More Money for Telecommunications, Other Programs

Telecommunications programs received higher funding in 2000. Most other rural infrastructure programs, including transportation and environmental programs, also received more money.

Loan activity in telecommunications programs is expected to increase in 2000. USDA's telecommunications loan approvals are expected to grow by 43 percent over 1999 levels to $495 million, while the Rural Telephone Bank loan program is projected to increase by 54 percent to $175 million. These programs, important in totally rural counties, provide loans for upgrading and expanding telecommunications facilities that serve rural residents. Great demand also continues for program funds from USDA's $220 million Distance Learning and Telemedicine Program, which provides loans and grants to improve rural education and health care through telecommunications. For this program, Congress added $50 million in new loan authority and $7 million in new grant authority.

In May 1999, the Federal Communications Commission (FCC) increased universal service funding to support improved high-speed Internet connections for schools and libraries by more than 75 percent to $2.25 billion. The decision increases funding for the so-called E-rate program by charging phone companies for improved Internet access for individuals who may be adversely affected by the "Digital Divide," many of whom are located in rural areas. In recent years, these costs have been passed along to consumers.

However, not all telecommunications programs are increasing in funding. The Commerce Department's Technology Opportunity Grants Program (formerly the Information Infrastructure Grants Program), which promotes the widespread use of telecommunications (the so-called Information Superhighway) to improve the quality and accessibility of various teleservices, received a 14-percent cut in 2000, dropping from $18 million to $16 million.

After Temporary Freeze, Airport Funding Increased for Coming Years

In the fall of 1999, legislators put on hold efforts to reauthorize the Nation's aviation programs until differences could be worked out over how the programs would be funded. Air service is an important factor in attracting and retaining business for nonmetro communities, especially for manufacturing and high-tech businesses. Hence, rural development has had a big stake in the debate.

The delay in reauthorization led to a temporary freeze on money available for airport capital projects, such as runway reconstruction, control tower improvements, and aviation safety projects under the $1.9 billion (2000) Airport Improvement Program (table 1). However, in March 2000, Congressional leaders agreed to sharply increase authorized spending from the Airport and Airway Trust Fund over the next 3 years. This fund is used to pay for various Federal Aviation Administration programs, including the Airport Improvement Program. Funding for that program is authorized to increase up to $3.4 billion—a 79-percent increase—by 2003.

The agreement further guarantees that the Airport Improvement Program, which previously had been allowed to spend far less than authorized, would be given priority in future spending of Trust Fund money. This could help ensure significantly higher airport improvement spending in future years. Although all rural counties with airport facility projects are expected to benefit, Federal land counties, which receive the highest per capita funding for this program and are mostly in the West, may benefit most. Airports would also benefit from an increase in passenger facility charges allowed by this legislation, though this helps large airports more than small airports.

Recent legislative changes may also enhance airline service and competition at smaller airports by loosening restrictions at several large airports to allow access to more region-

Table 1

Federal funding for selected infrastructure programs by fiscal year

Funding has increased or remained unchanged for most infrastructure programs in 2000

Program	1999 actual	2000 estimate	Change[1]	Rural areas most affected by the program[2]
	Billion dollars		Percent	
DOT Highway Planning and Construction Program	28.19	28.91	3	Counties in the West
Nonurbanized Area Formula Grants Program	.18	.20	8	Counties in the Northwest
DOT Airport Improvement Program	1.99	1.90	-5	Federal land counties
EPA Drinking Water SRF	.78	.82	6	Disadvantaged communities with small water systems
EPA Clean Water SRF	1.35	1.35	0	Government counties in the West
USDA Water and Waste Disposal Program[3]	1.30	1.29	-1	Transfer counties in the South and West
USDA Community Facility Program	.28	.41	47	Totally rural counties in the West
EDA public works grants	.21	.21	-1	Transfer counties
USDA telecommunication loans[4]	.35	.50	43	Rural areas in general
USDA Distance Learning and Telemedicine Program[5]	.02	.22	1,366	Rural areas in general
USDA Electric Loan Program	1.57	2.12	35	Rural areas in general

Note: DOT = U.S. Department of Transportation; EPA = U.S. Environmental Protection Agency; SRF = State Revolving Fund; USDA = U.S. Department of Agriculture; EDA = Economic Development Administration, U.S. Department of Commerce.

