DRIVING CALIFORNIANS CRAZY: THE DEPARTMENT OF MOTOR VEHICLES WINS DISHONOR OF CALIFORNIA GOLDEN FLEECE® AWARD FOR ITS INCOMPETENCE AND POOR CUSTOMER SERVICE

By Lawrence J. McQuillan

Overview

The California Department of Motor Vehicles (DMV)—a cartoonish poster child for bureaucratic incompetence—has won the Independent Institute’s seventh California Golden Fleece® Award, a distinction given quarterly to California state or local agencies or government projects that swindle taxpayers or break the public trust.

Although the DMV has long been characterized as the embodiment of government ineptitude, a series of recent events have taken the department’s incompetency to a new level. Long lines have stretched out through its branch doors, wrapped around the buildings, and down adjacent sidewalks, reflecting the dramatic increase in wait times suffered by California residents during the past year. At the same time, news stories about DMV workers literally sleeping on the job and committing crimes highlight a shocking lack of oversight and accountability. And finally, severe mishandling of voter registrations, disability placards, and IDs underscores a failure of the DMV to perform its assigned tasks.

The DMV is in shambles, and its “solution” is to receive more taxpayer money. But to truly fix the problems new leadership is required as well as structural and operational reforms. The agency should delegate many of its functions to private-sector partners, and use technology already in place to address its inefficiencies. California is trailing many states in adopting cutting-edge reforms. But over the long term, blockchain-based online companies should entirely replace government DMVs across the country.

The Structure of the Report

This California Golden Fleece® Award report highlights the department’s recent problems, explains their origins as a lack of bureaucratic accountability and market discipline, and makes several recommendations.
designed to transform the DMV’s operations such that Californians will no longer be burdened by an agency that has for too long failed to make excellent customer service its top priority.

**Background**

The California DMV traces its roots back to the **turn of the 20th century**. In 1901, the state government passed a law authorizing cities and counties to license various wheeled vehicles, including bicycles, carts, and automobile carriages. The decentralized approach was short-lived. In 1905, these responsibilities were transferred to the California secretary of state, with the mandate of instituting a uniform registration and licensing system for vehicles.

Then in 1913, the California Legislature handed the task of managing vehicle registrations to the state treasurer, with the engineering department as custodian of records. In 1915, a Department of Motor Vehicles was officially established, and in 1931 it became a stand-alone department within state government.

The California DMV has grown tremendously in its roughly 100-year existence, as has the state itself. In its first year, vehicle registrations totaled about 191,000. At the end of 2017, more than 35 million vehicles were registered with the DMV. The department employs about 8,300 employees—roughly a third at its headquarters in Sacramento and the remainder in its nearly 200 field offices throughout the state. The DMV’s budget is currently about $1.2 billion.

Today, the DMV is part of the **California State Transportation Agency** (CalSTA), which was formed in 2013 by former California Gov. Jerry Brown (D) to oversee all transportation-related agencies within state government.

**Five to Six Hour Wait Times at DMV Branches**

Statewide, wait times during the summer of 2018 were estimated to be 46 percent longer, on average, than wait times a year earlier.

You would be hard pressed to find anyone who looks forward to a DMV visit. Synonymous with slow-moving, uncaring government bureaucracy, the DMV has long been stereotyped and the butt of jokes for its unforgiving wait times. But California DMV wait times have gotten much worse during the past year.

The media started to take note of the especially brutal wait times at the DMV in the summer of 2018. Articles told stories of customers who arrived **hours before their local DMV office opened** but nevertheless had excruciating wait times. Others arrived fully prepared but were forced to endure wait times of **five to six hours**. “Get ready to camp, because that’s what this DMV is all about,” a California resident told the *Sacramento Bee*. California State Assemblyman Phil Ting (D–San Francisco) remarked that the line at one San Francisco DMV branch he visited more closely resembled a line for concert tickets than people looking to renew their licenses.

