



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

REVISED
FACT SHEET FOR H.B. 2318

state match fund; rural transportation

Purpose

Authorizes the biannual redistribution of unawarded monies in the State Match Advantage for Rural Transportation (SMART) Fund, modifies SMART Fund allocations, expands the allowable uses of awarded SMART Fund monies and award eligibility, adds award repayment procedures and bolsters the application review process, as prescribed.

Background

The SMART Fund is administered by the Arizona Department of Transportation (ADOT) and consists of legislative appropriations and any nonfederal gifts, grants, donations or other amounts received for transportation projects. SMART Fund monies are allocated to counties with 100,000 persons or more, counties with fewer than 100,000 persons, municipalities with 10,000 persons or more, municipalities with fewer than 10,000 persons and ADOT. SMART Fund monies may only to be used: 1) to reimburse up to 50 percent of the costs associated with federal grant applications; 2) as a match for a federal grant; or 3) to reimburse design and other engineering services expenditures for eligible projects. The State Transportation Board (Board) may give preference to applicants that demonstrate both the percentage of matching monies provided by the applicant and the extent that the applicant will partner with other entities to deliver the project.

To be eligible for a SMART Fund award, a political subdivision of the state must first obtain the approval of the applicable metropolitan planning organization or council of governments and then submit an application to ADOT which must determine if the requirements of the notice of funding opportunity are met and approve the application for consideration by the Board. The Board may give preference to applicants that demonstrate the percentage of matching monies provided by the applicant or the extend that the applicant will partner with other entities to deliver a project. An awarded applicant must notify ADOT within 15 days after receiving notice of failing to secure a federal grant. After which, ADOT must make the award monies available for other applications ([A.R.S. § 28-339](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

The SMART Fund

1. Specifies that ADOT must suballocate 20 percent of SMART Fund monies to ADOT and projects located in the following categories:
 - a) a county with a population of 100,000 persons or more;
 - b) a county with a population of less than 100,000 persons;

- c) a municipality with a population of 10,000 persons or more; and
 - d) a municipality with a population of less than 10,000 persons.
2. Allows, beginning January 1 and July 1 of each year, the Board to redistribute the unawarded SMART Fund monies to ensure each category receives a share based on the prescribed percentages.
 3. Requires, within 30 days of the Board's redistribution approval, ADOT to post the amount of SMART Fund monies available for each category on ADOT's website.
 4. Allows the Board, based on available funding, to direct ADOT to close applications for any category and return any unawarded applications to the applicants.
 5. Prohibits ADOT, rather than the Board, from approving any expenditures from the SMART Fund, unless the expenditure is made as prescribed.
 6. Adds to the allowable uses of SMART Fund monies:
 - a) providing a reimbursement of a match for a federal grant; and
 - b) funding design and other engineering services expenditures that meet federal standards for projects eligible for a federal grant.
 7. Specifies that projects in the following locations are ineligible for SMART Fund monies:
 - a) a county with a population of more than 1,000,000 persons; and
 - b) 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.
 8. Allows ADOT to use up to 5 percent of SMART Fund monies for administrative purposes annually, rather than up to 1 percent of the 20 percent allocation to ADOT.

SMART Fund Applications

9. Expands the application eligibility for SMART Fund monies to include an entity that is eligible for a federal grant.
10. Allows ADOT to establish an application deadline, rather than application deadlines for each federal grant match.
11. Requires ADOT, on receipt of an application, to determine if the requirements of the federal statutes establishing the federal grant are met, as an alternative to determining if the requirements of the notice of funding opportunity are met.
12. Authorizes ADOT to require additional documentation to ensure an applicant is eligible for the federal grant.
13. Allows the Board to determine the extent to which an applicant has the technical and financial capacity to successfully complete a project.
14. Allows the Board to give preference to applicants that demonstrate other factors as deemed appropriate by the Board for the applicable federal grant.

15. 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 amount awarded.
16. Requires 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.
17. Stipulates that:
 - a) an applicant awarded funding for design and other engineering services must apply for a federal grant within two years of the award; or
 - b) the award lapses and the applicant must repay any expended monies to the SMART Fund.
18. Requires the applicant to submit repayment within 30 days of receiving an invoice from ADOT.
19. Eliminates the 15-day notification requirement for an applicant that is awarded SMART Fund monies but fails to secure a federal grant.
20. Makes technical and conforming changes.
21. Becomes effective on the general effective date.

Revisions

1. Corrects the provisions to:
 - a) require ADOT, rather than the Board, to post the redistributed amounts for each category;
 - b) include an entity as an eligible applicant, rather than replacing eligible political subdivisions of the state with eligible entities; and
 - c) require ADOT to determine if an application meets the requirements of the federal statutes establishing a federal grant, as an alternative to meeting the requirements of the notice of a funding opportunity.
2. Makes technical and conforming changes.

House Action

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3 rd Read	2/15/24		57-1-1-0-1

Prepared by Senate Research
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KJA/slp