[1]Change is computed using actual amounts in millions of dollars, rather than rounded amounts shown in table.

[2]County types are defined in the appendix.

[3]Excludes funding from the Fund For Rural America.

[4]Excludes Rural Telephone Bank loans.

[5]Includes both grants and loans.

Source: *Budget of the United States Government, Fiscal Year 2001.*

al airlines and requiring that airlines share their facilities with other airlines if they control more than 60 percent of flights at an airport.

Not affected by the temporary funding cutoff problem was the Essential Air Services program, which funds air service for small communities that lost service after deregulation. This program received $50 million in funding for 2000, which is a permanent annual appropriation for the program based on the Federal Aviation Reauthorization Act of 1996 (P.L. 104-264). This program mostly benefits a small number of rural communities, mainly in the Midwest, the Rocky Mountain States, and Alaska. The new legislation adds an additional $15 million per year to this program, and begins a 3-year pilot program that offers assistance to communities lacking sufficient air service but not covered by the Essential Air Services program.

Other Transportation Programs

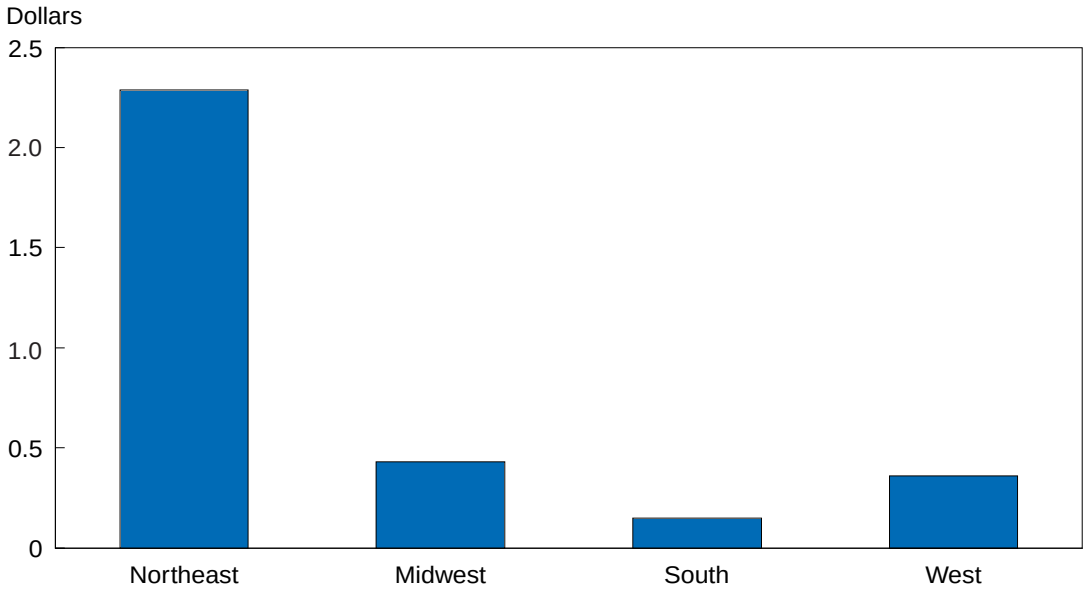
The Department of Transportation's Highway Planning and Construction Program, which provides grants for Federal-aid highways, is funded at a record $28.9 billion for 2000, up 3 percent from 1999. This program is important in many nonmetro counties, especially in the West where per capita allocations are highest. The Nonurbanized Area Formula Grants Program, which provides money for rural public transportation, received $198 million for 2000, an 8-percent increase, and is especially important in parts of the Northeast (fig. 1).

Continuing consolidations in the rail freight industry (see section on Regulations) should add to the fortunes of small railroads. Since the railroad industry was deregulated in 1980, small railroads have been established in many rural areas, helping to prevent some of the negative effects of mergers, while ensuring continued rail service for smaller communities. Federal funding for rail planning, acquisition, track rehabilitation, and the establishment of small railroads is available through the U.S. Department of Transportation's Local Rail Freight Assistance program. Currently, the program operates on carryover funds.

