

**Continuation of International Fuel Tax Agreement (IFTA)/North America Free Trade Agreement (NAFTA) Interim Program  
BCP No. 9**

**Purpose:**

BOE requests continued funding for the interim Border Enforcement Grant Program in cooperation with the other two NAFTA countries—Canada and Mexico. This program is needed until Mexico becomes a member jurisdiction of IFTA and can register Mexican truckers under the terms of the agreements for operation in all three NAFTA countries. Based on the federal grant period of October 1, 2007 through September 30, 2009, the BOE requires spending authority and limited-term positions for the following state fiscal years (SFYs):

	SFY 2007-08 (9 Months)	SFY 2008-09 (12 Months)	SFY 2009-10 (3 Months)
Expenditures:	<b>\$806,000 (Continuation)</b> (\$806,000 Federal Trust Fund)	<b>\$1,099,000 (Continuation)</b> (\$1,099,000 Federal Trust Fund)	<b>\$311,000 (Continuation)</b> (\$311,000 Federal Trust Fund)
Positions:	<b>11.5 (Continuation)</b> (8.4 PYs)	<b>11.5 (Continuation)</b> (11.5 PYs)	<b>11.5 (Continuation)</b> (3.1 PYs)

This proposal represents the best option to address the problem described above because:

- The BOE will receive 100 percent federal funding to continue integrating Mexican truckers into the IFTA.
- California will reap the benefits mentioned below without having to finance them.

**Background:**

- The Border Enforcement Grant Program was implemented with the approval of FY 2006-07 BCP No. 4 which brought in 11.5 positions and a total of \$2,111,000.
- The Federal Motor Carrier Safety Administration (FMCSA) previously projected the border to open in summer 2006. The implementation date was postponed due to safety inspections of Mexican carriers and federal political reasons in Mexico. The FMCSA projects a new start date of January 2007.
- The BOE is complying with the FMCSA's direction to continue preparing for the opening of the border by acquiring the necessary equipment, making the necessary enhancements to its computer systems, hiring and training the required personnel, and translating related publications and forms into Spanish.
- No background productivity information is available, since the border has not yet opened.

**Justification:**

- The BOE will be able to expend federal funds to host Mexican truckers when the border opens.
- California's participation is crucial to ensuring that Mexican truckers comply with U.S. requirements to properly report and pay fuel taxes in California and other IFTA jurisdictions.
- California will meet its responsibilities in the implementation of the NAFTA.
- The BOE will be in compliance with the terms of the IFTA and federal requirements to continue transportation funding, and not put at risk \$3 billion in federal fuel matching funds.
- All IFTA jurisdictions contribute revenue to California.
- California will realize revenue based on miles driven in California by Mexican truckers.

**STATE BOARD OF EQUALIZATION  
FISCAL YEAR 2007-08  
BCP NO. 9**

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**TITLE OF PROPOSED CHANGE:**

**CONTINUATION OF INTERNATIONAL FUEL TAX AGREEMENT (IFTA)/ NORTH AMERICA FREE TRADE AGREEMENT (NAFTA) INTERIM PROGRAM**

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**SUMMARY OF PROPOSED CHANGES:**

This proposal requests authority to spend a total of \$ 2,216,000 in federal grant funding. The BOE anticipates grants from the U.S. Department of Transportation's Federal Motor Carrier Safety Administration for the implementation of the Border Enforcement Grant Program. This funding will support program changes and enhancements necessary to allow the BOE to continue integrating (hosting) Mexican truckers into the IFTA. The resources are: \$ 806,000 and 11.5 limited term positions (8.4 PYs) in state fiscal year (SFY) 2007-08, \$ 1,099,000 and 11.5 limited-term positions (11.5 PYs) in SFY 2008-09, and \$ 311,000 and 11.5 limited-term positions (3.1 PYs) in SFY 2007-08. Under this proposal, California will act as one of four U.S. Border States supporting the integration of the Mexican truckers. Approval of the proposal will ensure that Mexican truckers properly report and pay fuel taxes in California as well as other IFTA jurisdictions. Additionally, approving this proposal will facilitate national efforts to implement the North America Free Trade Agreement.

State Board of Equalization

NAFTA Program

CONTINUATION OF INTERNATIONAL FUEL TAX AGREEMENT (IFTA)/NORTH AMERICA  
FREE TRADE AGREEMENT (NAFTA) INTERIM PROGRAM

State Fiscal Year 2007-08

**A. Nature of Request**

The State Board of Equalization (BOE) submits this proposal to request continued authority to spend federal grant funds that were authorized in state fiscal year (SFY) 2006-07. The BOE anticipates continuing grants from the U.S. Department of Transportation's (DOT) Federal Motor Carrier Safety Administration (FMCSA) for the implementation of the Border Enforcement Grant Program (Consolidated Appropriations Act, 2005). This interim program supports program changes and enhancements necessary to enable the BOE to continue integrating (hosting) Mexican motor carriers (truckers)<sup>1</sup> into the International Fuel Tax Agreement (IFTA). Under this program, California acts as one of four U.S. Border States supporting the integration of Mexican truckers into IFTA. Approval of this proposal ensures that Mexican truckers properly report and pay fuel taxes in California, as well as in other IFTA jurisdictions. Additionally, it facilitates national efforts to implement the North America Free Trade Agreement (NAFTA) and promote Mexican truckers compliance with United States requirements. **The Border Enforcement Program is 100 percent federally funded and requires no state funds.**

