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**Title: International Fuel Tax Agreement (IFTA)/ North America Free Trade Agreement (NAFTA) Interim Program – BCP No. 4**

**Purpose:** To implement an interim program for California to serve as a base state “host” for Mexican carriers.

**Summary:** This proposal requests the authority to spend federal funds to implement an interim program for California to serve as a base state “host” for Mexican carriers. The interim program will help facilitate the integration of Mexican carriers into the IFTA as truck and bus provisions of the NAFTA are implemented and Mexican carriers begin to operate beyond the border commercial zones. The United States Department of Transportation has approved \$2,111,000 over three State Fiscal Years (FY).

**Total Resources Needed:**

- FY 2005-06: 8.0 limited-term positions (5.9 PYs) and \$700,000
- FY 2006-07: 11.5 limited-term positions (11.5 PYs) and \$1,110,000
- FY 2007-08: 11.5 limited-term positions (3.1 PYs) and \$301,000
- All positions and resources expire September 30, 2007

**STATE BOARD OF EQUALIZATION  
FISCAL YEAR 2006-07  
Proposal No. 4**

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**TITLE OF PROPOSED CHANGE:**

**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 \$2,111,000 in Federal grant funding (September 2, 2005 through September 30, 2007) made available by the U.S. Department of Transportation's Federal Motor Carrier Safety Administration for the implementation of the Border Enforcement Grant Program (Consolidated Appropriations Act, 2005) to support program changes and enhancements necessary to allow the BOE to begin integrating (hosting) Mexican motor carriers into the IFTA. The need by fiscal year is \$700,000 and 8.0 limited term positions (5.9 PYs) in state fiscal year (SFY) 2005-06, \$1,110,000 and 11.5 limited-term positions (11.5 PYs) in SFY 2006-07, and \$301,000 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 carriers. Approval of the proposal will ensure Mexican carriers properly report and pay fuel taxes in California as well as other IFTA jurisdictions. Additionally, approving this proposal will facilitate national efforts.

**State Board of Equalization**

**Diesel and Use Fuel Tax Program**

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

**Fiscal Year 2006-07**

**A. Nature of Request**

The State Board of Equalization (BOE) submits this proposal to request authority to spend federal grant funds approved for the BOE by the U.S. Department of Transportation's (DOT's) 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 begin integrating (hosting) Mexican motor carriers 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 carriers. Approval of this proposal ensures that Mexican carriers properly report and pay fuel taxes in California, as well as in other IFTA jurisdictions. Additionally, it ensures the facilitation of national efforts to implement the North America Free Trade Agreement (NAFTA) and promote Mexican carrier and driver compliance with United States requirements. **The Border Enforcement Program is 100 percent federally funded and requires no state funds.**

The BOE's total federal grant of \$2,111,000 was approved for approximately one month longer than two federal fiscal years (FFYs)—FFY 2004-05 (September 2, 2005 through September 30, 2005), FFY 2005-06 (October 1, 2005 through September 30, 2006), and FFY 2006-07 (October 1, 2006 through September 30, 2007). Based on this grant period, spending authority is required for the following California state fiscal years (SFYs):

- \$700,000 for SFY 2005-06 (October 1, 2005 through June 30, 2006).
- \$ 1,110,000 for SFY 2006-07 (July 1, 2006 through June 30, 2007).
- \$ 301,000 for SFY 2007-08 (July 1, 2007 to September 30, 2007).

The continuation of the BOE's Border Enforcement Program beyond the current grant period is solely dependent on the continuation of federal funding from the U.S. DOT. California requires federal funding until Mexico becomes an IFTA jurisdiction which appears to be, at the minimum, several years away.

The amount of revenue that may be generated for California by the Border Enforcement Program is unknown at this time, as it solely depends on the total increase in taxable fuel use in California by Mexican carriers. In other words, there is no way to know what distances Mexican carriers will travel through California and what other out-of-state destinations they may have until the program is in operation for a period of time.

