing from 60% (established in 2022) to 75% by 2029, a shift that reflects major efforts to strengthen American manufacturing and increase oversight of government-funded projects.

These changes bring both challenges and opportunities. While non-compliance can result in financial penalties, project delays, and reputational impacts, proper adherence opens doors to government contracts and supports domestic economic growth. The key is understanding how to navigate these new requirements effectively.

Phoenix Lighting stands ready to help. Drawing on decades of experience, we've developed robust compliance processes through careful supplier selection and thorough internal audits. Our team works closely with American suppliers to ensure all products meet or exceed BAA standards. We understand these requirements can seem daunting, but we've created a clear path forward for our partners.



## Adapting to New BAA Standards

Recent efforts to strengthen the Buy American Act (BAA) have brought significant changes to the US lighting industry. In the past year alone, we've seen a surge in demand for BAA-compliant lighting products, particularly in government-funded construction projects. This shift reflects a broader push to bolster domestic manufacturing and tighten compliance standards across all sectors.

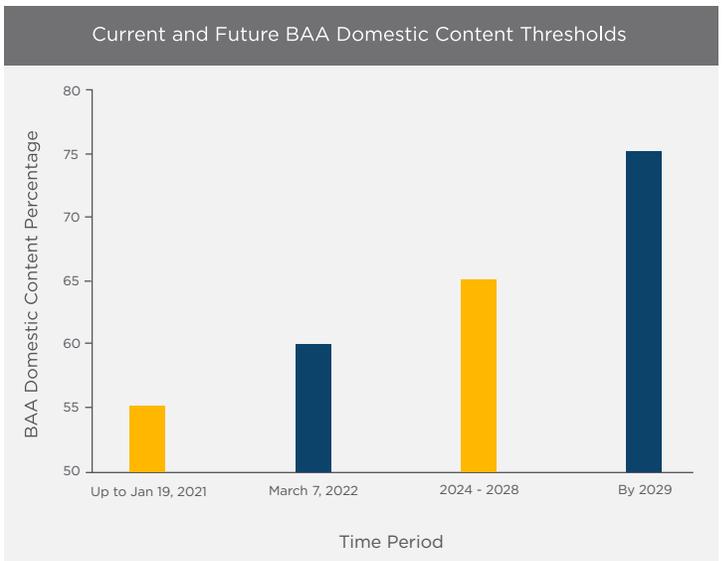
In line with these efforts, the recent administration has launched initiatives to close loopholes and increase domestic content thresholds, leading to more stringent BAA compliance requirements.

Key changes include:

1	Stricter enforcement of the “manufactured in the USA” requirement
2	An increase in the required percentage of domestic content from 55% to 60%, with plans to reach 75% by 2029 <sup>1</sup>
3	Enhanced scrutiny of supply chains and manufacturing processes

These changes have prompted a range of responses across the lighting industry. Domestic manufacturers are adjusting production to meet the evolving demand, while contractors are carefully reviewing their supply chains to ensure compliance. Distributors are also adapting by expanding their offerings of BAA-compliant products.

However, navigating these new requirements presents some challenges. How do you balance your interest in competing for government contracts with the need to ensure full BAA compliance? As the landscape evolves, staying informed and partnering with experienced suppliers becomes increasingly crucial for success in this market.



<sup>1</sup>Source: Made in America Office, "Buy American vs. Buy America Fact Sheet", <https://www.madeinamerica.gov/media/documents/buy-american-vs-buy-america-fact-sheet.pdf>

# Essential BAA Compliance Requirements for Lighting Manufacturers and Suppliers



## Manufacturing Location

Products must be substantially transformed in the US, which means all significant manufacturing processes, from assembly to final testing must occur domestically.



## Domestic Content Percentage

As of 2022, non-iron/steel products must contain at least 60% domestic content, increasing to 75% by 2029, with manufacturers required to track and document all components' origins and costs.



## Substantial Transformation

The US manufacturing process must result in a “new and different article of commerce.” In the lighting industry, this process entails acquiring non-operational components and transforming them into fully functional light fixtures through fabrication, welding, assembly, and finishing techniques such as painting and coating—significantly increasing their value.



## Documentation and Certification

Manufacturers must maintain detailed records proving compliance and provide certification for each product. This requires robust tracking systems for sourcing and manufacturing processes, including bills of materials with origin information, production records, and cost breakdowns showing domestic content percentages.



## Exceptions and Waivers

While exceptions exist, such as for Commercially Available Off-the-Shelf (COTS) items, and waivers can be requested in certain situations, these should not be relied upon as primary compliance strategies. Familiarity with these options, however, can provide flexibility when needed.