The BOE anticipates the total federal grant of \$2,216,000 will be approved for two federal fiscal years (FFYs)--FFY 2007-08 (October 1, 2007 through September 30, 2008), and FFY 2008-09 (October 1, 2008 through September 30, 2009). The limited-term positions are based on the federal grant period. Based on this federal grant period, the BOE requires spending authority and positions for the following SFYs:

- \$806,000 and 11.5 positions (8.4 PYs) for SFY 2007-08 (October 1, 2007 through June 30, 2008).
- \$1,099,000 and 11.5 positions (11.5 PYs) for SFY 2008-09 (July 1, 2008 through June 30, 2009).
- \$311,000 and 11.5 positions (3.1 PYs) for SFY 2009-10 (July 1, 2009 to September 30, 2009).

The continuation of the BOE's Border Enforcement Program beyond the current grant period solely depends on the continuation of federal funding from the U.S. DOT's FMCSA. California requires federal funding until Mexico becomes an IFTA jurisdiction which still appears to be, at the minimum, several years away. Therefore, BOE intends to apply for additional federal grant funds for resources that are needed to continue providing services to the Mexican truckers operating as U.S. "California hosted" IFTA truckers during this interim period.

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<sup>1</sup> The word trucker(s) is used throughout this document to mean the driver of a motor carrier(s). Motor carrier(s) refers to a qualified motor vehicle. See end note for definition of a qualified motor vehicle.

**A. Nature of Request (Continued)**

The amount of revenue that may be generated for California by the Border Enforcement Program solely depends on the total increase in taxable fuel use in California by Mexican truckers. In other words, one cannot estimate what distances Mexican truckers will travel through California or identify other out-of-state destinations they may have and project their fuel use, until the program is in operation for a period of time.

**B. Background/History**

California has been a member jurisdiction of the IFTA since 1996. The IFTA is an agreement between the 48 contiguous U.S. States and 10 Canadian Provinces (jurisdictions) that facilitates efficient collection and distribution of use fuel taxes in the United States and Canada. The agreement also simplifies fuel tax licensing and reporting requirements for interstate truckers. Under the IFTA, truckers register with their "base state" (base jurisdiction) and obtain an annual license and decals for their trucks (credentials). The trucker files quarterly fuel tax reports, declaring their fuel purchases and miles traveled in each jurisdiction. This process eliminates the need for truckers to register, file reports, request refunds, and participate in audits for each individual jurisdiction. The truckers' base jurisdiction is responsible for all these activities on behalf of all the participating jurisdictions.

The United States, Canada, and Mexico have been working cooperatively with the help of the NAFTA Fuel Tax and Registration Working Group to discuss and develop procedures for integrating Mexican truckers into IFTA. Integration into IFTA is necessary as NAFTA truck and bus access provisions are implemented and Mexican truckers begin to operate beyond the border commercial zones. To address this issue, the BOE requested and ultimately received 100 percent federal funding through the IFTA/NAFTA BCP No. 4 for SFY 2006-07. This BCP created the interim Border Enforcement Grant Program.

The FMCSA previously projected the border to open in summer 2006. The implementation date was postponed, because the U.S. and Mexican governments are still negotiating the handling of the interim solution (see "2" below). The FMCSA projects a new start date of January 1, 2007. Until then, they want the U. S. Border States to continue preparing for the opening of the border by acquiring the necessary equipment, making the necessary enhancements to our computer system, hiring and training the required personnel, and translating related publications and forms into Spanish. Therefore, the objective is for the U.S. Border States to be 100% ready for opening day to successfully implement and maintain the interim solution. The BOE has been performing the activities described above in preparation for the border opening.

The NAFTA Fuel Tax and Registration Working Group's efforts have resulted in the development and approval of the following three-step plan for integrating Mexican truckers into IFTA:

1. Short-term solution – Mexican truckers will purchase and travel under trip permits for each jurisdiction in which they travel. This process is similar to the one followed by U.S. truckers who choose not to register under IFTA and Mexican truckers who operate strictly within the border commercial zones.

**B. Background/History (Continued)**

2. Interim solution – The interim solution allows the four southern U.S. Border States to “host” Mexican truckers under the terms of IFTA. This solution includes registering the Mexican truckers and maintaining accounts for them until Mexico becomes a member jurisdiction of IFTA. Mexico is still a minimum of several years away of meeting the requirements necessary to become an IFTA jurisdiction.
3. Long-term solution – The long-term solution, once developed and implemented, permits Mexico to become a member jurisdiction of IFTA and register Mexican truckers under the terms of the agreements for operation in all three NAFTA countries.