**B. Background/History**

California has been a member jurisdiction of the International Fuel Tax Agreement (IFTA) since 1996. IFTA is an agreement between the 48 contiguous U.S. States and 10 Canadian Provinces 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 motor carriers. Under IFTA, carriers register with their "base state" and obtain an annual license and decals for their trucks (credentials). The carrier files quarterly fuel tax reports, declaring their fuel purchases and miles traveled in each jurisdiction. This eliminates the need for carriers to register, file reports, request refunds, and participate in audits for each individual jurisdiction. The carrier's base state is responsible for all these activities on behalf of all the participating states and provinces.

The United States, Canada, and Mexico have been working cooperatively under the auspices of the NAFTA Working Group on Fuel Tax and Registration to discuss and develop procedures for integrating Mexican Carriers into IFTA. Integration into IFTA is necessary as the NAFTA truck and bus access provisions are implemented and Mexican Carriers begin to operate beyond the border commercial zones currently scheduled to begin on January 1, 2006.

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

1. Short-term solution – Mexican carriers 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. carriers that choose not to register under IFTA and Mexican carriers that operate strictly within the border commercial zones.
2. Interim solution – The interim solution allows the four southern U.S. Border States to "host" Mexican carriers under the terms of IFTA. This solution includes registering the carriers and maintaining accounts for them until Mexico can become a member jurisdiction of IFTA. It is expected to be a minimum of several years before Mexico meets 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 carriers under the terms of the agreements for operation in all three NAFTA countries.

The Federal Government is providing 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 U.S. DOT's FMCSA to award grants to the four southern Border States (California, Arizona, New Mexico, and Texas) for the implementation of a Border Enforcement Grant Program. The BOE has received a grant of \$2,111,000 for FFYs 2005-06 and 2006-07 to support IFTA program changes and enhancements necessary to enable California to implement the interim solution and begin to serve as a base state for Mexican carriers.

**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 05-04 (2006-07 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 International Fuel Tax Agreement.

**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 carriers as they begin to travel throughout the United States and Canada.

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

California, as a member jurisdiction of IFTA, is required to comply with the IFTA rules and regulations. Effective January 1, 2006, the approved plan to integrate Mexican carriers into IFTA will go into effect. The Federal government has made start-up funds available to support California's efforts to begin registering and maintaining IFTA accounts for Mexican carriers traveling into California and other IFTA jurisdictions, until such time as Mexico can become a member jurisdiction of IFTA. Authority for the BOE to spend the Federal grant funds to increase staff and expand current processes is necessary before the BOE can begin to integrate Mexican carriers into IFTA.

The BOE plans to increase fuel tax enforcement at the U.S./Mexico border and in the southern California area to accommodate Mexican carriers who will register with the BOE as IFTA carriers. It is estimated that approximately 1,000 Mexican carriers will register in the first year (SFY 2005-06). In the second year (SFY 2006-07), 500 additional carriers (50% increase) are projected to register and, in the third year (SFY 2007-08), 375 additional carriers (a 25% increase) are projected to register.

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

### Alternative 1

Alternative 1 requests authority to spend \$2,111,000 in federal funds beginning October 1, 2005 through September 30, 2007 (SFYs 2005-06, 2006-07, and 2007-08). The funding need by SFY is \$700,000 and 8.0 limited-term positions (5.9 PYs) in SFY 2005-06, \$1,110,000 and 11.5 limited-term positions (11.5 PYs) in SFY 2006-07, and \$301,000 and 11.5 limited-term positions (3.1 PYs) in SFY 2007-08 to implement the interim Border Enforcement Grant Program. Under this program, the BOE will integrate Mexican motor carriers 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 carriers into the IFTA program. The general duties of each required position and the associated workloads are based on historical data. In developing workload for staff, it is estimated that, on average, each registered motor carrier will operate two qualified motor vehicles.

