



Central Arizona Governments
Central Yavapai Metro. Planning Org.
Lake Havasu Metro. Planning Org.
MetroPlan Greater Flagstaff
Northern Arizona Council of Gov'ts.
Sierra Vista Metro. Planning Org.
Southeastern AZ Governments Org.
Sun Corridor Metro. Planning Org.
Western Arizona Council of Gov'ts.
Yuma Metropolitan Planning Org.

January 19, 2023

HB2318 - AZ SMART FUND REFORMS

BACKGROUND: The enactment of the federal Infrastructure Investment and Jobs Act (IIJA) two years ago brought an unprecedented opportunity for state, regional, and local entities to pursue federal transportation discretionary grants. Arizona wisely responded with the creation of the SMART Fund which provides ADOT and rural jurisdictions with an opportunity to receive financial assistance to; help prepare federal grant applications, hire design and engineering consultants to develop a project to federal aid standards, and/or contribute to any local match requirement.

The program provides an excellent opportunity to maximize the level of federal transportation funding that we can secure for Greater Arizona, bringing back at least \$4 in federal funding for every \$1 we invest in successful grant applications.

As the majority of these grant programs and our response with the SMART Fund are relatively new, there was a high level of unpredictability when the SMART Fund was created. After a full year of program implementation and lessons learned, RTAC has worked with ADOT to develop reforms to both improve the program and insure that the funding is fully utilized.

PROPOSED REFORMS:

Expanding eligibility so that all rural entities eligible to apply for a federal transportation grant are also eligible to apply for the SMART Fund. This would include tribes, rural transit organizations, and regional transportation planning organizations.

A periodic rebalancing of the funding between the five existing allocation categories. This would maintain funding expressly for smaller jurisdictions (municipalities under 10,000 and counties under 100,000), yet minimize the potential for funding to go unused for an indefinite period of time, particularly when there is high demand for this funding from other rural applicants.

Administrative improvements and safeguards such as requiring SMART Fund awardees that utilize funding for engineering and design services to apply for a federal grant within two years or return the awarded SMART Fund revenue.

*** In years when one-time state revenues are available, RTAC will also pursue additional appropriations for the SMART Fund as we should proactively maximize the level of federal transportation grant dollars that we can bring back to Arizona.**