The Federal Government currently provides complete financial support for this integration process through the Consolidated Appropriations Act, 2005 by funding 100 percent of the Border Enforcement Grant Program. This Act has financially empowered the FMCSA to award grants to the four southern Border States (California, Arizona, New Mexico, and Texas) for the implementation and maintenance of a Border Enforcement Grant Program. The BOE anticipates that the grant will be extended and the BOE will receive a grant of \$2,216,000 for FFYs 2007-08 and 2008-09. This grant will support IFTA program changes and enhancements necessary to enable California to successfully implement and uphold the interim solution and continue to serve as a base jurisdiction for Mexican truckers.

**C. State Level Considerations**

This proposal addresses the statutes contained in Section 60601 of the Revenue and Taxation Code as required by Budget Letter number 06-04 (2007-08 Budget Preparation Guidelines). Section 60601 authorizes the BOE to enforce the provisions of the Diesel Fuel Tax Law. In addition, California, as an IFTA jurisdiction, will remain in compliance with federally mandated provisions of the IFTA.

STRATEGIC PLAN CONFORMITY:

This proposal is consistent with the BOE’s Strategic Plan in that it meets the BOE’s goals to 1) Interpret and apply tax and fee laws correctly, consistently, and fairly; and 2) Educate and assist tax and fee payers to comply voluntarily, while minimizing their compliance burden. More specifically, this proposal conforms to:

- Issue 2 – Modernizing Tax Compliance Practices, Strategy 3 – Identify and analyze area of noncompliance and develop approaches to address targeted problem areas, while maintaining customer-service awareness.

This proposal provides for an efficient, responsive, and fair method of hosting Mexican truckers as they continue to travel throughout the United States and Canada.

Also, this proposal gives advance notice to the Department of Finance and the Legislative Analyst’s Office that the BOE is requesting federal funds to completely support this BCP beginning in the budget year (fiscal year 2007-08). This proposal complies with the intent of Budget Letter 06-06 governing the Section 28.00 provisions, which urges state agencies to request federal fund expenditure authority under the appropriate budget control item.

#### D. Justification/Analysis of All Feasible Alternatives

The IFTA requires California, as a member jurisdiction of the IFTA, to comply with its rules and regulations. The BOE anticipates that effective January 1, 2007, the approved plan to integrate Mexican truckers into IFTA will go into effect. The federal government has provided start-up funds to support California's efforts to begin registering and maintaining IFTA accounts for Mexican truckers traveling into California and other IFTA jurisdictions, until Mexico becomes a member jurisdiction of IFTA. The BOE requires authority to spend federal grant funds for SFYs 2007-08, 2008-09, and 2009-2010 to continue with the interim Border Enforcement Grant Program.

The BOE has increased fuel tax enforcement at the U.S./Mexico border and in the Southern California area to accommodate Mexican truckers registered with the BOE as IFTA truckers. Approximately 1,000 Mexican truckers will register in the first year (SFY 2006-07). In the second year (SFY 2007-08), approximately 500 additional truckers (50% increase) will register and, in the third year (SFY 2008-09) and thereafter, approximately 375 additional truckers (a 25% increase) will register.

##### Alternative 1

**Alternative 1 requests authority to spend \$2,216,000 in federal funds beginning October 1, 2007 through September 30, 2009 (SFYs 2007-08, 2008-09, and 2009-10). The funding need by SFY is \$806,000 and 11.5 limited-term positions (8.4 PYs) in SFY 2007-08, \$1,099,000 and 11.5 limited-term positions (11.5 PYs) in SFY 2008-09, and \$311,000 and 11.5 limited-term positions (3.1 PYs) in SFY 2009-10 to implement and support the interim Border Enforcement Grant Program. Under this program, the BOE will integrate and maintain Mexican truckers into IFTA under the terms of the IFTA member jurisdictions.**

The limited-term positions are needed in the Property and Special Taxes Department's Motor Carrier Section which will oversee the Border Enforcement Grant Program. The registration and account maintenance processes associated with this program will follow existing policy and procedures for registering California truckers into the IFTA program. The general duties of each required position and the associated workloads are based on historical data. The BOE estimates that each registered trucker will operate an average of one to three qualified motor vehicles.

The following summary outlines the total BOE Personal Services' resources requested in this BCP:

Classification	SFY 2007-08 (9 Months)		SFY 2008-09 (12 Months)		SFY 2009-10 (3 Months)	
	PYs	Positions	PYs	Positions	PYs	Positions
Associate Tax Auditor	1.1	1.5	1.5	1.5	.4	1.5
Business Taxes Compliance Specialist	2.2	3.0	3.0	3.0	.8	3.0
Business Taxes Specialist II	.7	1.0	1.0	1.0	.3	1.0
Office Assistant/ Tax Technician II	.7	1.0	1.0	1.0	.3	1.0
Tax Technician II	1.5	2.0	2.0	2.0	.5	2.0
Tax Technician III	2.2	3.0	3.0	3.0	.8	3.0
<b>Total</b>	<b>8.4</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>3.1</b>	<b>11.5</b>

**D. Justification/Analysis of All Feasible Alternatives (Continued)****Alternative 1 (Continued)**

The following description and charts detail the workload for each limited-term position:

**Associate Tax Auditor**

Continuation of the Associate Tax Auditor (ATA) positions is required starting in SFY 2007-08 on October 1, 2007 with 1.5 limited-term positions (1.1 PYs) in SFY 2007-08, 1.5 limited-term positions (1.5 PYs) in SFY 2008-09, and 1.5 limited-term positions (.4 PY) in 2009-10.