Figure 1

Per capita funding for the Nonurbanized Area Formula Grants Programs (rural public transit), fiscal year 1998

Highest levels of aid go to counties in the Northeast



Source: Calculated by ERS using data from the Census Bureau.

Amtrak, which operates a 22,000-mile intercity passenger rail system serving more than 500 communities in 45 States, received $571 million in funding in 2000, a 6-percent decrease from 1999 but still in line with a 1997 agreement to make the Nation's passenger rail network subsidy-free by 2003. Although relatively few nonmetro communities have Amtrak service, nonmetro industries that rely on passenger rail service to transport workers and customers—such as the tourism and service industries—may benefit from recent gains in ridership. Such gains may also benefit some low-income rural residents—such as the elderly and persons with disabilities—since Amtrak is one of the few viable transportation options for nonmetro residents without access to automobiles.

Rural businesses may benefit from the recent establishment of freight shipment services along some of Amtrak's routes. Designed to provide a new source of revenue to the quasi-public passenger rail service agency, such services may benefit isolated rural businesses that require rapid shipment of small packages but lack adequate air freight facilities.

Environmental Infrastructure Programs

The Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund program, which makes low-interest loans to public water systems and provides grants to Indian tribes and Alaskan Native villages to improve local drinking water systems, has received $820 million in Federal funding for fiscal year 2000, an increase of 6 percent. The Clean Water State Revolving Fund, which provides financial assistance for wastewater systems, received $1.35 billion in 2000, unchanged from 1999. Another important EPA rural water program—the U.S./Mexico Border Program, which provides funds to support the planning, design, and construction of high-priority water and wastewater and drinking facilities along the U.S./Mexico border—received $50 million in 2000, unchanged from the year before. An additional $30 million was made available in 2000 for grants to the State of Alaska to address drinking water and wastewater infrastructure needs of rural and Alaska Native villages.

The largest USDA infrastructure program, the Water and Waste Disposal Program, provides loans and grants to small (10,000 or fewer residents) rural communities for establishing, expanding, or modernizing water treatment and waste disposal facilities. Communities must first be denied access to commercial credit to be eligible for assistance. Grants are limited to 75 percent of project costs, and are available only to those communities with high poverty rates. This program provides $1.29 billion in loans (primarily direct loans) and grants for 2000, unchanged from the prior year. (Additional loans and grants are being provided using $28 million from the Fund For Rural America.) This aid supports USDA's Water 2000 initiative, which targets Federal investment to rural communities having the most serious drinking water quality, quantity, and dependability problems. The program is expected to create over 40,000 rural jobs and provide new or improved water services to about 700,000 rural residents. The highest levels of aid went to transfer counties, which are mostly in the South and West, in 1998.

