Strategic Plan for
International Fuel Tax Association Inc.

Authored for the Board of Trustees
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Executive Summary

The International Fuel Tax Association, Inc. is a 501(c)(6) nonprofit organization created in 1991 to administer the International Fuel Tax Agreement (IFTA). IFTA is a fuels tax revenue collection and sharing agreement among 58 member jurisdictions, including the 48 contiguous States of the United States and the 10 Canadian Provinces. IFTA, Inc.’s mission is to ensure the equitable and effective collection and distribution of motor fuel use taxes to benefit all member jurisdictions, including their carriers, with transparency for all community members. In doing so, IFTA helps jurisdictions improve and maintain highway infrastructure, promoting safe and reliable travel for all.

It pursues this mission guided by a core set of values including accountability, accuracy, communication, integrity, transparency and reliability.

After carefully considering the larger environment in which IFTA, Inc. operates, and in careful consultation with jurisdictions, industry representatives, and other stakeholders, the Board of Trustees identified a number of strategic goals that will help the organization continue to successfully accomplish its mission over the next 5 years. For each of these, they have articulated multiple strategies necessary for the organization to accomplish these goals.

First and foremost, the Board concluded that IFTA, Inc. needs to ensure the continuity of the funds netting process moving forward. In order to do so, a cross-training program will be developed for IFTA, Inc. team members so that backup personnel are familiar with transmittals functions. Adequate documentation will be developed to ensure continuity of operations in case of turnover.

The Board also concluded that in order to remain successful in a changing environment, IFTA, Inc. must build and maintain effective collaborations and communication with jurisdictions, industry, and other transportation and revenue organizations (e.g., IRP, CSVA, etc.). In order to improve communication, IFTA, Inc. will create and distribute an electronic newsletter, develop a list serve where jurisdictions can ask and answer questions, and create mechanisms to improve information flow from jurisdictions to the Board. Improved collaborative relationships with industry and other groups will be achieved by putting industry representatives on key committees and consider membership for industry in the Agreement. The Board also resolves to host meetings between the leadership of IFTA and IRP focused on developing a list of potential points of cooperation.

As a third priority, the Board identified the need to improve IFTA, Inc.’s technological competence to provide better service to members. In pursuit of that goal, they will first create a working group to investigate the implication of electronic logging device (ELD), GPS, and other
technological changes for the Agreement and the organization. They also resolve to survey stakeholders about the changes to aesthetics, functionality, and features of the website that they most want to see. Finally, IFTA's social media footprint will be dramatically increased.

The Board concluded that IFTA, Inc. will better accomplish its mission by improving training, technical assistance and continuing education provided to the IFTA community. The first step in accomplishing this goal is the adoption of a learning management system (LMS), possibly in cooperation with IRP, which is also planning to adopt such a system. To develop substantive content, the Board will charge relevant committees with identifying training and assistance most relevant to the stakeholders they represent. With this information, IFTA, Inc. will develop and host learning opportunities (e.g. group trainings, webinars, etc.) for jurisdictions on key issues through the LMS. Finally, IFTA, Inc. will increase capacity for technical assistance in order to take technical assistance burden off of programmers.

The fifth strategic goal identified by the Board centers on strengthening the governance procedures of the Agreement. They resolved to investigate modernizing current balloting procedures. Acknowledging concerns about the dispute resolution process, the Board will also charge the Dispute Resolution Committee with issuing a report detailing changes needed to improve the functions and perceptions of that process.

As a final, but nonetheless important strategic priority, the Board acknowledges that IFTA needs to prepare for the growth of alternative fuel types. In order to begin doing so, they resolve to create a working group to assess implications of alternative fuels for IFTA in the coming years.

Responsibility for carrying out the strategies described above will be divided among the Board, the staff at IFTA, Inc., members of current standing committees, and those jurisdictional and industry representatives appointed to the various ad hoc working groups. The Board has laid out an ambitious implementation plan for those strategies (details listed under each). The vast majority of activities outlined in the plan will begin immediately. Reports from the working groups and standing committee charges created for the plan will be ready for consideration within a year. All remaining strategies, many of which depend on information from those reports, will have been initiated within 30 months of the adoption of the plan.
Introduction

In the 1980s, motor carriers were required to license in each U.S. state and Canadian Province, display credentials from each jurisdiction on the vehicles being operated (if applicable), and file a tax return with each. In order to streamline this inefficient and arduous process, a handful of states (Arizona, Iowa and Washington) partnered with the industry in order to experiment with the cooperative collection of fuel use taxes from motor carriers. By 1987, the National Governors’ Association recommended the adoption by the states of a model agreement based on that preliminary agreement and the participating jurisdictions, which had grown to six, voted to adopt the model as the International Fuel Tax Agreement. The Intermodal Surface Transportation Efficiency Act (ISTEA), passed in 1991, required that all U.S. states begin collecting and disseminating taxes in accord with the Agreement by 1996, or risk losing the ability to collect fuel use taxes from interstate carriers, along with matching funds from the from the Highway Trust Fund. There are currently 58 member jurisdictions including the 48 contiguous States of the United States and the 10 Canadian Provinces.

The Agreement is administered by International Fuel Tax Association Inc., a 501(c)(6) nonprofit organization incorporated under the laws of the State of Arizona in 1991. Per the bylaws, the corporation is governed by nine members of the Board of Trustees, each of whom serves for a maximum of three two-year terms. Trustees must be the IFTA commissioner from a jurisdiction or their designee. The Board must equitably represent the 5 IFTA regions, include at least one member from a jurisdiction where fuel taxes are administered by a tax or revenue department and at least one where fuel taxes are administered by a department of transportation or department of motor vehicles. IFTA, Inc. currently has 5 full-time and 1 part-time employee. The Board is currently searching for an Executive Director.

