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APPALACHIAN DEVELOPMENT HIGHWAY PROGRAM (ADHP): AN OVERVIEW

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Abstract. The Appalachian Development Highway Program (ADHP) is a road building program that is intended to break Appalachia's regional isolation and encourage Appalachian economic development. The ADHP is authorized to develop a network of 3,025 miles of corridor roads. At the end of 1997, 2,258 miles, comprising 75 percent of the approved corridor roads, were open to traffic.

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Appalachian Development Highway Program(ADHP): An Overview

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Summary

The Appalachian Development Highway Program (ADHP) is a road building program that is intended to break Appalachia's regional isolation and encourage Appalachian economic development. Administered by the Appalachian Regional Commission (ARC), the ADHP is authorized to develop a network of 3,025 miles of corridor roads. At the end of 1997, 2,258 miles, comprising 75% of the approved corridor roads, were open to traffic. During the first 33 years of the ADHP's existence over $4.5 billion was appropriated from the Treasury's general funds for this road system. The annual appropriation levels fluctuated substantially over this period. The Transportation Equity Act for the 21st Century (TEA21) authorizes $450 million per year for the ADHP during FY1999 to FY2003 from the Highway Trust Fund. This provides stability of funding for the ADHP.[1] The federal share of the estimated cost to complete the ADHP network at the end of FY1997 was $6.2 billion. This report will not be updated.

Program Origins

In 1964, the President's Appalachian Regional Commission (PARC) reported that Appalachia's geographic isolation from both the prosperous adjacent eastern seaboard and the mid-west was the "very basis" of its developmental lag. The PARC report argued that Appalachian development could not proceed until its regional isolation was overcome by its "penetration by an adequate transportation network."[2] Congress responded to the report by passing the Appalachian Regional Commission Act of 1965 (ARCA) (P.L.89-4). The Act established the Appalachian Regional Commission (ARC) as a regional development agency designed to establish a federal, state, and local partnership. Although the Act's supporters envisioned an economic development effort

[1]See U.S. Library of Congress. Congressional Research Service. *The Transportation Equity Act for the 21st Century (TEA-21) and the Federal Budget.* CRS Report 98-749 E, by John W. Fischer.

[2]President's Appalachian Regional Commission (PARC). *Appalachia: a Report*. Washington, The Commission, 1964. p. xv-xviii.

in a broad sense, building a road network that provided access "to and from the rest of the nation and within the region itself," was the ARC's highest priority. The ARC program is divided into two program areas, the Appalachian Development Highway Program (ADHP) and the area development program.

This report discusses the ADHP. After a brief description of the ADHP system, the report describes the ADHP's operation, organization, spending history and status. It then describes changes in its funding mechanism resultant from TEA21 and issues of interest to Congress related to the ADHP.

Appalachian Development Highway System (ADHS)

The core development argument in the PARC report was that, before development could take place in Appalachia, major investments had to be made in "basic public facilities."[3] This infrastructure-focused development theory, coupled with the belief that the "barrier-effect" of Appalachia's mountain-chains was a major cause of Appalachian underdevelopment, led to the proposal that a development highway system be built to break the isolation of Appalachia's economically depressed regions. The ARCA incorporated the PARC's recommendation and authorized the establishment of the ADHP. The ADHP system was seen as a network of highways that would work in conjunction with both the Interstate Highway System and other federal aid highways. The system of corridor highways and access roads was designed to pass through isolated parts of Appalachia and link up with the interstate system. The original network design reflects the PARC report's suggestion that the routes not be chosen to ease congestion or upgrade heavily traveled areas but to stimulate traffic through "remote areas that have a developmental potential."[4]

Although the basic corridor network has been adhered to, it has been subject to controversy; for example, a 1971 General Accounting Office report concluded that the ARC was allowing the individual states, through their transportation/highway departments, to direct priority construction to some highway segments "that did not significantly increase accessibility to and through the region." The 1971 study asserted that this had led to a fragmented pattern of construction.[5] The ARC took issue with GAO's conclusions, noting that it made sense to assign priority to the least adequate sections and that the Commission could not compel a state to accept a project without its consent.[6] With 75% of the ADHS now open to traffic, many of the gaps mentioned in the GAO study have been completed. States still commonly propose giving construction priority to congested or heavily traveled portions of the corridors.

