

Transportation Programs Received Largest Funding Increases

Funding increased or remained unchanged in 1998 for most Federal infrastructure programs. Important rural infrastructure activities include stopgap funding of the Nation's highway programs, rail freight merger issues, and increased funding for rural air service.

A wide array of infrastructure is supported by Federal assistance. Although a few changes were made in funding of environmental infrastructure, such as drinking water and wastewater systems, more significant changes affected transportation infrastructure in fiscal year 1998. Program activity generally is increasing for most other infrastructure programs important to rural areas, such as rural electric and telecommunications, community facilities loans, public works grants, and Forest Service payments for schools and roads.

Few Changes to Environmental Infrastructure Programs

The Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund (SRF) program, which capitalizes State revolving loan funds to finance new and improved local drinking water systems, has received \$725 million in Federal funding for fiscal year 1998 (references to years refer to fiscal years) (table 1). Another EPA program, the Hardship Grants Program for Rural Communities, which finances the construction of wastewater treatment facilities and complements the \$1.35-billion (1998) Clean Water SRF program, continues to operate under a \$50-million appropriation provided in fiscal year 1996. Under this program, small (fewer than 3,000 residents), disadvantaged (high unemployment, low income) rural communities are eligible for assistance in planning, designing, and constructing wastewater treatment facilities.

The largest USDA infrastructure program, the Water and Waste Disposal Program, provides loans and grants to small (not in excess of 10,000 residents) rural communities for establishing, expanding, and modernizing water treatment and waste disposal facilities. This program has received \$1.27 billion for 1998, a 6-percent reduction from the prior year. 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. According to a 1995 estimate, more than 2.4 million rural Americans have deficiencies in their water supply, including 1 million rural residents that lack complete plumbing facilities. The highest levels of aid go to totally rural and persistent-poverty counties.

Funding Up Sharply for Most Transportation Programs

Authorization for the multiyear transportation act (the 1991 Intermodal Surface Transportation Efficiency Act, or ISTEA) expired at the end of September 1997 and funding for surface transportation programs began operating on a stop-gap basis, pending a final agreement on long-term reauthorization. The Department of Transportation's (DOT) Highway Planning and Construction Program, which provide grants for Federal-aid highways, is funded at a record \$23.3 billion for 1998, up 11 percent from the 1997 funding level. This program is important in many nonmetro counties, especially in the West where per capita allocations are highest. The Nonurbanized Area Formula Program (section 5311), which provides money for rural public transportation, has received \$134 million for 1998, a 6-percent increase, and is especially important in parts of the Northeast.

The \$1.7-billion (1998) Airport Improvement program, which provides grants for airport capital projects, such as runway repaving, control tower improvements, and aviation safety projects, has received a 16-percent increase in funding for 1998. The \$50-million (1998) Essential Air Services program, which funds air service for small communities that lost it after deregulation, has received a nearly 100-percent funding increase for 1998. The increase was attributable to the development of new funding sources for this program, which provided for a more stable revenue stream. This program mostly benefits a small number of rural communities mainly in the Midwest, the Rocky Mountain States, and Alaska (fig. 1).

Table 1

Summary of selected rural infrastructure programs

Most infrastructure programs had funding increases in 1998

Program	Federal funding by fiscal year			Rural areas most affected by the program
	1997	1998 projected	Change	
	— Billion dollars —		Percent	
USDA rural water and waste disposal grants and loans	1.36	1.27	-6	Totally rural and persistent-poverty counties
USDA electric loans	.82	.93	12	Same as above
USDA Community Facilities Loans	.22	.36	63	Totally rural counties in the South
USDA Distance Learning and Telemedicine Loans and Grants	.16	.16	3	Rural areas in general
DOT Highway Planning and Construction Program	20.90	23.30	11	Counties in the West
DOT Airport Improvement Program	1.46	1.70	16	Services-dependent and Federal land counties
DOT Nonurbanized Area Formula Program	.12	.13	6	Counties in the Northeast
EPA clean water State revolving fund (SRF)	1.35	1.35	0	Government counties in the South
EPA drinking water SRF	1.28	.73	-43 ¹	Disadvantaged communities with small water systems
EDA public works grants	.17	.18	8	Manufacturing counties