The ATA audits Mexican truckers registered with California as IFTA truckers. This working level is necessary to handle the types of records, or lack of records, encountered with these accounts. The ATA performs difficult audits requiring in-depth analysis of truckers' activities throughout the United States and Mexico. A working knowledge of the unique circumstances surrounding truckers that travel through multiple IFTA jurisdictions and Mexico is essential. The ATA assesses deficiencies, identifies and verifies overpayments, prepares correspondence, and works occasional enforcement activities.

The audit process requires one year of collected data prior to starting the audits. Therefore, the audit process begins in SFY 2007-08 (January 1, 2008)—one year after the 1,000 Mexican truckers are projected to register in SFY 2006-07 (January 1, 2007). Under the IFTA, California is required to annually audit 3% of the audit-ready accounts. Hence, 30 accounts will be audited in SFY 2007-08 (1,000 audit-ready accounts times 3% equals 30). In the second year of audits, SFY 2008-09, one year after 500 additional Mexican truckers are projected to register (total of 1,500 registered), 45 accounts will be audited (1,000 audit-ready accounts continuing from SFY 2007-08 plus 500 new audit-ready accounts in SFY 2008-09 times 3% equals 45). In the third year of audits, SFY 2009-10, one year after 375 additional Mexican truckers are projected to register (total of 1, 875 registered), 14 accounts will be audited (1,500 audit-ready accounts continuing from SFY 2008-09 plus 375 new audit-ready accounts times 3% equals 56 times 25% (3 months—July 1, 2009 through September 30, 2009) equals 14).

The chart below summarizes the workload hours required for the ATA positions by fiscal year:

Workload Activity	SFY 2007-08 (9 Months)		SFY 2008-09 (12 Months)		SFY 2009-10 (3 Months)	
	Task/Yr. <u>c/</u>	Total Hrs.	Task/Yr. <u>d/</u>	Total Hrs.	Task/Yr. <u>e/</u>	Total Hrs.
Prepares for audits, develops procedures, performs audits @ 56 hrs.	30	1,680	45	2,520	14	784
Verify refund claims @ 3 hrs.	41	123	63	189	18	54
Group enforcement projects @ 32 hrs.	2	64	3	96	1	32
<b>Total Hours</b>		<u>1,867</u>		<u>2,805</u>		<u>870</u>
<b>Total Positions Requested <u>a/</u></b>		<u>1.5</u>		<u>1.5</u>		<u>1.5</u>
<b>Total PYs Requested <u>b/</u></b>		<u>1.1</u>		<u>1.5</u>		<u>.4</u>

a/ 1,600 hours equal one position.

b/ PYs requested reflect availability of federal funds which could amount to slightly less than workload hours indicated.

c/ Based on a time period of October 1, 2007 through June 30, 2008.

d/ Based on a time period of July 1, 2008 through June 30, 2009.

e/ Based on a time period of July 1, 2009 through September 30, 2009.

**D. Justification/Analysis of All Feasible Alternatives (Continued)****Alternative 1 (Continued)****Business Taxes Compliance Specialist**

The continuation of the Business Taxes Compliance Specialist (BTCS) positions is required starting in SFY 2007-08 on October 1, 2007 with 3.0 limited-term positions (2.2 PYs) in SFY 2007-08, 3.0 limited-term positions (3.0 PYs) in SFY 2008-09, and 3.0 limited-term positions (.8 PY) in SFY 2009-10.

The BTCS acts as the lead and resource specialist to staff. The BTCS performs enforcement activities including verification of credentials, collection of amounts due, resolution of revocations, verification of refunds, assessment of penalties, and identification of property with possible use tax due.

The chart below summarizes the workload hours required for the BTCS positions by fiscal year:

Workload Activity	SFY 2007-08 (9 Months)		SFY 2008-09 (12 Months)		SFY 2009-10 (3 Months)	
	Task/Yr. <u>c/</u>	Total Hrs.	Task/Yr. <u>d/</u>	Total Hrs.	Task/Yr. <u>e/</u>	Total Hrs.
Verify credentials @ .07 hour/activity	40,106	2,807	53,475	3,743	13,368	936
Issue penalty determinations @ 1.25 hours/activity	333	416	450	563	114	143
Collect AR amounts due @ 6 hours/activity	54	324	75	450	18	108
Resolving deletes/revocations @ 3 hours/activity	279	837	375	1,125	93	279
<b>Total Hours</b>		<b>4,384</b>		<b>5,881</b>		<b>1466</b>
<b>Total Positions Requested <u>a/</u></b>		<b>3.0</b>		<b>3.0</b>		<b>3.0</b>
<b>Total PYs Requested <u>b/</u></b>		<b>2.2</b>		<b>3.0</b>		<b>.8</b>

a/ 1,800 hours equal 1 position.

