Other Rural Provisions in TEA-21

The new legislation has several provisions that deal specifically with rural areas. TEA-21 includes language that encourages more consultation between local officials and States in the State transportation planning process, specifically stating that, "each State shall, at a minimum, consider, with respect to nonmetropolitan areas, the concerns of local elected officials." This provision is significant because it reflects a recognition on the part of Federal officials of the importance of rural involvement in transportation planning issues. This should help rural areas to compete more equally with urban areas. In particular, the use of regional development organizations (although not mandated) could help foster more active participation of local officials and the public in the planning process.

TEA-21 provides a total of $2.25 billion from 1999 to 2003 for the Appalachian Development Highway System, a program that provides aid for the construction of highways and access roads in Appalachia. This program benefits rural residents and industries located in Appalachia, such as mining and manufacturing, as well as tourism, recreation, and service industries. The new legislation also provides $148 million for the National Scenic Byways Program, which offers technical assistance and grants to States for the development of recreational use roads, which are located primarily in rural areas.

TEA-21 continues to fund "transportation enhancement" (TE) activities, that is, environmental, recreational, and general project development activities, through a 10-percent set-aside from STP funds. Some have argued that TE funding takes scarce resources away from rural (and urban) highway needs by using money for programs other than roads and bridges. Others contend that enhancements are important for rural businesses, and that greater flexibility is needed in allowing their use for a wider variety of economic development projects. TEA-21 allows a State to transfer a portion of its TE funds to other programs.

Conclusions

The Federal-aid highway program has been the main source of funding for the Nation's most important roads for over four decades, facilitating the development of a far-reaching road network that has significantly contributed to rural economic development. Some rural areas, however, have historically received lower levels of highway funding than other areas. For example, many Southern States, where many rural residents reside, received less in per capita aid than other regions, yet these same Southern States have tended to be donor States, receiving less in Federal highway aid than they contribute in gas tax revenue.

Under TEA-21, overall funding has increased significantly for the Nation as a whole, and donor States, many of which have large rural populations, collectively receive bigger proportional funding increases than recipient States. However, because Federal highway aid continues to be allocated to the States, which then individually decide how to use the money, it remains difficult to say definitively how these funding increases will affect rural areas. Simply increasing aid to those States with large rural populations will not necessarily provide more money for nonmetro transportation projects. Likewise, even if money can be effectively targeted to rural areas, increased funding for rural roads will not guarantee development. But increasing the share of Federal aid to these States is an important change in the pattern of funding because it makes available more money to States with large rural populations. Hence, it may result in relatively large increases in highway funding for rural areas nationwide, assuming that States pass on to rural areas a proportionate share of these funds.

Funding changes may benefit parts of the South. In particular, manufacturing- and mining-dependent rural counties, many of which are located in the South, stand to benefit from the additional funding. Because donor States tend to have relatively poor rural populations, more money for these States could help address rural economic inequities and help finance improvements in areas that currently have inadequate transportation infrastructure, which may lead to increases in economic equity and efficiency. These changes could also help address the growing highway demands associated with rapidly growing areas in the South and West, possibly alleviating traffic congestion and bringing about further gains in economic efficiency.