The following summary outlines the total BOE Personal Services' resources required for this BCP:

Classification	SFY 2005-06 (9 Months)		SFY 2006-07 (12 Months)		SFY 2007-08 (3 Months)	
	PYs	Positions	PYs	Positions	PYs	Positions
Associate Tax Auditor_a/	.8	1.0	1.5	1.5	.4	1.5
Business Taxes Compliance Specialist_a/	1.5	2.0	3.0	3.0	.8	3.0
Business Taxes Specialist II_a/	.8	1.0	1.0	1.0	.3	1.0
Office Assistant/_b/	.5	1.0	1.0	1.0	.3	1.0
Tax Technician II_a/	.8	1.0	2.0	2.0	.5	2.0
Tax Technician III_a/	1.5	2.0	3.0	3.0	.8	3.0
<b>Total</b>	<b>5.9</b>	<b>8.0</b>	<b>11.5</b>	<b>11.5</b>	<b>3.1</b>	<b>11.5</b>

\_a/ Positions are effective October 1, 2005 through September 30, 2007.

\_b/ Position is effective January 1, 2006 through September 30, 2007.

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

#### Associate Tax Auditor

Associate Tax Auditor (ATA) positions are required to start in the first year (also referred to as current year or SFY 2005-06) with 1.0 limited-term position (.8 PYs) in SFY 2005-06, 1.5 limited-term positions (1.5 PYs) in SFY 2006-07, and 1.5 limited-term positions (.4 PYs) in SFY 2007-08.

The ATA audits Mexican carriers registered with California as IFTA motor carriers. 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 carrier activities throughout the United States and Mexico. A working knowledge of the unique circumstances surrounding motor carriers that travel through multiple IFTA jurisdictions and

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

Mexico is essential. The ATA assesses deficiencies, identifies and verifies overpayments, prepares correspondence, and works occasional enforcement activities.

The audit process begins in SFY 2005-06. Under IFTA, California is required to audit 3% of accounts annually. The addition of an estimated 1,000 Mexican carriers in the SFY 2005-06 requires the BOE to audit at least 23 additional accounts (based on 30 additional accounts for the full year). The addition of an estimated 500 Mexican carriers in the second year (SFY 2006-07) requires auditing of at least 45 additional accounts which is for the full year. The addition of an estimated 375 Mexican carriers in the third year (SFY 2007-08) requires the auditing of at least 14 additional accounts (based on 56 additional accounts for the full year). The same methodology is used to develop the workload hours for the verification of refund claims and group enforcement projects.

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

Workload Activity	SFY 2005-06		SFY 2006-07		SFY 2007-08	
	Task/Yr. <u>b/</u>	Total Hrs.	Task/Yr. <u>c/</u>	Total Hrs.	Task/Yr. <u>d/</u>	Total Hrs.
Prepares for audits, develops procedures, performs audits @ 50 hrs.	23	1,125	45	2,250	14	700
Verify refund claims @ 3 hrs.	27	81	54	162	17	51
Group enforcement projects @ 32 hrs.	2	2	3	96	1	1
<b>Total Hours</b>		<b>1,208</b>		<b>2,508</b>		<b>752</b>
<b>Total Positions <u>a/</u></b>		<b>.8</b>		<b>1.6</b>		<b>.5</b>
<b>Total Positions Requested</b>		<b>.8</b>		<b>1.5</b>		<b>.4</b>

a/ 1,600 hours equal 1 position.

b/ Based on a time period of October 1, 2005 through June 30, 2006.

c/ Based on a time period of July 1, 2006 through June 30, 2007.

d/ Based on a time period of July 1, 2007 through September 30, 2008.

**Business Taxes Compliance Specialist**

The Business Taxes Compliance Specialist (BTCS) positions are required to start in SFY 2005-06 with 2.0 limited-term positions (1.5 PYs) in SFY 2005-06, 3.0 limited-term positions (3.0 PYs) in SFY 2006-07, and 3.0 limited-term positions (.8 PY) in SFY 2007-08.

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 workload chart is displayed on the next page.

