How Will the Recently Passed Highway Legislation Change Things?

The new highway legislation provides sharply increased funding for the Nation's highways, a record $171 billion over the next 6 years, which translates into a 45-percent increase over previous funding levels. The legislation also contains new provisions that ensure that gas tax revenues are earmarked for their intended purpose and are not allowed to accumulate in the Highway Trust Fund.

TEA-21 also guarantees that each State will receive at least a 90.5-percent return on the share of money it contributes to the Trust Fund. This represents a significant change in the funding formula since it provides a minimum level of aid for all States, and it especially benefits the 20 States that received less than a 90.5-percent return on funds contributed to the Trust Fund under ISTEA. Moreover, while many States under the new legislation will continue to provide more money in gas tax receipts than they receive back in highway aid, and others will still get back more than they contribute, the gap between donors and recipients narrows under TEA-21.

Under the new legislation, the general pattern of funding remains in place, with most States maintaining their relative rankings in terms of aid received. However, donor States are the main beneficiaries. States that were donors under ISTEA collectively receive larger proportional funding increases under TEA-21 than States that were former recipients. Eighty percent of donor States under ISTEA will receive funding increases of 50 percent or more under TEA-21, while only 30 percent of recipient States under ISTEA receive increases of this size.

As a group, donor States under TEA-21 have lower per capita nonmetro incomes than the rest of the Nation and fewer road miles per nonmetro resident that are eligible for Federal highway funding than recipient States (table 2). The nonmetro population grew 60 percent faster in these States than in the rest of the Nation during 1990-96. Hence, with rapid population growth and relatively low highway funding, some rural communities in donor States may have inadequate resources to meet their growing transportation needs. The new legislation may help to address this problem (although it does not explicitly target assistance to rapid growth nonmetro communities).

Table 2--Characteristics of donor and recipient States under TEA-21

Largest nonmetro States are donors

State	Federal Highway aid: Per dollar contributed (1998-2003)	Federal Highway aid: Per capita* (Nonmetro) (1998-2003)	Nonmetro population (1996)	Per capita nonmetro income (1995)	Eligible road miles per 100,000 nonmetro residents (1996)	Nonmetro population growth rate (1990-96)
	Dollars	*Dollars*	*Rank*	*Rank*	*Rank*	*Rank*
Donors						
Alabama	0.92	386	18	39	14	32
Arizona	0.91	616	35	48	8	3
Arkansas	0.92	254	19	40	16	26
California	0.91	2,255	24	33	6	11
Colorado	0.92	426	33	12	11	4
Florida	0.91	1,186	26	24	12	9
Georgia	0.91	397	3	34	49	15
Illinois	0.92	470	6	28	32	44
Indiana	0.91	373	13	17	33	29
Kentucky	0.91	226	5	45	44	23
Louisiana	0.91	386	23	47	28	40
Maryland	0.91	1,075	41	8	13	19
Michigan	0.91	490	11	27	45	25
Mississippi	0.92	171	7	46	39	31
Missouri	0.92	361	10	41	48	24
Nebraska	0.97	253	30	15	38	41
New Jersey	0.94	N/A	50	50	N/A	N/A
North Carolina	0.90	305	2	25	25	17
Ohio	0.91	424	4	22	43	27
Oklahoma	0.92	308	20	43	23	38
Oregon	0.92	339	27	26	22	10
South Carolina	0.91	373	22	37	19	22
Tennessee	0.90	345	9	29	21	16
Texas	0.91	624	1	38	31	18
Utah	0.92	443	37	44	26	2
Virginia	0.91	455	16	32	42	30
Washington	0.92	491	28	14	5	7
Wisconsin	0.99	313	12	21	29	20
Recipients						
Alaska	5.14	875	42	6	1	14
Connecticut	1.52	1,395	45	1	35	37
Delaware	1.54	883	47	10	17	5
Hawaii	2.01	434	44	9	2	8
Idaho	1.41	248	29	36	36	6
Iowa	1.04	198	14	13	37	46
Kansas	1.02	267	21	20	20	47
Maine	1.01	187	31	16	41	42
Massachusetts	1.01	5,363	48	4	10	28
Minnesota	1.06	278	17	19	47	35
Montana	2.08	387	34	31	7	12
Nevada	1.14	826	46	5	24	1
New Hampshire	1.27	310	38	3	46	34
New Mexico	1.14	349	32	49	15	13
New York	1.19	173	15	23	34	45
North Dakota	1.83	465	40	35	4	48
Pennsylvania	1.21	710	8	18	30	33
Rhode Island	2.18	1,895	49	2	40	49
South Dakota	2.01	391	36	30	9	39
Vermont	1.76	301	39	7	18	36
West Virginia	1.41	279	25	42	27	43
Wyoming	1.50	540	43	11	3	21
Donor Average	**0.91**	**386**	**1,376,737**	**17,090**	**1,732**	**6.61**
Recipient Average	**1.41**	**389**	**463,355**	**18,615**	**1,854**	**4.12**

*Per capita aid is total State aid for 1998-2003 divided by the nonmetro population of each State for 1996.
Source: Calculated by Economic Research Service using data from U.S. Dept. of Transportation and the Census Bureau.