

Date of Hearing: April 22, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 238 (Santiago) – As Introduced January 18, 2019

SUBJECT: Unlicensed automobile dismantlers: enforcement and compliance activities

SUMMARY: Continues a strike team between the Department of Motor Vehicles (DMV) and other agencies to review and coordinate enforcement and compliance activity related to unlicensed and unregulated automobile dismantlers until January, 2023. Specifically, **this bill:**

- 1) Continues a strike team to review and coordinate enforcement and compliance activity related to unlicensed and unregulated automobile dismantlers until January, 2023 between DMV and the following agencies:
 - a) The California Department of Tax and Fee Administration,
 - b) The California Environmental Protection Agency (CalEPA),
 - c) The Department of Toxic Substances Control,
 - d) The State Water Resources Control Board,
 - e) The Department of Resources Recycling and Recovery, and
 - f) The State Air Resources Board.
- 2) Authorizes the above agencies to collaborate with and solicit information from district attorneys, certified unified program agencies, code enforcement agencies, and any other federal, state or local agencies with jurisdictions over unlicensed and unregulated automobile dismantlers.
- 3) Deletes an obsolete reporting requirement for a report that was due on January 1, 2019.

EXISTING LAW:

- 1) Defines an “automobile dismantler,” as a person who dismantles three or more personal vehicles within any 12-month period, and prohibits any person from acting as an automobile dismantler without first having procured a license or temporary permit issued by DMV.
- 2) Requires an applicant for an auto dismantler's license to provide DMV with information as to his or her character, honesty, integrity, and reputation, as DMV may consider necessary.
- 3) Requires an applicant for a new license or the renewal of a license to submit all of the following information as part of the application, if the applicant is required by other provisions of law to have the following permits, numbers, or plans:
 - a) BOE resale permit number;
 - b) Identification number issued by the CalEPA;

- c) A statement indicating that the applicant has either filed an application for a stormwater permit or is not required to obtain a stormwater permit;
 - d) A statement indicating that the applicant has either filed a hazardous materials business plan or is not required to file that plan; and,
 - e) The tax identification number assigned by the Franchise Tax Board.
- 4) Requires the Department of the California Highway Patrol to inspect vehicles previously declared a total loss during the dismantling process when such vehicles are later presented to DMV for registration after reconstruction.
 - 5) Requires DMV to establish a strike team comprised of representatives of the DMV, the Board of Equalization, and CalEPA until January 1, 2020.
 - 6) Requires the strike team to collaborate to investigate occurrences of unlicensed automobile dismantling, including resulting tax evasion and environmental damage.
 - 7) Requires the strike team to submit a report to the Legislature by January 1, 2019, including:
 - a) The number of leads or complaints investigated by the strike team,
 - b) The number of complaints investigated and the number resulting in a civil action or criminal prosecution,
 - c) Recommendations for modifying, eliminating, or continuing strike team activities, and
 - d) Recommendations for statutory or regulatory changes, or both, needed to better allow for enforcement against unlicensed dismantlers.

FISCAL EFFECT: Unknown.

COMMENTS: According to the author, “Unlicensed dismantling is a ‘sleeping’ environmental justice, economic, and public health issue. The resulting environmental and public health damage to our communities called for an urgent action from the Legislature in 2016, which resulted in the signing of AB 1858. This measure required the DMV to coordinate enforcement and compliance activity related to unlicensed vehicle dismantling with other state agencies. Since then, there have been over 24 operations throughout California, which have resulted in the identification of 605 unlicensed dismantlers. AB 238 will simply extend the sunset of AB 1858 so that this successful work can continue.”

An estimated 1.2 million vehicles are disposed of annually in California. DMV estimates that 360,000 of these vehicles will be disposed of by unlicensed and unregulated vehicle dismantlers. According to DMV these vehicles are dismantled in private garages, industrial areas, residential neighborhoods, near parks, schools, and vulnerable waterways, such as storm drains. DMV has been concerned that unlicensed dismantlers typically do not dispose of chemicals such as engine oil and transmission and radiator fluids, which often wind up in rivers and streams, contaminating public drinking water. DMV believes that these dismantlers also cost the state millions of dollars in lost sales tax revenues.

In 2016, the Legislature passed AB 1858 (Santiago), Chapter 449, which required DMV to collaborate with various other agencies to review and coordinate enforcement and compliance activity related to unlicensed and unregulated automobile dismantling, including resulting tax evasion, environmental impacts, and public health impacts.

