TEA-21 Increases State Funds

Many of the States receiving big funding increases (increase of 40 percent or more) are located in the South (fig. 6). Research indicates that rural highway spending is positively correlated with employment gains in the manufacturing sector (Carlino and Mills, 1987), so rural manufacturing-dependent counties in the South may particularly benefit from the increased funding (table 3). Mining-dependent counties may also benefit from increased funding since three out of four of these types of counties are located in States receiving big increases (increase of at least 50 percent).

TEA-21 also provides more funding to the States with the largest nonmetro populations, with the five largest (measured in absolute terms) nonmetro population States receiving larger funding increases than the national average. This should particularly benefit the South and parts of the Midwest, which have large numbers of rural residents. Parts of the Rocky Mountain West also received big increases under TEA-21. This could significantly benefit those rural communities that are highly dependent on highways due to their remote location.

Farming is the most important nonmetro economic activity in many States receiving smaller increases in aid. These States are concentrated in parts of the Midwest and the Northeast.

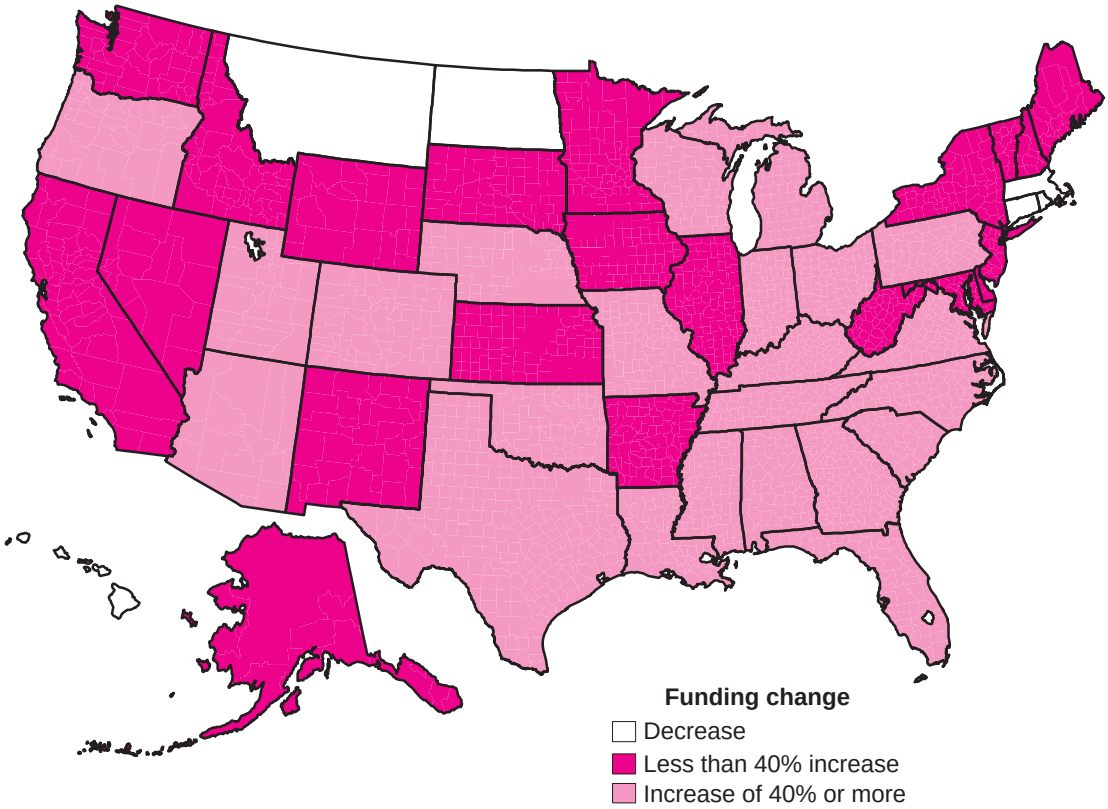
Several States have switched from recipient to donor status, including Arkansas, Illinois, Maryland, and New Jersey. Overall, 22 States are now recipients, while 28 are now donors (fig. 7). Donor States continue to be clustered in the rapidly growing areas of the Nation, that is, the South and parts of the West, as well as in the Great Lakes region. Recipient States are still concentrated in the Northeast, the northern Rockies, and the Great Plains.

