AGENDA

INFORMATIONAL HEARING

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION
ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, NOVEMBER 20, 2019

1:30 PM – 3:00 PM

RONALD REAGAN BUILDING, AUDITORIUM
300 S. SPRING STREET
LOS ANGELES, CA 90013

UPDATE ON REAL ID IMPLEMENTATION

I.   **OPENING REMARKS AND INTRODUCTIONS**

II. **PANEL 1: UPDATE ON REAL ID IMPLEMENTATION**

   a. Steve Gordon, Director of Department of Motor Vehicles

III. **PANEL 2: POTENTIAL IMPACT ON TOURISM AND THE ECONOMY**

   a. Caroline Beteta, President & CEO of Visit California

IV. **PUBLIC COMMENT**

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BACKGROUND

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REAL ID Act. The federal government enacted the REAL ID Act in 2005 that requires state-issued driver licenses and identification (ID) cards meet minimum identity verification and security standards in order for them to be accepted by the federal government for official purposes—such as accessing most federal facilities or boarding federally regulated commercial aircraft—beginning October 1, 2020.

Each state must process applications for the ID cards. The ID cards requires more paperwork than in the past and the cards must include technologies that make it more difficult for them to be forged.

Impact on California's Department of Motor Vehicles

Nationwide, state agencies responsible for processing driver's licenses are experiencing long wait times that may get worse as the October 1, 2020 deadline gets closer.

16 to 20 million Californians Will Want a REAL ID. California began issuing REAL ID compliant driver licenses and ID cards in January 2018 and reports having issued about 5.5 million as of August 2019. DMV estimates that nearly 17 million REAL IDs will need to be processed by October 1, 2020, and 2.3 million will need to be processed after October 1, 2020 through December 31, 2020.

Individuals seeking compliant driver licenses and ID cards must visit a field office and provide certain specified documents, such as proof of residency and a Social Security card that DMV staff verify and scan. This has increased workload at DMV field offices, as these transactions take longer to process than noncompliant transactions. Individuals sometimes do not bring in the required documentation and therefore must make repeated trips to the DMV in order to successfully complete the process. Additionally, more individuals—such as those who would otherwise have renewed their licenses by mail or those whose licenses expire after the federal deadline—are visiting field offices to obtain compliant driver licenses or ID cards.

DMV Wait Times Have Dropped After a Significant Increase. DMV field offices began reporting a significant increase in wait times in mid-2018. At its peak, some individuals visiting certain offices could experience wait times of several hours.

Since then, and with the addition of resources and some process improvements, wait times have dropped. As shown in the figure on the following page (taken from the July 2019 DMV Monthly Status update report), average wait times for a non-appointment

customer averaged 114 minutes in August 2018, and 52 minutes in July 2019. Statewide, wait times for customers with an appointment average 14-25 minutes. According to DMV, it has achieved shorter wait times through various actions, including hiring more staff, extending field office hours, and expanding the number of self-service terminals available for individuals to conduct transactions outside of field offices or without the assistance of DMV staff.

**Average Wait Time for Non-Appointment Customers – Statewide:**
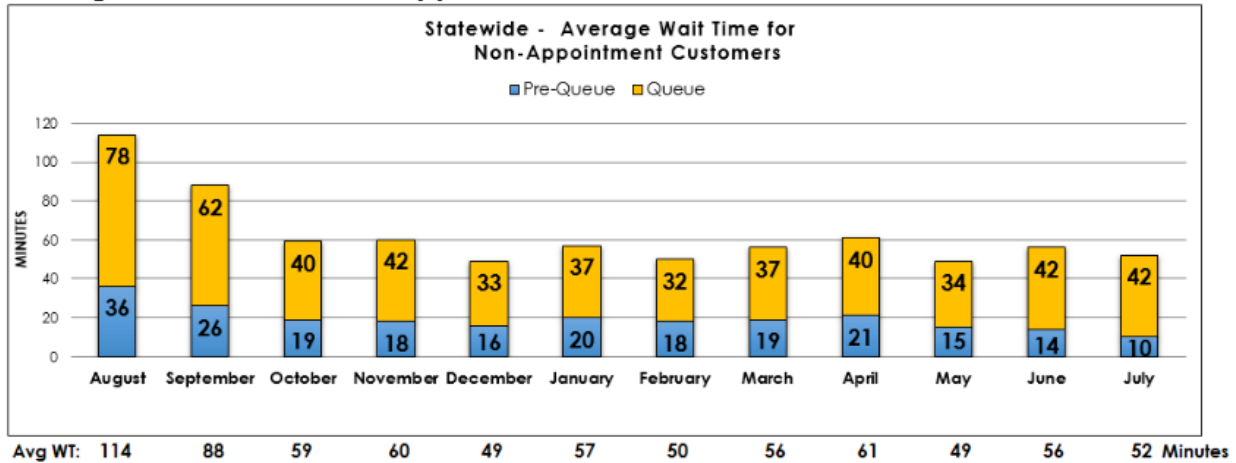
However, the average wait time is not indicative of everyone's experience. At the 20 DMV field offices with the longest wait times, the DMV reported that the average wait time for a customer without an appointment in July 2019 was 82 minutes as shown in the figure below, or about 30 minutes longer than the statewide average wait time for a customer without an appointment.