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

The BTCS workload and hours are developed using the same methodology used for the ATA workload. The chart below summarizes the workload hours required for the BTCS positions by fiscal year:

Workload Activity	SFY 2005-06		SFY 2006-07		SFY 2006-07	
	Task/Yr. <u>b/</u>	Total Hrs.	Task/Yr. <u>c/</u>	Total Hrs.	Task/Yr. <u>d/</u>	Total Hrs.
Verify Credentials @ .07 Hour/Activity	26,738	1,872	53,475	3,743	17,211	1,205
Issue Penalty Determinations @ 1.25 Hours/Activity	225	281	450	563	141	176
Collect AR Amounts Due @ 6 Hours/Activity	38	228	75	450	24	144
Resolving Deletes/Revocations @ 3 Hours/Activity	188	564	375	1,125	117	351
<b>Total Hours</b>		<b>2,945</b>		<b>5,881</b>		<b>1,876</b>
<b>Total Positions <u>a/</u></b>		<b>1.6</b>		<b>3.3</b>		<b>1.0</b>
<b>Total Positions Requested</b>		<b>1.5</b>		<b>3.0</b>		<b>.8</b>

a/ 1,800 hours equals 1 position.

b/ Based on a time period of October 1, 2005 through June 30, 2006.

c/ Based on a time period of July 1, 2006 through June 30, 2007.

d/ Based on a time period of July 1, 2007 through September 30, 2008.

**Business Taxes Specialist II**

The Business Taxes Specialist II (BTS II) position is required to start in SFY 2005-06 with 1.0 limited-term position (.8 PY) in SFY 2005-06, 1.0 limited-term position (1.0 PY) in SFY 2006-07, and 1.0 limited-term position (.3 PY) in SFY 2007-08.

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 carrier 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 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 2005-06	SFY 2006-07	SFY 2007-08
	Total Hrs. <u>b/</u>	Total Hrs. <u>c/</u>	Total Hrs. <u>d/</u>
Plan & implement carrier 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>	<u>1,350</u>	<u>1,800</u>	<u>450</u>
<b>Total Positions <u>a/</u></b>	<u>.8</u>	<u>1.0</u>	<u>.3</u>
<b>Total Positions Requested</b>	<u>.8</u>	<u>1.0</u>	<u>.3</u>

a/ 1,800 hours equals 1 position.

b/ Based on a time period of October 1, 2005 through June 30, 2006.

c/ Based on a time period of July 1, 2006 through June 30, 2007.

d/ Based on a time period of July 1, 2007 through September 30, 2008.

## Office Assistant

The Office Assistant (OA) position is required to start in SFY 2005-06 with 1.0 limited-term position (.5 PY) in SFY 2005-06, 1.0 limited-term position (1.0 PY) in SFY 2006-07, and 1.0 limited-term position (.3 PY) in SFY 2007-08.

The OA establishes and maintains files, files returns and applications, and performs general office assistance. The OA workload and hours are developed using the same methodology used for the ATA workload. The chart below summarizes the workload hours required for the OA position by fiscal year:

Workload Activity	SFY 2005-06		SFY 2006-07		SFY 2007-08	
	Task/Yr. <u>b/</u>	Total Hrs.	Task/Yr. <u>c/</u>	Total Hrs.	Task/Yr. <u>d/</u>	Total Hrs.
Establish and maintain files @ .5 hr.	750	375	1,500	750	469	234
File returns and applications @ .15 hr.	2,250	338	5,500	825	1,781	267
General office assistance		150		200		50
<b>Total Hours</b>		<u>863</u>		<u>1,775</u>		<u>551</u>
<b>Total Positions <u>a/</u></b>		<u>.5</u>		<u>1.0</u>		<u>.3</u>
<b>Total Positions Requested</b>		<u>.5</u>		<u>1.0</u>		<u>.3</u>

a/ 1,800 hours equals 1 position.

b/ Based on a time period of January 1, 2006 through June 30, 2006.

c/ Based on a time period of July 1, 2006 through June 30, 2007.

d/ Based on a time period of July 1, 2007 through September 30, 2008.

