

## II. SPECIFICATIONS

### A. Program Description

The AZ SMART Fund<sup>1</sup> was established in 2022 to help Eligible Applicants compete more effectively at the national level for numerous Federal discretionary grants, which are competitive and awarded at the discretion of the federal agency.

Projects eligible for AZ SMART are surface transportation projects including road, bridge, transit, rail, and related facilities such as bicycle and pedestrian paths, trails, etc. which are eligible for the Federal Grant identified in the AZ SMART application. This is not an exhaustive list of eligible Projects and Applicants should consult the federal statutes establishing the applicable Federal Grant or the NOFO or NOFA for additional, eligible surface transportation project types.

AZ SMART became effective on September 24, 2022. The program was amended in 2023 to clarify Applicant eligibility. Significant amendments were made to the program in 2024 (Laws 2024, Chapter 120) which, among other changes, broadened the applicant pool as well as the authority of ADOT and the Board. The effective date of the 2024 changes was September 14, 2024.

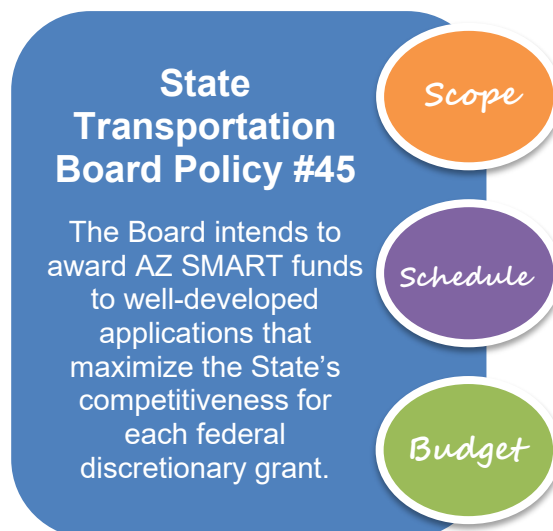
The AZ SMART Fund is administered by ADOT. All awards from the AZ SMART Fund must be approved by the Board.

### B. Funding Categories

The AZ SMART Fund received an initial Legislative Appropriation of \$50 million in state fiscal year (“FY”) 2023, and an additional \$12.5 million in FY 2024. At ADOT’s direction, these funds are invested by the state treasurer and earn interest to help sustain the Fund (ARS §28-339.B). The monies in the AZ SMART Fund are exempt from lapsing.

Funds are allocated by ARS §28-339.F to the population-based Funding Categories identified below. Population is based on the most recent decennial census certified by the United States Census Bureau (ARS §28-339.Q).

Figure 2, Board Policy #45



<sup>1</sup> The AZ SMART Fund grant program is different from the federal program using the “SMART” acronym, the Strengthening Mobility and Revolutionizing Transportation grant program. However, the federal SMART grant program is a federal discretionary grant which provides funding for surface transportation projects, and therefore is eligible under the AZ SMART Fund.

1. 20% for projects located in counties with a population of 100,000 persons or more;
2. 20% for projects located in counties with a population of fewer than 100,000 persons;
3. 20% for projects located in cities and towns with a population of 10,000 persons or more;
4. 20% for projects located in cities and towns with a population of fewer than 10,000 persons; and
5. 20% to ADOT. ADOT may not use its share for projects that are located in an urbanized area of a county with a population of more than one million persons.

### **C. Fund Status**

ADOT posts the current balances of each Funding Category following each Board meeting on the [AZ SMART webpage](#). The balances are subject to change based on awards, interest earnings, legislative transfers into or out of the AZ SMART Fund, month-end adjustments and other changes.

### **D. Eligible Applicants**

Eligible Applicants for the AZ SMART Program are those entities eligible to receive a federal discretionary grant for surface transportation purposes. Applicants must be identified in federal statute or a current NOFO or NOFA for the specific Federal Grant as an Eligible Applicant. Eligible Applicants include for AZ SMART include, but are not limited to:

1. Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Pinal, Santa Cruz, Yavapai and Yuma Counties.
2. Incorporated cities and towns located in the Counties listed above.
3. Regional transit authorities in the cities, towns and counties listed above.
4. Metropolitan Planning Organizations ("MPO").
5. Federally recognized Indian Tribes.
6. ADOT.
7. Other political subdivisions of the State.
8. Non-governmental entities eligible for a Federal Grant, such as Councils of Governments ("COG"), private non-profit or for profit corporations, associations, individuals, or any other entity which is not a political subdivision of this State or a Tribal Nation.

### **E. Funding Categories**

The AZ SMART Funding Category from which a Project will be funded is based on the

population of the jurisdiction in which the Project is located, as determined in the most recent decennial census certified by the United States census bureau (see [AZ SMART Eligibility by Population](#)). Projects in unincorporated areas will be funded from the applicable County Funding Category, and Projects within an incorporated city or town will be funded from the applicable Municipal Funding Category. This also applies to projects on ADOT's system submitted by an applicant other than ADOT.

Figure 3 below shows examples of the Funding Category associated with various project scenarios.

