



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

FACT SHEET FOR H.B. 2318

state match fund; rural transportation

Purpose

Establishes a biannual redistribution of unawarded monies in the State Match Advantage for Rural Transportation (SMART) Fund and repayment procedures for lapsed and rescinded awards and modifies requirements relating to project location, award eligibility and the allowable uses of Fund monies.

Background

The SMART Fund consists of monies appropriated by the Legislature and any nonfederal gifts, grants, donations or other amounts received from any public or private source for transportation projects. The Arizona Department of Transportation (ADOT) is required to administer the SMART Fund. SMART Fund monies are allocated to the following categories: 1) 20 percent to counties with a population of 100,000 persons or more; 2) 20 percent to counties with a population of fewer than 100,000 persons; 3) 20 percent to municipalities with a population of 10,000 persons or more; 4) 20 percent to municipalities with a population of fewer than 10,000 persons; and 5) 20 percent to ADOT.

SMART Fund monies may only to be used: 1) to reimburse up to 50 percent of the costs associated with developing and applying for a federal grant; 2) as a match for a federal grant; or 3) to reimburse design and other engineering services expenditures that meet federal standards for projects eligible for a federal grant. The State Transportation Board may give preference to SMART Fund applicants that demonstrate: 1) the percentage of matching monies provided by the applicant; and 2) the extent that the applicant will partner with other entities to deliver the project.

A political subdivision must first obtain the approval of the applicable metropolitan planning organization or council of governments before applying to ADOT and then submit a SMART Fund application to ADOT to be eligible for an award. ADOT is required, upon approval of an award by the State Transportation Board, to execute an intergovernmental agreement with the applicant regarding reimbursement and expenditures. An applicant that receives an award but is not able to secure the federal grant is required to notify ADOT within 15 days after receiving notice that the applicant has not secured the federal grant. ADOT is required, after receiving the applicant's notice, to 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

1. 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.

2. Allows, beginning January 1 and July 1 of each year, the State Transportation Board to redistribute the unawarded monies in the SMART Fund to ensure each category receives a share of the monies based on the prescribed percentages.
3. Requires the Board, within 30 days of the Board's approval of the redistribution, to post the amount available for each category on ADOT's website.
4. Allows the Board to direct ADOT to close applications for any category and return any unawarded applications to the applicants.
5. Allows an entity, rather than a political subdivision of the state, that is eligible for a federal grant to apply for an award from the SMART Fund.
6. Requires an entity, rather than a political subdivision of the state, to:
 - a) obtain the approval of the applicable metropolitan planning organization or council of governments before applying to ADOT; and
 - b) submit an application to ADOT to be eligible for an award from the SMART Fund.
7. Stipulates that an applicant that is awarded funding for design and other engineering services must apply for a federal grant within two years of being awarded or the award lapses and the applicant must repay any expended monies to the SMART Fund.
8. Requires an applicant to submit repayment within 30 days of receiving an invoice from ADOT.
9. 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.
10. 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.
11. Requires ADOT, on receipt of an application, to determine if the requirements of the federal statutes establishing the federal grant are met.
12. Authorizes ADOT to require additional documentation to ensure an applicant is eligible for the federal grant.
13. Prohibits ADOT, rather than the State Transportation Board, from approving any expenditures from the SMART Fund, unless the expenditure is made in accordance with outlined requirements.
14. Allows the State Board of Transportation to determine the extent to which an applicant has the technical and financial capacity to successfully complete the project.
15. Allows the State Transportation Board to give preference to SMART Fund applicants that can demonstrate other factors as deemed appropriate by the Board for the applicable federal grant.
16. Allows ADOT to establish an application deadline, rather than application deadlines for each federal grant match.

17. Eliminates the 15-day notification requirement for an applicant that is awarded SMART Fund monies but has not secured the federal grant.
18. Specifies that ADOT must suballocate 20 percent of SMART Fund monies to projects located in the five outlined categories.
19. 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.
20. 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 of SMART Fund monies for ADOT.
21. Makes technical and conforming changes.
22. Becomes effective on the general effective date.

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