b/ PYs requested reflect availability of federal funds which could amount to slightly less than workload hours indicated.

c/ Based on a time period of October 1, 2007 through June 30, 2008.

d/ Based on a time period of July 1, 2008 through June 30, 2009.

e/ Based on a time period of July 1, 2009 through September 30, 2009

**Business Taxes Specialist II**

The continuation of the Business Taxes Specialist II (BTS II) position is required starting in SFY 2007-08 on October 1, 2007 with 1.0 limited term-position (.7 PY) in SFY 2007-08, 1.0 limited-term position (1.0 PY) in SFY 2008-09, and 1.0 limited-term position (.3PY) in SFY 2009-10.

The BTS II serves as a liaison to Mexican Government representatives, other Southern Border States, the Federal Motor Carrier Safety Administration, and other IFTA member jurisdictions. The BTS II plans and implements trucker education, translation, training, outreach, and inter-state coordination of the program. Also, the BTS II acts as a technical advisor to the Administrator of the Motor Carrier Section and the Chief of the Fuel Taxes Division. The workload chart for this position is displayed on the next page.

## D. Justification/Analysis of All Feasible Alternatives (Continued)

### Alternative 1 (Continued)

#### Business Taxes Specialist II (Continued)

The chart below summarizes the workload hours required for the BTS II position by fiscal year:

Workload Activity	SFY 2007-08	SFY 2008-09	SFY 2009-10
	(9 Months)	(12 Months)	(3 Months)
	Total Hrs._c/	Total Hrs._d/	Total Hrs._e/
Plan & implement truckers' education, translations, training, outreach and inter-state coordination of program	1,050	1,400	350
Liaison to other states, Mexico, US DOT and FMCSA	150	200	50
Expert advisor to administration and management	150	200	50
<b>Total Hours</b>	<b>1,350</b>	<b>1,800</b>	<b>450</b>
<b>Total Positions Requested_a/</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>Total PYs Requested_b/</b>	<b>.7</b>	<b>1.0</b>	<b>.3</b>

\_a/ 1,800 hours equal 1 position.

\_b/ PYs requested reflect availability of federal funds which could amount to slightly less than workload hours indicated.

\_c/ Based on a time period of October 1, 2007 through June 30, 2008.

\_d/ Based on a time period of July 1, 2008 through June 30, 2009.

\_e/ Based on a time period of July 1, 2009 through September 30, 2009.

#### Office Assistant

Continuation of the Office Assistant (OA) position is required starting in SFY 2007-08 on October 1, 2007 with 1.0 limited-term position (.7 PY) in SFY 2007-08, 1.0 limited-term position (1.0 PY) in SFY 2008-09, and 1.0 limited-term position (.3 PY) in SFY 2009-10.

The OA establishes and maintains files, files returns and applications, and performs general office assistance.

The chart below summarizes the workload hours required for the OA position by fiscal year:

Workload Activity	SFY 2007-08		SFY 2008-09		SFY 2009-10	
	(9 Months)	(9 Months)	(12 Months)	(12 Months)	(3 Months)	(3 Months)
	Task/Yr. c/	Total Hrs.	Task/Yr. d/	Total Hrs.	Task/Yr. e/	Total Hrs.
Establish and maintain files @ .5 hr.	1125	563	1,500	750	375	188
File returns and applications @ .15 hr.	4125	619	5,500	825	1,375	206
General office assistance		150		200		50
<b>Total Hours</b>		<b>1332</b>		<b>1,775</b>		<b>444</b>
<b>Total Positions Requested_a/</b>		<b>1.0</b>		<b>1.0</b>		<b>1.0</b>
<b>Total PYs Requested_b/</b>		<b>.7</b>		<b>1.0</b>		<b>.3</b>

\_a/ 1,800 hours equal 1 position.

\_b/ PYs requested reflect availability of federal funds which could amount to slightly less than workload hours indicated.

\_c/ Based on a time period of October 1, 2007 through June 30, 2008.

\_d/ Based on a time period of July 1, 2008 through June 30, 2009.

\_e/ Based on a time period of July 1, 2009 through September 30, 2009.

**D. Justification/Analysis of All Feasible Alternatives (Continued)****Alternative 1 (Continued)****Tax Technician II**

The continuation of the Tax Technician II (TT II) positions is required to continue starting in SFY 2007-08 on October 1, 2007 with 2.0 limited-term positions (1.5 PYs) in SFY 2007-08, 2.0 limited-term positions (2.0 PYs) in SFY 2008-09, and 2.0 limited-term positions (.5 PY) in SFY 2009-10.