DMV was required to report back to the Legislature on its efforts by January 1, 2019. As of the writing of this analysis, that report is four months late.

Several press releases from what has become to be known as the Vehicle Dismantler Industry Strike Team (VDIST) provides what information on this issue is available. According to the most recent press release, VDIST has issued 192 citations as of May of 2018 that are related to unlicensed vehicle dismantling.

Under existing law, this strike team would no longer be statutorily required after January 1, 2020. This bill extends the strike team until January 1, 2023, so VDIST will be required to continue to operate.

The Coalition for Clean Air, arguing in support of this bill, states, “Old vehicles at the end of their operational lives contain hazardous chemicals and components which pose a significant threat to public health and air quality. In order to minimize the threat posed by these hazardous materials, DMV and other agencies have developed strict disposal guidelines for licensed automobile dismantlers. This system of regulation and accountability is vitally needed to protect Californians and our air.

VDIST has been a highly effective program and should be extended. VDIST opened a total of 706 cases during this time, 605 of which were for unlicensed automobile dismantling. So far, these cases have led to 369 citations for violations of unlicensed automobile dismantler laws and other associated crimes. The accomplishments of VDIST to-date and the proposed extension outlined in AB 238 are important steps in continuing to address the serious problem of unlicensed and unregulated automobile dismantling in California.”

Committee comments: Last year Governor Brown vetoed almost every bill that would have resulted in increased operational costs to DMV, including one identical to this one. The Legislative Analyst’s Office predicts the Motor Vehicle Account (MVA), which accounts for 95% of DMV funding, will become insolvent by 2021-2022.

Last year there was a noticeable uptick in wait times at DMV. As a result, DMV began reporting monthly numbers on wait times to the Joint Legislative Budget Committee. In the last week of July of 2018, DMV reported that the average wait time for non-appointment customers was two hours and ten minutes. The top 20 most impacted DMV field offices saw average wait times of three hours and 21 minutes.

DMV attributes much of the increase in wait times to compliance with the Federal REAL ID Act of 2005, which requires in-person verification for a state issued driver’s license or identification cards in order for a person to fly domestically or enter a federal building. While individuals traditionally only have to renew their state issued driver’s license in person once every 15 years, individuals who wish to fly domestically have between January 2018 and October 2020 to renew in person, regardless of when their driver’s licenses expire.

DMV began to hire significantly more staff as a result of the increase in wait times. Between July 1, 2018 and January 31, 2019, DMV made 1,230 civil service appointments, 781 emergency hires, and hired 148 retired annuitants. DMV made several technological changes as well, including allowing individuals to electronically fill out their information either online or while waiting for their appointment. These actions have sped up transactions.

By February, the statewide average wait time for those without an appointment dropped to 50 minutes and the top 20 offices saw an average wait time of 79 minutes. DMV has set a goal of reducing their average wait times to 45 minutes for those without an appointment, and 15 minutes for those with an appointment. So far DMV has not met that goal.

In addition, Governor Brown initiated an audit of DMV to be conducted by the Department of Finance. That audit was completed as of April of 2019. Governor Newsom has also announced on January 10, 2019 that a DMV Strike Team would be formed to look at reforms to DMV. These reforms are aimed at making DMV more customer friendly while also reducing wait times. The Strike Team in April has asked for hundreds of millions of dollars to fix DMV.

In light of Governor Newsom's reform efforts of DMV and the impending insolvency of the MVA, the Legislature may want to consider if now is a good time to continue the increased cost pressures VDIST places on DMV and the MVA.

Previous legislation: AB 1858 (Santiago), Chapter 449, Statutes of 2016, required DMV to collaborate with various other agencies to review and coordinate enforcement and compliance activity related to unlicensed and unregulated automobile dismantling, including resulting tax evasion, environmental impacts, and public health impacts.

AB 805 (Fuentes), Chapter 475, Statutes of 2009, required DMV to investigate and verify all the information submitted on an application for an automobile dismantler's original or renewal license.

REGISTERED SUPPORT / OPPOSITION:

Support

Automotive Recyclers Association
California Auto Dismantlers' And Recyclers' Alliance, Inc.
California Coastkeeper Alliance
California Metals Coalition
Coalition For Clean Air
Pick-N-Pull Auto Dismantlers
Riverside Sheriffs' Association
Schnitzer Steel Industries
State Of California Auto Dismantlers Association,
The West Coast Chapter Of The Institute Of Scrap Recycling Industries
West Coast Chapter-Institute Of Scrap Recycling Industries

Opposition

None on file

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