

Department of Motor Vehicles
Investigations Division

Vehicle Dismantler Industry Strike Team
Report to the Legislature

In Accordance with
California Vehicle Code §11545(c)



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Introduction

Pursuant to California Vehicle Code §11545, the Department of Motor Vehicles (DMV) Investigations Division (INV) created a multiagency collaboration to coordinate enforcement and compliance activity related to unlicensed and unregulated automobile dismantling, including tax evasion, environmental impacts, and public health impacts.

DMV INV established the Vehicle Dismantler Industry Strike Team (VDIST) that required collaboration with the following agencies:

- California Department of Tax and Fee Administration (CDTFA)
- California Environmental Protection Agency (Cal-EPA)
- Department of Toxic Substances Control (DTSC)
- State Water Resources Control Board (SWRCB)
- State Air Resources Board (ARB)
- Department of Resources Recycling and Recovery (Cal-Recycle)

Under California Vehicle Code §11500, it is unlawful for any person to act as an automobile dismantler without having an established place of business, meeting specified requirements, and having a current, valid license or temporary permit issued by the DMV. Unlicensed dismantlers operate in the underground economy and do not comply with the licensing requirements, environmental regulatory requirements, insurance obligations, workplace safety requirements, and tax liability that licensed automobile dismantlers comply with.

- Unlicensed dismantling occurs when the vehicles are stripped for parts without required environmental protections.
- Unlicensed dismantling occurs not just in private garages and industrial areas, but also in residential neighborhoods, near parks, schools, and vulnerable waterways, such as storm drains.
- Unlicensed dismantlers harm the environment. Typically, unlicensed dismantlers do not properly dispose of chemicals, such as engine oil, transmission fluid, and radiator fluid. This hazardous waste can end up in rivers and streams, and may contaminate the public's drinking water.
- Unlicensed dismantlers may resell defective auto parts, which can contribute to serious vehicle collisions.
- Unlicensed dismantlers create a strain on the economy due to millions of dollars lost in uncollected tax revenue.
- Unlicensed dismantlers pay salaries under the table and put their employees at risk by not providing workers' compensation or insurance.

The following report describes the results of a two-year enforcement effort that includes the following information:

- The number of unlicensed dismantlers investigated and the number of investigations that resulted in an administrative enforcement action, civil enforcement action, or criminal prosecution.
- Any identified statutory or regulatory gaps for investigating and prosecuting unlicensed dismantlers.
- Information on how vehicles acquired by unlicensed dismantlers, places where unlicensed activity suspected or known to occur, and the types of facilities where unlicensed activity tends to occur.
- A summary of the barriers to adequate and efficient enforcement of environmental, tax, and licensing statutes and regulations against unlicensed dismantlers.
- Proposed strategies for bringing unlicensed dismantlers into compliance through compliance assistance, education and training, or other identified methods.
- Recommendations for modifying, eliminating, or continuing the coordinated enforcement and compliance activities pursuant to this section.
- Recommendations for statutory or regulatory changes, or both, needed to better allow for enforcement against unlicensed automobile dismantlers.

Development and Implementation

DMV INV established an internal working group of 15 peace officers ranging from Investigator classifications to executive level management. They were tasked with developing a plan of operation to identify potential law violators and conduct unlicensed dismantler enforcement. The goal was to coordinate with each participating state agency and to pursue leads where opportunities existed for multiagency investigations.

The Department has expended the following funds for the implementation and enforcement of Assembly Bill 1858. The funds were used for travel/per diem, training, contracts, equipment, and overtime.

- Fiscal Year 2017/2018 \$190,425
- Fiscal Year 2018/2019 \$130,189

DMV INV developed a program that included:

- Attending critical training.
- Developing and providing training programs to collaborating agencies.
- Acquiring essential equipment needs.
- Developing a database capable of tracking cases, statistical needs and investigative outcomes.
- Developing reports and forms for the public and collaborating agencies to use.
- Acquiring data analytic tools.
- Identifying media opportunities for outreach and communication purposes.

Highlights of Development

Training

- DMV VDIST members completed classroom and field training on laws and techniques for conducting unlicensed dismantler investigations and administrative processes to track and maintain data.
- DMV VDIST members completed Environmental Crimes Courses, Chop Shop Investigations and a Criminal Sophistication Course to enhance participant knowledge and understanding on how to conduct these unique types of investigations.
- Multi-agency basic training sessions were held; all agencies participating presented information pertaining to their roles, job duties, and what they looked for when inspecting a location.
- DMV INV presented final material for the task force framework and each agencies roles, requirements, information sharing and overall objectives.