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

### Alternative 1 (Continued)

#### Tax Technician II

The Tax Technician II (TT II) positions are required to start in SFY 2005-06 with 1.0 limited-term position (.8 PY) in SFY 2005-06, 2.0 limited-term position (2.0 PYs) in SFY 2006-07, and 2.0 limited-term position (.5 PY) in SFY 2007-08.

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 TT II workload and hours are developed using the same methodology used for the ATA workload. The chart below summarizes the workload hours required for the TT II positions by fiscal year.

Workload Activity	SFY 2005-06		SFY 2006-07		SFY 2007-08	
	Task/Yr <i>b/</i>	Total Hrs.	Task/Yr. <i>c/</i>	Total Hrs.	Task/Yr. <i>d/</i>	Total Hrs.
Register/issue credentials @ 1.2 hr.	750	900	1,500	1,800	469	563
Verify tax return accuracy @ .2 hr.	2,250	450	5,500	1,100	1,781	356
Account maintenance @ 1 hr.	150	150	300	300	94	94
Customer service @ .2 hr.	375	75	750	150	235	47
<b>Total Hours</b>		<b>1,575</b>		<b>3,350</b>		<b>1,060</b>
<b>Total Positions <i>a/</i></b>		<b>.9</b>		<b>1.9</b>		<b>.6</b>
<b>Total Positions Requested</b>		<b>.8</b>		<b>2.0</b>		<b>.5</b>

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

*b/* Based on a time period of October 1, 2005 through June 30, 2006.

*c/* Based on a time period of July 1, 2006 through June 30, 2007.

*d/* Based on a time period of July 1, 2007 through September 30, 2008.

#### Tax Technician III

The Tax Technician III (TT III) positions are required to start in SFY 2005-06 with 2.0 limited-term positions (1.5 PYs) in SFY 2005-06, 3.0 limited-term positions (3.0 PYs) in SFY 2006-07, and 3.0 limited-term positions (.8 PY) in SFY 2007-08.

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 is displayed on the next page.

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

The TT III workload and hours are developed using the same methodology used for the ATA workload. The chart below summarizes the workload hours required for the TT III positions by fiscal year.

<u>Workload Activity</u>	<u>SFY 2005-06</u>		<u>SFY 2006-07</u>		<u>SFY 2007-08</u>	
	<u>Task/Yr. b/</u>	<u>Total Hrs.</u>	<u>Task/Yr. c/</u>	<u>Total Hrs.</u>	<u>Task/Yr. d/</u>	<u>Total Hrs.</u>
Process security deposits @ 2 hrs.	750	1,500	1,500	3,000	469	938
Online billings & adjustments @ .5 hr.	300	150	600	300	188	94
Registration & account maint. @ 1.2 hr.	938	1,125	1,875	2,250	586	703
Complex return analysis actions @ 1 hr.	113	113	225	225	70	70
<b>Total Hours</b>		<u>2,888</u>		<u>5,775</u>		<u>1,805</u>
<b>Total Positions_a/</b>		<u>1.6</u>		<u>3.0</u>		<u>1.0</u>
<b>Total Positions Requested</b>		<u>1.5</u>		<u>3.0</u>		<u>.8</u>

\_a/ 1,800 hours equals 1 position.

\_b/ Based on a time period of October 1, 2005 through June 30, 2006.

\_c/ Based on a time period of July 1, 2006 through June 30, 2007.

\_d/ Based on a time period of July 1, 2007 through September 30, 2008.

**Pros:**

- Receives 100 percent Federal funding for the start-up process of integrating Mexican carriers into 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:**

None.

**Alternative 2**

**Maintain current operations. Do not authorize the spending of federal grant money approved for the BOE by the U.S. DOT's FMCSA for the implementation of the Border Enforcement Grant Program.**

**Pro:**

- Does not increase the size of the Diesel Fuel Enforcement Program.