The TT II registers accounts, issues credentials and temporary permits, verifies the arithmetical accuracy of returns, corrects returns using online systems, performs account maintenance, and provides general customer support.

The chart below summarizes the workload hours required for the TT II positions by fiscal year.

Workload Activity	SFY 2007-08 (9 Months)		SFY 2008-09 (12 Months)		SFY 2009-10 (3 Months)	
	Task/Yr. <i>c/</i>	Total Hrs.	Task/Yr. <i>d/</i>	Total Hrs.	Task/Yr. <i>e/</i>	Total Hrs.
Register/issue credentials @ 1.2 hr.	1,125	1,350	1,500	1,800	375	450
Verify tax return accuracy @ .2 hr.	4,125	825	5,500	1,100	1,375	275
Account maintenance @ 1 hr.	225	225	300	300	75	75
Customer service @ .2 hr.	563	113	750	150	188	38
<b>Total Hours</b>		<b>2,513</b>		<b>3,350</b>		<b>838</b>
<b>Total Positions Requested <i>a/</i></b>		<b>2.0</b>		<b>2.0</b>		<b>2.0</b>
<b>Total PYs Requested <i>b/</i></b>		<b>1.5</b>		<b>2.0</b>		<b>.5</b>

*a/* 1,800 hours equal 1 position.

*b/* PYs requested reflect availability of federal funds which could amount to slightly less than workload hours indicated.

*c/* Based on a time period of October 1, 2007 through June 30, 2008.

*d/* Based on a time period of July 1, 2008 through June 30, 2009.

*e/* Based on a time period of July 1, 2009 through September 30, 2009.

**Tax Technician III**

The continuation of the Tax Technician III (TT III) positions is required starting in SFY 2007-08 on October 1, 2007 with 3.0 limited-term positions (2.2 PYs) in SFY 2007-08, 3.0 limited-term positions (3.0 PYs) in SFY 2008-09, and 3.0 limited-term positions (.8 PY) in SFY 2009-10.

The TT III processes security deposits taken to insure payment of any tax that might become due, prepares online billings for taxes and penalties due, processes refunds of overpayments, and handles the more difficult registration and return analysis functions.

The workload chart for these positions is displayed on the next page.

**D. Justification/Analysis of All Feasible Alternatives (Continued)****Alternative 1 (Continued)****Tax Technician III (Continued)**

The chart below summarizes the workload hours required for the TT III positions by fiscal year.

<u>Workload Activity</u>	<u>SFY 2007-08</u>		<u>SFY 2008-09</u>		<u>SFY 2009-10</u>	
	<u>(9 Months)</u>		<u>(12 Months)</u>		<u>(3 Months)</u>	
	<u>Task/Yr. c/</u>	<u>Total Hrs.</u>	<u>Task/Yr. d/</u>	<u>Total Hrs.</u>	<u>Task/Yr. e/</u>	<u>Total Hrs.</u>
Process security deposits @ 2 hrs.	1,125	2,250	1,500	3,000	375	750
Online billings & adjustments @ .5 hr.	450	225	600	300	150	75
Registration & account maint. @ 1.2 hr.	1,406	1,687	1,875	2,250	469	563
Complex return analysis actions @ 1 hr.	169	169	225	225	56	56
<b>Total Hours</b>		<u>4,331</u>		<u>5,775</u>		<u>1,444</u>
<b>Total Positions Requested_a/</b>		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>
<b>Total PYs Requested_b/</b>		<u>2.2</u>		<u>3.0</u>		<u>.8</u>

\_a/ 1,800 hours equal 1 position.

\_b/ PYs requested reflect availability of federal funds which could amount to slightly less than workload hours indicated.

\_c/ Based on a time period of October 1, 2007 through June 30, 2008.

\_d/ Based on a time period of July 1, 2008 through June 30, 2009.

\_e/ Based on a time period of July 1, 2009 through September 30, 2009.

**Pros:**

- Receives 100 percent federal funding to continue integrating Mexican truckers into the IFTA.
- Increases Fuel Tax enforcement at the United States/Mexico border inspection facilities.
- Supports the BOE's efforts to remain in compliance with the IFTA Agreement.
- Provides for more efficient management and enforcement of the Diesel Fuel Tax Law.
- Enables California to meet its responsibilities in the implementation of the NAFTA between the United States, Canada, and Mexico.

**Con:**

- May be premature, since approval of federal funds have not yet been granted.

**Alternative 2**

**Alternative 2 requests authority to spend \$2,216,000 from the Transportation Tax Fund for the same resources and time period described in Alternative 1.**

**Pros:**

- Supports the BOE's efforts to be in compliance with the IFTA and NAFTA.
- Avoids sanctions being imposed on California for non-compliance.
- Provides for more efficient management and enforcement of the Diesel Fuel Tax Law.

## D. Justification/Analysis of All Feasible Alternatives (Continued)

### Alternative 2 (Continued)

#### Pros: (Continued)

- Enables California to meet its responsibilities to other jurisdictions.
- Generates possible revenue for California and other IFTA jurisdictions.
- Provides possible revenue for repair and expansion of California's infrastructure.