Equipment

Equipment purchases were required to perform inspections of unlicensed dismantler locations. The areas inspected require walking around a multitude of vehicles, scrap metals, hazardous fluids, and various equipment used to dismantle vehicles.

Data Analytics

Among various databases that are currently available to DMV Investigators, the department incorporated Harmari. Harmari is a data analytics product that provides law enforcement the ability to investigate high volume internet based sellers who are possibly associated with unlicensed dismantler and dealer activity. Benefits include:

- Access to Offer Up, Craigslist, Auto Trader, etc., where unlicensed dismantler activities can occur.
- Over 900 million live and archived ads.
- Historical ads can go back as far as 2011.
- Photo gallery of ads that include cars, car parts, trucks, recreational vehicles, all-terrain vehicles, Boats, Motorcycles, etc.

Inspection Forms

An Inspection Form was developed to use during a physical inspection of an unlicensed dismantler location. This inspection form also serves as a mechanism to refer a case to a collaborating agency should it meet the parameters or thresholds provided under a participating agency's jurisdiction.

Online-Unlicensed Dismantler Complaint Form

An Unlicensed Dismantler Complaint Form was created and posted on the department's web page for the public to report unlicensed dismantler activity. The public can report any suspected unlicensed dismantling based on personal observations, public signage, or internet listings via this form. The public is able to list vehicles they see offered for sale, if they observe improper dumping of hazardous waste or if they see vehicles that appear are being dismantled. The public also has the ability to send anonymous complaints to protect their identity which can encourage those who may be hesitant to report the violations. Although, DMV often receives unrelated complaints, there have been approximately 390 VDIST leads that have been received from the public. All complaints are reviewed, assigned, and investigated when deemed appropriate.

Media

DMV implemented a statewide media campaign blitz. It successfully informed and educated the public of health and safety risks posed by unlicensed dismantler activity. Posters were created and distributed to all DMV Field Offices and were posted on the DMV's internet website page.

News releases were distributed statewide to reach broader audiences:

- DMV Investigators Combat Unlicensed Vehicle Dismantlers in the San Luis Obispo Area (September 8, 2017)
- DMV Investigators Combat Unlicensed Vehicle Dismantlers in Los Angeles County (October 27, 2017)
- DMV Launches Awareness Campaign to Combat Unlicensed Vehicle Dismantling (November 27, 2017)
- DMV Combats Unlicensed Vehicle Dismantlers in San Diego and Fresno (January 25, 2018)
- DMV Combats Unlicensed Vehicle Dismantlers in Los Angeles County (February 23, 2018)
- DMV Combats Unlicensed Vehicle Dismantlers in Sacramento County (March 28, 2018)
- DMV Combats Unlicensed Vehicle Dismantlers in Los Angeles County (May 4, 2018)

Enforcement Results

The following information gathered over a two year period is being submitted by the DMV in accordance with California Vehicle Code §11545(c)(1)(A-G).

California Vehicle Code §11545(c)(1)(A).

The number of unlicensed dismantlers investigated and the number of investigations that resulted in an administrative enforcement action, civil enforcement action, or criminal prosecution.

- As of December 31, 2018, DMV generated 605 cases categorized as allegations of unlicensed vehicle dismantlers and an additional 101 cases that were categorized as allegations of violations associated with unlicensed dismantling (i.e. unlicensed repair facility – Business and Professions Code §9884.6).
- As of December 31, 2018, DMV issued 369 citations for multiple violations of unlicensed dismantler activity and related violations. These violations include but are not limited to the following:

Violations	
California Vehicle Code §11500	Unlicensed dismantler
Business and Professions Code §9884.6	Unlicensed repair shop
California Vehicle Code §11700	Unlicensed vehicle dealer
Penal Code §415	Disturbing the peace
California Vehicle Code §5500	Failure to deliver proof of registration prior to dismantle
California Vehicle Code §4462.5	False evidence of registration
California Vehicle Code §5201	License plate affixed to car
California Vehicle Code §5902	Failure to transfer title, 10 days
California Vehicle Code §11520	Not maintaining proper documentation
Penal Code §1203.2	Violation of probation
California Vehicle Code §12500	Unlicensed driver

- DMV received approximately 390 leads via the departments online complaint form. (Note: not all leads turn into a case).
- DMV conducted 24 VDIST operations throughout the state. Operation locations include, but are not limited to: Alameda, Boyle Heights, Calexico, Compton, El Centro, Fresno, Hayward, Huntington Park, La Puente, Lancaster, Los Angeles, Marysville, Oakland, Palmdale, Pomona, Rancho Cordova, Sacramento, San Bernardino, San Diego, San Fernando Valley, San Luis Obispo, Santa Maria, Stockton and Wilmington.

