

**California State Senate**  
**TRANSPORTATION AND**  
**BUDGET AND FISCAL REVIEW**  
**SUBCOMMITTEE NO. 2 ON RESOURCES,**  
**ENVIRONMENTAL PROTECTION, ENERGY AND**  
**TRANSPORTATION**



**SENATORS BEALL AND WIECKOWSKI**  
**CHAIRS**

**INFORMATIONAL HEARING:**  
**DMV PERFORMANCE UPDATE – REAL ID**

Tuesday, March 10, 2020  
Capitol Room 112  
10:00 a.m.

**AGENDA**

- I. Comments from the Chairs
- II. Stakeholder Perspectives
  - Frank Miller, Executive Director, Hollywood Burbank Airport
  - Lauren Beyer, Vice President, Security and Facilitation, Airlines for America
  - Caroline Beteta, President and CEO, Visit California
- III. DMV Actions and Updates
  - Steve Gordon, Director, Department of Motor Vehicles
- IV. Public Comment

# California State Senate

TRANSPORTATION AND  
BUDGET AND FISCAL REVIEW  
SUBCOMMITTEE NO. 2 ON RESOURCES,  
ENVIRONMENTAL PROTECTION, ENERGY AND  
TRANSPORTATION



SENATORS BEALL AND WIECKOWSKI  
CHAIRS

**INFORMATIONAL HEARING:  
DMV PERFORMANCE UPDATE – REAL ID**

Tuesday, March 10, 2020  
Capitol Room 112  
10:00 a.m.

**BACKGROUND**

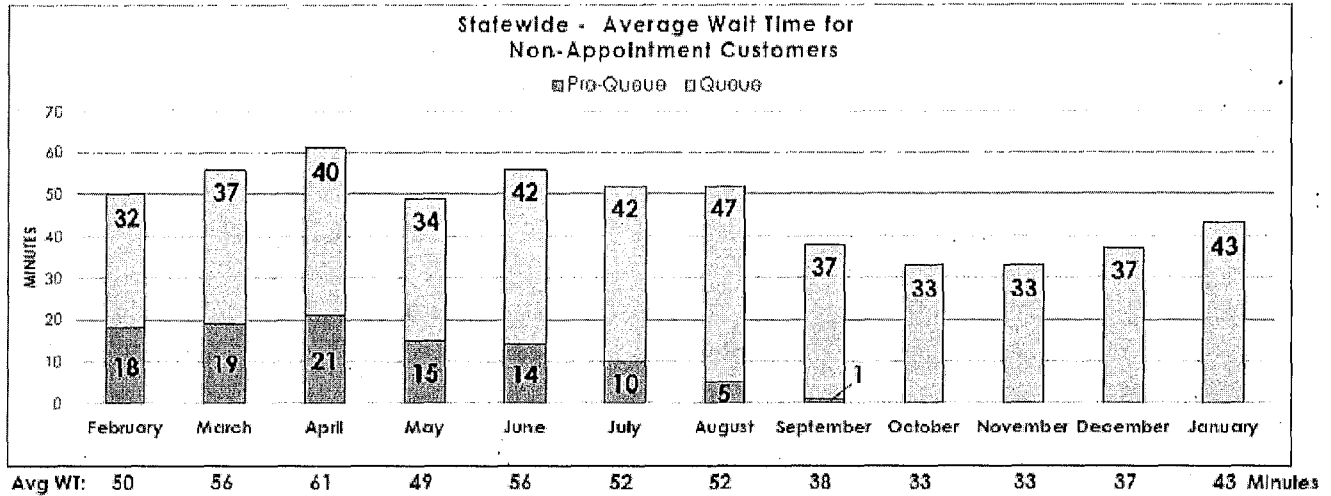
# Department of Motor Vehicles: REAL ID Preparations and Wait Times

## BACKGROUND

**REAL ID Act.** The federal government enacted the REAL ID Act in 2005, which requires state-issued driver licenses and identification (ID) cards to 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. In California, after October 1, 2020, only REAL ID compliant driver licenses or ID cards, and other federally acceptable forms of ID (such as a passport) can be used for these purposes. The federal Secretary of Homeland Security has deemed 48 states (including California) REAL ID compliant, while Oregon and Oklahoma have received an extension for compliance.

**Impact of REAL ID Implementation on DMV.** California began issuing REAL ID compliant driver licenses and ID cards in January 2018 and reports having issued about 7.2 million as of December 2019. Individuals seeking compliant driver licenses and ID cards must visit a field office and provide certain specified documents 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 October 2020 federal deadline—are visiting field offices to obtain compliant driver licenses or ID cards.