In October, 2018, the Board of Trustees committed to the organization’s first strategic planning exercise. They did so in order to help IFTA address changes in the environment that could have significant implications for the collection and distribution of fuels tax revenue and to help ensure the continued success of the Agreement. The Board commissioned the services of Denvil Duncan and Sean Nicholson-Crotty, both of Indiana University, to assist with the planning effort.

The Board sought to actively engage stakeholders from across the IFTA community in the planning process. As such, the consultants interviewed 30 individuals including commissioners and assistant commissioners from U.S. and Canadian jurisdictions, representatives from the trucking industry, and members of other trade and governmental organizations with which IFTA and the industry intersect. The Board carefully considered the input from those stakeholders, along with information from a scan of the political, economic, and technological environment prepared by the consultants, in order to set goals for IFTA for the coming years and to craft
strategies that will help the organization meet those goals. They also drew on stakeholder input, as well as the mandate articulated in the International Fuel Tax Agreement, in order to develop Mission and Values statements that can guide the implementation of those strategies moving forward.

The remainder of this document presents the details of the strategic plan in 6 sections. The first presents the Mission and Values statements and their relationship to the goals, strategies, and implementation actions laid out in the remainder of the plan. The second substantive section provides results of the environmental scan and lays out the potential implications of those findings for the Agreement and the IFTA community moving forward. The next portion of the plan presents information from the stakeholder interviews, including a traditional Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, as well as an assessment of points of stakeholder convergence and divergence on key issues. The fourth section describes the major strategic goals that the Board has chosen to focus on over the next several years along with the strategies it has selected to reach those goals. The fifth section will describe targeted outcomes of those strategies as well as the specific steps that will be taken to implement and measure the success of those strategies. The final section will provide a brief conclusion.

**Mission and Values**

Since its inception, the International Fuel Tax Agreement has been administered in close adherence with the purpose laid out in the original enabling document, which states that “It is the purpose of this Agreement to promote and encourage the fullest and most efficient possible use of the highway system by making uniform the administration of motor fuels use taxation laws with respect to motor vehicles operated in multiple member jurisdictions.”

Over the course of the strategic planning process, however, the Board of Trustees decided to articulate an explicit mission statement. The mission, of course, reflects the goals laid out in the original Agreement, but also recognizes the key stakeholders that are necessary to accomplish those goals, as well as the core values that define IFTA. They agreed upon the following statement.

**IFTA Mission Statement**

IFTA ensures the equitable and effective collection and distribution of motor fuel use taxes to benefit all member jurisdictions, including their carriers, with transparency for all community members. In doing so, IFTA helps jurisdictions improve and maintain highway infrastructure, promoting safe and reliable travel for all.
In addition to the mission statement, the Board also chose to identify and define a broader set of values that they believe should guide the behavior of the IFTA community in the day-to-day pursuit of the goals outlined in the mission statement. These values are described below.

### IFTA Values Statement

**Accountability** – members of the IFTA community are accountable to one another

**Accuracy** – the reporting and distribution of fuel use tax revenues must, above all else, be done accurately

**Communication** – the IFTA community values communication in order to ensure that members know what they need to do their jobs well

**Integrity** – honest and value driven behavior among all members is the best way to ensure the trust that the IFTA agreement is built on

**Transparency** – IFTA strives to be open in its decision making in order to promote trust and confidence among jurisdictions and carriers

**Reliability** – IFTA must consistently offer jurisdictions and carriers accurate results and sound decisions

### Environmental Scan

The environmental scan focusses on IFTA, Inc’s current operating conditions as well as the economic and political space in which IFTA, Inc operates.

### Current operating conditions

IFTA, Inc’s current operating conditions encompass tax rates, fuel consumption, mileage, audit compliance rate and flow of payments. While IFTA reporting includes fourteen fuel types, the majority of IFTA, Inc’s work is driven by diesel fuel; over 98 percent of all mileage reported by carriers are based on diesel. For this reason, the environmental scan focuses on diesel tax rate, mileage, and consumption.

### Tax rate

Figure 1 shows that the average diesel tax rate has increased steadily over time. We find similar increases in all regions with the steepest increases occurring in Canada and the Northeastern region of the US. We also observe more increases at the high end of the tax rate distribution. For example, the highest tax rate increased by almost 30 US cents in the Northeastern and Western...
regions of the US and approximately 15 CAD cents among Canadian provinces over the 2009 - 2018 time period. Except for the Midwest region of the US, the lowest tax rates have also increased across all regions in the last 3 years (See Figures A1 to A4). Twenty to forty percent of jurisdictions change tax rates in any given year, except in the West Region, where the change rate is between ten and twenty percent. While the majority of tax rate changes are increases, some states have reduced their tax rates. Additionally, a significant share of tax rate changes take place in jurisdictions where tax rates adjust automatically in response to market factors such as inflation or the price of oil.

The key takeaway is that a number of jurisdictions have been willing to raise tax rates regularly in order to maintain revenue. For these jurisdictions, research suggests that future tax rate increases will become increasingly difficult. For many jurisdictions, however, there is still a relatively large upside potential for increasing revenue through tax increases. The tax rate changes described above are expected to affect the rate at which alternative revenue mechanisms are explored and adopted among jurisdictions.

**Mileage and fuel consumption**

**Mileage.** Figure 2 shows taxed-miles increased steadily over the period 2010-2017. We also find that the Midwestern states account for a disproportionate share of IFTA-mileage; total annual taxed-miles increased from approximately 32 billion in 2010 to approximately 40 billion miles in 2017. The Southeast has the second highest level of taxed-miles; total annual miles is about half of the mileage in the Midwest. The Canadian provinces have the lowest annual total at less than 10 billion taxed-miles per year. There appears to be a modest increase in mileage across all regions except the Northeast, where mileage has remained flat. The Midwestern numbers are driven primarily by Indiana and Illinois where the average annual taxed-miles between 2010 and 2017 is about 12.5 billion and 6.5 billion, respectively (see Figures A5 and A6).
Fuel Consumption. A similar pattern emerges when we look at the taxed-fuel consumption across years, jurisdictions and regions. In particular, Figure 3 shows that fuel consumption remained largely flat between 2010 and 2013, before increasing steadily between 2013 and 2017. Similar to annual miles, we find that diesel consumption is highest in the Midwest. Interestingly, with the exception of Canadian provinces, fuel consumption has remained largely flat between 2010 and 2018 in all regions. Again, the regional dominance of the Midwest is driven by Indiana and Illinois.