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

### Alternative 2 (Continued)

#### Cons:

- Hinders the integration of Mexican carriers into IFTA.
- Fails to fund staff necessary to effectively enforce the fuel tax laws with regard to the increased number of Mexican carriers crossing the border.
- Jeopardizes the ability to maintain responsibility in the implementation of the NAFTA between the United States, Canada, and Mexico.

## E. Timetable

It is proposed that the following recommended alternative be effective October 1, 2005.

The chart below provides a projected timeline to integrate Mexican motor carriers into the IFTA.

October 1, 2005 - June 30, 2006	July 1, 2006 - June 30, 2007	July 1, 2007 – September 30, 2007
<ul style="list-style-type: none"> <li>• Hires and trains 8 staff.</li> <li>• Develops, prints, mails, and/or posts announcements and notices.</li> <li>• Conducts IFTA training sessions and business seminars for Mexican carriers, their agents, and industry representatives-<i>annual task</i>.</li> <li>• Registers Mexican carriers and issues new credentials-<i>ongoing task</i>.</li> <li>• Identifies office space in the greater San Diego area.</li> <li>• Begins 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 the FMCSA.</li> </ul>	<ul style="list-style-type: none"> <li>• Hires and trains 3.5 additional staff.</li> <li>• Conducts IFTA training sessions and business seminars for Mexican carriers, their agents, and industry representatives-<i>annual task</i>.</li> <li>• Registers Mexican carriers and issues new credentials-<i>ongoing task</i>.</li> <li>• Processes renewal requests and issues annual credentials to Mexican carriers-<i>ongoing tasks</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 the FMCSA.</li> </ul>	<ul style="list-style-type: none"> <li>• Conducts IFTA training sessions and business seminars for Mexican carriers, their agents, and industry representatives-<i>annual task</i>.</li> <li>• Registers Mexican carriers and issues new credentials-<i>ongoing task</i>.</li> <li>• Processes renewal requests and issues annual credentials to Mexican carriers-<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 the FMCSA.</li> <li>• Submits FFY 2007 Border Enforcement Grant Proposal to continue integrating the Mexican motor carriers into the IFTA program.</li> </ul>

**F. Recommendation**

It is recommended that Alternative 1 be approved and that the BOE be authorized to spend \$2,111,000 in federal grant funds approved for the BOE by the U.S. DOT's FMCSA for the implementation of the Border Enforcement Grant Program. The spending authority covers three SFYs—2005-06, 2006-07, and 2007-08—from October 1, 2005 through September 30, 2007.

The funding need by fiscal year is \$700,000 and 8.0 limited term positions (5.9 PYs) in SFY 2005-06, \$1,110,000 and 11.5 limited-term positions (11.5 PYs) in SFY 2006-07, and \$301,000 and 11.5 limited-term positions (3.1 PYs) in SFY 2007-08 to implement the interim Border Enforcement Grant Program. Approval of this proposal ensures that Mexican carriers 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's intent is to apply for additional federal funds required for the last three quarters of SFY 2007-08 (October 1, 2007 through June 30, 2008) to provide continued funding for the 11.5 existing positions and 3.0 additional positions and resources that are needed to continue service to the Mexican carriers operating as California hosted IFTA carriers in the third federal fiscal year.

Additional funds will also be required in SFY 2008-09 (July 1, 2008 through September 30, 2008) to provide continued funding for the 14.5 existing positions and resources needed to continue service to the Mexican carriers operating as California hosted IFTA carriers in the third federal fiscal year.

**G. Fiscal Detail**

See attached "Fiscal Detail" schedules.