Statewide, wait times during the summer of 2018 were estimated to be 46 percent longer, on average, than wait times a year earlier. In Sacramento, the increase was roughly 60 percent. The problem got so bad that some newspapers printed **DMV survival guides** for dealing with the expected wait. Among their **suggestions**: bring snacks and a backup battery for mobile devices.
DMV representatives blamed the increased wait times on several factors, including worker confusion over a new queuing system that was rolled out in the past year, IT system problems, and most importantly, recent implementation of the “REAL ID” card program. The federal REAL ID Act, adopted in 2005, 
“establishes minimum security standards for license issuance and production and prohibits federal agencies 
from accepting for certain purposes driver’s licenses and identification cards from states not meeting the 
Act’s minimum standards,” according to the U.S. Department of Homeland Security (DHS). But former 
California DMV Director Jean Shiomoto steadfastly maintained that the department was capable of 
addressing all of these issues itself.

Some people might be tempted to point the finger back at customers who arrive at DMV branches 
without an appointment. Indeed, walk-ins have the longest wait times. But getting an appointment at a 
local DMV branch is not always as easy as one might imagine. Many people have noted frustrations with 
the DMV’s online appointments system, ranging from an uncooperative website to unreasonable availability. 
Those calling the DMV’s appointments line faced wait times up to two hours in some cases. So, it is understandable that many Californians rely on walk-in visits.

Knowing what to expect for a walk-in is also difficult. The DMV’s website provides an estimate of 
current wait times at each branch office, but these figures do not include projected wait times to receive 
a number for their queuing system. As the San Francisco Chronicle noted, “People could be in line ‘for 
hours’ before they get the numbered ticket. The DMV is not tracking that time.” And, although DMV 
spokeswoman Jessica Gonzalez told the Sacramento Bee that the DMV website included a disclaimer 
preparing customers for the possibility of a longer wait, the newspaper’s investigation of archived 
pages showed no language to that effect. One lawmaker who has been a strong critic of the DMV, 
Assemblyman Jim Patterson (R–Fresno), went as far as to accuse the DMV of an apparent “effort to 
fudge the numbers on the DMV website.”

Frustrations with the DMV and its wait times have grown so intense that one office felt the need to post 
a sign on their door that read: “Notice—Threatening a state employee is unlawful and may result in a 
fine or imprisonment.”

But frustrations reach well beyond individual DMV branches. Editorial boards up and down the state 
have lambasted the DMV over its exploding wait times. The Sacramento Bee proclaimed, “It’s not by 
accident that DMV has long been a symbol of sloth-like bureaucracy. And that notoriety is only getting 
worst with the unacceptably long lines this summer at its offices.” The San Diego Union-Tribune also 
reminded that “residents can certainly hold the department’s slow speed against it—and demand better 
of its managers.” Some lawmakers, such as Assemblyman Patterson, have demanded an independent 
audit of the agency to figure out the extent of its problems and get it on course.

In response to the mass criticism, the California DMV announced several new steps in early August: some 
DMV offices hired additional staff; a few hundred headquarters’ employees were reassigned to field offices; 
hours of operation were extended at several locations; and the agency is piloting self-check-in kiosks and a 
text notification system for customers who wish to leave the premises while waiting for their turn to see a
DMV agent. But, as much as these changes represent a potential step forward in reducing wait times (the DMV claims that wait times have been reduced, but its comparison of times is not a scientific apples-to-apples comparison), they fail to address deeper issues that plague the department at many levels.

**Not Coming to Work On Time, Sleeping on the Job, and Criminal Fraud that Endangered Public Safety**

California DMV employees have received very unflattering attention in the press recently, highlighting a lack of proper oversight and accountability at the branch level.

... a group of Southern California DMV workers and co-conspirators sold fake driver’s licenses and other false identifications.

About a third of DMV employees do not show up for work when the work day begins. The DMV has created a task force to look into the matter. And apparently sleeping on the job for hours each day, year-after-year, is not enough to get you fired from the DMV. That is the lesson learned from a recent state auditor's report, which revealed that a woman still working as a data processor napped at her desk for a total of about 2,200 hours between 2014 and 2017. Her napping resulted in poor overall productivity—nearly two-thirds fewer documents processed per day relative to her peers—and error-filled work, costing taxpayers the equivalent of more than $40,000 in pay. Nevertheless, her supervisors failed to adequately document her shortcomings, despite complaints from coworkers, which prevented them from taking disciplinary action against her.