However, we also observe that Ontario is another important jurisdiction with fuel consumption very similar to that of Illinois (See Figure A7 and A8).

The key takeaway is that the tax base that IFTA was created to monitor appears to be leveling off. This leveling off and possible contraction is expected to persist for the near future given projections about increased fuel efficiency of diesel trucks and the likely proliferation of alternative fuel vehicles.

Audit compliance

Jurisdictions are expected to audit an average of 3 percent of their carriers over a 5-year period. Data for the period 2010 – 2017 show that the jurisdictions’ average audit rates are above the 3
percent target for the majority of jurisdictions. However, Figure 4 shows that approximately 25 percent of jurisdictions did not meet the target. Interestingly, 18 jurisdictions met the target audit rate in fewer than 5 of the 8 years from 2010 to 2017 and only 8 jurisdictions met the target in every year (see figure A9).

Uneven audit rates reinforce some stakeholders concerns that IFTA, Inc has a difficult time getting the jurisdictions to do what it needs them to do under the Agreement.

### Net-payers

One of IFTA, Inc’s core function is to determine the net flows of fuel use-tax revenue between jurisdictions. Given the significant variation in mileage, fuel consumption, and tax rates discussed above, there is invariably a significant variation in net-flows of dollars between jurisdictions. In particular, some jurisdictions transfer more to other jurisdictions than they receive. We call jurisdictions with a net outflow “net-payers” and those with net inflow “net-recipients.” The data presented in Figure 5 show a clear delineation between net payers and net recipients, which is persistent over time. We also observe that net payers exist in every region,
but are most concentrated in Canada and the Midwest, while net recipients are most concentrated in the Northeast and the Southeast (see Figure 6).

It is important to recognize that these net payments are not made to IFTA, Inc. but are instead transfers between jurisdictions. Additionally, it is not appropriate to view the net payments as costs. The net payments represent revenue that the net payer collected on behalf of the net recipient; this revenue would not have been collected by the net payer in the pre-IFTA years. Additionally, the net payer would have had to collect fuel use tax from out-of-state carriers directly in a world without IFTA.

**Alternative Financing Tools**

The fuel tax is unlikely to generate the revenues required for many of the transportation projects that jurisdictions are looking to implement over the long run. This is true despite the fact that many jurisdictions arguably have the capacity to increase rates beyond current levels.\(^1\) As a result, jurisdictions are actively studying alternative revenue options. One of the most commonly studied option is the vehicle mileage tax (VMT). Currently only a handful of jurisdictions operate under a VMT system (Oregon, Kentucky, New

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\(^1\) The revenue potential of the fuel tax is limited by the projected decreases in fuel consumption resulting from increased fuel efficiency and the adoption of alternative fuels.
Mexico and New York use a weight-distance tax), but California has just completed a large-scale pilot. Regional partnerships like the I-95 Corridor are also implementing pilots, and a number of other jurisdictions have either completed pilot programs or feasibility studies. Additionally, Figure 8 shows that the number of proposed road mileage tax bills that have been introduced jumped from an average of about 10 per year between 2015-2017 to 21 in 2018.

The key takeaway is that partnerships can dramatically expedite disruptions to the fuel tax system that IFTA administers because multiple jurisdictions may agree to changes at once. We also expect that, within the next couple years, a majority of jurisdictions will have at least explored VMT. Furthermore, it is likely that one or more jurisdictions might adopt mileage-based taxes in the new future, especially if there are no changes in the U.S. federal fuel tax.

### Alternative fuels

We anticipate a modest increase in mileage driven on diesel by IFTA-regulated trucks over the next 10 years. However, the fuel efficiency of diesel trucks is expected to increase over this same time period. Together, these trends are expected to result in a decline in diesel consumption over the next 10 years; see Figure 8. Concurrently, expectations are that electricity (battery and fuel-cell) consumption by IFTA-regulated trucks will increase, albeit from a much lower base; see Figures 9 and 10. The alternative fuel policy space leads us to conclude that increasing willingness of U.S. state and federal governments to overcome the initial cost and long-term operating challenges associated with electric vehicles will likely facilitate the continued penetration of these vehicles into the commercial truck fleet. For example, we observe a heterogenous set of policies that include planning authorization, grants for charging infrastructure, incentives for consumers, incentives for electric vehicle manufacturers, and others. There are also a set of state grants, such as California’s $398 million Green Trucks program, explicitly targeted at high efficiency low emissions trucks (heavy, medium, and light). Additionally, 23 cities currently receive funding from the Federal government’s “Clean Cities”
grant program, which includes similar goals. Finally, research suggests that similar policy efforts have had a meaningful impact on the penetration of electric vehicles into the passenger fleet.

The key takeaway is that technological and policy changes are expected to have a significant impact on the amount of diesel that this consumed by the trucking industry over the next 5 to 10 years.

**Politics and the Economy**

This section describes the United States’ political and economic landscape that IFTA is likely to face in the coming years.

**Politics.**

In the United States, Democrats experienced net gains of 7 Governors Mansions and 5 state legislative chambers in the 2018 elections. The US now has the highest rate of 1 party control
among state governments since 1914. This is important for IFTA because unified states have an
easier time raising taxes and innovating. Therefore, there is little reason to believe the new
political environment will curtail willingness to raise taxes, investigate VMT, or invest in
alternative fuels and vehicles.