Originally the network was envisioned as having 2,350 miles but over time and as new states were added to the ARC, the system was increased to 3,025 miles of corridor

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[3]PARC Report, p. 28

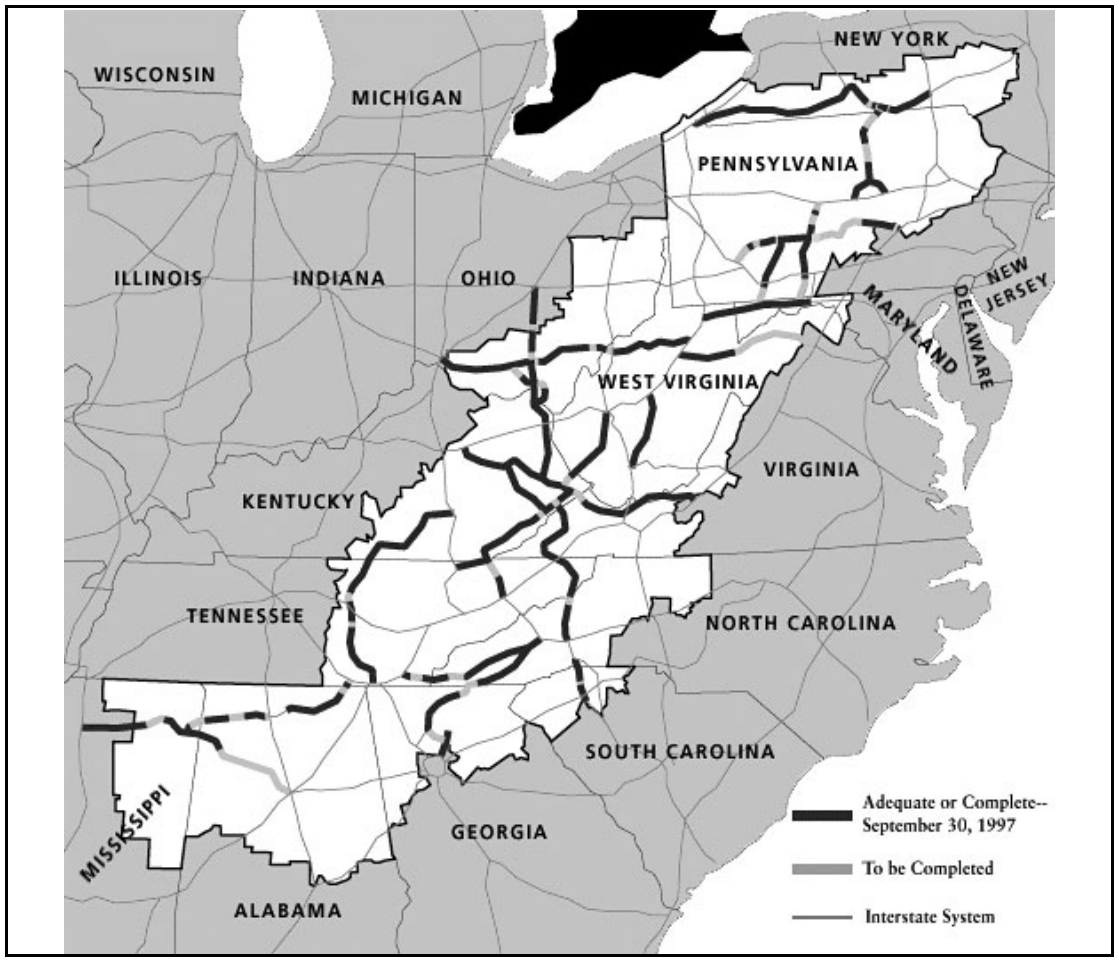
[4]PARC Report, p. 33.

[5]U.S. General Accounting Office. *Highway Program Shows Limited Progress Toward Increasing Accessibility to and Through Appalachia*. May 12, 1971. Report no. B-164497(3). Washington, GAO, 1971. p. 2-3.

[6]Ibid. p. 3.

roads and 1,400 miles of access roads. By September 30, 1997, 2,258.8 miles comprising 75% of the planned corridor miles were open to traffic. Over 60% (894 miles) of the authorized miles of access roads had been completed.[7] The map in **Figure 1**, downloaded from the ARC's 1997 Annual Report, displays both the completed and to be completed corridors of the system.[8]

Figure 1. Appalachian Development Highway System



In 1995 dollars, the cost to complete the system was estimated as $8.5 billion dollars. The federal share was estimated at $6.8 billion. After adjusting for federal funds available in FY1997 the required federal share was estimated as $6.2 billion.[9] The portions of the ADHS still to be built traverse some of the most difficult terrain of the corridors. Average construction costs of the remaining corridor miles are expected to be