G:\Budgets\Budget Change Unit\2006-07 BCP Cycle\BCPs\IFTA-NAFTA\2006-07 BCP No. 4 (IFTA-NAFTA) Final for DOF.doc



U.S. Department  
of Transportation  
**Federal Motor Carrier  
Safety Administration**

**PROJECT NO. BE-05-06-3**

**DUNS # 617856943**

**GRANT AGREEMENT**

Between: The Federal Motor Carrier Safety Administration  
and

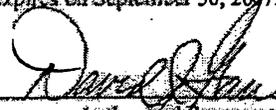
The California State Board of Equalization ("State") entered into in accordance with The Consolidated Appropriations Act, 2005 (PL 108-447). In accordance with the Consolidated Appropriations Act, 2005, the Administrator, Federal Motor Carrier Safety Administration (FMCSA) hereby approves the application of the State for Federal grant funding assistance for the implementation of a Border Enforcement Grant ("program") as described in the State's application plan.

The amount of the grant is \$2,111,000. There shall be no required State share. The funds provided by this grant are available for expenditure by the State from the effective date of this agreement through September 30, 2008, unless the agreement is terminated before this date as set forth below.

The State hereby agrees to: (1) carry out the provisions of the Program as described in the application in a manner acceptable to the FMCSA, (2) submit to the FMCSA quarterly reports covering the progress of the State's work and describing the results and the impact of the work on the goals and objectives of the program as described in the application plan, (3) maintain accurate and auditable records to support allowable costs incurred in accordance with OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," (4) submit the final claim within 90 days after the project is completed, and (5) comply with the provisions set forth on the reverse hereof.

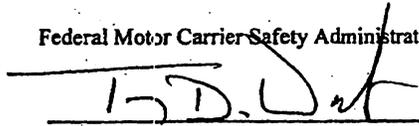
This agreement is subject to termination by the withdrawal of approval of the State's application plan in accordance with 49 CFR Section 18.44.

This agreement is effective September 2, 2005 and expires on September 30, 2007.

  
\_\_\_\_\_  
Authorized Representative

Title: Deputy Director, PSTD Date: 9/2/05

Federal Motor Carrier Safety Administration

  
\_\_\_\_\_  
Authorized Representative

Title: Division Administrator Date: 9/16/05

**STATE OF CALIFORNIA  
BUDGET CHANGE PROPOSAL--FISCAL DETAIL  
STATE OPERATIONS  
FISCAL YEAR 2006-07  
(Dollars in Thousands)**

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

**Program/Element/Component:** 55 Diesel and Use Fuel Tax Program/All Elements

	PERSONNEL YEARS			CY	BY	BY + 1
	CY	BY	BY + 1			
<b>TOTAL SALARIES AND WAGES</b> <i>_a/</i>	5.9	11.5	3.1	\$280	\$527	\$142
Salary Savings						
<b>NET TOTAL SALARIES AND WAGES</b>	5.9	11.5	3.1	280	527	142
Staff Benefits <i>_a/</i>				99	186	50
<b>NET TOTAL SALARIES AND WAGES</b>	5.9	11.5	3.1	379	713	192
Distributed Administration <i>_b/</i>				51	81	22
<b>TOTAL PERSONAL SERVICES</b>	5.9	11.5	3.1	\$430	\$794	\$214
<b>OPERATING EXPENSE AND EQUIPMENT</b>						
General Expense				\$79	\$51	\$5
Distributed Administration				12	19	5
Printing				10	15	\$5
Communications				35	36	8
Postage				13	20	6
Travel--In-State				68	84	25
Travel--Out-of -State				15	19	6
Training				6	8	2
Facilities Operations				17	34	9
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External				8	26	16
Stephen P. Teale Data Center				2	1	
Data Processing				5	3	
Equipment						
Other Items of Expense: (Specify Below)						

*\_a/* See page 16 of 17 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.