Figure 11: Party control of Governors’ Mansions and State Legislatures

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**Economy**

The trucking industry experienced a phenomenal 2018 with total freight hauled by for-hire truck
drivers up 7.2% relative to 2017. The broader economic forecast is not as rosy. Both GDP and
manufacturing are expected to grow at lower rates in coming years due to uncertainty arising
from the impact of tariffs and signs of weakness in the housing market. Regardless, the growth of
e-commerce and other factors have both industry groups and the USDOT projecting continued
growth in freight for the foreseeable future. Therefore, while some of the additional load will be
accommodated by higher volume trucks, it is likely that vehicle miles traveled will continue to
increase in coming years. As mentioned before, these increased miles are not expected to translate into increased diesel fuel consumption because of increased fuel efficiency and a gradual shift toward alternative fuels.

Stakeholder Analysis

When they decided to create a strategic plan for IFTA, the Board of Trustees chose to engage a relatively large number of stakeholders in the process. As a result, they sought the feedback of representatives of numerous groups that influence decisions the organization makes, the efficacy and impact of those choices, and the position of the organization in the motor carrier regulatory space. Specifically, Commissioners and Assistant Commissioners from a broad sample of jurisdictions, representatives from groups representing the motor carrier industry, and members of other important organizations that interface with motor-carrier industry were interviewed.

SWOT

The interviews were designed to gain stakeholder perspective on the things that IFTA, Inc. and the IFTA community are currently doing well, the places where the practices and routines of those entities could be improved, the major threats that the Agreement and IFTA, Inc. are likely to face in the coming years, and the opportunities for growth and improvement that may arise during that same period. The “raw” results from those interviews are presented in Table X. The table is organized as a traditional Strengths
Table X: Stakeholder Perspectives on Strengths, Weaknesses, Opportunities, and Threats Facing IFTA

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff</strong></td>
<td>Jurisdictional Competition/tension</td>
</tr>
<tr>
<td>Clearinghouse</td>
<td>Clearinghouse</td>
</tr>
<tr>
<td>Interest in strategic planning/forward looking</td>
<td>Website</td>
</tr>
<tr>
<td>Relationship with stakeholders/industry</td>
<td>Not open minded enough</td>
</tr>
<tr>
<td>Existing networking opportunities</td>
<td>Willingness of Board to commit to making decisions</td>
</tr>
<tr>
<td>Website</td>
<td>Failure to collaborate (exp. w/ IRP)</td>
</tr>
<tr>
<td>Ongoing training opportunities</td>
<td>Some decisions made by and Legacy of previous executive director</td>
</tr>
<tr>
<td>Longevity and functionality of the plan</td>
<td>Fact that there is currently no ED</td>
</tr>
<tr>
<td>Clearinghouse and funds transfer process</td>
<td>Lack of succession plan</td>
</tr>
<tr>
<td>Way jurisdictions work together</td>
<td>Lack of strong governance procedures like IRP</td>
</tr>
<tr>
<td>Security of clearinghouse</td>
<td>Governance procedures like balloting</td>
</tr>
<tr>
<td>Expertise/Experience</td>
<td>Paucity of continuing trainings</td>
</tr>
<tr>
<td>Board (when engaged)</td>
<td>Lack of information about what is going on at the jurisdictional level</td>
</tr>
<tr>
<td>Jurisdictions get the right people involved with IFTA</td>
<td>Lack of uniformity across jurisdictions</td>
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<td>Effective peer review process</td>
<td>Lack of industry on IFTA committees</td>
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<td></td>
<td>Underrepresentation among public sector assn.</td>
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<td></td>
<td>Lack of technological expertise</td>
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<td></td>
<td>Speed/breadth of data sharing</td>
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<td></td>
<td>Uncertainty surrounding building/location</td>
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<tr>
<td></td>
<td><strong>Opportunities</strong></td>
</tr>
<tr>
<td>New Technology</td>
<td>Electric vehicles and alternative fuels</td>
</tr>
<tr>
<td>Growth of electronic records</td>
<td>Impact of increasing efficiency on funding model</td>
</tr>
<tr>
<td>Opportunity to shape transition to mileage based system</td>
<td>Transition to mileage based system</td>
</tr>
<tr>
<td>Collaborations with groups like I-95 corridor</td>
<td>Govs not kept up to speed on value of IFTA</td>
</tr>
<tr>
<td>Greater collaboration with IRP</td>
<td>Changes to electronic licensure and verification</td>
</tr>
<tr>
<td>Taking advantage of Innovative tech deployment (ITD) grants, Cview</td>
<td>Lack of succession plan</td>
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<tr>
<td>grants, etc</td>
<td>Comingling funds model may violate individual state laws</td>
</tr>
<tr>
<td>Stronger relationship with law enforcement</td>
<td>Information security</td>
</tr>
<tr>
<td>Enhance systems to transfer information to and among jurisdictions</td>
<td>Lack of system to share information among jurisdictions</td>
</tr>
<tr>
<td>New executive director</td>
<td>Being subsumed by IRP</td>
</tr>
<tr>
<td>Robust economy (lots of trucks on the roads)</td>
<td>Risk averse mindset slows adaptation</td>
</tr>
<tr>
<td>Already fill the taxation niche</td>
<td>Governance processes slow adaptation</td>
</tr>
<tr>
<td>On-line economy</td>
<td>On-line economy</td>
</tr>
<tr>
<td></td>
<td>Disruptive policies (Emission regulations, Carbon tax, etc)</td>
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</tbody>
</table>
Weaknesses Opportunities Threats (SWOT) analysis and all of the feedback that stakeholders presented on these subjects. The SWOT analysis in this form provides a nice summary of important raw materials used to inform subsequent parts of the planning process, but should only be thought of as a starting place.