- Cases referred by VDIST to the allied agencies listed in the legislation:

California Department of Taxation and Fee Administration	47
California Environmental Protection Agency	75
Department of Toxic Substance Control	52
California Department of Resources Recycling and Recovery	10
Air Resources Board	9
State Water Resources Control Board	38

- DMV and CalRecycle conducted joint inspections in Pomona as part of the CalEPA Environmental Justice Initiative.
- As of December 31, 2018, DTSC issued 3 citations for violation of Health and Safety Code related to auto dismantler activities. These violations include but are not limited to the following:

Violations	
Health and Safety Code 25190: Violation of California Code of Regulations Title 22, Chapter 12	<ul style="list-style-type: none"> • No active EPA Number • Disposed of hazardous waste within 180 Days • Labeled all containers or portable tanks containing hazardous waste • Hazardous waste containers not covered

- DTSC assisted DMV when DMV conducts VDIST operations throughout the state when staff is available.
- DTSC has transferred 49 cases to local jurisdictions for further investigation.

California Vehicle Code §11545(c)(1)(B).

Any identified statutory or regulatory gaps for investigating and prosecuting unlicensed automobile dismantler.

DMV identified several areas where existing California Vehicle Code sections hindered effective action, as described below.

- California Vehicle Code §11500 – Unlicensed dismantling crimes under this section are misdemeanor violations. These violations are often not accepted by the County District Attorney or the City Attorney for prosecution. If accepted for prosecution the courts typically dismiss the case or refer the violator to a community service diversion program.
- California Vehicle Code §1662 – This section states, "Notwithstanding any other provision of law, the department shall have no duty to investigate alleged violations of the provisions of Chapter 3 (commencing with Section 11500) of

Division 5 by any person defined as an "automobile dismantler" by subdivision (b) of Section 220 and Section 221, unless notice of such alleged violations has been given to the department by the district attorney, county counsel, city attorney, or other duly constituted law enforcement agency." This provision conflicts with DMV's role as the leader of VDIST. California Vehicle Code section 11545 compels the department to investigate this industry, yet this code section indicates the department has no duty to investigate. Suggestions have been made that this section be removed in light of California Vehicle Code section 11545 and DMV's enforcement role.

- California Vehicle Code §220 and §221 – These sections are used in conjunction to determine if a business location is, by statute, an automobile dismantler and therefore subject to licensing requirements. Portions of these sections should be updated to reflect current technology and how it has changed the way used parts are sold and disposed of. The modification should also clearly address the issue of the sale of used parts, as well as who can dismantle vehicles. In addition, Section 220 has a portion that reads, "...or by owners who desire to dismantle not more than three personal vehicles within any 12-month period." There should be a clear definition of "personal vehicle."

In addition, the authority does not exist to shut down (abate) a business that poses an immediate threat to public health and safety. Once DMV/VDIST leaves the property, the unlawful businesses can resume their activities and have on occasion regarded the enforcement as "the cost of doing business."

California Vehicle Code §11545(c)(1)(C)

Information on how vehicles are acquired by unlicensed dismantlers, places where unlicensed activity is suspected or known to occur, and the types of facilities where unlicensed activity tends to occur.

Unlicensed dismantlers acquire vehicles in a number of different ways:

- Auto auctions (most prevalent), insurance industry driven
- Salvage yards
- Licensed and unlicensed dismantler businesses
- Private owners
- Wholesale dealers, licensed and unlicensed

The places where unlicensed activity is suspected or known to occur, and the facilities where unlicensed activity tends to occur:

- Repair shops (various types), residential properties, random yards (set up for a variety of purposes), in remote locations.
- Private residences with open attached land.
- Unlicensed repair shops, body shops, and warehouse buildings.

- Car dealerships, scrap and/or recycling places, rural and urban residences.
- Parking lots, commercial and industrial lots, private garages, tow yards.
- Vacant lots, backyards, driveways, sidewalks.
- Industrial unregulated areas, any place that can sustain multiple vehicles and parts.