## The Risks of Non-Compliance

Failing to meet BAA requirements, even unintentionally due to misconceptions, can have severe consequences for all parties involved. These risks include:

	<b>Legal and financial penalties</b> for stakeholders (fines, lawsuits)
	<b>Project delays</b> due to halted approvals or replacements
	<b>Product failure or underperformance</b> leading to safety hazards or repairs
	<b>Reputational damage</b> hindering future contracts
	<b>Disqualification</b> from lucrative government projects

### How Some Manufacturers May Attempt to Circumvent BAA Rules

Unfortunately, some manufacturers may try to exploit loopholes or use deceptive practices to falsely claim BAA compliance. **For contracting personnel seeking both best value and BAA compliance, it's important to recognize that relying solely on contractor assurances is insufficient.** Common tactics include **misrepresenting product origins, improperly calculating domestic content percentages, and using complex corporate structures to obscure non-compliance.** A significant red flag is a lack of transparency about manufacturing processes and sourcing.

Always ask manufacturers pointed questions about their BAA claims and request thorough documentation to support their compliance assertions.

## Case Study: The High Cost of Non-Compliance

The risks of non-compliance clearly outweigh any short-term cost savings. In July 2023, a contractor in Fresno, California faced severe consequences for violating BAA rules. The company was fined \$332,000 for using Chinese-made steel in a \$1.1 million federally funded streetlight project, despite clear "Buy American" requirements.<sup>2</sup> This case demonstrates several key lessons:

Key takeaways:

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| • Using non-compliance materials will result in significant financial penalties. | • Local governments are strictly enforcing BAA provisions. | • Non-compliance jeopardized \$1.75 million in federal grants for the city. | • Replacement costs for non-compliant materials far exceeded potential savings. |
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These recent Department of Defense audits have uncovered similar violations across multiple military installations, highlighting the growing scrutiny of BAA compliance in federal lighting projects.<sup>3</sup>

### Goodfellow Air Force Base | Contract value: \$302,833



In a lighting retrofit contract, inspectors found four non-compliant products: two LED models marked "Made in China" and two with Chinese components. The contract lacked documentation proving BAA compliance or COTS status, highlighting inadequate verification procedures.

### Fort Meade | Contract value: \$9.6 million



Examination of twelve LED products revealed eight models with Chinese-made internal drivers, one marked "Made in Taiwan," and three without origin markings. Despite manufacturer specification sheets claiming BAA compliance for two models, proper documentation for COTS status was missing.

### NSWC Dahlgren | Contract value: \$12.3 million



Review found widespread compliance issues across multiple products: four models with Chinese components, four assembled in Mexico, two assembled in USA, four with Laotian components, one Taiwanese, and three unmarked. Contract files lacked proper BAA compliance documentation.

<sup>2</sup>Inside Lighting, "Contractor Pays Fresno \$332K for Using Chinese-Made Light Poles", <https://inside.lighting/news/24-08/contractor-pays-fresno-332k-using-chinese-made-light-poles>

<sup>3</sup>DoD Compliance with the Buy American Act for Light Emitting Diode Lighting Improvement Projects", <https://media.defense.gov/2024/Jul/03/2003497147/-1/-1/1/DODIG-2024-102%20SECURE.PDF>



## Phoenix Lighting: A Leader in BAA-Compliant Manufacturing

Since the 1970s, Phoenix Lighting has established itself as a trusted partner for BAA-compliant solutions. We've embedded compliance into every aspect of our operations, from rigorous sourcing to regular audits, with a dedicated team ensuring we remain current on BAA regulations.

Our commitment to strengthening compliance has led us to retool castings and optics domestically, partner with US aluminum extruders, fabricate components in-house, and source custom LED boards from American suppliers. These initiatives allow us to offer a comprehensive range of BAA-compliant lighting for government and military applications.

With Phoenix Lighting, you gain:



Assurance of legal compliance in federal projects



Support for domestic manufacturing and American jobs



Guaranteed quality and performance standards



Long-term cost-effectiveness and reliability



Streamlined procurement processes and shortened product lead times



Access to industry-leading expertise and support

Our deep understanding of government requirements, coupled with our longstanding status as a US manufacturer, positions Phoenix as an ideal partner for contractors and distributors involved in government-funded projects.

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Ready to ensure BAA compliance for your next project?

**Contact our team of experts today** to discuss your specific needs and discover how Phoenix Lighting can illuminate your path to full BAA compliance.



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