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[7]Appalachian Regional Commission. *Appalachian Development Highway System Budget Request FY1999*. Washington, 1998. pp. 1-2. [http://arc.gov/infopubs/poldocs/budget99/budadhs.htm]

[8]Appalachian Regional Commission. *1997 Annual Report*. [http://arc.gov/programs/highway/hwymap.htm]

[9]Appalachian Regional Commission. *Appalachian Development Highway System: Briefin Paper*. Washington, The Commission, 1998. p. 1.

high, with each $100 million funding approximately nine miles.[10] Upon completion, development highways not already part of the U.S. federal-aid system are to be added to the system.[11]

Administration and Organization

The ADHP is administered by the ARC.[12] The state membership of the ARC is made up of the Governors of the 13 participating states. The sole federal member is the federal Cochairman, who is appointed by the President. The second Cochairman is elected by the state members from among themselves for a term of not less than one year. Decisions by the Commission require the affirmative vote of the federal Cochairman and a majority vote of the state members. By statute, the ARC transmits to the U.S. Secretary of Transportation its designations of general corridor locations and termini of development highways, local access roads to be constructed, and priorities for the construction of segments of the development highways. Before a state member participates in a vote on any of these designations they must obtain the recommendations of the appropriate state transportation agency. The U.S. Department of Transportation (U.S. DOT) is authorized to assist in the construction of the system and the local access roads in a way similar to its involvement in the federal-aid highways as long as the involvement is not inconsistent with the ARCA.[13] Periodically the ARC provides an estimate of each states "cost to complete" its share of the system. Funds are apportioned by the U.S. DOT to the states based on these cost to complete estimates. The state transportation/highway departments oversee the planning and construction of the corridors and access roads.

The federal matching share for any construction project is limited to a maximum of 80% of the project cost. In cases where a state has begun construction of a segment without the aid of federal funds, the U.S. DOT, upon application by the state and with the approval of the ARC, may authorize payment to the state of the federal share (not to exceed 80% of the project costs) from funds appropriated and allocated to that state.[14]

Spending History

1965 to 1998. From the inception of the ARC in FY1965 to FY1997, the Congress has appropriated over $4.5 billion for the system. The spending history of the ADHP, shows alternating periods of increased and decreased spending during the first 33

[10]ARC FY1999 Budget Request, p. 1.

[11]The roads are then required to be maintained by the states as provided for federal-aid highways in Title 23 of the U.S. Code.

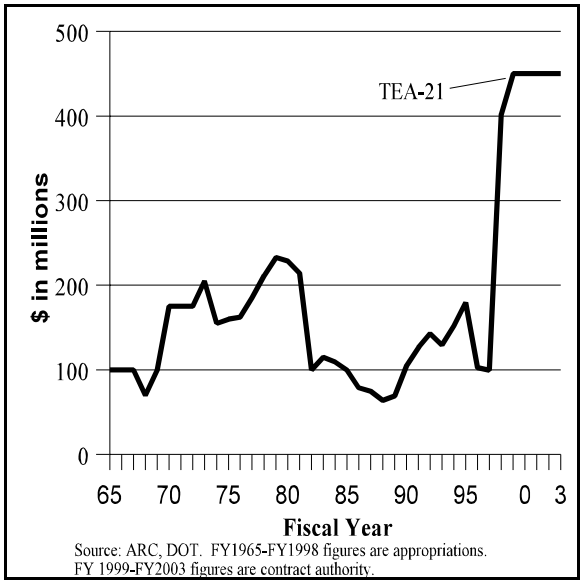
[12]40 U.S.C. appendix, sec. 201.

[13]40 U.S.C. appendix, sec. 201.

[14]Prior to FY1999 the federal share was 70% for pre-financed construction. The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1998 (P.L. 105-277) increased the federal share to 80%.

years of the program. **Figure 2** displays the spending trends from FY1965 to FY1998 and spending projected through 2003.[15]

Figure 2: ADHS Appropriations & Contract Authority FY1965 to FY2003



Source: ARC, DOT. FY1965-FY1998 figures are appropriations. FY 1999-FY2003 figures are contract authority.