In summary, many of the States with the largest rural populations have been donor States under ISTEA, so by increasing the share of Federal aid to these States, TEA-21 may result in relatively large increases in highway funding for rural areas nationwide, assuming

Figure 6

Percentage change in State funding (in real terms) under TEA-21 versus ISTEA

Gains are biggest for States in the South and parts of the Midwest and West



Source: House Transportation and Infrastructure Committee.

that States pass on to rural areas a proportionate share of these funds. While increased funding for rural roads will not guarantee development, it increases the likelihood that such development can occur.

Because donor States tend to have rural areas with relatively low incomes (and many of these areas have relatively low tax bases), increasing their share of funding should help reduce fiscal inequalities. In the past, States having large numbers of relatively low-income rural residents received less Federal highway money per capita than recipient States, but their shares will increase under the new legislation. Giving more money to donor States may also address the relative disadvantage these States have had in terms of eligible road miles per rural resident, while also providing resources for more effectively dealing with their significant population growth demands.

Table 3--County types by State-level changes in highway funding under TEA-21

Manufacturing is an important nonmetro industry among States with big funding increases

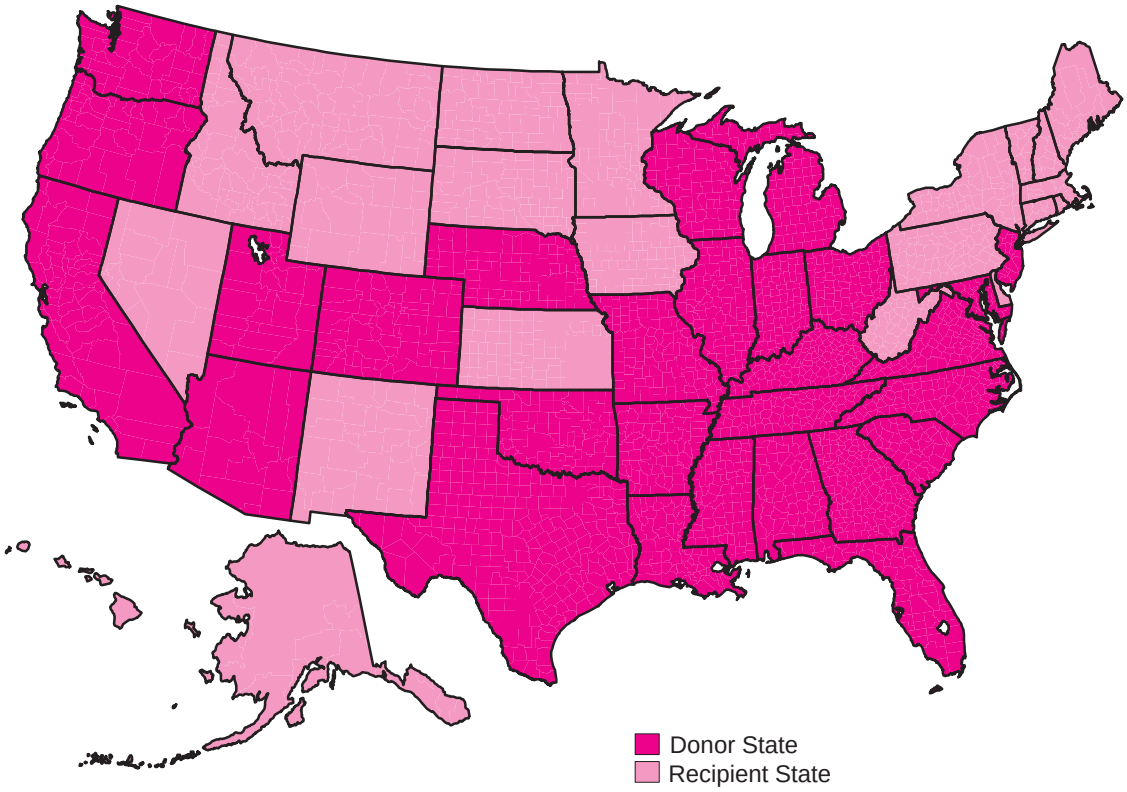
County type	Funding change category: Increase of at least 50 percent	Increase less than 50 percent	Decrease
	Number of counties		
Nonmetro	1,425	848	3
Farming	281	275	0
Mining	107	39	0
Manufacturing	356	150	0
Government	165	79	0
Services	196	124	3
Nonspecialized	312	172	0
Not Classified	8	9	0
Metro	470	328	11

Source: Calculated by ERS using Census Bureau data.

Figure 7

Donor and recipient States under TEA-21, 1998-2003

Many Southern States continue to pay more in taxes than they receive in aid



Source: Senate Environment and Public Works Committee.