Another worker, who was the target of an FBI-led sting operation, used his job at a DMV branch to sell fraudulent commercial driver’s licenses. The Salinas DMV employee conspired with truck school owners to input fake test results into the department’s database in order to get people licensed to drive commercial vehicles—at great risk to public safety. For generating these “unearned passing scores,” the employee was sentenced to more than six years in prison.

Also, a group of Southern California DMV workers and co-conspirators sold fake driver’s licenses and other false identifications. One worker, who took a plea deal, admitted to manipulating records and inputting false data into the department’s database in order to produce the fake identification cards. The ring was exposed when undercover agents reportedly paid members $3,100 for fake cards in 2012. In November 2018, a judge sentenced one of the perpetrators to nearly three years in federal prison.

**Mismanaging Voter Registrations, Disability Placards, and REAL IDs**

In a year filled with bad press for California’s DMV, the department made additional headlines when it was revealed that the DMV mismanaged 23,000 voter registrations from its months-old Motor Voter program, which automatically registers qualified people to vote when they obtain a driver’s license, state ID card, or change their address. This blundering included forwarding to the California secretary of state’s office 1,500 registrations from individuals who opted out of voter registration or were otherwise ineligible to vote. In May 2018, the Los Angeles Times reported that a software error caused as many as 77,000 people in one month to be double registered under the program.

The Motor Voter program was implemented in April 2018, but significant mistakes resulting from
“technicians toggling between multiple screens” and the incorrect merging of information caused tens of thousands of people to be erroneously registered. Among other errors, individuals in some cases were registered to the incorrect political party affiliation. “Waiting in long lines is one thing,” Assemblyman Jim Patterson told the *Sacramento Bee*, “but walking in registered one way and walking out registered another way is something else entirely.”

DMV officials say that no undocumented immigrants were among those mistakenly registered through the Motor Voter program, but in early October 2018, DMV officials acknowledged that some of the 1,500 registrations it inappropriately processed included noncitizens. In response, California Secretary of State Alex Padilla (D) considered freezing the program, admitting that the errors “undermined public confidence” in a “basic responsibility” of the department. Assemblyman Patterson went further, remarking, “If this isn’t an emergency with regard to the sanctity of our voter rolls, I don’t know what it is.” But it gets worse.

On December 14, 2018, the DMV admitted that it had failed to transmit to Padilla’s office 589 valid voter records, potentially disenfranchising eligible California citizens from the November 6 midterm election. In a rare act, that day Padilla wrote a letter to Governor Brown urging him to “promptly appoint new leadership at the DMV.”

Botching voter registrations is not the end of recent DMV failures. A state audit released in 2017 found rampant failure in the department’s issuance of parking placards for disabled people. DMV negligence allowed thousands of able-bodied drivers special accommodations intended for people with illness or disability, such as waived parking meter costs, reserved parking spots, and exemption from parking time limits.

In a sample of 96 applications that auditors investigated, all but about one-fourth lacked the proper documentation of the disability claim underlying the request for a placard. Further, the auditors found that the department failed to cancel placards for thousands of individuals who had likely died and additionally issued a large number of duplicates.

In their report, the auditors suggested lawmakers provide greater oversight of DMV activities and procedures, including maintaining accurate records of applicant names and birth dates, as well as matching disability placard holders against official death records from the Social Security Administration. While these steps would improve the integrity of a program already plagued by rampant abuse throughout the state, these controls should have been implemented years ago had operations been managed correctly.

Additionally, on December 21, 2018, it was reported that the DHS had concluded that California’s DMV did not comply with REAL ID federal regulations when it issued nearly 2.5 million REAL IDs in 2018. Instead of requiring applicants to provide two residency documents, the DMV only required one document when applying for the ID.

