April 5, 2002

Dear Senator Daschle, Senator Lott, Senator Baucus, and Senator Grassley:

On behalf of the Governors’ Ethanol Coalition, we are writing to express our support for a provision contained in the Energy Tax Incentives Act of 2002. This special provision will ensure that taxes collected on ethanol-blended fuels are deposited in the Highway Trust Fund instead of the general fund for deficit reduction.

Currently, 2.5 cents a gallon of the excise tax collected on ethanol blended fuel is sent to the general fund for deficit reduction rather than the Highway Trust Fund. As such, the current policy effectively penalizes states for promoting greater ethanol use in the form of reduced revenues for highway projects. Redirecting the 2.5 cents to the Highway Trust Fund will provide an additional $400 million for state highway projects. In fact, in 1995, Congress redirected the 2.5 cent a gallon deficit reduction excise tax to the Highway Trust Fund for all fuels except ethanol.

Congress has long recognized the significant economic, environmental and energy security benefits ethanol provides. A sound highway program and a sound energy policy that promotes domestic, renewable fuels like ethanol should not be mutually exclusive. Redirecting the 2.5 cents is a simple and appropriate resolution to this issue.

We respectfully urge you to support correction of this oversight during consideration of energy legislation.

Sincerely,

Bob Holden
Governor of Missouri
Chair

John Hoeven
Governor of North Dakota
Vice Chair

Mike Johanns
Governor of Nebraska
Past Chair

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