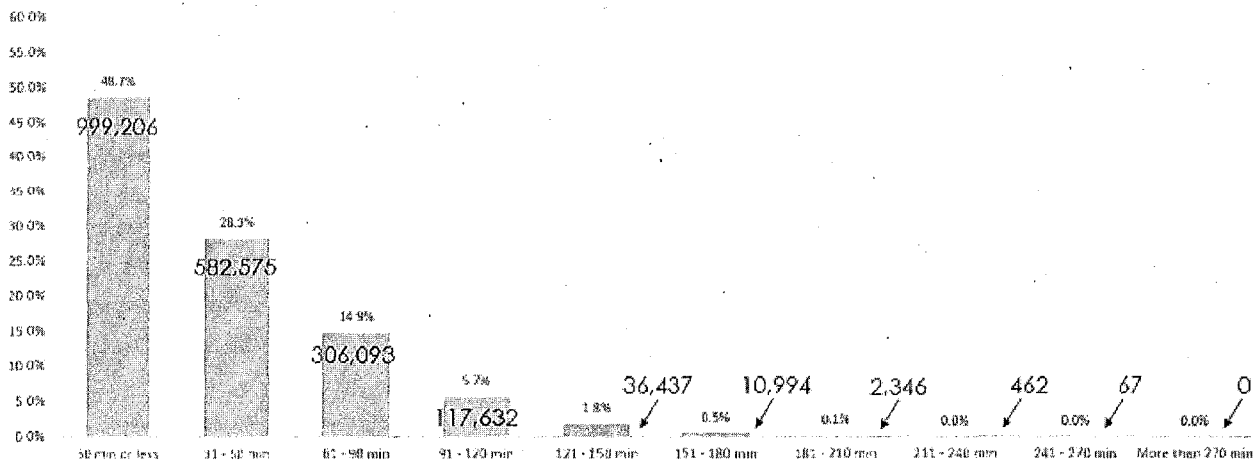
**DMV Wait Times Increased Significantly Initially, Then Dropped.** Despite receiving additional funding to support the increased workload (as discussed later), DMV field offices began reporting a significant increase in wait times mid-2018. At its peak, some individuals visiting certain offices could experience wait times of several hours. For example, average wait times for a non-appointment customer averaged 114 minutes in August 2018. Since then, and with the addition of resources and some process improvements, wait times have dropped. As shown in the figure below, average wait times for a non-appointment customer averaged 61 minutes in April 2019, before dropping to 37 minutes in December 2019. According to DMV, it has achieved these reduced wait times through various actions, including hiring temporary workers, 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. However, January 2020 wait times have risen slightly, averaging 43 minutes.



Note that the average wait time is not indicative of everyone’s experience. At the 20 DMV field offices with the greatest wait times, the average wait time in August 2018 for a non-appointment customer was 177 minutes. In December 2019, the average wait time was 59 minutes, an increase of seven minutes from November. In January of 2020 it was 65 minutes.

To better reflect the range of wait times customers may experience in a field office, the figure below shows the wait times by range in January 2020. This data shows that in January 2020, 13,869 individuals waited over 2.5 hours. By contrast, in August 2018, nearly 150,000 individuals waited over 2.5 hours. Despite the improvement from the highs of summer 2018, the January numbers still reflect an increase in wait times from December of 2019, when 12,190 individuals waited more than 2.5 hours.

Wait times by Range: Month of January 2020



It is possible that this increase in wait times is the result of increased customer volume, as DMV processed over 1 million Driver’s License and ID card applications in January, versus 930,000 in December of 2019.

## EVALUATIONS OF DMV OPERATIONS

The Department of Finance's Office of State Audits and Evaluations (OSAE) and the California Government Operations Agency's DMV Strike Team both completed reviews of DMV's operations.

**Department of Finance OSAE Performance Audit.** In September 2018, Governor Brown directed OSAE to conduct a performance audit of DMV's IT and customer service functions. The audit objectives were to 1) assess the efficiency and effectiveness of DMV's current operations and make recommendations to improve its practices and enhance the field office customer experience and 2) evaluate DMV's information technology (IT) system and its impact on the field office customer experience. Overall, the 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 finds that "without strengthening the underlying foundation supporting its operations, DMV will continue facing challenges in efficiently and effectively delivering services to its customers." The audit identifies many opportunities for improvement. These findings are summarized below, and detailed in Appendix A of this audit report. DMV's corrective action plan to address the audit's findings and recommendations is due by the end of May 2019.