The initial look at the SWOT analysis suggest some clear areas of concern among stakeholders. Those actors suggested that IFTA, Inc. and the Board could do a better job communicating and sharing information with jurisdictions. They also raised concerns about the willingness of the Board to collaborate with other organizations or industry, a general culture of risk aversion that sometimes inhibits innovation, the legacy of the former executive director (ED), and the fact that the ED position remains unfilled, among other issues. Stakeholders suggested that these characteristics could make it difficult for IFTA, Inc. and the IFTA community to deal with what they perceived to be looming threats. These included the impact of alternative fuels and increased fuel efficiency on the current funding model, the effects of disruptive policies (e.g. carbon taxes) passed by jurisdictional and national governments, changes wrought by the growth of the on-line economy, and threats to the security of clearinghouse data, among other issues.

Stakeholders also pointed to numerous positives for IFTA and IFTA, Inc. currently and moving forward. They listed the team at IFTA, Inc. as a valuable resource. They also saw the longstanding history of collaboration among the jurisdictions and the stability of the Agreement as strengths, along with the effectiveness of the peer review process. Looking forward, stakeholders saw numerous opportunities for the organization, including the growth in electronic record keeping by carriers, the possibilities for collaboration with the growing number regional infrastructure partnerships, and the ability to cultivate a closer relationship with law enforcement, among others.

**Convergence/ Divergence Analysis**

While the raw responses discussed above are important to consider, they present all comments with equal weight and, thus, cannot give a good sense of the intensity of different concerns. Additionally, they do not provide clear guidance for dealing with conflicting opinions among stakeholders. For example, at least one interviewee listed the website as a strength, while others listed it as a weakness. The same can be said of the security of the information in the clearinghouse, the relationship with industry, and the adequacy of training opportunities for jurisdictions. Because of these shortcomings, the SWOT analysis by itself does not offer the clear guidance necessary for the development of organizational goals and strategies. The next logical step is to provide an assessment of stakeholder concerns weighted by the frequency with which they were raised and with
particular attention to those areas where they agree, those areas where they disagree, and the implications of each for the organization.

**Convergence**

We can begin with areas of *Convergence*. These are ideas that multiple stakeholders endorsed, without multiple stakeholders offering an opposite or contrary suggestion. Convergence does not imply consensus, but it does point to areas of agreement. The key areas of agreement among stakeholders are as follows.

1. The current team at IFTA, Inc. is a strength, but…
2. IFTA, Inc. needs to engage in succession planning to ensure that expertise and institutional knowledge are not lost in the case of turnover.
3. The Agreement added value for both jurisdictions and industry and runs relatively smoothly.
4. IFTA, Inc. has a good relationship with the jurisdictions, though degree to which jurisdictions will continue to work well with each other and IFTA, Inc. is a source of disagreement (see the next section).
5. There will be disruptions to the current fuel tax system arising from alternative fuels, fuel efficiency, vehicle mileage systems, etc., though stakeholders disagree on the cause, extent, and speed of these disruptions (see next section).
6. IFTA, Inc. needs to take a more proactive role in shaping policy and administrative solutions to these coming disruptions in the fuel tax system.
7. IFTA, Inc. needs to communicate more proactively with jurisdictions in order to share information about its activities and help them to share information amongst themselves.
8. IFTA, Inc. needs to provide greater technical assistance and training to jurisdictions, particularly new commissioners.
9. Changes discussed above may help the need for better uniformity and consistency in terms of what IFTA, Inc. does in the jurisdictions (Audits, Assistance, etc.) and what the jurisdictions send IFTA, Inc. (reporting).
10. IFTA, Inc. needs greater input from industry in order to stay abreast of coming changes to the fuel tax system and to take advantage of opportunities offered by
new technologies. It needs consider better incorporating industry into the governance of the Agreement (perhaps with non-voting board membership).

11. Jurisdictions, and perhaps IFTA, would benefit from greater coordination with IRP, though, there is disagreement about the types of activities that are best accomplished jointly and the extent to which activities should be combined (see next section).

12. IFTA needs to take better advantage of technology to accomplish its mission. For example:

- The website needs dramatic improvement, both in terms of functionality and aesthetic.

- IFTA needs to convert to webinars, like those offered by IRP, to communicate with/assist jurisdictions.

- ELD and GPS information offer a tremendous opportunity for IFTA to improve the effectiveness and efficiency of auditing and enforcement, but it needs to be proactive (e.g. build expertise) in order to take advantage of that opportunity.

The key takeaway is that there are multiple strengths, weaknesses, opportunities and threats upon which stakeholders agree. That agreement should make it easier to be proactive on these issues, but addressing all of them over the next five years will likely be very challenging from a resource and logistics perspective. Additionally, it is important to remember that agreement about the fact that something needs to change does not necessarily imply agreement on what changes should be made.

### Divergence

There are also key points of divergence among stakeholders regarding the current state of IFTA and the direction it should go in the coming years. Listed below are topics on which multiple stakeholders offered competing or contradictory ideas. Divergence does not imply that differences are irreconcilable, but it does point to areas where planning may be more challenging. Key areas of disagreement are as follows:

1. Some stakeholders view IFTA, Inc. and the Board as proactive and effective decision makers, while others view it as stagnant, risk averse, failing to innovate or provide leadership. These views correlate weakly with the following set of related concerns.
- Some stakeholders view Board meetings as productive networking and information sharing activities, while others view them as unproductive and failing to motivate attendance.
- Some stakeholders view Board decision-making processes as effective, while some view them as lacking in clarity, transparency, or effectiveness.

2. Stakeholders disagree about the speed and magnitude of changes occurring to the fuel tax collection and distribution system. Some acknowledge that alternatives will influence the system, but remain confident that pump collected liquid fuel taxes will continue to dominate the infrastructure funding landscape for the foreseeable future. Others suggest that new technologies and taxing systems will largely replace, or seriously diminish the importance of liquid fuel taxes, in the next 10 years. Some go so far as to suggest that IFTA will become “extinct” if it does not adapt to these changes.

3. Some stakeholders suggest that the IFTA Clearinghouse is a valuable source of data and one of the organization’s greatest strengths. Others emphasize reporting inconsistencies and outliers, security concerns, need for easier and faster access for law enforcement and others, more proactive use by IFTA of data (building more capacity if necessary) to improve communication with jurisdictions.

