

REFERENCE TITLE: **transportation; 2026-2027.**

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1862

Introduced by
Senator Farnsworth (with permission of Committee on Rules)

AN ACT

AMENDING SECTION 28-339, ARIZONA REVISED STATUTES; REPEALING SECTION 28-6534, ARIZONA REVISED STATUTES; AMENDING TITLE 28, CHAPTER 18, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 28-6534; REPEALING SECTION 28-7282, ARIZONA REVISED STATUTES; RELATING TO TRANSPORTATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 28-339, Arizona Revised Statutes, is amended to
3 read:

4 28-339. State match advantage for rural transportation fund;
5 allocation of monies; definitions

6 A. The state match advantage for rural transportation fund is
7 established. The department shall administer the fund. Monies in the
8 fund are continuously appropriated. The fund consists of the following:

9 1. Monies appropriated by the legislature.

10 2. Any nonfederal gifts, grants, donations or other amounts
11 received from any public or private source for transportation projects.

12 3. MONIES ALLOCATED PURSUANT TO SECTION 28-6534.

13 B. On notice from the department, the state treasurer shall invest
14 and divest monies in the fund as provided by section 35-313, and monies
15 earned from investment shall be credited to the fund.

16 C. The department may establish any subaccount in the fund that the
17 department determines is necessary to carry out the purposes of this
18 section.

19 D. The department may not approve any expenditures from the fund
20 unless the expenditure is made in accordance with this section.

21 E. Monies in the fund shall be used only for the following:

22 1. To reimburse up to fifty percent of the costs associated with
23 developing and submitting an application for a federal grant.

24 2. To provide A match or reimbursement of a match for a federal
25 grant.

26 3. To fund or reimburse design and other engineering services
27 expenditures that meet federal standards for projects eligible for a
28 federal grant. Applicants awarded funding for design and other
29 engineering services shall submit an application for a federal grant
30 within two years after the award or the award lapses and the applicant
31 must repay any expended monies to the fund. The applicant shall submit
32 repayment within thirty days after receiving an invoice from the
33 department.

34 F. Except as provided in subsection G of this section, the
35 department shall suballocate monies in the fund to the following five
36 categories:

37 1. Twenty percent to projects located in counties with a population
38 of one hundred thousand persons or more for uses described in subsection
39 E, paragraphs 2 and 3 of this section.

40 2. Twenty percent to projects located in counties with a population
41 of less than one hundred thousand persons for uses described in subsection
42 E of this section.

3. Twenty percent to projects located in municipalities with a population of ten thousand persons or more for uses described in subsection E, paragraphs 2 and 3 of this section.

4. Twenty percent to projects located in municipalities with a population of less than ten thousand persons for uses described in subsection E of this section.

5. Except as provided in subsection L of this section, twenty percent to the department for uses described in subsection E, paragraphs 2 and 3 of this section.

G. A project located in a county with a population of more than one million persons is not eligible for funding pursuant to subsection F, paragraph 1 of this section. A project located in a municipality that is partially or entirely located in an urbanized area of a county with a population of more than one million persons is not eligible for funding pursuant to subsection F, paragraph 3 or 4 of this section. The department may not use monies pursuant to subsection F, paragraph 5 of this section for projects that are located in an urbanized area of a county with a population of more than one million persons.

H. An entity that is eligible to receive a federal grant shall submit an application to the department to be eligible for an award from the fund. The entity must first obtain the approval of the applicable metropolitan planning organization or council of governments before submitting an application to the department. The department may establish an application deadline and require additional documentation to ensure THAT an applicant is eligible for the federal grant. The board may also determine the extent to which an applicant has the technical and financial capacity to successfully complete the project.

I. On receipt of an application, the department shall determine if the requirements of the notice of funding opportunity or the federal statutes establishing the federal grant are met and if the approval required under subsection H of this section is granted. If the department determines that the application meets the requirements and is complete, the department shall forward the application to the departmental committee established pursuant to section 28-6951 for a recommendation. If a recommendation is made, the department shall notify the chairperson of the board that the application is ready for consideration and action by the board.

J. Once notified pursuant to subsection I of this section, the chairperson of the board shall place the application on an agenda for action within forty-five days after original receipt of the notification. The board may give preference to applicants that can demonstrate any of the following:

1 1. The percentage of matching monies provided by the applicant.

2 2. The extent that the applicant will partner with other entities
3 to deliver the project.

4 3. Other factors as deemed appropriate by the board for the
5 applicable federal grant.

6 K. The board may approve, deny, modify or request more information
7 on the application. If the board approves an award, the department shall
8 execute an agreement with the applicant regarding reimbursement and
9 expenditures pursuant to subsection E of this section.

10 L. On the department's request, the board shall approve the use of
11 monies as described in subsection F, paragraph 5 of this section. The
12 department may annually use up to five percent of the monies earned in the
13 previous fiscal year under subsection B of this section to administer the
14 fund.

15 M. If an applicant receives an award pursuant to subsection E,
16 paragraph 2 of this section but is not able to secure the federal grant,
17 the department shall make the award monies available for other
18 applications.

19 N. Beginning January 1 and July 1 of each year, the board may
20 redistribute the unawarded monies in the fund to ensure each category
21 under subsection F of this section receives a share of the monies based on
22 the percentages prescribed in subsection F of this section. The
23 department shall post the amount available for each category on the
24 department's website within thirty days after the approval of the
25 redistribution by the board.

26 O. Notwithstanding subsection J of this section and based on
27 available funding, the board may direct the department to close
28 applications for any category and return any unawarded applications to the
29 applicants.

30 P. The board shall rescind an award if an applicant receives
31 funding from another source for the same project and purpose in an amount
32 equal to or greater than the award made under this section. The applicant
33 shall repay any monies expended from the fund within one year after the
34 date of the rescission resolution approved by the board.

35 Q. For the purposes of this section:

36 1. "Federal grant" means a federal discretionary grant program
37 administered by any federal agency for surface transportation purposes.

38 2. "Urbanized area" means an urbanized area as defined in the most
39 recent decennial census certified by the United States census bureau.

40 Sec. 2. Repeal

41 Section 28-6534, Arizona Revised Statutes, is repealed.

1 Sec. 3. Title 28, chapter 18, article 2, Arizona Revised Statutes,
2 is amended by adding a new section 28-6534, to read:

3 28-6534. Arizona highway user revenue fund distribution;
4 state match advantage for rural transportation
5 fund

6 NOT LATER THAN JUNE 15 OF EACH FISCAL YEAR, THE DEPARTMENT SHALL
7 ALLOCATE AND TRANSFER \$2,500,000 OF REVENUES FROM THE ARIZONA HIGHWAY USER
8 REVENUE FUND TO THE STATE MATCH ADVANTAGE FOR RURAL TRANSPORTATION FUND
9 ESTABLISHED BY SECTION 28-339.

10 Sec. 4. Delayed repeal

11 Section 28-7282, Arizona Revised Statutes, is repealed from and
12 after June 30, 2035.