	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
<b>TOTAL OPERATING EXPENSE AND EQUIPMENT</b>	<u>\$270</u>	<u>\$316</u>	<u>\$87</u>
<b>TOTAL EXPENDITURES (State Operations)</b>	<u>\$700</u>	<u>\$1,110</u>	<u>\$301</u>

**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)			
Federal Trust Fund	(0890)			
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 Funds		700	1,110	301
Other Funds				
Reimbursements	(0995)			
Net Total Augmentation (Source of Funds)		<u>\$700</u>	<u>\$1,110</u>	<u>\$301</u>

**DETAIL OF STAFF BENEFITS  
AND PERSONAL SERVICES**

Staff Benefits Detail:	CY	BY	BY + 1
	(Whole Dollars)		
OASDI	\$21,420	\$40,316	\$10,863
Health Insurance	29,081	54,734	14,748
Retirement	41,560	78,223	21,077
Workers' Compensation	5,320	10,013	2,698
Industrial Disability Leave	269	506	136
Non-Industrial Disability Leave	353	664	179
Unemployment Insurance	244	458	124
Other	734	1,381	372
<b>TOTAL</b>	<b>\$98,981</b>	<b>\$186,295</b>	<b>\$50,197</b>

Classification	Positions			Salary Range	Amount		
	CY	BY	BY + 1		CY	BY	BY + 1
Property and Special Taxes Department:							
Fuel Taxes Division:							
Associate Tax Auditor <i>_d/</i>	.8	1.5	.4	\$57,096	\$45,677	\$85,644	\$22,838
Bus. Taxes Compl. Specialist <i>_e/</i>	1.5	3.0	.8	57,096	85,644	171,288	45,677
Business Taxes Specialist II <i>_f/</i>	.8	1.0	.3	68,904	55,123	68,904	20,671
Office Assistant (Typing) <i>_g/</i>	.5	1.0	.3	26,064	13,032	26,064	7,819
Tax Technician II <i>_h/</i>	.8	2.0	.5	32,616	26,093	65,232	16,308
Tax Technician III <i>_i/</i>	1.5	3.0	.8	36,480	54,720	109,440	29,184
Blanket Funds:							
Overtime (Various)							
Temporary Help							
<b>TOTAL SALARIES AND WAGES</b>	<b>5.9</b>	<b>11.5</b>	<b>3.1</b>		<b>\$280,289</b>	<b>\$526,572</b>	<b>\$142,497</b>

*\_c/* The salary is the mid-step of the salary range for the stated classification.

*\_d/* 1.0 limited-term positions effective October 1, 2005 through September 30, 2007 and .5 limited-term position effective July 1, 2006 through September 30, 2008.

*\_e/* 2.0 limited-term positions effective October 1, 2005 through September 30, 2007 and 1.0 limited-term position effective July 1, 2006 through September 30, 2007.

*\_f/* 1.0 limited-term position effective October 1, 2005 through September 30, 2007.

*\_g/* 1.0 limited-term position effective January 1, 2006 through September 30, 2007.

*\_h/* 1.0 limited-term position effective October 1, 2005 through September 30, 2007 and 1.0 limited-term position effective July 1, 2006 through September 30, 2007.

*\_i/* 2.0 limited-term positions effective October 1, 2005 through September 30, 2007 and 1.0 limited-term position effective July 1, 2006 through September 30, 2007.

STATE BOARD OF EQUALIZATION

BCP NO. 4

FISCAL YEAR: 2006-07

DATE: October 26, 2005

**SUPPLEMENTAL INFORMATION**

Dollars in Thousands

	<u>Current Year</u>	<u>Budget Year</u>	<u>Budget Year + One</u>
<b>Proposed Equipment:</b>			
Total			
<b>Proposed Contracts:</b>			
Consulting and Professional Service - External:			
Interpreting Services	\$3	\$2	\$1
RPC and Fleet - Bank Contract	5	24	15
Total	<u>\$8</u>	<u>\$26</u>	<u>\$16</u>
<b>One-Time Costs:</b>			
General Expense	\$64	\$27	
Communications	12	3	
Teale Data Center	2	1	
Data Processing	5	3	
Total	<u>\$83</u>	<u>\$34</u>	
<b>Future Savings:</b>			
N/A			
Total			
<b>Full-Year Cost Adjustments:</b>			
N/A			
Total			