Findings related to operations and the field office customer experience include:

- *Significant deficiencies in planning and implementation of the REAL ID program negatively impacted the field office customer experience.* The field office customer experience was significantly impacted by the implementation of REAL ID, manifested mainly by long field office wait times in summer 2018. The approach for complying with REAL ID was inconsistent in the decade leading up to implementation, the REAL ID IT project was not recognized as a priority until 2017, and DMV missed opportunities to reevaluate policy impacting the frequency with which customers require its services.
- *Organizational and reporting structure is outdated and does not reflect current operational needs.* The outdated organizational and reporting structure is reflected in DMV's reliance on its decades-old field office grading for resource allocation, inconsistencies in regional office oversight of field offices, and ineffectiveness of the vertical and hierarchical communication structure.
- *Budgeting and staffing approach is not focused on maximizing field office capacity.* DMV has taken steps to increase its field office capacity; however, opportunities for increasing and analyzing capacity exist related to field office service windows, absenteeism, and requesting field office positions.
- *Appointment practices need improvement.* Significant weaknesses in DMV's appointment practices impact customers' ability to consistently reserve appointments in a timely manner. Specifically, the appointment system allows for variations in appointment availability among regions, the reservation of duplicate appointments, and inconsistent verification of appointment authenticity within field offices.
- *Monitoring of the field office customer experience needs improvement.* Although DMV takes a centralized approach to collect, analyze, and review direct customer feedback, other initiatives

such as the Command Center created in 2018, and Lean Six Sigma Team created in 2016, were untimely implemented and could do more to support DMV's strategic goal to provide superior customer service. Further, DMV's Internal Audit Unit is underutilized with respect to monitoring the field office customer experience.

- *Enhancements to field office customer service were inconsistently implemented and additional opportunities for improvement exist.* Despite DMV implementing several operational enhancements in its field offices, these enhancements were inconsistently implemented and additional opportunities for improvement exist.
- *Field office employee development resources are inadequate.* DMV's current training, employee transaction manuals, policies, and procedures are not comprehensive, intuitive, or regularly updated, and do not adequately emphasize customer service.

Findings related to information technology's impact on the field office customer experience include:

- *Insufficient network system infrastructure and lack of monitoring processes contributed to field office outages, impacting customers' ability to obtain DMV services.* Significant components affecting network connectivity are in need of upgrading and DMV's practices for monitoring and resolving IT related issues are ineffective. This impacts field offices' ability to consistently provide timely and reliable service to customers.
- *Project prioritization, management, testing, and documentation practices need improvement.* Weaknesses exist in DMV's project prioritization, defect resolution, testing, and documentation processes.
- *Legacy computer programming languages contributes to succession planning risks.* Although DMV has taken steps towards sustaining its institutional knowledge related to legacy programming languages, DMV faces succession planning risks because of the knowledge and skills needed to maintain the legacy language, further exacerbated by the IT workforce approaching retirement age.

**Government Operations Agency's DMV Strike Team.** In January 2019, Governor Newsom tasked the Government Operations Agency Secretary to lead a DMV Strike Team to affect change and reinvention at the DMV. The team is working on a series of efforts to streamline and enhance services to customers and begin the transition to a user-centered culture. Below is a description of some of the areas that the Strike Team has identified as opportunities for improvement and a summary of early efforts.

- *Pilot "pop-up" DMV office.* Better prepare customers and prioritize those who must have a REAL ID. The Strike Team proposed piloting a "pop-up" DMV office in April 2019 where DMV served numerous employees at one site working with the employer to ensure their employees have the documentation that is needed.
- *Implement outreach campaign.* Increase public awareness through an outreach campaign that helps to ensure customers bring in the documentation they need, but also so that they do not unnecessarily visit the DMV for other transactions.