4. Stakeholders disagree about the appropriate level of coordination with IRP. Some simply suggest the need for additional joint trainings or coordination of peer review, while others argue that the two organizations should be combined.

5. Stakeholders disagree about the need for IFTA to do more to advertise its value added to jurisdictions. Some suggest that the Agreement and organization are already valued, while others suggest that IFTA, Inc. needs to be far more proactive communicating with jurisdictions about the value it adds to the jurisdictions (webinars, prepared PR sheets that commissioners can use, deeper connections with industry groups, etc.)

The key takeaway is that some areas of divergence are of significant import and should likely be addressed in the plan. As the organization does so, however, it should remember that relative positions on these issues correlate with the roles and professional associations of stakeholders (industry versus government; taxing authority versus department of transportation, etc.). This means that addressing these issues will require conscientious reconciliation of differing stakeholder views or the intentional decision to weight the
preferences of some stakeholder over others. In other words, issues on this list are likely to engender significant conflict and, thus, require proactive management of that conflict.

**Goals and Strategies**

Based on the findings from the environmental scan, the extensive feedback from stakeholders, and their own expertise and experience in the area of motor carrier fuels tax collection and distribution, the Board members settled on six strategic issues that would be the focus of the plan. Winnowing thebroader list of concerns voiced by stakeholders was obviously challenging, but the Board did so in a very thoughtful and rational manner.

The process of deliberation was guided first and foremost by the recognition that a good strategic plan cannot tackle twenty issues. While it is tempting to put every potential goal or area for improvement in the document, the dangers in doing so are myriad. First and foremost, an organization that does this runs the risk of expending significant human and financial resources to address numerous issues, but still arriving at the end of the plan’s life having neglected the *most important* topics. Relatedly, a plan that articulates a large number of goals often fails to effectively communicate priorities to stakeholders, both inside and outside the organization.

So, understanding the need to arrive at a more tractable and impactful set of strategic goals, the Board used three primary techniques to winnow the larger list of contenders. The first was limiting duplication. For example, need to improve the functionality and aesthetic of the website and the need take advantage of advances such as GPS and electronic logs can be addressed with multiple strategies under a single goal of improving the organization’s technological savvy. The second tactic used to winnow the long list of potential issues was to eliminate those that are really operational, rather than strategic in nature. Strategic issues or objectives are medium to long-term goals that help the organization convert its mission and values more specific plans and projects, while operational issues are shorter-term benchmarks used to facilitate the implementation of strategic goals. So, making IFTA’s leadership more in-tune with and responsive to the needs of jurisdictions would be a strategic issue, while hiring a new Executive Director might be considered more operational. Finally, once possible issues had been combined and operational issues had been set aside, the Board engaged in deliberative prioritization in order to develop the list of strategic issues that they believe the IFTA community should focus on over the next five years.

The remainder of this section describes those priorities and the strategies that the Board has identified to meet these goals.
**Priority 1: Ensure the continuity of the funds netting process**

There was widespread agreement among stakeholders that the efficient and equitable collection and distribution of fuel tax revenue among jurisdictions is the central mandate and core competency of IFTA. Most also felt that the organization has done a good job to date accomplishing this goal. There were concerns, however, that transmittals operation and the funds netting process more broadly were vulnerable moving forward because of the limited number of personnel trained to maintain transmittals, the potential for a loss of continuity in operations in the case of IFTA, Inc. team turnover, and the age and sophistication of the hardware and software that undergird the entire process. In order to address these issues the Board identified two strategies that the organization can undertake in the coming years.

**Strategy 1.1 - “Cross-training” of team members so that there are backup personnel familiar with functions of transmittals**

- The Board will develop a training program for IFTA, Inc. team members not currently involved in the operation of the transmittals database so that operation of the transmittals process will not be interrupted in the event of unexpected absence of core personnel.
  
  **Primary Responsibility:** IFTA, Inc. Team
  
  **Beginning Date:** Already begun
  
  **Output and Timeline:** IFTA, Inc. Team will produce a report for membership every 6 months that describes the capacity of the transmittal process to withstand personnel-related interruptions. The first report is to be delivered at the 2020 ABM.

**Strategy 1.2 - Create adequate documentation to ensure continuity of operation in case of turnover**

- Recognizing that turnover of personnel that operate the database is inevitable, the Board will assemble the documentation necessary to preserve institutional knowledge about the operation of the database and ensure a seamless transition when new personnel take over.

  **Primary Responsibility:** IFTA, Inc. Team
  
  **Beginning Date:** Already begun
  
  **Output and Timeline:** IFTA, Inc. Team will complete initial review of documentation by end of 2019; complete necessary updates by end of 2020; institute continuing review process (1/12 of documentation each month) in 2021, 2022, 2023.
Priority 2: Build and maintain effective collaborations and communication with jurisdictions, industry, and other transportation and revenue organizations (e.g. IRP, CSVA, etc.)

There was broad agreement that IFTA, Inc. and the Board would benefit from greater collaboration and communication with key stakeholders, and others in the organization’s environment. While the relationship with jurisdictions was generally assessed as quite positive, many believed that IFTA, Inc. could do more to share information and expertise with, and to foster communication among, members. Similarly, while the relationship with industry was consistently characterized as strong, stakeholders and Board members suggested that IFTA would benefit from the insight into the changing environment that more engagement with industry could provide. Finally, there is considerable agreement that a more cooperative relationship with IRP would be beneficial due to issues pertaining to shared jurisdictions and stakeholder perceptions of IRP’s effective management practices.

Strategy 2.1 - Create and distribute an electronic newsletter

- In an effort to ensure that members have better information about the activities of IFTA, Inc. and other jurisdictions, as well as about key events in the environment, IFTA, Inc. will distribute a quarterly electronic newsletter to membership. The newsletter would also help the Board communicate the value of the organization to newly appointed commissioners and other important stakeholders in the jurisdictions.