The DMV’s mishandling of voter registrations, disability placards, and REAL IDs are different problems in some respects, but each failure originates from a common problem: the department is tangled in a culture of negligence and lack of commitment to its core responsibilities that prevents it from performing its prescribed obligations to state residents at the highest levels of professionalism, efficiency, and accuracy.
But government, by its nature, is not designed to provide efficient and effective customer service.

Pathologies of Government: Bureaucrats Deflect Blame and Accountability While Lawmakers Receive Special Privileges that Insulate Them from the Real World

Government bureaucrats tend to protect each other. And lawmakers often receive special privileges that insulate them from the everyday stresses felt by their constituents. Both of these traits are in evidence with the California DMV, and their presence make holding government agencies to account for poor performance extraordinarily difficult.

When wait times worsened dramatically and stories of incompetence and gross negligence were exposed, many people began to wonder how deep the California DMV’s problems ran and how much was still being hidden from the public. Faced with a visible problem, then-DMV Director Jean Shiomoto deflected blame. But lawmakers such as Assemblymen Jim Patterson and Phillip Chen (R–Brea) demanded an independent audit of the agency. Several newspaper editorial boards also supported the idea, pushing for greater oversight and accountability; however, DMV officials worked to hinder oversight.

At a budget hearing on August 7, 2018, Shiomoto argued that an audit would “strain our resources,” and instead asked for an additional $26 million in funding to hire more workers. But whistleblower Cullen Grant, who has worked for the DMV for seven years as an office manager in Los Angeles, told the Sacramento Bee that funding for new employees would not address the important underlying issues, which include vastly outdated technology: “They’re doing all this mass hiring, but it’s not fixing the problem.” Indeed, the DMV was approved $16.6 million from an earlier request to “alleviate field office wait time,” but not all customers have experienced improvements. And greater problems appear on the horizon because about 23 million Californians must get federally mandated REAL ID cards by October 1, 2020, if they want to board planes or enter some federal facilities, such as military bases, without a passport.

Nevertheless, on August 8, 2018, three Democratic lawmakers sided with Governor Brown to effectively block a proposal to have the state auditor investigate the DMV. Instead, their solution was to once again give the DMV more money instead of imposing effective oversight and accountability. One might wonder why these lawmakers were not outraged at the DMV’s obvious failures, like so many of their constituents. One answer could be the special privilege granted to lawmakers.

The Sacramento Bee editorial board pointed out on August 10, 2018, “Lawmakers don’t have to worry about waiting in line to renew their driver’s licenses or get new REAL ID cards.” Instead, they can visit a small DMV office located near the state capitol that serves only legislators, their staff, and certain other government officials. That secret branch, closed to regular members of the public, does not even require a queuing system. In other words, their position of privilege protects lawmakers—including those who prevented an independent audit—from the costs of a failing government agency suffered by everyone else.

The final straw against the DMV and its protectors came in late September when a router issue
knocked offline for several hours about 70 DMV offices throughout the state. “We apologize for any inconvenience,” spokeswoman Jessica Gonzalez wrote in an email following the incident. Though the problem had been apparently resolved later that morning, the incident was reminiscent of another IT problem two years earlier when more than 100 DMV branch offices were knocked offline for days following hard drive failures.

In response, Governor Brown avoided questions about his confidence in then-Director Shiomoto but ordered his Department of Finance office to conduct an audit of the DMV’s technology systems and customer service. The report is expected in March 2019, but there is concern that it will not be sufficiently extensive and independent to provide real insights and real solutions to the problems plaguing California’s DMV.

In the first week of January 2019, the DMV submitted a special budget request of $40.4 million, in addition to the $1.2 billion it already receives each year. The DMV threatened a “return of unacceptable field office wait times” if it does not receive the additional taxpayer money. But throwing more taxpayer money at a broken system will not fix the problem. As noted by Assemblyman Patterson, “DMV insiders tell me that all the money in the world won’t fix the systemic problems facing this department.”

Rather than bowing to budgetary blackmail, several fundamental structural and operational changes should be implemented as soon as possible.