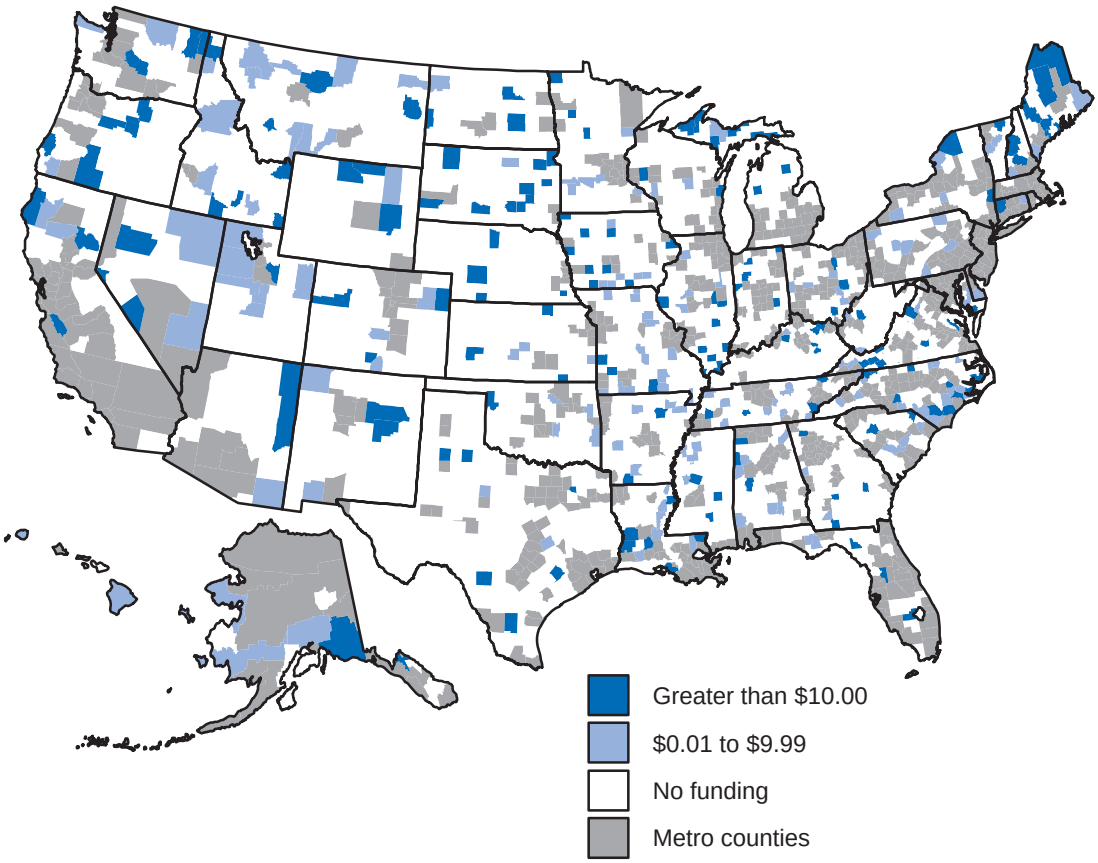
Other Infrastructure Programs

Most of USDA's other infrastructure programs are expected to finance increasing amounts of infrastructure for fiscal year 2000 by increasing money available for guaranteed and direct loans. For example, the Rural Housing Service's $409 million (2000) Community Facility Program, which provides direct loans, guarantees, and grants for essential community facilities in rural areas, will get a 47-percent boost in total loanmaking authority financed compared with 1999. Guaranteed loans for this program have increased 96 percent since 1999, direct loans have increased 14 percent, and grants have increased 63 percent. Funds are allocated to each State based on its rural population (fig. 2). Priority for program funds is given to health and safety facilities. The Forest Service's $114 million (2000) Payments to States program, which provides grants for public schools and roads on national forest lands, experienced a 7-percent decrease in funding. In recent years, funding under this program, which returns to counties a portion of

Figure 2

Per capita Community Facility loans, fiscal year 1998

Loans from this growing program go to rural counties nationwide



Source: Calculated by ERS using Federal funds data from the Bureau of the Census.

receipts from logging and other economic activity in Federal forests, has been hurt by falling timber sales.

Economic Development Administration (EDA) public works grants help distressed communities create jobs by attracting new industries, promoting business expansion, and diversifying local economies. This Commerce Department program particularly benefits rural transfer counties, which tend to be concentrated in the South. EDA funds have been used for a variety of public facilities, such as water and sewer systems, industrial access roads, port and railroad facilities, schools, and business incubators. Funding for the grants program is unchanged for 2000 at $205 million.

USDA's Electric Loan Program, which provides loans for upgrading and expanding electric services to rural residents, is projected to grow by 35 percent in 2000 to $2.1 billion. This aid supplements money available from private credit sources and is most important to rural residents in totally rural areas and persistent-poverty counties.

The Tennessee Valley Authority (TVA), the quasi-Federal agency that provides flood control, navigation, and electric power in the Tennessee Valley region, has power proceeds and borrowings of $6.6 billion in 2000, down 7 percent from the year before. TVA's role as the sole supplier of electric power to a largely nonmetro area of 80,000 square miles in the South is currently under review as Congress considers ways to restructure the electric power industry. *[Dennis Brown, 202-694-5338, dennisb@ers.usda.gov]*