Early in the program, from FY1965-FY1969, highway appropriations averaged $94 million per year. During the 1970s the average annual fiscal year appropriation was $169.9 million, 80% higher than the 1960s average. The decade of the 1980s was a period of reduced spending. The FY1982 appropriation was less than half that of FY1981, and the average annual fiscal year appropriation during the decade was $108.6 million, 36% lower than during the 1970s. The Reagan Administration was opposed to the continued existence of the ARC and each year the federal Co-chairman would recommend a zero appropriation for the ARC only to have Congress appropriate funds to sustain the agency, although at reduced levels. Appropriation levels increased during the first five fiscal years of the 1990s, from $105 million in FY1990 to $179.8 million in FY1995. Appropriations again fell to about the $100 million level for FY1996 and FY1997. The House report for the Energy and Water Appropriations Bill (H.Rept. 104-679) referred to this as the "continuing downsizing of the agency." However, in FY1998, the ARC experienced another reversal of fortune when Congress increased the appropriation for highways to $402.5 million, more than four times the FY1997 level of $99.7 million. This turnaround presaged a major change in the long-term funding for Appalachian highways.

TEA21 and the ADHP. Historically, ADHP funding had come from U.S. Treasury general funds. Passage of TEA21 changed this by authorizing that $450 million in contract authority be appropriated from the Highway Trust Fund for each of the fiscal years FY1999-FY2003. These funds remain available until expended. The Congress can appropriate additional money from the general fund if it wishes.[16] TEA21 guarantees the availability of at least $2.25 billion of new funds for spending on system roads over the next 5 years.

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[15]Figures in this section are drawn from the following sources: Appalachian Regional Commission. *1997 Annual Report*. Washington, The Commission, [1997] 60 p.; House of Representatives Reports 105-313 and 105-271; and Department of Transportation. *TEA-21 Fact Sheet: Appalachian Development Highway System.*
Internet address: [http://www.fhwa.dot.gov/tea21/factsheets/appal.htm].

[16]The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1998 (P.L. 105-277) included provisions that did this. It included language that appropriated an additional $132 million: $100 million for Corridor X in Alabama and $32 million for Appalachian development highways in West Virginia. These FY1999 amounts are not reflected in Figure 2.

Issues for Congress

Most of the policy issues Congress faces concerning the Appalachian Development Highway Program are recurring issues that date back to the founding of the Appalachian Regional Commission.[17]

Emphasis on Highway Construction as a Requisite for Development. The founding argument for the ADHP was that Appalachia was a "region apart" and that development could not proceed until the regional isolation was broken. Advocates of this view argue that improvements in the poverty and employment rates in areas served by the completed highway segments vindicate this policy. Critics of this view generally argue that these improvements reflect trends in the national economy rather than the impact of the ADHS. Some also argue that these highways can exacerbate depressed local economies as small towns and businesses are sometimes bypassed by the new roads.

The Federal Role in Regional Economic Development. Supporters of the ARC and the ADHP argue that, given the size of the region, the number of state and local jurisdictions involved, and the amount of money needed, federal participation is necessary. The PARC report also argued that when it came to federal spending, the Appalachian region had for many years been short-changed. Opponents of federal involvement question the appropriateness of concentrating a special effort on 13 states to the relative disadvantage of nonparticipating states in terms of federal highway dollars available.

Cost to Complete the ADHS. TEA21 authorized, over five years, $2.25 billion or roughly one third of the estimated federal share cost to complete the system. During this period there could be proposals to add appropriations additional to the TEA21's authorized levels to speed the ADHS to completion, or to direct extra funds to particular corridors (as has already happened for FY1999).

Environmentalist Opposition. Some of the remaining ADHS corridor miles are to be built in the least developed parts of Appalachia and critics charge that completing these corridors will "destroy wilderness" in remote areas. Supporters of completing the entire system generally assert that environmental problems are minimal, especially given the planned implementation of environmental mitigation measures. Supporters also often assert that the economic and safety benefits outweigh any possible environmental costs.

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[17]For overviews of the debate over Appalachian highway building and economic development see Bradshaw, Michael. *Appalachian Regional Commission: Twenty-Five Years of Government Policy*. Lexington, KY, University of Kentucky Press, 1992. 168 p. and also Isserman, Andrew, and Rephann, Terance. *Economic Effects of the Appalachian Regional Commission.* APA Journal, summer 1995: 345-364. For an ARC sponsored study see, Wilber Smith Associates. *Appalachian Development Highways Economic Impact Study.* Columbia, SC, Wilber Smith Associates. [110] p. See also, U.S. Federal Highway Administration. West Virginia Division of Highways. *Appalachian Corridor H: Final Environmental Impact Statement.* Charleston, WV, Division of Highways, 1996, 3 v.; *Road to Ruin '97: Corridor H Highway*. [http://www.taxpayer.net/tcs/RoadRuin/mid8.htm]; and *Corridor H Action Committee: The Populist Approach to Economic Development.* [http://geocities.com/CapitolHill/2929/]