#### Con:

- Requires state funding.

## E. Timetable

The BOE proposes that Alternative 1 be effective October 1, 2007.

The chart below provides a projected timeline to maintain the integration of Mexican truckers into the IFTA.

October 1, 2007 - June 30, 2008	July 1, 2008 - June 30, 2009	July 1, 2009 – September 30, 2009
<ul style="list-style-type: none"> <li>• Conducts IFTA training sessions and business seminars for Mexican truckers, their agents, and industry representatives - <i>annual task</i>.</li> <li>• Registers Mexican truckers and issues new credentials -<i>ongoing task</i>.</li> <li>• Processes renewal requests and issues annual credentials to Mexican truckers-<i>ongoing task</i>.</li> <li>• Continues translation of IFTA return instructions, registration information, instructions on security requirements, education and outreach materials, and training packages.</li> <li>• Completes quarterly reports and reimbursement requests to FMCSA.</li> </ul>	<ul style="list-style-type: none"> <li>• Conducts IFTA training sessions and business seminars for Mexican truckers, their agents, and industry representatives - <i>annual task</i>.</li> <li>• Registers Mexican truckers and issues new credentials -<i>ongoing task</i>.</li> <li>• Processes renewal requests and issues annual credentials to Mexican truckers -<i>ongoing task</i>.</li> <li>• Continues translation of IFTA return instructions, registration information, instructions on security requirements, education and outreach materials, and training packages.</li> <li>• Completes quarterly reports and reimbursement requests to FMCSA..</li> </ul>	<ul style="list-style-type: none"> <li>• Conducts IFTA training sessions and business seminars for Mexican truckers, their agents, and industry representatives-<i>annual task</i>.</li> <li>• Registers Mexican truckers and issues new credentials -<i>ongoing task</i>.</li> <li>• Processes renewal requests and issues annual credentials to Mexican truckers -<i>ongoing task</i>.</li> <li>• Continues translation of IFTA return instructions, registration information, instructions on security requirements, education and outreach materials, and training packages.</li> <li>• Completes quarterly reports and reimbursement requests to FMCSA.</li> <li>• Submits FFY 2009 Border Enforcement Grant Proposal to continue integrating the Mexican truckers into IFTA program.</li> </ul>

**F. Recommendation**

The BOE recommends that Alternative 1 be approved and that the BOE be given authorization to spend \$2,216,000 in federal grant funds anticipated to be approved for the BOE by the U.S. DOT's FMCSA for the continuation of the Border Enforcement Grant Program. The spending authority covers three SFYs—2007-08, 2008-09, and 2009-10—from October 1, 2007 through September 30, 2009.

The funding need by fiscal year is \$806,000 and 11.5 limited-term positions (8.4 PYs) in SFY 2007-08, \$1,099,000 and 11.5 limited-term positions (11.5 PYs) in SFY 2008-09, and \$311,000 and 11.5 limited-term positions (3.1 PYs) in SFY 2009-10 to maintain the implementation of the interim Border Enforcement Grant Program. Approval of this proposal ensures that Mexican truckers properly report and pay fuel taxes in California, as well as in other IFTA jurisdictions.

**The Border Enforcement Program is 100 percent federally funded and requires no state funds.**

The BOE intends to apply for a continuation of federal funds beyond the end of this SFY 2007-08 BCP. This grant application will cover the last three-quarters of SFY 2009-10 (October 1, 2009 through June 30, 2010) to provide continued funding for the 11.5 existing positions. The application will also include 3.0 additional positions and resources that are needed to continue service to the Mexican truckers operating as California hosted IFTA truckers in the fifth federal fiscal year. These 3.0 positions are projected to start in SFY 2010-11 (July 1, 2010 through June 30, 2011).

**G. Fiscal Detail**

See attached "Fiscal Detail" schedules.

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<sup>i</sup> The word trucker(s) is used throughout this document to mean a driver of a motor carrier(s). Motor carrier(s) refers to an IFTA-qualified motor vehicle. Under IFTA, a qualified motor vehicle is a motor vehicle used, designed, or maintained for the transportation of people or property, that meets any one of the following qualifications:

- Consists of two axles and a gross vehicle or registered gross vehicle weight exceeding 26,000 pounds or 11,797 kilograms; or
- Consists of three or more axles (power unit only), regardless of weight; or
- Uses a combination with a total weight of more than 26,000 pounds or 11,797 kilograms gross vehicle or registered gross vehicle weight.

A qualified motor vehicle does not include a recreational vehicle.