The Recommendations: Replace DMV Leadership, Reduce Dependence on the DMV for Services, Contract Out Branch Management, and Look to the Private Sector for Technological Assistance and Long-Term Replacement

Fixing the problems at the California DMV requires structural reorganization and innovation, not continuous budget increases and minor procedural reforms. There are several corrective steps that should be taken in the near term that would likely save taxpayer money and provide customers with better service with less cost and hassle. Other states are already doing these things. Over the long term, the DMV should be replaced by private vendors that risk losing contracts if they provide poor service.

1. A Need for New Leadership

On December 17, 2018, California DMV Director Jean Shiomoto announced her retirement, effective December 28. It is abundantly clear that a new director and top lieutenants are needed at the DMV, but unfortunately Governor Brown named Shiomoto’s chief deputy director, Bill Davidson, as the department’s new acting director. Hopefully, Davidson will not be acting in this role for long. Promoting her deputy, who helped oversee the current chaos, is not what Californians deserve.

As noted by the San Diego Union-Tribune, the DMV had more than a decade to prepare for the implementation of the REAL ID law and it failed to do so under Shiomoto’s nearly six-year reign. Rather than acknowledge this fact, Shiomoto insisted that no mistakes were made. Instead, she said, “It was just that we were seeing more customers than we anticipated all at once.” On Black Friday, retailers are prepared
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with additional sales associates to handle the seasonal surge of customers. Similarly, the DMV should have been ready for the REAL ID surge under the direction of Shiomoto and Davidson. The DMV must be run by professional managers with a record of effective leadership (more on this below).

Assemblymen Jim Patterson and Vince Fong (R−Bakersfield) have noted, “the replacement of top-level management at the DMV should have already happened.” Unfortunately, it still hasn’t happened. Hopefully, the DMV’s current leadership will be forced out soon, replaced by professional managers with business, personnel, and technology acumen, not by political hacks.

2. Move DMV Branch Functions Offsite and Delegate Authority to Private Partners

The less dependent that California residents are on DMV branch offices, the better. To that end, it is a positive step forward that the DMV has expanded its “DMV Now Self-Service Terminals” to various locations, such as supermarkets and libraries, throughout the state. These kiosks allow Californians to purchase and receive vehicle registration renewals at their convenience. The program should be expanded to allow for additional services, for example processing changes of address.

The DMV should also expand its list of authorized third-party providers of motor-vehicle services. Currently, many members of the American Automobile Association (AAA) can visit their local AAA branch and receive various services quickly in a clean, well-organized office. Services include registration renewals, filing a driver’s license change of address, and transferring vehicle ownership, among a fairly extensive list of offerings.

The option to bypass the DMV bottleneck should be available to more residents through partnerships with additional companies such as supermarkets, drug stores, auto-parts retailers, and auto dealers. Arizona has a varied list of partners that provide services, including written driver’s tests and road tests. The California DMV should follow the same path. By outsourcing more tasks, the department will lighten the burden placed on individual DMV branches and give customers more options and greater convenience. Eventually, the DMV should be completely replaced by private vendors (more on this below).

The DMV should also permit and encourage all routine paperwork to be filed online, rather than in person at a branch. The recent announcement that driver’s license applications can be filed online is a positive change, though long overdue. Arizona’s Motor Vehicle Division allows for written driver’s tests to be completed at home and submitted online. California’s DMV should also allow for this and other services that can be handled digitally.

3. Contract Out the Management of DMV Branches

Long wait times, widespread employee absences, and worker misconduct typically arise from a lack of oversight and poor accountability for inadequate or unethical performance at the branch level. In the private sector, workers who are unable or unwilling to perform their job duties properly face the
likelihood of remedial action, including the possibility of job termination. But public sector employees are shielded by bureaucratic rules and their employing agency lacks incentives that would otherwise hold them accountable, especially losing a contract. Thus, it would benefit Californians to have the DMV contract out management of its branches to companies that operate in a more competitive business environment subject to market discipline.

