

FEBRUARY 8, 2021

# The 2021-22 Budget: Department of Motor Vehicles

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LEGISLATIVE ANALYST'S OFFICE

## Department Overview

### Department of Motor Vehicles Budget Summary

(Dollars in Millions)

	2019-20	2020-21	2021-22	Change From 2020-21	
	Actual	Estimated	Proposed	Amount	Percent
<b>Program</b>					
Vehicle/vessel identification and compliance	\$667	\$662	\$691	\$29	4%
Driver licensing and personal identification	518	506	533	27	5
Driver safety	149	146	152	7	5
Occupational licensing and investigative services	63	62	66	3	5
New Motor Vehicle Board	2	2	2	—	8
Capital outlay	2	—	—	—	—
<b>Totals</b>	<b>\$1,398</b>	<b>\$1,378</b>	<b>\$1,444</b>	<b>\$67</b>	<b>5%</b>

**2021-22 Governor's Budget Includes \$1.4 Billion for the Department of Motor Vehicles (DMV).** The budget reflects a \$66.6 million (5 percent) increase compared to current-year expenditures. About 95 percent of all DMV expenditures are supported from the Motor Vehicle Account (MVA), which generates its revenues primarily from vehicle registration and driver license fees.

#### ***New Budget Proposals Include:***

- ***Extension of REAL ID Resources and Operational Improvements (\$186.3 Million).*** The proposed funding from the MVA would support 1,616 positions in 2021-22 (decreasing in subsequent years to \$32 million and 258 positions upon full implementation) to continue previously approved temporary resources to address increased REAL ID workload and operational improvements.
- ***Brawley Field Office Relocation (\$316,000).*** The Governor's budget proposes one-time and ongoing funding (\$793,000 upon full implementation) from the MVA to relocate the Brawley Field Office into a new lease alter-to-suit space.
- ***Woodland Field Office Relocation (\$311,000).*** The Governor's budget proposes one-time and ongoing funding (\$727,000 upon full implementation) from the MVA to relocate the Woodland Field Office to a new lease alter-to-suit space.



# Extension of REAL ID Resources and Operational Improvements

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## Background

**REAL ID Act.** The federal government enacted the REAL ID Act in 2005 that requires state-issued driver licenses and identification 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.

- **Extended Deadline.** Previously, the REAL ID requirements were to go into effect beginning October 2020. Due to the pandemic, the federal government extended the enforcement deadline to October 1, 2021.
- **Recent Federal Action.** In December 2020, Congress passed the REAL ID Modernization Act to reduce some of the administrative challenges associated with issuing REAL ID-compliant driver licenses and identification cards. The changes allow states to accept identity documents through electronic transmission methods, reuse existing photographs from individuals' official state records, and lessen documentation requirements for social security numbers.

**Impact of REAL ID Implementation on DMV.** Despite receiving additional funding to support this increased workload (discussed below), DMV field offices began reporting a significant increase in customer wait times. At its peak, some individuals visiting certain offices could experience wait times of a few hours. For example, in August 2018, average wait times were nearly two hours in the largest DMV field offices.

**DOF Performance Audit and Strike Team Report.** Due to the increasing wait times associated with REAL ID workload, in 2019, DMV underwent two evaluations—one by the Department of Finance (DOF) and another by the DMV Reinvention Strike Team led by the Government Operations Agency—to improve its operations, customer service, and information technology (IT) functions. Both reports found the DMV lacked an efficient organizational and reporting structure, which undermined the department's ability to provide consistent customer service. In addition, the reports found the department's IT infrastructure to be outdated and unstable, leading to frequent outages.



# Extension of REAL ID Resources and Operational Improvements

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**Funding DMV Workload.** Recent state budgets have provided additional resources to DMV to support the increased workload related to REAL ID, as well as make other operational improvements. The figure below displays the funding and positions authorized for REAL ID workload and operational improvements over the past four years.

<b>REAL ID and Operational Improvements Funding History</b>				
<i>Motor Vehicle Account (Dollars in Millions)</i>				
<b>Year</b>	<b>REAL ID Workload</b>		<b>Operational Improvements</b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
2017-18	\$23.0	218.0	—	—
2018-19	63.2	780.0	—	—
2019-20	196.0	1,903.3	\$46.1	148.8
2020-21	173.0	1,820.9	26.8	171.0

- **REAL ID Workload.** To serve the additional customers requiring REAL IDs at field offices, DMV has received funding for temporary field office staff, security and janitorial services to extend field office hours, media outreach, and document verification services. The limited-term funding expires at the end of the current year.
- **Operational Improvements.** The 2019-20 budget provided two-year limited funding to implement operational, customer service, and IT improvements, consistent with recommendations in the DOF and strike team reports. This included funding for additional online support services, employee training, and regional managers, among other activities.

## Governor’s Proposal

**Continues Funding for REAL ID and Operational Improvements.** The 2021-22 Governor’s Budget includes \$186 million from the MVA and 1,612 positions, decreasing over the next several years to \$32 million and 258 positions in 2025-26 and ongoing. The majority of the request support resources previously approved on a limited-term basis.



