

Governors' Ethanol Coalition

May 2, 2001

The Honorable Charles Grassley
Chairman, Senate Finance Committee
135 Hart Senate Bldg.
Washington, D.C. 20510

Dear Senator Grassley:

The increased use of ethanol generates a variety of agricultural, economic and environmental benefits. However, I would like to draw your attention to the impact that increased ethanol use has on state transportation funding. Currently, 2.5 cents of the tax collected on ethanol blended fuel is sent to the general fund for deficit reduction, rather than the Highway Trust Fund. As a result, many states now face a financial penalty in the form of reduced revenues for highway construction projects. This consequence of using more ethanol presents a public policy conflict that may discourage states from promoting the use of ethanol. On behalf of my colleagues in the Coalition, I seek your assistance in addressing this dilemma.

As governor of an agricultural state and chairman of the Coalition, I fully understand the importance of ethanol production to our nation's economy. The Coalition is dedicated to increasing the use of ethanol and supports the national policy of developing this domestically produced, environmentally sound, renewable fuel. However, the unintended consequence of the increased use of ethanol blended fuel is the loss of federal highway dollars to our states. As a nation, we cannot continue to promote counterproductive policies which both encourage states to use ethanol and penalize those who are successful. The 26 member states of the Coalition are in agreement that taxes collected on ethanol fuels should be directed to the Highway Trust Fund.

I urge Congress to correct this apparent "penalty" and correct this contradictory policy. The Coalition is ready to assist in this

endeavor when the federal transportation reauthorization bill is reopened in 2002.

Sincerely,

Mike Johanns
Governor of Nebraska and Chair