- *Facilitate documentation preparedness.* Allow customers to upload documents needed for REAL ID in advance of coming into a DMV office.
- *Streamline REAL ID processes using a contractor.* DMV began work to streamline REAL ID processes in early 2019, began implementing changes to the process statewide in June and July 2019.
- *Staffing.* Assess the staffing approach being used to handle the increase in customers.
- *Training.* Actions are needed to improve staff training.
- *Enhance the customer experience.* The Strike Team suggests expanding credit card use to field offices. It also suggests making changes to the DMV website so that it is easier for people to find the information they need and to conduct transactions.
- *Improve customer interactions.* Explore ways to improve the DMV call center and add on-line capabilities such as live chat.
- *Improve mailroom processes.* Examine mailroom processes to speed turnaround time and reduce errors.
- *Expand the use of kiosks.* Physically increase the number of kiosks available statewide to 200 by the end of the year and to possibly add more services to the kiosks.
- *Fill key vacancies.* The Administration appointed Steve Gordon as Director of the DMV in July 2019, and has worked to fill other key managerial vacancies.

## FUNDING FOR REAL ID WORKLOAD

To support the increased workload related to REAL ID, the Legislature has appropriated additional resources to DMV the last few years. The figure below shows the amounts provided to DMV in the last three fiscal years and what is proposed for 2020-21. The funding provided in the past for REAL ID implementation and proposed for 2020-21 is discussed in more detail below.

Fiscal Year	Funding (millions)	Positions
2016-17	\$4.5	70
2017-18	\$23.0	218
2018-19 Budget Act	\$46.6	550
2018-19 (August 2018)	\$16.6	230
2018-19 (January 2019)	\$40.4	120
2018-19 (March 2019)	\$6.0	300
<b>Subtotal 2018-19</b>	<b>\$109.6</b>	<b>1,200</b>
<b>2019-20 Budget Act</b>	<b>\$242.2</b>	<b>2,052</b>
<b>2020-21 Budget Proposal</b>	<b>\$200</b>	<b>1,992</b>
<b>Total</b>	<b>\$579.3</b>	<b>N/A</b>

**2016-17 and 2017-18 REAL ID Funding.** DMV received \$4.5 million from the Motor Vehicle Account (MVA) to begin implementation of REAL ID in 2016-17. In 2017-18, \$23 million was provided from the MVA to support 218 positions.

**2018 Budget Act Provided REAL ID Funding.** In the 2018 Budget Act, \$46.6 million from the MVA was appropriated to support 550 positions. The 2018-19 budget included provisional language that authorized the Department of Finance to provide DMV with additional resources as needed no sooner than 30 days following notification to the Joint Legislative Budget Committee (JLBC).

**August 2018 Supplemental Funding Request.** An additional \$16.6 million and 230 positions were requested and provided pursuant to this authorization in August 2018 in order to help DMV reduce the significant wait times in the field offices.

**January 2019 Supplemental Funding Request.** In January 2019, DOF submitted a subsequent notification to the JLBC that it intends to provide DMV with an additional \$40.4 million to maintain existing wait times in the current year no earlier than April 30, 2019. This amount consists of (1) \$17.5 million for additional expenditures in the first six months of the current year, and (2) \$22.9 million for additional expenditures in the remaining portion of the year. DMV plans to use this funding to support an additional 120 positions, as well as to maintain all the activities enacted to date (such as the extension of field office operational hours).

**March 2019 Supplemental Funding Request.** In late March 2019, DMV submitted another funding request for \$6 million that would fund the following.

- \$4.5 million for an additional 300 temporary positions to begin in May 2019.
- \$1 million for a training contract to provide one full day of training for all field office staff simultaneously, likely in June, to train staff in order to reduce transaction times, return visits, and as a result wait times.
- \$250,000 to initiate an outreach campaign for REAL ID.

**2019-20 Budget Act.** The REAL ID funding provided in 2017-18 and 2018-19 was limited term and expired June 30, 2019. To continue the implementation of REAL ID, the 2019-20 budget provided \$242.1 million in 2019-20 and \$199.8 million in 2020-21. This was intended to address the REAL ID workload demands and respond to the OSAE audit and Strike Team review. The resources supported four primary categories of activities: 1) increased REAL ID workload, 2) customer service improvements, 3) operational improvements, and 4) IT improvements.

Request Category	Amount
REAL ID & Transaction Volume	\$196 million
Customer Service Improvements	\$17.7 million
Operational Improvements	\$29.5 million
IT Improvements	\$17 million
Less Credit Card Fee Savings	(\$18.2 million)
<b>Total Request</b>	<b>\$242 million</b>



**REAL ID and Transaction Workload**

The 2019-20 request includes a total of \$196 million for increased REAL ID and other transaction workload that includes the following:

- \$150 million for 1,900 temporary positions.
- \$12.4 million for four drivers' license processing centers in Los Angeles, Stanton, San Jose, and Fontana and for the cost of providing extended hours and weekends at field offices.
- \$9.8 million for expanded janitorial services.
- \$9.5 million for an outreach campaign.
- \$6 million for identity management application software for customers who use the online DL/ID card application.
- \$6.8 million for DL/ID card contract for duplicates.