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

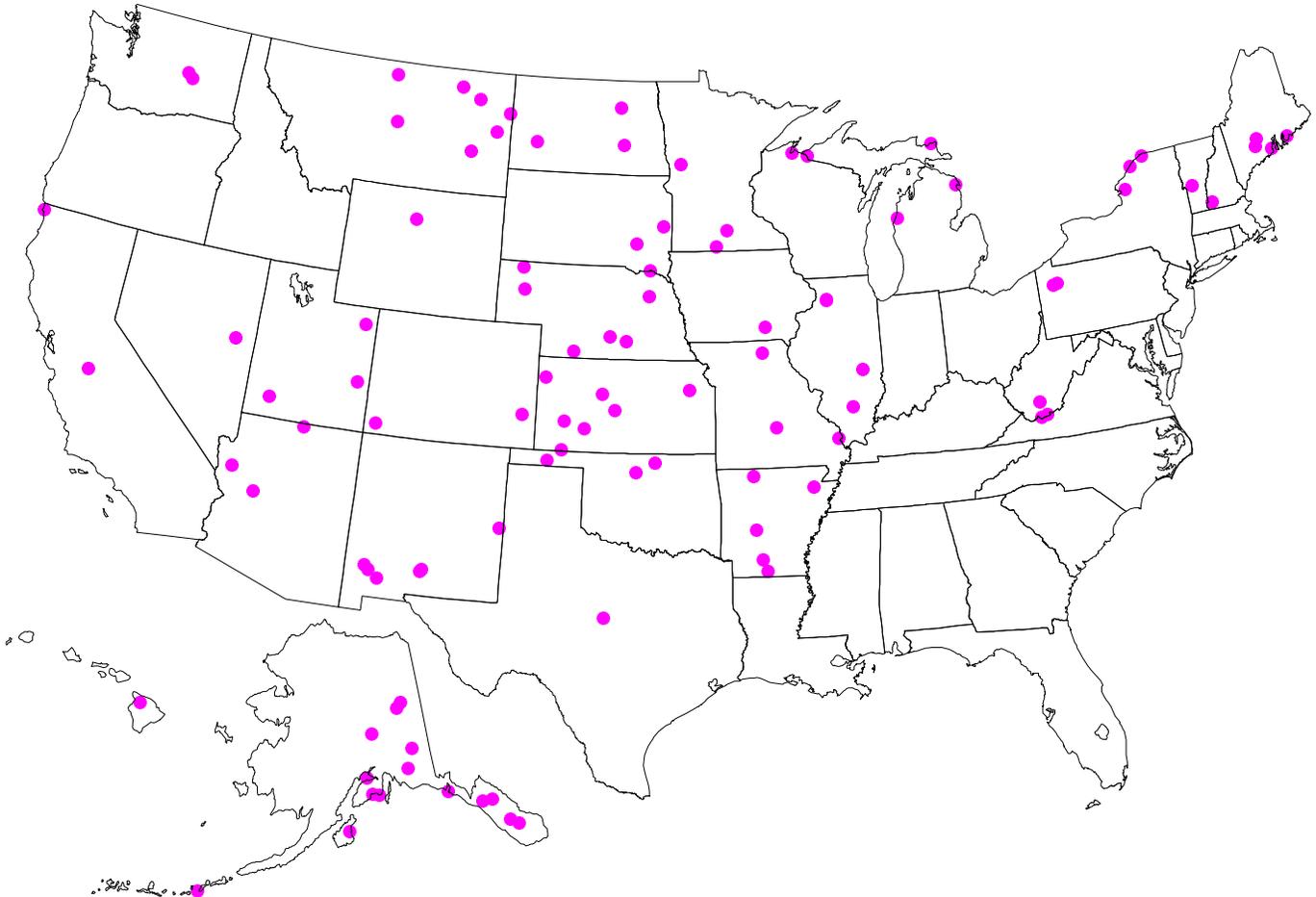
¹Funding for the Drinking Water SRF in 1997 includes a transfer of money from 1996, resulting in what appears to be a decline for 1998.