Average Wait Time for Non-Appointment Customers – Monthly Top 20 Offices:
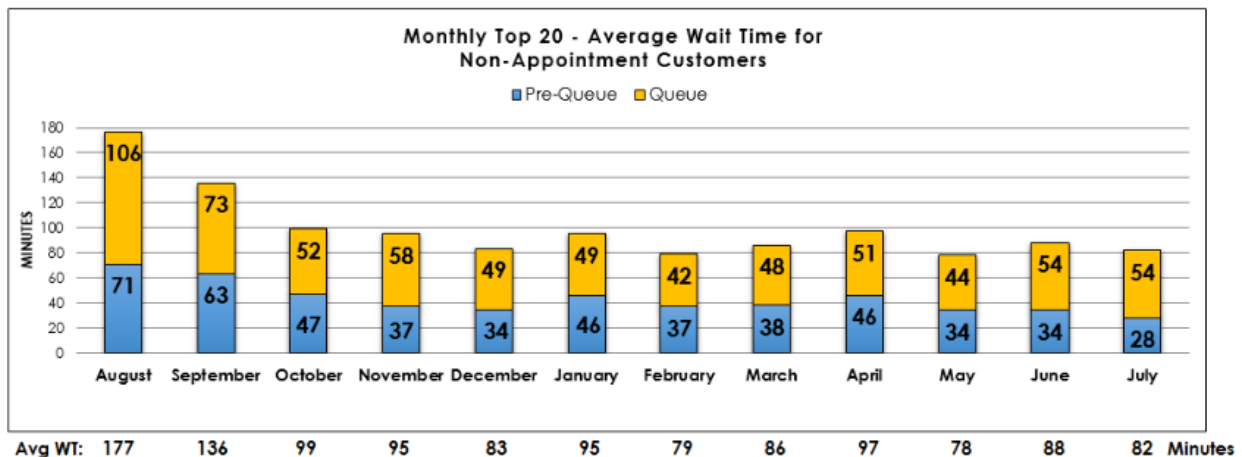
To better reflect the range of wait times customers may experience in field offices, the figure below, from the DMV, shows the wait times by range of minutes in July 2019. This data shows that in July 2019, 7,919 individuals waited over 2.5 hours to get a REAL ID. Previous data found that in January 2019 2,035 individuals waited over 2.5 hours. In contrast, in August 2018, nearly 150,000 individuals waited over 2.5 hours. The DMV data also shows that regionally, wait times for customers without an appointment are the worst in Los Angeles, Orange County, and the Inland Empire.
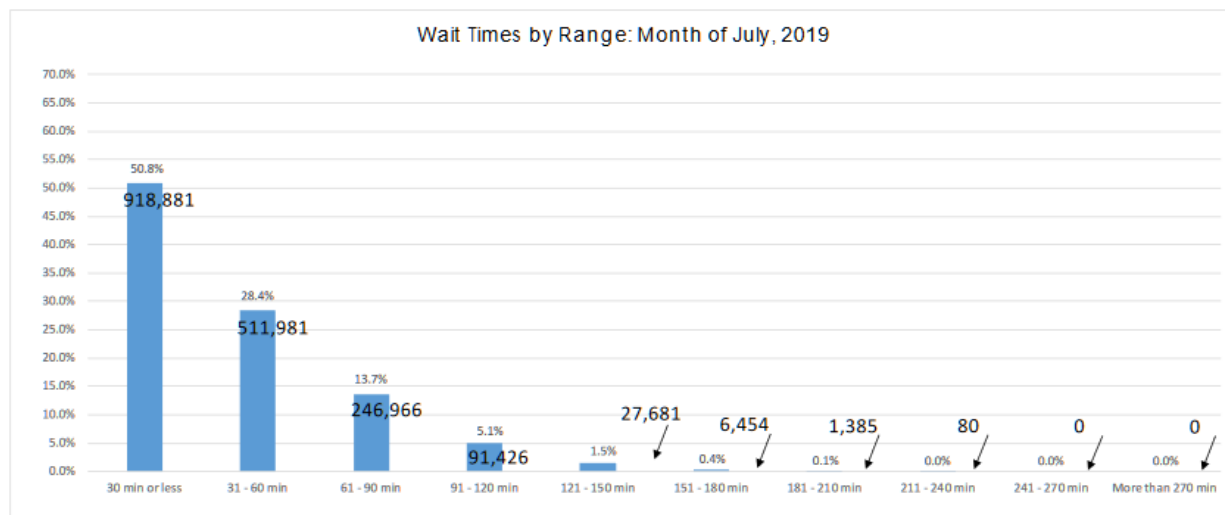
Critical Reviews Resulted in Additional Funding for Resources and Process Improvements at DMV. As a result of the long wait times for DMV customers, various entities reviewed DMV's operations. In general, these reviews were highly critical and found numerous deficiencies at the DMV. In 2019, the Department of Finance's Office of State Audits and Evaluations (OSAE) completed an audit of DMV's operations and the California Government Operations Agency's DMV Strike Team also evaluated the DMV. In addition, consultants have conducted reviews of various aspects of the DMV.