**Customer Service Improvements**

The 2019-20 request includes \$17.7 million for the following efforts to improve customer service:

- \$100,000 for DMV identifiable attire such as lanyards to address an OSAE finding.
- \$2 million for a website redesign.
- \$500,000 for a Chatbot user contract.
- \$14.2 million for customer relationship management systems that include live chat services.

**Operational Improvements**

The 2019-20 includes \$29.5 million for various operational improvements described below:

- \$600,000 for a learning management system that will combine department-wide training management, records, and reporting.
- \$1.4 million for 12 departmental training officers.
- \$700,000 for two mobile command units to be used for emergencies or short-term office closures.
- \$2.8 million for 30 positions to staff the mobile command units and to operate "pop ups" for outreach events.
- \$6 million for 32 district manager positions that will be allocated to each of the eight regional offices throughout the state.
- \$900,000 for 32 vehicles for district managers (one-time and \$100,000 ongoing) to enable them to visit field offices in the region.
- \$964,000 for eight district analyst-level positions.

- \$1.6 million for software for online DL/ID replacement.
- \$8.3 million (growing to \$14.4 million in 2020-21 and ongoing) for 200 new self-service terminals.
- \$2.6 million to replace 88 of DMV's fleet of 298 vehicles and \$1.6 million ongoing for future replacements.
- \$1 million for a consultant to develop an effective governance structure.
- \$1 million for organizational change management services.
- \$150,000 for appointment system modifications.
- \$1 million (\$4 million in 2020-21) for field office assessment and redesign.

### **Information Technology Improvements**

The 2019-20 request includes \$17 million for IT improvements as follows:

- \$3.1 million for an IT refresh to replace IT equipment that has reached the end of its useful life on a five-year replacement schedule.
- \$4.7 million for network redundancy as recommended by OSAE.
- \$3 million for document authentication devices (one-time) that have reached their end of useful life.
- \$6.2 million for 6,500 new personal computers (one-time and \$900,000 ongoing).

### **Less Credit Card Fee Savings**

The budget included funding for DMV to install the infrastructure necessary to accept credit card payments in field offices, and to pass along the associated credit card fees to customers. DMV previously paid for a customer's credit card fees. In 2019-20 this is estimated to save the Department roughly \$18 million.

**Current Status and Recent Actions.** As of December 31, 2019, DMV produced and issued 7.2 million REAL ID driver license and identification cards. However, the Department projects that 16,062,170 REAL IDs will need to be processed by October 1, 2020, with another 2,342,265 REAL IDs needing to be processed after October 1, 2020 through December 31, 2020.

To hit their goal of issuing 16 million REAL IDs by October 2020, DMV projects that they will need to issue more than 800,000 per month over the course of FY 2019-20. To date, the Department has issued between roughly 350,000 and 470,000 per month. The Department has indicated that this under-performance is a result of both longer processing times and lower customer volume than anticipated. To address this, the Department has indicated that it is working to implement the recommendations of a number of process improvement pilot efforts statewide. They anticipate that this will reduce the processing time for a REAL ID application, from 18 minutes to 10 minutes, allowing the Department to process more per day. Additionally, the Department has launched a public education and communication

campaign to encourage customers to come to the field offices earlier, rather than waiting for the deadline to get their REAL ID. This is intended to drive up customer volume in the intervening months.

DMV has implemented a number of efforts funded in the 2019-20 budget. These include the following:

- The department installed repeaters and connectors that expand Wi-Fi capabilities in field offices, allowing employees with tablets to check customers into the queue system while in line. This has contributed to the elimination of pre-queue wait times.
- The Departmental Training Branch received 12 new training staff in the 2019-20 budget to ensure timely training. The 12 trainers have been selected and reported to the Departmental Training Branch prior to September.
- DMV contracted with McKinsey & Company for consultative services to improve the DMV customer experience, in particular as it relates to the implementation of REAL ID. Tools developed through these efforts include:
  - **Operation Excellence: DMV Training** – The DMV closed 183 DMV field offices, Commercial Drive Test Centers, and Industry Business Centers throughout the state for a one-day comprehensive training on REAL ID procedures and customer service. This training was held on July 24, 2019.
  - **Digital Field Office Guide** – DMV simplified more than 25 policy memos that frontline employees previously had to sort through into one simplified “source of truth” document to answer customer inquiries.
  - **REAL ID Microsite ([www.realid.dmv.ca.gov](http://www.realid.dmv.ca.gov))** – DMV created a single web resource for REAL ID that provides clear, streamlined information regarding how to get a REAL ID and a decision tree to determine if users need a REAL ID or can wait.