Primary Responsibility: IFTA, Inc. Team
Beginning Date: Already begun
Output and Timeline: The first issue of the newsletter will be sent to membership by December 2019

Strategy 2.2 - Create a List Serve where jurisdictions can ask and answer questions

- Many of the questions that jurisdictions, particularly those with new commissioners, ask about implementing the Agreement have probably been addressed in other jurisdictions. The Board will take advantage of this existing knowledge by creating a list serve where members can post and respond to queries.

Primary Responsibility: IFTA, Inc. Team
Beginning Date: Work on the List Serve will begin after website redesign; no later than November 2020
Output and Timeline: The List Serve will be curated weekly by IFTA, Inc. Team in perpetuity.

Strategy 2.3 - Improve communication from jurisdictions to Board

- Finally, in the area of improved communications, the Board resolves to develop a mechanism which makes it easier for jurisdictions to communicate their questions and concerns to the IFTA organization. This includes FAQ though the redesigned website, use of newsletters, quarterly calls, and surveys.

Primary Responsibility: Board and IFTA, Inc. Team

Beginning Date: The mechanism will be implemented in phases beginning immediately with the final phase begun no later than November 2020

Output and Timeline: Board and IFTA, Inc. will notify jurisdictions of planned surveys about web design and other issues. A newsletter will be used to send regular announcements in order to enhance awareness of and participation in quarterly calls and alert jurisdictions of the ability to communicate through planned FAQ, which will appear on the redesigned website.

Strategy 2.4 - Put industry representatives on key committees and consider membership for industry in the Agreement

- Recognizing that IFTA currently fails to benefit as much as it could from motor carrier industry expertise, the Board resolves to form a closer relationship by offering nonvoting representation on certain committees and considering some type of membership in the Agreement for industry representatives.

Primary Responsibility: Board

Beginning Date: Discussions are already underway

Output and Timeline: The Board and Industry Advisory Committee will make a recommendation to membership regarding appointees by August 2019.

Strategy 2.5 - Host meetings between the leadership of IFTA and IRP focused on developing a list of potential points of cooperation

- In order to determine the right level of, and the most effective places for, collaboration between IFTA and the International Registration Plan Inc., the Board resolves to host an annual joint meeting between the Executive Committees of the two agencies (or some other representation of leadership) to discuss these matters.
**Primary Responsibility:** Board  
**Beginning Date:** Discussions between the two agencies are already underway.  
**Output and Timeline:** The IFTA and IRP Boards have committed to a joint meeting during 2019

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**Priority 3: Improve technological competence in order to provide better service to members**

There was broad agreement that IFTA, Inc. could make more effective use of technology on a host of fronts. Some of these are forward looking and involve understanding and taking advantage of changing technologies in the motor carrier industry and the regulatory space around it. Others are more focused on the ways in which current member services, along with the broader reputation of IFTA, could be improved by making significant changes to the website and by expanding the organization’s social media presence.

**Strategy 3.1 – Create a working group to investigate the implication of electronic logging device (ELD), GPS, and other technological changes for the Agreement and the organization**

- The widespread use of GPS in modern trucks and recent U.S. federal rules mandating the use of electronic logs by carriers may have significant implications for the distribution of fuels tax revenues and, thus, for the Agreement. The Board resolves to create a study committee charged with producing a report detailing those implications.

**Primary Responsibility:** GPS Standardization Working Group  
**Beginning Date:** The Board will charge the GPS group with investigating the implications of technological changes for the IFTA, Inc. and the Agreement.  
**Output and Timeline:** New members will be added to the GPS group by August 2019 and the Group will issue a preliminary report describing the results of their investigation by January 2020.

**Strategy 3.2 – Improve the website by surveying stakeholders about the changes to aesthetics, functionality, and features that they most want**

- Perhaps the most consistent comments in the stakeholder analysis focused on the lack of functionality of the current IFTA website, as well as the potential for a revamped site to facilitate improved communication between the Board and jurisdictions. Before making changes to the website, however, the Board will gather input from stakeholders regarding their preferences. Those stakeholders have already communicated a number of changes they would like to see (such as the addition of a Frequently Asked
Questions page), but the survey will allow for a more comprehensive assessment.

**Primary Responsibility:** IFTA, Inc. Team  
**Beginning Date:** immediately  
**Output and Timeline:** The team will complete data collection (design and field instrument) by August 2019 and issue recommendations to the Board in September 2019.

### Strategy 3.3 – Increase IFTA’s social media footprint

- The organization currently has a very limited presence on major social-media platforms such as Facebook and Twitter. Board members resolved to increase social media activity as a mechanism for better communication with jurisdictions and other stakeholders.

**Primary Responsibility:** IFTA, Inc. Team  
**Beginning Date:** Immediately  
**Output and Timeline:** The team will identify one person to dedicate 3 hours per week to social media activities; efforts will be ongoing; the team will incorporate metrics (traffic to sites, followers, retweets, etc) into quarterly reports for the Board.

### Priority 4: Provide better training, technical assistance, and continuing education to the IFTA community

While many believe that the trainings IFTA, Inc. currently does, such as those concerned with Auditing, are quite good, a number of stakeholders argued that the organization should expand its training portfolio. They suggested that IFTA, Inc. could save jurisdictions time and effort, and improve the quality of reported data, through additional trainings and technical assistance. They also suggested that the format for trainings could be modernized to be more effective and more in-line with those done by other organizations, such as IRP.

### Strategy 4.1 – Adopt a learning management system, possibly in cooperation with IRP

- The Board believes that a learning management system is necessary to facilitate an expanded and updated training regime. They also note that IFTA and IRP trainings overlap to a certain degree in content and delivery mechanism and, thus, that this might be another place where collaboration with IRP would be beneficial.