North Carolina already follows this practice. In 2016, the state DMV converted the last of its state-run offices that issue car titles and registration stickers to private contractors, referred to as license plate agencies. If serious problems arise with private contractors, they can be audited, prosecuted, and replaced. Such flexibility and accountability are absent when the state government effectively controls every DMV branch. Competition helps to impose discipline and efficiency, which Californians deserve at the DMV rather than sleeping workers, criminal fraud, and poor customer service.

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Over the long term, government DMVs should be replaced by blockchain-based digital online platforms operated by companies in a competitive environment. One such enterprise is City Chain, a company that offers “citizenry information” services, such as vehicle registrations, using a secure platform integrating select partner APIs that customers can access online. City Chain is currently being piloted in Liberstad, Norway. It offers the advantage of citizenry information being maintained efficiently and securely by a professionally managed business in a competitive marketplace, not by vast government monopolies insulated from the consequences of their poor performance by privileged politicians and bureaucrats, as is the case with California’s DMV.

4. Use Available Private Sector Technology

The California DMV is a relic of days gone by. In a state that has led the global technology revolution, the DMV should be doing more to integrate technology into its operations to fix obvious problems. This is what successful private companies strive to do, which is another reason to eventually replace the DMV with cutting-edge private vendors. But until that happens, at the very least, contracting for the use of some technological assistance services would help alleviate the DMV of tasks it has proven unable to manage.

The California DMV is struggling to handle the flow of customer appointments and queues. Fortunately, the private sector has already demonstrated an ability to innovate and provide services that avoid the inefficiencies plaguing the DMV.

Scheduling timely appointments is an arduous task, as noted earlier. The typical wait time for a visitor to the DMV website can be upwards of eight weeks. But a company called YoGov, headquartered in Oakland, California, can get its customers expedited appointments, in the range of three to four weeks. It does this by continuously monitoring the DMV appointments calendar for cancellations, and matching their customers with openings at nearby locations. While monitoring is a technique that virtually anyone could do theoretically, it is highly time consuming, and many people would prefer to simply pay a fee for this express service. Were it inclined to increase efficiency in bookings, the DMV could work with YoGov, or a similar service, to offer cancellation monitoring and expedited
appointments. Instead, the DMV has investigated YoGov.

The DMV could also contract with a company better suited to handle queues for walk-in customers. QLess, an enterprise based in Pasadena, offers virtual check-ins and lines, as well as mobile notifications of wait times and place in line. YoGov also offers a DMV line concierge service. These services allow customers to wait for their turn to conduct business at a DMV branch without the need to be physically present during the entire waiting period. This would reduce crowding, in-office wait times, and potentially operational costs as well since customers would use their own mobile devices.

QLess touts that one DMV it worked with (not California) was able to significantly reduce wait times—doubling customer satisfaction—and increase staff productivity and morale. The number of people served increased by 50 percent after implementing QLess’s product, and the number of no-shows dropped by 35 percent. Similar results would allow the DMV to better manage the surge it will face when 23 million Californians visit branches to obtain their REAL IDs.

Each recommendation goes well beyond the typical Sacramento solution of throwing more money at a problem while hoping it goes away. They tackle actual, well-defined problems with the current system that require serious structural changes in one form or another. As former State Sen. Ted Gaines observed, “We’ve got a mess on our hands.” Now is the time to clean up the mess.

On January 9, 2019, California’s new governor Gavin Newsom (D) announced the creation of a “DMV Reinvention Strike Team” to offer recommendations for “new long-term leadership and reform at the DMV.” Newsom said, “By any metric, California DMV has been chronically mismanaged and failed in its fundamental mission to the state customers it serves and the state workers it employs.” The Strike Team, led by California Government Operations Agency Secretary Marybel Batjer, will present its findings in six months. Hopefully, its recommendations will include the fundamental reforms presented in this California Golden Fleece® Award.

Written by Lawrence J. McQuillan, PhD, Senior Fellow and Director of the Center on Entrepreneurial Innovation at the Independent Institute in Oakland, California. Carl P. Close is senior editor of the California Golden Fleece® Awards.

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