In summary, the OSAE audit was very critical of DMV's management and operations and found that its operations were not always efficient and effective in delivering services and that DMV has operated with significant weaknesses in its underlying governance structure and organizational culture. The audit found that, "without strengthening the underlying foundation supporting its operations, DMV will continue facing challenges in efficiently and effectively delivering services to its customers." Similarly, the Strike Team found the DMV needed to improve its operational performance and transform its customer experience delivery.

The 2019-20 Budget includes $260 million from the Motor Vehicle Account for DMV for additional staff and other resources to improve DMV's operations. DMV prepared a

detailed work action plan to guide the use of these funds to pay for additional staff, training, software, website redesign, live chat services, and new computers. Some of these changes may improve the DMV's ability to process REAL IDs more efficiently and other changes may result in improvements to DMV's operations after the REAL ID deadline has passed.

Staff Hiring Challenges. A key solution to processing a large number of transactions in a timely manner is having a large number of well-trained staff. DMV has been given the authority to hire and train 784 additional positions. As of July 2019, 536 offers had been made and 345 staff had started receiving training and working. However, filling these positions and the turnover of existing staff are potential obstacles to the DMV maintaining the level of staff it needs. For example, in certain regions of the state, specifically Northern LA and Coastal Areas, LA and Orange County, and the Inland Empire, the DMV is having a notably harder time filling the positions. Also, DMV is losing roughly 80 Motor Vehicle Representative staff a month due to turnover.

Potential Economic Impact on Tourism of REAL ID Deadline

Most Americans Do Not Have Required Documentation. Almost three out of four Americans are unprepared for the October 1, 2020 deadline for full implementation of REAL ID, and millions could be prevented from boarding a plane because they do not have the required identification, according to a study commissioned by the U.S. Travel Association. Specifically, a market research survey found that **72 percent of Americans** either do not have a REAL ID-compliant driver's license or are unsure if they do. Similarly, the U.S. Department of Homeland Security reports that only 27 percent of Americans have been issued a REAL ID as of October 1, 2019. The study also revealed a significant REAL ID awareness issue, with **more than half of Americans (57 percent)** saying they did not know about the upcoming deadline. Many Americans also lack the alternatives to REAL ID-compliant, state-issued driver's licenses—such as a U.S. passport. **39 percent** of Americans say they do not have any form of identification that will be accepted starting October 1, 2020. This equates to an estimated 99 million Americans that may not currently hold the proper identification to board an airplane starting next October.