# Extension of REAL ID Resources and Operational Improvements

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<b>Summary of REAL ID and Operational Improvements Proposal</b>					
<i>Motor Vehicle Account (Dollars in Millions)</i>					
	2021-22	2022-23	2023-24	2024-25	2025-26 and Ongoing
<b>By Funding</b>					
REAL ID workload	\$175.1	\$94.0	\$72.7	\$15.3	\$14.2
Customer service improvements	-12.4	-12.9	-12.9	-12.9	-12.9
Operational improvements	19.6	20.6	22.4	24.4	26.6
IT improvements	4.0	4.0	4.0	4.0	4.0
<b>Total</b>	<b>\$186.3</b>	<b>\$105.7</b>	<b>\$86.3</b>	<b>\$30.8</b>	<b>\$32.0</b>
<b>By Positions</b>					
REAL ID workload	1,493.2	739.6	595.5	143.7	137.7
Customer service improvements	89.0	89.0	89.0	89.0	89.0
Operational improvements	34.0	31.0	31.0	31.0	31.0
IT improvements	—	—	—	—	—
<b>Total</b>	<b>1,616.2</b>	<b>859.6</b>	<b>715.5</b>	<b>263.7</b>	<b>257.7</b>

IT = information technology.

- **REAL ID Workload (\$175 Million).** The proposal includes 1,493 positions in 2021-22 primarily for temporary field office staff. In addition, this funding would support overtime and cleaning costs for extended field office hours, media outreach, as well as document verification and production to address the additional workload associated with implementing REAL ID.
- **Customer Service Improvements (-\$12.4 Million).** The proposal includes \$11.6 million for 89 ongoing positions for increased access to online customer support through live chat and chatbot services in 2021-22. These costs are more than offset from savings due to passing on credit card transaction fees to customers.
- **Operational Improvements (\$19.6 Million).** The proposed funding includes 34 positions in 2021-22 for departmental training, regional staff, software for online transactions, customer service kiosks, and fleet replacement.
- **IT Improvements (\$4 Million).** The proposal includes ongoing funding to replace hardware and personal computers when the IT equipment can no longer be repaired or supported by vendors.



# Extension of REAL ID Resources and Operational Improvements

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## Assessment

***Resources for Customer Service, Operational Improvements, and IT Improvements Are Reasonable.*** We find that the request is consistent with the recommendations of the two recent evaluations of the department, and improvements in department performance suggest that the additional resources have had positive impacts on the departments performance. Some examples of improvement include:

- ***Customer Service.*** The Strike Team report found customers had to wait, on average, 55 minutes in order to speak with a call center representative. To ensure customers could get help more quickly, the 2019-20 funding included resources for additional communication channels, such as chatbot, live chat, and e-mail support services. Currently, due to coronavirus disease 2019 (COVID-19), more customers are calling the DMV than previously. Therefore, customers have had to wait even longer than at the time of the Strike Team report—an hour and 35 minutes—to speak with a call center representative. In comparison, customers only wait about 12 minutes to talk with a live chat representative.
- ***Operational Improvements.*** The DOF report found DMV’s training to be incomprehensive, out of date, and lacking focus on customer service. As a result of the additional resources provided, all new employees now receive training on basic processes and customer service within two weeks of onboarding, and the department has increased the availability of specialized training for staff, including a 19 percent increase in driver license classes and 57 percent increase in vehicle registration classes.
- ***IT Improvements.*** The DOF report also found that the department IT infrastructure needed significant upgrades to prevent network outages at field offices. In part due to the 2019-20 funding that included the replacement of hardware components, the number of outages at field offices decreased by roughly half in the second half of 2020 compared to the same months in 2019. For example, the number of outages was 12 in December 2019 compared to 3 in December 2020.



## Extension of REAL ID Resources and Operational Improvements

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**Uncertainty Regarding REAL ID Workload.** The department's estimates of the temporary field office staff required and the auxiliary costs of addressing the REAL ID workload are highly dependent on several factors, some of which are fairly uncertain.

- **Federal Regulations May Change.** It is possible that federal regulations concerning REAL ID deadlines and protocols could change as multiple states struggle to meet the deadline as a result of the pandemic. For example, if the federal government extends the deadlines to meet REAL ID requirements to 2022, the department's projections on the number of customers that will come into the field office for a REAL ID in the budget year—as well as the number of temporary field office staff required—would change.
- **Difficult to Estimate Customer Behavior During Pandemic.** Not all customers will feel safe going into a field office for a REAL ID during the pandemic. Furthermore, some customers may not feel the need to get a REAL ID more immediately because fewer people are traveling as a result of the pandemic. Although the department has considered the effects of the pandemic in their projections by assuming more REAL ID transactions in the second half of 2021, customer behavior is difficult to predict during such an unprecedented period.
- **Other Factors That Could Affect Customer Preference.** As more DMV services become available online—as discussed in our previous post, [DMV Shift to Online Services Due to COVID-19](#)—some customers may shift to completing most of their transactions online rather than in person at the field office. In the longer term, this may result in fewer people at field offices and, as a result, a shift in workload from the field offices to online services.



# Extension of REAL ID Resources and Operational Improvements

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## Recommendations

***Approve Positions and Funding for Customer Service, Operational Improvements, and IT Improvements.*** We recommend the Legislature approve the components of this request related to customer service, operational improvements, and IT improvements—totaling \$11.2 million and 123 positions in 2021-22. We find that these positions are consistent with assessments of the department’s previous operational shortcomings and will allow the department to maintain progress made to date.

***Approve Only Budget-Year Positions and Funding for REAL ID Workload.*** Given the workload uncertainty, we recommend only approving the \$175.1 million and 1,493 positions for REAL ID workload in 2021-22. In this way, the Legislature could provide oversight of the department’s workload by requiring the department to come back next year with a new funding proposal, which could be informed by another year of data on customer behavior and possible federal actions.