Source: *Budget of the United States Government, Fiscal Year 1999.*

Amtrak took a 6-percent funding cut for 1998, making \$793 million available for passenger rail activities this year. But Amtrak also received a \$2.3-billion infusion for rail capital improvements, payable in two equal installments in fiscal years 1998 and 1999 (P.L. 105-34). While the impact of these added funds on rural passenger rail service is still unclear, most small towns will probably not be significantly affected because relatively few non-metro communities have Amtrak service (fig. 2). The Local Rail Freight Assistance program, which provides money for track rehabilitation in primarily rural areas, received no new funding, but it continues to operate on carryover funds.

Figure 1
Communities served by Essential Air Services program, 1997

Most aid goes to communities in the Midwest, Rocky Mountain States, and Alaska



Source: Calculated by ERS using data from the U.S. Department of Transportation.

A big issue for 1998 is the proposed purchase of the Consolidated Rail Corporation (commonly referred to as Conrail) by Norfolk Southern and CSX railroads. The potential impact of such a merger on competition in rail freight service in the East will be an important issue for the Surface Transportation Board as it decides whether to approve the merger. This decision, expected sometime in 1998, may be influenced by severe rail freight congestion resulting from the recent merger between Union Pacific and Southern Pacific railroads.

The Appalachian Development Highway System (ADHS) of the Appalachian Regional Commission, whose stated objective is to provide Appalachia with a modern system of four-lane highways, received \$94 million in fiscal year 1998, a slight decrease of 4 percent from 1997 levels. But funding for this program was also greatly boosted by an additional \$300 million in supplemental money to be administered by the Department of Transportation (P.L. 105-66).