**Primary Responsibility:** Board  
**Beginning Date:** Immediately
Output and Timeline: The Board will make a vendor recommendation by January 2020

Strategy 4.2 - Charge relevant committees with identifying trainings and assistance that are most relevant to the stakeholders they represent

- While stakeholders interviewed for the plan offered numerous suggestions regarding additional trainings, the Board felt that it would be wise to gather more information on how IFTA, Inc. can best assist jurisdictions.

Primary Responsibility: Board/ Standing Committees
Beginning Date: The Board will charge relevant committees to gather additional information from stakeholders immediately
Output and Timeline: Each committee will make recommendations to the Board by April 2020

Strategy 4.3 - Develop and host learning opportunities (e.g. group trainings, webinars, etc.) for jurisdictions on key issues

- In order to address concerns that current training methods are a bit outdated, and thus less effective than they could be, the Board resolves to move to a webinar platform for trainings.

Primary Responsibility: IFTA, Inc. Team in collaboration with relevant Standing Committees
Beginning Date: The design and implementation of the new training programs will begin after committees identify and report on appropriate updates for trainings and the organization has adopted a learning management system
Output and Timeline: Specific products are impossible to identify at this time, but target date for beginning to field updated training regime is January 2021

Strategy 4.4 - Increase capacity for technical assistance in order to take technical assistance burden off of programmers

- The Board noted that questions from jurisdictions regarding the technical details of uploading data and accessing the clearinghouse currently fall to programmers, which can draw them away from core tasks. The Board resolved to investigate a means to hire an additional staff in order to address this issue.

Primary Responsibility: Board and IFTA, Inc. Team
Beginning Date: Search will begin immediately
Output and Timeline: IFTA, Inc. will hire an additional half time person to handle technical assistance by January 2020
Priority 5: Strengthen governance procedures

The strength of IFTA’s governance procedures was raised as a major concern by stakeholders and the Board. Concerns include the time it takes to vote on ballot initiatives, voter turnout for ballot initiatives, and the time it takes to address disputes between jurisdictions. Numerous stakeholders expressed the view that modernizing governance procedures would help overcome some of the weaknesses identified in the SWOT analysis and help the organization address threats and take advantage of opportunities in the coming years. The Board will implement the following plans to improve governance of the Agreement.

Strategy 5.1 – Investigate modernizing balloting procedures

- The current balloting process makes change very difficult and was cited by multiple stakeholders as a key impediment to IFTA’s ability to adapt and improve. Potential changes could include taking all votes at the Annual Business Meeting, eliminating multiple tracks for ballot proposals, and others.

Primary Responsibility: Board and membership
Beginning Date: The issue will be placed on the agenda at the 2019 ABM during the strategic plan breakout.
Output and Timeline: The goal of that session will be to develop the foundation for a Board ballot for the following year.

Strategy 5.2 – Charge DRC to issue a report on their findings regarding the changes needed to the dispute resolution process

- The Dispute Resolution Committee is responsible for hearing and resolving disputes raised by the IFTA community, along with reviewing and suggesting improvements to the dispute resolution process. While there is widespread agreement that the current system is not working well, there is not clarity about the changes that should be implemented.

Primary Responsibility: Board and DRC
Beginning Date: Board will issue a charge to the DRC for a report immediately
Output and Timeline: DRC will provide initial findings regarding ways to improve the efficacy of the DR process to the Board by October 2019 and issue a final report by January 2020.

Priority 6: Prepare for the growth of alternative fuel types

Projections show that while diesel consumption by large trucks is expected to decline over the next 10 years, miles traveled by battery and fuel cell vehicles are expected to rise. These projections are important for IFTA because they have serious implications for state revenues and hence states’ approaches to the taxation of inter-state fuel use. The Agreement has been
instrumental in keeping compliance and administration costs low for inter-state fuel use taxation. However, the advancement of alternative fuel types could change the landscape enough that the Agreement is no longer able to maintain uniformity. The Board will implement the following strategy to keep abreast of developments in this space.

**Strategy 6.1 – Create a working group to assess implications of alternative fuels for IFTA in the coming years**

- The Board and several stakeholders believe that IFTA, Inc. should keep abreast of changes in the alternative fuel space. While IFTA, Inc. does not have the authority to set policy at the jurisdiction level, it can leverage its expertise in the uniformity of inter-state fuel use tax policy to ensure that decision-makers in the jurisdictions avoid tax policies that would cause significant decreases in compliance or increases in administrative costs. The study committee will be tasked with advising the Board on developments with alternative fuels and vehicles at both the industry and jurisdiction level. The committee is also expected to provide recommendations to the Board on how to interact with jurisdiction-level decision-makers so that IFTA, Inc.’s expertise can be communicated to policy makers.

**Primary Responsibility:** Board and Working Group  
**Beginning Date:** Board will issue charge and begin building a group, using some members from the Dual Fuels Working Group, immediately  
**Output and Timeline:** The working group will begin its work in August 2019 and issue an initial report in February 2020. It will also issue annual update reports (release dates to be determined).
Appendix

Figure A1: Average Diesel Tax Rate

Notes: Reported is the average diesel tax rate in each year and region reported in U.S. dollars per gallon.

Figure A2: Canadian Average Diesel Tax Rate

Notes: Reported is the average diesel tax rate among Canadian provinces reported in Canadian dollars per gallon.
Notes: Reported is the maximum diesel tax rate in each year and region reported in dollars of national currency per gallon.

Notes: Reported is the minimum diesel tax rate in each year and region reported in dollars of national currency per gallon.
Notes: Reported is the total annual diesel-driven miles taxed under the IFTA agreement.

Notes: Reported is the average annual diesel-driven miles taxed under the IFTA agreement.
Notes: Reported is the total annual gallons of diesel taxed under the IFTA agreement.

Notes: Reported is the average annual gallons of diesel taxed under the IFTA agreement.
Notes: Reported is the number of years for which each jurisdiction has an audit rate above the required rate of 3%.