



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-sixth Legislature
Second Regular Session

House: TI DP 11-0-0-0

HB2318: state match fund; rural transportation

Sponsor: Representative Dunn, LD 25

Caucus & COW

Overview

Changes requirements relating to the State Match for Rural Transportation (SMART) Fund. Requires applicants who were awarded funding for design and engineering services to apply for a federal grant within two years or else have to repay the awarded funds. Modifies application requirements for SMART Fund monies.

History

The SMART Fund was established by [Laws 2022, Ch. 322](#) and is administered by the Arizona Department of Transportation (ADOT). Monies in the SMART Fund are continuously appropriated. Monies consist of appropriations from the Legislature and any nonfederal gifts, grants, donations or other amounts received from any public or private source for transportation projects.

On notice from ADOT, the State Treasurer must invest and divest monies in the SMART Fund and monies earned from the investment must be credited to the SMART Fund. The Transportation Board (Board) may not approve any expenditures from the SMART Fund unless the expenditure is made in accordance with requirements relating to the SMART Fund.

Monies in the SMART Fund must be used only for the following:

- 1) to reimburse up to 50% of the costs associated with developing and applying for a federal grant;
- 2) as a match for a federal grant; and
- 3) to reimburse design and other engineering services expenditures that meet federal standards for projects eligible for a federal grant.

Monies in the SMART Fund must be allocated as follows:

- 1) 20% to counties with a population of 100,000 persons or more;
- 2) 20% to counties with a population of less than 100,000 persons;
- 3) 20% to municipalities with a population of 10,000 persons or more;
- 4) 20% to municipalities with a population of less than 10,000 persons; and
- 5) 20% to ADOT to match federal grants and to reimburse design and other engineering services expenditures for federal grant eligible projects.

A county with a population of more than 1,000,000 persons is not eligible for funding. A municipality that is partially or entirely located in an urbanized area of a county with a population of more than 1,000,000 persons is not eligible for funding. ADOT may not use monies from the SMART Fund for projects that are located in an urbanized area of a county with a population of more than 1,000,000 persons ([A.R.S § 28-339](#)).

[Laws 2022, Ch. 309](#) appropriated \$50 million from the State Highway Fund and [Laws 2023, Chapter 135](#) appropriated \$12.5 million from the state General Fund into the SMART Fund.

Provisions

1. Prohibits ADOT, rather than the Board, from approving any expenditures from the SMART Fund unless it is made in accordance with requirements relating to the SMART Fund. (Sec. 1)
2. Clarifies that monies in the SMART Fund must be used *to provide match or reimbursement* of a match for a federal grant and to *fund or* reimburse design and other engineering services expenditures that meet federal standards for projects eligible for a federal grant. (Sec. 1)
3. Requires applicants awarded SMART Fund monies for design and other engineering services to apply for a federal grant within two years after the award, otherwise the award lapses. (Sec. 1)
4. Directs an applicant whose award lapses to repay any expended monies to the SMART Fund and to submit repayment within 30 days after receiving an invoice from ADOT. (Sec. 1)
5. Clarifies that ADOT must *suballocate* SMART Fund monies to *projects located in* specified counties and municipalities. (Sec. 1)
6. Specifies that *a project located* in a county, or a municipality partially or entirely located in an urbanized area of a county, with a population of more than 1,000,000 people is not eligible for funding. (Sec. 1)
7. Allows an entity eligible to receive a federal grant to apply to ADOT to be eligible for an award from the SMART Fund. (Sec. 1)
8. Directs an entity to first obtain the approval of the applicable metropolitan planning organization or council of governments before applying to ADOT. (Sec. 1)
9. Allows ADOT to require additional documentation to ensure an applicant is eligible for the federal grant. (Sec. 1)
10. Permits the Board to determine the extent to which an applicant has the technical and financial capacity to successfully complete the project. (Sec. 1)
11. Specifies that ADOT must determine, on receipt of an application, if the requirements of the Federal Statutes establishing the federal grant are met. (Sec. 1)
12. Allows the Board to give preference to applicants that can demonstrate other factors as deemed appropriate by the Board for the applicable federal grant. (Sec. 1)
13. Removes the requirement for ADOT to execute an *intergovernmental* agreement, to instead execute an agreement with the applicant regarding reimbursement and expenditures relating to monies used in the SMART Fund. (Sec. 1)
14. Permits ADOT to *annually* use up to 5% of SMART Fund monies earned in the previous fiscal year from the State Treasurer's investment and divestment of SMART Fund monies to administer the Fund, rather than 1% from SMART Fund monies allocated to ADOT. (Sec. 1)

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15. Removes the requirement for an applicant, who received a federal grant award but could not secure it, to notify ADOT within 15 days after receiving notice that the applicant has not secured the federal grant. (Sec. 1)
16. Allows the Board to redistribute the unawarded SMART Fund monies to ensure each suballocated category for projects located in counties and municipalities receives a share of the monies based on the percentage prescribed for each suballocated category. (Sec. 1)
17. Requires ADOT to post the amount available for each category on ADOT's website within 30 days after the Board's approval of the redistribution. (Sec. 1)
18. Allows the Board to direct ADOT to close applications for any category and return any unawarded applications to the applicants. (Sec. 1)
19. Requires the Board to rescind an award if an applicant receives funding from another source for the same project and purpose in an amount equal to or greater than the award made under the SMART Fund. (Sec. 1)
20. Directs an applicant to repay any monies expended from the SMART Fund within one year after the date of the rescission resolution approved by the Board. (Sec. 1)
21. Makes technical and conforming changes. (Sec. 1)