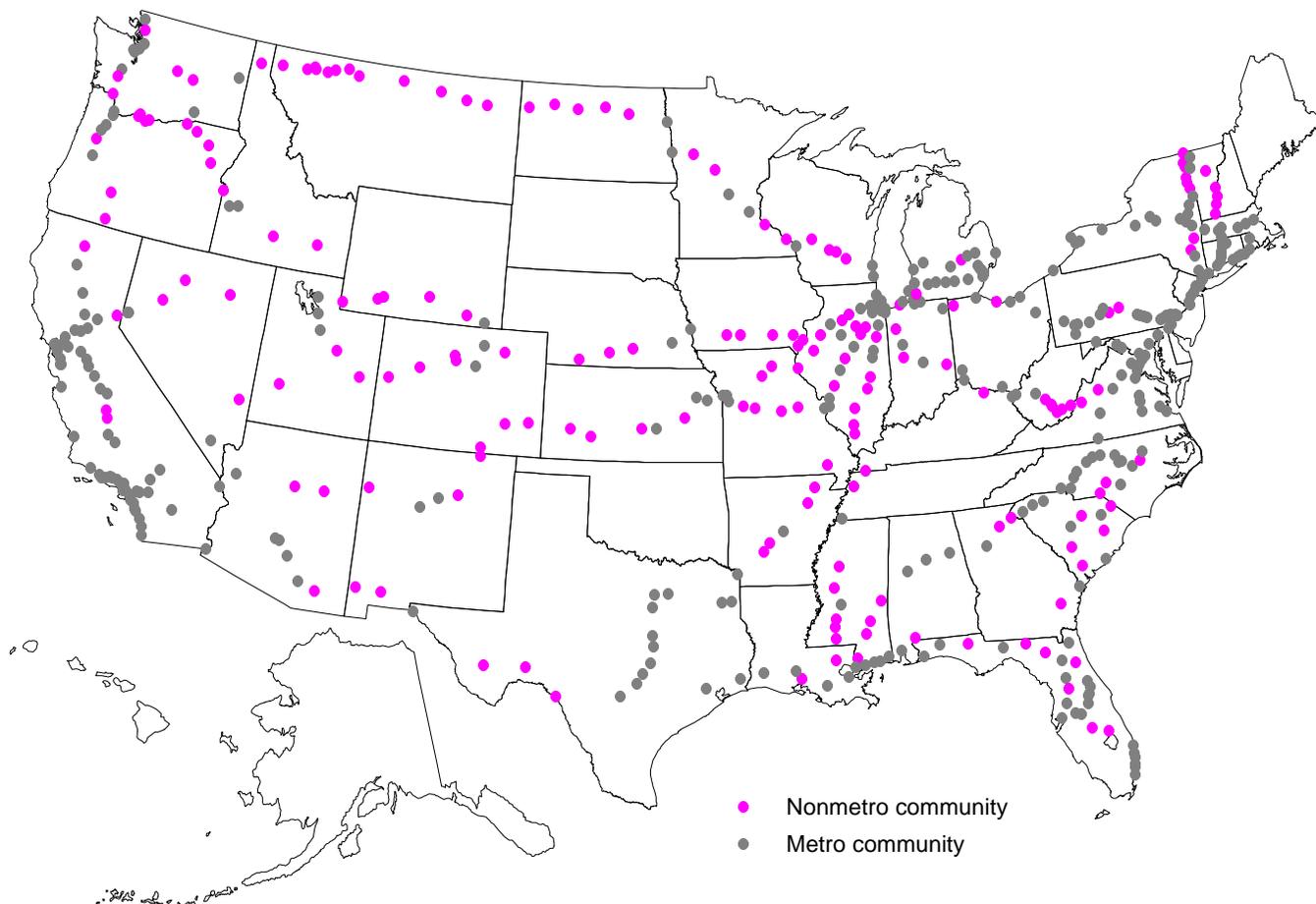
Other Infrastructure Programs

Except for the Water and Waste Disposal Program, USDA's infrastructure programs received funding increases for fiscal year 1998. For example, the Rural Housing

Figure 2

Communities served by Amtrak, June 1996

Although most towns lack passenger rail service, it remains important to those towns served



Note: Amtrak currently has no service in Alaska, Hawaii, Maine, Oklahoma, or South Dakota (although passenger rail service is available in Alaska through Alaska Rail). Map excludes Amtrak Thruway Bus service.

Source: Calculated by ERS using data from Amtrak.

Service's \$359-million (1998) Community Facilities Loan program, which provides loans for essential community facilities in rural areas, got a 63-percent boost in funding compared with 1997. Funds are allocated to each State proportionately based on its rural population, with the program mainly assisting totally rural areas in the South in recent years. The Forest Service's \$261-million (1998) Payments to States program, which provides grants for public schools and roads on national forest lands, grew by 12 percent.

Economic Development Administration (EDA) public works grants help distressed communities create jobs by attracting new industries, promoting business expansion, and diversifying local economies. This program particularly benefits rural manufacturing counties. 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 EDA Public Works Grants program is increased 8 percent for 1998, to \$178 million.

The Tennessee Valley Authority (TVA), the quasi-Federal agency that provides flood control, navigation, and electric power in the Tennessee Valley region, has received \$70 million in Federal appropriations for 1998. This 34-percent decrease from 1997 funding levels is an attempt to eliminate Federal subsidies for TVA.

Funding for most telecommunication programs should increase in 1998. USDA's \$495-million (1998) telecommunications loans are projected to grow sharply, by 76 percent, over 1997 levels, and the \$175-million (1998) Rural Telephone Bank loans are projected to increase by 75 percent. These programs, important in totally rural counties, provide loans for upgrading and expanding telecommunications facilities that serve nonmetro residents. Funding for USDA's \$163-million Distance Learning and Telemedicine program, which provides loans and grants to improve rural education and health care through telecommunications, grew by 3 percent in 1998. The Commerce Department's Information Infrastructure Grants program, which promotes the widespread use of telecommunications (the so-called Information Super Highway) to improve the quality and accessibility of various teleservices, such as health care and education, has received \$18 million for 1998, a 14-percent cut.

Funding for USDA's \$925-million (1998) Electric Loan program, which provides loans for upgrading and expanding electric services to rural residents, is projected to grow by 12 percent in 1998. This aid supplements money available from private credit sources and is most important to rural residents in totally rural areas and persistent-poverty counties. *[Dennis Brown, 202-694-5338, dennisb@econ.ag.gov]*