California Vehicle Code §11545(c)(1)(D)

A summary of the barriers to adequate and efficient enforcement of environmental, tax, and licensing statutes and regulations against unlicensed dismantlers.

VDIST has confirmed unlicensed dismantling is an ongoing problem and may be larger than previously thought based on the amount of enforcement actions that have been taken during this reporting period. However, Investigations Division did encounter barriers during the implementation and operation of VDIST.

- The statute did not provide clear expectations for the participating agencies.
- The level of enforcement and investigation is dependent on the resources available to each agency.
- Interest from prosecuting authorities in counties and cities throughout the state that were found to have large populations of unlicensed dismantlers was inconsistent.

California Vehicle Code §11545(c)(1)(E)

Proposed strategies for bringing unlicensed dismantlers into compliance through compliance assistance, education and training, or other identified methods.

DMV INV suggests implementing a program that “Educates, Warns, and Enforces” unlicensed dismantlers in order to gain compliance. This program can be created and implemented by the VDIST team to bring continuity and consistency with educating the violators. This will also make oversight and follow up of associated crimes a key component in achieving compliance. DMV INV would work with businesses in partnership with Occupational Licensing Division and Dismantler Associations to better educate those who are not complying with state, city and county regulations.

DMV INV envisions creating an educational program and training for District Attorneys, City Prosecutors, and all agencies involved in investigating and/or prosecuting unlicensed dismantlers.

California Vehicle Code §11545(c)(1)(F)

Recommendations for modifying, eliminating, or continuing the coordinated enforcement and compliance activities pursuant to this section.

The department recommends continuation of the coordinated enforcement and compliance activities pursuant to this section. Sustaining the Task Force prioritizes the need to address the problem of unlicensed auto dismantlers collectively. Through

continued coordination, members will identify common obstacles and develop strategies that are mutually beneficial. The continuation of this legislation should consider providing resources to support recommended programs and enforcement gaps identified in this report.

California Vehicle Code §11545(c)(1)(G)

Recommendations for statutory or regulatory changes, or both, needed to better allow for enforcement against unlicensed automobile dismantlers.

- California Vehicle Code §1662 – DMV does not have the “duty” to investigate alleged violations by auto dismantlers unless notice has been given by District Attorney or another Agency. This section conflicts with other statutory provisions. Suggestions have been made that this law be removed in light of California Vehicle Code §11545.
- Current statute and regulations do not allow an abatement process. It is recommended to add or clarify a regulatory procedure or section that allows VDIST to be part of abatement laws as it relates to Penal Code §§370 and 372.
- Currently the department is unable to stop unlicensed activity once investigators leave the premises. More defined penalties are required to persuade violators to comply with licensing requirements. It is recommended to implement an escalating fine into statute.
- California Vehicle Code §220 (a) in part reads; “... This section does not apply to the occasional and incidental dismantling of vehicles by dealers who have secured dealers plates from the department for the current year whose principal business is buying and selling new and used vehicles, or by owners who desire to dismantle not more than three personal vehicles within any 12-month period.” It is recommended to change this language to read, “...or by persons who desire to dismantle not more than three personal vehicles, of which they are the last owner of record, within any 12-month period.” This addition to statute will ensure that individuals who seek to avoid licensure as a dismantler by claiming that the vehicles are personal property are, in fact, the owners of those vehicles.
- California Vehicle Code §221(a)(1)(D)(i) should be eliminated. Licensed auto repair facilities should not be able to dismantle and sell used parts, “For use in repairs performed by that business.” If a licensed auto repair facility wants to sell used parts as part of their business they should have to process vehicles as a dismantler does in order to ensure that they are in compliance with environmental and vehicle acquisition regulations.

Challenges

DMV experienced some challenges in the overall implementation of the program. These challenges include but are not limited to: dedicated personnel, agency priorities, fiscal/financial responsibility and/or authority among collaborating entities. Additionally, municipality, fiscal, and training restrictions exist across each agency.

To address these issues, efforts should be made to identify how each agency fits into this mission and how to keep it moving forward effectively and efficiently.