## ISSUES FOR CONSIDERATION

### Governor’s 2020-21 Budget Proposal

The 2020-21 budget proposal includes \$200 million from the Motor Vehicle Account for additional REAL ID workload. This is the second year of the two-year funding for additional staff and new processes provided in the 2019-20 budget.

The DMV is the primary point of contact between many Californians and the state government. Recent events have strained this relationship, and damaged the trust that exists between the state and the people who live here. Clearly, DMV must take action to address these issues.

**Wait Times Likely to Get Worse in the Near Future.** The DMV has processed about 7.2 million REAL ID driver’s licenses and ID cards. DMV estimates it will need to process roughly 9 million more cards by the October 2020 deadline—a monthly volume that is more than double the amount DMV is currently processing per month. As a result, it is very likely that, even with significant investments and changes at the DMV, wait times are likely to increase over the next few months.

**Workload Surge Likely Coming.** As noted above, DMV's rate of processing REAL IDs is lower than their workload projections require to hit their goal of 16 million REAL IDs by October 2020. This means that, in addition to falling behind their projected pace, a potential backlog of individuals who need a REAL ID by October 2020, but who have yet to get one, is building up. This suggests that a potential surge in REAL ID applications, above and beyond what DMV has projected, could materialize in the months leading up to the deadline. If DMV is not prepared for this surge, it could result in a return to long wait times and public discontent with the department.

DMV has identified this issue, but has yet to propose a plan for dealing with future surges in workload. Given the compressed timeline, the department should be taking steps now to prepare for this possible surge in workload. July 2020 is too late. The Legislature may want to discuss the actions the department is taking now to prepare for this deadline, and identify options for addressing a surge in applications should one materialize.

**DMV Could Explore Creative Solutions in the Short Term.** Federal law will require a compliant REAL ID to fly or enter government buildings come October 2020. Given the likely late surge in applications, it is possible that there would be many thousands of people who would apply for a REAL ID too close to the October 2020 deadline to receive their REAL ID. The Legislature may want to consider asking DMV to identify options for fast-tracking REAL ID applications for those who are eligible to receive them, and provide the necessary documentation, but are applying too close to the deadline to receive their ID in time.

While the October 2020 deadline is the most pressing concern, this issue is likely to persist past that date. It is easy to imagine an individual applying for a REAL ID immediately before a necessary flight, leaving them without the needed ID to board. DMV should consider what actions it can take to mitigate this issue.

**Opportunities to Partner with Outside Partners.** The travel industry has become increasingly concerned about the lack of REAL IDs nationwide. In February the trade association representing airports warned that thousands of passengers could be denied boarding and left stranded, calling it a crisis waiting to happen. DMV has been working to communicate the need for REAL IDs to the public, and the process for applying for one. The new engagement by outside groups represents an opportunity to leverage other outreach avenues. DMV could consider partnering with the airlines and airports to have expand their respective outreach efforts, including advising them when they purchase their tickets that they'll need a REAL ID (rather than waiting to do so at the airport security checkpoint).

**REAL ID Deadline Most Immediate, But Not Only Concern.** While meeting the requirements of the REAL ID Act have put an acute strain on the Department, it is not the only issue facing the department. The current REAL ID push has created an opportunity to reimagine DMV and reevaluate all of its business functions and operations to modernize its services and efficiencies. The challenge is to address the immediate challenge of REAL ID while creating a more responsive, efficient, and functional DMV organization.

The 2019-20 budget focused on REAL ID implementation, but also supported a multi-year approach to addressing some of the department's longer-term issues, such as information technology modernization, implementation of Motor Voter, and overall culture shift within the department. Successfully managing the implementation of REAL ID while building the foundation for longer-term reforms will require

managerial capability as well as strong oversight from the Legislature. The Legislature should focus on meeting the requirements of the REAL ID act, but not at the expense of longer term reforms. Future budget deliberations should address this issue directly – particularly given the precarious nature of the Motor Vehicle Account’s fund balance (given that the MVA is the primary fund supporting DMV’s operations).