Nationwide Economic Loss Could Be Millions of Dollars Daily. U.S. Travel economists have estimated the potential economic impact of REAL ID implementation and have found that if REAL ID standards were to be fully enforced immediately, at least 78,500 air travelers could be turned away at TSA checkpoints on the first day, costing the U.S. economy $40.3 million in lost travel-related spending. If that trend sustained for a full week, the figures could grow to more than half a million (549,500) air travelers prevented from boarding planes and $282 million in lost travel spending.

U.S. Travel also released a series of policy recommendations to mitigate the challenges caused by REAL ID implementation as follows:

- **Modernize the REAL ID statute:** Amend the REAL ID Act to allow for mobile and web-based REAL ID applications and to permit TSA to accept mobile or digital REAL ID-compliant driver's licenses, which will reduce DMV backlogs and increase checkpoint efficiency.

- **Designate registered traveler enrollment as an acceptable alternative:** Utilize the existing security and identification features of trusted traveler programs, including TSA Precheck, to reduce the need for a REAL ID Act-compliant driver's license at airport checkpoints.

- **Transition TSA checkpoints to automated identity verification:** Accelerate the implementation of automated identity verification technology for passport holders and trusted travelers, which will strengthen security, improve checkpoint efficiency, and decrease the number of travelers that arrive at TSA checkpoints without accepted identifications.

- **Develop alternative screening procedures for travelers without accepted licenses:** TSA should work with the private sector to develop procedures for clearing travelers that do not have a REAL ID or acceptable alternative after October 1, 2020. Turning away large numbers of travelers at the checkpoint is simply unacceptable.

STAFF COMMENTS

DMV is the face of California state government for many Californians. Due to long wait times that some Californians have encountered in 2018, this has not been a very positive face. DMV is taking steps to improve its operations in order to meet federal deadlines for REAL ID and to better serve the public. The pressure put on DMV by the federal REAL ID requirements has created an opportunity to reimagine DMV and reevaluate all of its business functions and operations to modernize its services and efficiencies. Such an effort is going to take a multipronged approach that involves patience, willingness to change, strategic action, education and outreach, and investment in modernizing the DMV.

The volume of REAL IDs processed each month has been relatively static since March 2019 and ranges between about 360,000 and 420,000 IDs produced and issued each

month. In part, this has allowed DMV to improve its processes and hire more staff so that it could reduce wait times. However, the trend of the number of REAL IDs needing to be processed each month remaining below 500,000 is likely to change as the REAL ID deadline gets closer. The total number of REAL IDs produced as of August 2019 is about 5.5 million. DMV estimates about 16.9 million REAL IDs need to be processed by October 2020 and others have estimated the number to be as high as 20 million. Based on 16.9 million IDs, DMV would need to process about 800,000 IDs a month—about double the current volume. The overhang (the number not being processed each month) continues to grow and it will likely hit the state hard late next summer potentially creating long wait times again at DMV field offices.

As discussed earlier, reviews of the DMV found it lacks of effective management at all levels and has a culture that is resistant to change. The Administration has proposed a multi-year approach to addressing some of these challenges and the DMV is implementing many of the recommendations made by the Office of State Audits and Evaluations and the Administration's Strike Team. But, as the OSAE audit found, these are only effective if they are carried out consistently across all DMV field offices and if line staff are given the resources and training they need to be effective.

Any efforts to improve DMV's operations will be hampered by not having strong leadership and management and the right governance structure in place. While, the Administration to its credit has hired a new permanent director, one of the areas that it has not made progress on is evaluating and taking steps to improve the governance of the department. Also, it is unclear what steps the DMV is taking now to manage the likely scenario of a very large number of customers trying to obtain REAL IDs in the late summer and fall of 2020. For example, the DMV may want to consider setting up temporary offices with additional staff in some of the more populous areas of the state.

In the upcoming year, the Legislature's continued oversight of the implementation of REAL ID will be critical, both to ensure that it has the resources it needs to maintain reasonable wait times and to ensure that these resources are being effectively put to use.

For more information on REAL ID and the process to get a REAL ID visit:
https://realid.dmv.ca.gov/

This agenda and other publications are available on the Assembly Budget Committee's website at: https://abgt.assembly.ca.gov/sub3hearingagendas. You may contact the Committee at (916) 319-2099. This agenda was prepared by Farra Bracht.