Acknowledgement

DMV would like to acknowledge the additional following agencies that participated in various enforcement operations:

- Bureau of Automotive Repair (BAR)
- California Highway Patrol (CHP)
- Los Angeles County Probation
- Los Angeles County Sheriff and Special Problems Team (LASO)
- Los Angeles Police Department (LAPD)
- Orange County Auto Theft Team (OCATT)
- Riverside County Sheriff's - Riverside Auto Theft Interdiction Detail (RAID) and Riverside County Code Enforcement
- San Luis Obispo County Auto Theft Taskforce (SLOCATT)
- Taskforce for Regional Auto Theft Prevention (TRAP), Los Angeles Region

Assembly Bill No. 1858

CHAPTER 449

An act to add and repeal Section 11545 of the Vehicle Code,
relating to vehicle dismantling.

[Approved by Governor September 22, 2016.
Filed with Secretary of State September 22, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1858, Santiago. Automobile dismantling: task force.

Existing law establishes the Department of Motor Vehicles, the State Board of Equalization, and the California Environmental Protection Agency, and prescribes the powers and duties of those state agencies. Under existing law, it is unlawful for any person to act as an automobile dismantler without having an established place of business, meeting specified requirements, and having a current, valid license or temporary permit issued by the Department of Motor Vehicles.

This bill would, until January 1, 2020, require the department to collaborate with the State Board of Equalization, the California Environmental Protection Agency, the Department of Toxic Substances Control, the State Water Resources Control Board, the Department of Resources Recycling and Recovery, and the State Air Resources Board 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. The bill would require the department, in consultation with those agencies, on or before January 1, 2019, to submit a report to the Legislature including specified information. The bill would state related findings and declarations of the Legislature.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares the following:

(a) Automobile dismantlers are occupationally licensed by the Department of Motor Vehicles to provide an essential service that directly addresses society's increasing challenge of what to do with end-of-life vehicles.

(b) Automobile dismantlers face an array of costly yet necessary requirements to properly process end-of-life vehicles, including, but not limited to, safely removing and recycling unused gasoline, brake fluid, engine oil, transmission fluid, antifreeze, catalytic converters, tires, mercury switches, lead acid batteries, and freon.

(c) Automobile dismantlers are small- and medium-sized businesses regulated by over a dozen state, local, and federal agencies with jurisdiction over water quality, hazardous materials, air quality, worker safety, payment of taxes, and vehicle titling requirements.

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(d) Unlicensed automobile dismantlers operate in the underground economy and do not comply with the licensing requirements, environmental regulatory requirements, insurance obligations, workplace safety requirements, and tax liability that licensed automobile dismantlers comply with.

(e) It is the intent of the Legislature to enact legislation to require state agencies to collaborate in combating unlicensed and unregulated automobile dismantling for the purposes of investigating environmental quality issues and tax evasion that are occurring as a result of this activity and the lack of enforcement.

SEC. 2. Section 11545 is added to the Vehicle Code, to read:

11545. (a) The department shall collaborate with the State Board of Equalization, the California Environmental Protection Agency, the Department of Toxic Substances Control, the State Water Resources Control Board, the Department of Resources Recycling and Recovery, and the State Air Resources Board 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.

(b) The department, along with the agencies listed in subdivision (a), may 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 to achieve the purposes of this section.

(c) (1) On or before January 1, 2019, the department, in collaboration with the State Board of Equalization, the California Environmental Protection Agency, the Department of Toxic Substances Control, the State Water Resources Control Board, the Department of Resources Recycling and Recovery, and the State Air Resources Board, shall submit a report to the Legislature including, but not limited to, the following:

(A) The number of unlicensed dismantlers investigated and the number of investigations that resulted in an administrative enforcement action, a civil enforcement action, or criminal prosecution.

(B) Any identified statutory or regulatory gaps for investigating and prosecuting unlicensed automobile dismantlers.

(C) Information on how vehicles are acquired by unlicensed dismantlers, places where unlicensed activity is suspected or known to occur, and the types of facilities where unlicensed activity tends to occur.

(D) A summary of the barriers to adequate and efficient enforcement of environmental, tax, and licensing statutes and regulations against unlicensed dismantlers.

(E) Proposed strategies for bringing unlicensed dismantlers into compliance through compliance assistance, education and training, or other identified methods.

(F) Recommendations for modifying, eliminating, or continuing the coordinated enforcement and compliance activities pursuant to this section.

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(G) Recommendations for statutory or regulatory changes, or both, needed to better allow for enforcement against unlicensed automobile dismantlers.

(2) The report required by this subdivision shall be submitted to the Legislature pursuant to Section 9795 of the Government Code.

(d) This section shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.