STATE OF CALIFORNIA  
 BUDGET CHANGE PROPOSAL--FISCAL DETAIL  
 STATE OPERATIONS  
 FISCAL YEAR 2007-08  
 (Dollars in Thousands)

**Title of Proposed Change:** Continuation of International Fuel Tax Agreement (IFTA)/North America Free Trade Agreement (NAFTA) Interim Program

**Program/Element/Component:** 53 NAFTA Program

	PERSONNEL YEARS			CY	BY	BY + 1
	CY	BY	BY + 1			
<b>TOTAL SALARIES AND WAGES</b> <i>_a/</i>		8.4	11.5		\$384	\$527
Salary Savings						
<b>NET TOTAL SALARIES AND WAGES</b>		8.4	11.5		384	527
Staff Benefits <i>_a/</i>					136	186
<b>NET TOTAL SALARIES AND WAGES</b>		8.4	11.5		520	713
Distributed Administration <i>_b/</i>					59	80
<b>TOTAL PERSONAL SERVICES</b>		8.4	11.5		\$579	\$793
<b>OPERATING EXPENSE AND EQUIPMENT</b>						
General Expense					\$16	\$22
Distributed Administration					15	20
Printing					8	\$10
Communications					12	16
Postage					8	10
Travel--In-State					68	84
Travel--Out-of -State					15	19
Training					6	8
Facilities Operations					25	34
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External					11	26
Stephen P. Teale Data Center						
Data Processing						
Equipment						
Other Items of Expense:						
State Government's Fee for Handling Federal Grant <i>_c/</i>					43	57

*\_a/* See page 15 of 15 for itemized staff benefits and classification detail.

*\_b/* Represents Distributed Administration costs resulting from this BCP. The Distributed Administration costs for existing BOE programs will reflect a corresponding decrease which will be addressed in the Planning Estimate process.

*\_c/* The State Government determines this amount after the first year of the federal grant.

	CY	BY	BY + 1
<b>TOTAL OPERATING EXPENSE AND EQUIPMENT</b>		\$227	\$306
<b>TOTAL EXPENDITURES (State Operations)</b>		\$806	\$1,099

**Source of Funds**

General Fund (0001)

Special Funds:

- Breast Cancer Fund (0004)
- State Emergency Telephone (0022)
- Propane Surcharge Fund (0051)
- Motor Vehicle Fuel Account (0061)
- Occupational Lead Prevention Fund (0070)
- Childhood Lead Poisoning Prev. Fund (0080)
- Cig. and Tobacco Prod. Surtax Fund (0230)
- Oil Spill Prevention and Admin. Fund (0320)
- Integrated Waste Management (0387)
- Underground Storage Tank Fund (0439)
- Energy Resources Programs Account (0465)
- CA. Children and Families First Trust Fund (0623)
- Timber Tax Fund (0965)
- Gas Consumption Surcharge Fund (3015)
- Water Rights Fund (3058)
- Elec. Waste Recovery and Recycling Acct. (3065)
- Cig. and Tobacco Prod. Compliance Fund (3067)

Federal Trust Fund (0890)

806 1,099

Other Funds

Reimbursements (0995)

Net Total Augmentation (Source of Funds)

		\$806	\$1,099
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**DETAIL OF STAFF BENEFITS  
AND PERSONAL SERVICES**

Staff Benefits Detail:	CY	BY	BY + 1
	<i>(Whole Dollars)</i>		
OASDI		\$29,376	\$40,316
Health Insurance		39,882	54,734
Retirement		56,997	78,223
Workers' Compensation		7,296	10,013
Industrial Disability Leave		369	506
Non-Industrial Disability Leave		484	664
Unemployment Insurance		334	458
Other		1,006	1,381
<b>TOTAL</b>		<b>\$135,744</b>	<b>\$186,295</b>

Classification	Positions			Salary Range <sup>a</sup>	Amount		
	CY	BY	BY + 1		CY	BY	BY + 1
<b>Property and Special Taxes Department:</b>							
Fuel Taxes Division:							
Associate Tax Auditor_b/		1.1	1.5	\$57,096		\$62,806	\$85,644
Bus. Taxes Compliance Specialist_c/		2.2	3.0	57,096		125,611	171,288
Business Taxes Specialist II_d/		.7	1.0	68,904		48,233	68,904
Office Assistant_e/		.7	1.0	26,064		18,245	26,064
Office Technician II_f/		1.5	2.0	32,616		48,924	65,232
Office Technician III_g/		2.2	3.0	36,480		80,256	109,440
 <b>Blanket Funds:</b>							
Overtime (Various)							
Temporary Help							
<b>TOTAL SALARIES AND WAGES</b>		<b>8.4</b>	<b>11.5</b>			<b>\$384,075</b>	<b>\$526,572</b>

<sup>a/</sup> The salary is the mid-step of the salary range for the stated classification.  
<sup>b/</sup> 1.5 limited-term positions effective October 1, 2007 through September 30, 2009.  
<sup>c/</sup> 3.0 limited-term positions effective October 1, 2007 through September 30, 2009.  
<sup>d/</sup> 1.0 limited-term positions effective October 1, 2007 through September 30, 2009.  
<sup>e/</sup> 1.0 limited-term positions effective October 1, 2007 through September 30, 2009.  
<sup>f/</sup> 2.0 limited-term positions effective October 1, 2007 through September 30, 2009.  
<sup>g/</sup> 3.0 limited-term positions effective October 1, 2007 through September 30, 2009.