<i>Figure 3 – Funding Category Examples</i>	
<i>Project Location or Description</i>	<i>Funding Category</i>
50% or more contained in an incorporated city or town with population of less than 10K	Municipalities under 10K
50% or more contained in an incorporated city or town with population of 10K or more	Municipalities over 10K
50% or more contained in an unincorporated area of a County with population of less than 100K	County under 10K
50% or more contained in an unincorporated area of a County with population of 100K or more	County over 100K
Projects submitted by a COG	County over 100K
Project submitted by an MPO	Municipalities over 10K
Projects submitted by multi-jurisdictional applicants, such as transit authorities	From the category with the largest share of Project's population or the service boundaries as identified in the Applicant's legal organizing documents.
Projects on ADOT's system submitted by an applicant other than ADOT	From the Municipal or County category with the largest share of Project's population
Projects on ADOT's system submitted by ADOT	ADOT

## F. Eligible Projects

Many surface transportation Projects eligible for a Federal Grant are also eligible for AZ SMART. The Applicant is responsible for identifying appropriate Federal Grants for the Project. Projects submitted to AZ SMART must meet all of the following requirements:

1. Has been or will be submitted for a Federal Grant which funds surface transportation projects. The USDOT [Discretionary Grants Dashboard](#) provides an overview of federal discretionary grant opportunities that can help meet transportation infrastructure needs, including those with rural and Tribal set-asides and low or no match requirements. The Dashboard also includes Federal Grant programs from other federal agencies which may fund surface transportation projects. Congressionally Directed Spending is not a Federal Grant.

2. Be for, and directly related to, surface transportation purposes. This includes roads, bridges, rail, or transit, a related facility such as bicycle and pedestrian paths, trails, etc., or a surface transportation component(s) of a multimodal project. This is not an exhaustive list of eligible Projects and Applicants should consult the federal statutes establishing the applicable Federal Grant or the NOFO or NOFA for additional, eligible surface transportation project types. Aviation is not eligible for AZ SMART.
3. Be an infrastructure or non-infrastructure Project eligible for the specific Federal Grant identified in the AZ SMART application. Infrastructure projects include the design and construction of a physical surface transportation asset, or an improvement to a physical asset. Non-infrastructure projects include studies, training, regional planning and other activities not directly tied to a specific infrastructure project.
4. Be related to a public facility. This includes infrastructure owned by a municipality, county, tribal government, or special district or other governmental entity which has, or will have, responsibility for the Project's operation and maintenance.
5. Be continuously available for use by the public.

## G. Eligible Uses

AZ SMART Funds may be used only to fund or reimburse expenditures related to Eligible Projects which meet Federal Standards for the uses described below. **APPLICANTS ARE HEREBY NOTIFIED THAT ONLY EXPENDITURES INCURRED UNDER A PROCUREMENT WHICH MEETS FEDERAL STANDARDS ARE ELIGIBLE**, with the exception of Grant Development and Submission.

1. Design and other engineering services ("DOES") expenditures that meet Federal Standards. The development of scope, schedule and budget information required to be submitted in the AZ SMART application and the initial ADOT Project Development Administration ("PDA") fee of \$30,000 are eligible for DOES, provided these costs are included in the Project Budget submitted with the Application. Costs to develop scope, schedule and budget must have been incurred under a procurement which meets Federal Standards. PDA costs may exceed the initial \$30,000 fee and the Applicant will be responsible for such additional fees.

**Applicants receiving DOES awards must apply for a Federal Grant within 2 years of the Date of Award by the Board.** Pursuant to ARS §28-339.E.3, failure to meet this deadline will result in the award being rescinded by the Board, and the Applicant will be required to repay any DOES funding expended or reimbursed.

2. Match for a Federal Grant for cash or in-kind expenditures that meet Federal Standards. In-kind expenditures must be allowable under the applicable Federal Grant.
3. Up to 50% of cash and in-kind Grant Development and Submission ("GDS") expenditures; limited to Projects located in Municipalities with population of less than 10,000 and Counties with population of less than 100,000. This eligible use is not required to meet Federal Standards.

## H. Ineligible Uses

AZ SMART funds may not be used to fund or reimburse:

1. A Project located in Maricopa County, Pima County or any city, town, or unincorporated area partially or wholly located within these Counties.
2. DOES or Match expenditures that do not meet Federal Standards.
3. Expenditures not directly related to a road, bridge, rail, transit project or components of a multimodal project not directly related to a road, bridge, rail, transit project.
4. Changes in Scope.
5. Expenditures incurred prior to September 14, 2024, the effective date of Laws 2024, Chapter 120.
6. Match in excess of the amount required by the applicable Federal Grant. Excess match monies to improve a Project's competitiveness for the Federal Grant are the responsibility of the Applicant.
7. Match for formula funding programs such as Surface Transportation Block Grant Program ("STBGP"), Highway Safety Improvement Program ("HSIP"), Off-system Bridge, Transportation Alternatives or other formula funds programmed by ADOT or a COG/MPO.
8. Match for Congressionally Designated Spending earmarks or any other funding which is not a federal discretionary grant.
9. Expenditures made prior to the execution of a Federal Grant Agreement.
10. Expenditures for which the Applicant received funding from any other source for the same Project and purpose in an amount equal to or greater than the AZ SMART award (ARS §28-339.P). For example, if an Applicant receives a DOES award and also receives a federal grant which funds design, ARS §28-339.P requires the Board to rescind the DOES award. The Applicant must also repay any DOES funding expended with one year from the date of the rescission resolution approved by the Board.
11. Expenditures related to a Project for which the Applicant will no longer pursue a Federal Grant. For example, an Applicant received an AZ SMART award for DOES, and later received a Legislative Appropriation for construction. As a result, the Applicant no longer needs to pursue a Federal Grant application. At the point an Applicant is no longer pursuing a Federal Grant, the AZ SMART award becomes invalid. The Board will rescind the award and the Applicant must repay any AZ SMART funding expended or reimbursed.
12. Other expenditures which are ineligible for the applicable Federal Grant or ARS §28-339.