SB 1185 (Price) – Centralized Intelligence Partnership Act

Introduced February 22, 2012, Amended May 29, 2012

This bill would establish the Centralized Intelligence Partnership consisting of the Board of Equalization (BOE), the Franchise Tax Board (FTB), and the Employment Development Department (EDD) with a central processing center to collect and analyze data, share information, and identify collaborative opportunities to investigate and prosecute activities related to illegal underground activities. Specifically, this bill:

(1) Creates a multiagency partnership consisting of specified state entities, to be known as the Centralized Intelligence Partnership, to collaborate in combating illegal underground operations by, among other activities, providing a central intake process and organizational structure, with an administrator and support staff, to document, review, and evaluate data and complaints;

(2) Creates an advisory committee, comprised of one representative from each entity in the partnership, to provide guidance on the activities and operations of the partnership;

(3) Requires the advisory committee to the partnership to determine the appropriate agency to house the processing center for the partnership;

(4) Authorizes duly authorized representatives of members of the partnership to exchange information for the purpose of investigating illegal underground operations;

(5) Requires the partnership, starting on or before July 1, 2014, to annually report to the Legislature and entities participating in the partnership on its activities;

(6) Requires an additional report to be filed with the Legislature by December 1, 2016, to include the number of complaints received by the partnership and cases investigated or prosecuted, as specified; and

(7) Sunsets on January 1, 2018.

AMENDED IN SENATE MAY 29, 2012

AMENDED IN SENATE APRIL 9, 2012

SENATE BILL **No. 1185**

Introduced by Senator Price

February 22, 2012

An act to add *and repeal* Part 12.2 (commencing with Section 15910) ~~to~~ *of* Division 3 of Title 2 of~~, and to repeal Section 15923 of,~~ the Government Code, relating to ~~the Centralized Intelligence Partnership Act~~ *underground operations*.

LEGISLATIVE COUNSEL'S DIGEST

SB 1185, as amended, Price. Centralized Intelligence Partnership ~~Act.~~ *Act: pilot program.*

Existing law requires various state entities, including, but not limited to, the State Board of Equalization, the Franchise Tax Board, and the Department of Justice, to enforce laws relating to the taxation and legal operation of businesses throughout the state under their respective jurisdictions.

This bill would *establish, until January 1, 2018, a pilot program to* create a multiagency partnership consisting of ~~specified state entities~~ *the Employment Development Department, Franchise Tax Board, and State Board of Equalization*, to be known as the Centralized Intelligence Partnership, to collaborate in combating illegal underground operations by, among other activities, providing a central intake process and organizational structure, with an administrator and support staff, to document, review, and evaluate data and complaints. *The bill would authorize other specified state entities to participate in the pilot program in an advisory capacity.* The bill would create an advisory committee, comprised of one representative from each entity in the partnership,

and those serving in an advisory capacity, as specified, to provide guidance on the activities and operations of the partnership. The bill would require the advisory committee to the partnership to determine the appropriate agency to house the processing center for the partnership. The bill would authorize duly authorized representatives of members of the partnership to exchange information for the purpose of investigating illegal underground operations. The bill would require the partnership, ~~starting~~ on or before July 1, 2014, to annually report to the Legislature and entities participating in the partnership on its activities. The bill would require an additional report to be filed with the Legislature by December 1, ~~2018~~ *2016*, to include the number of complaints received by the partnership and cases investigated or prosecuted, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

SECTION 1. The Legislature finds and declares all of the following:

(a) According to the Employment Development Department's analysis of findings made by the Internal Revenue Service, the underground economy in California is estimated to be between sixty billion dollars ($60,000,000,000) and one hundred forty billion dollars ($140,000,000,000) each year.

(b) According to the State Board of Equalization, an ~~average~~ *estimate* of eight billion dollars ($8,000,000,000) in corporate, personal, and sales and use taxes goes uncollected in California each year, with unreported and underreported economic activity responsible for the vast majority of that total.

(c) For purposes of this section, "underground economy" means the activities of individuals, businesses, or other entities that knowingly and intentionally use practices designed to conceal illegal or fraudulent activities that negatively impact legitimate businesses, workers, and consumers, as well as deprive the state and local governments of vital resources.

~~(c)~~

(d) The underground economy hurts all Californians. Revenues to support government services are lost, workers are forced to go

without basic employment protections, and legitimate businesses are confronted with unfair competition.

~~(d)~~

(e) Since the activities of many operating in the underground economy span across multiple jurisdictions, various joint agency enforcement efforts have been undertaken to combat the underground economy, including, but not limited to, the creation of the Joint Enforcement Strike Force on the Underground Economy in 1993, and the creation of the Economic and Employment Enforcement Coalition in 2005. Furthermore, various individual agency efforts have been created, including, but not limited to, the State Board of Equalization's Statewide Compliance and Outreach Program and the Contractors' State License Board's Statewide Investigative Fraud Team. Thus, investigative collaboration among state agencies is not a new concept in California. Many collaborative efforts are already under way, pursuant to which investigators periodically meet to discuss current investigations, collaborate to conduct sting operations, and develop best practices policies.

~~(e)~~

(f) Despite significant statewide efforts, California continues to lose billions of dollars in annual revenue due to the underground economy.

~~(f)~~

(g) The Legislature intends this act to enhance existing efforts to combat the underground economy by institutionalizing collaboration among state agencies through a Centralized Intelligence Partnership, *a pilot program* that acquires relevant data for collaborative data analysis, economic threat assessment, strategic planning, and provides a referral tracking and value-added referral disbursement process to monitor the progress and measure the success of the partnership activities. This collaborative effort to combat the underground economy will, in turn, further aid the state in its progress toward preventing human trafficking. The Legislature recognizes that the state needs to comprehensively address the underground economy and capitalize on each agency's enforcement efforts and investigative resources by creating the Centralized Intelligence Partnership. A key element of this effort is to authorize and facilitate data and intelligence sharing among the Centralized Intelligence Partnership and state agencies. It is

the intent of the Legislature in enacting this act to focus on the criminal and civil prosecution of those operating in the underground economy in flagrant violation of the law. Businesses that are in compliance with state employment, safety, licensing, and tax laws that are found to have committed minor or inadvertent violations of existing law are to be addressed through other administrative procedures.

~~(g)~~

(h) It is the intent of the Legislature that this act be part of ongoing efforts by the Legislature to combat the underground economy in this state through legislation.

SEC. 2. Part 12.2 (commencing with Section 15910) is added to Division 3 of Title 2 of the Government Code, to read:

PART 12.2. CENTRALIZED INTELLIGENCE PARTNERSHIP ACT

15910. This part shall be known, and may be cited, as the Centralized Intelligence Partnership Act.

15912. (a) The Centralized Intelligence Partnership is hereby established in state government *as a pilot program.*

(b) For purposes of this part, the term "partnership" shall refer to the Centralized Intelligence Partnership.

15914. *(a)* The partnership shall include all of the following state entities:

~~(a) California Health and Human Services Agency.~~

~~(b) Department of Consumer Affairs.~~

~~(c) Department of Industrial Relations.~~

~~(d) Department of Insurance.~~

~~(e) Department of Justice.~~

~~(f) Department of Motor Vehicles.~~

~~(g)~~

(1) Employment Development Department.

~~(h)~~

(2) Franchise Tax Board.

~~(i)~~

(3) State Board of Equalization.

(b) In addition to the agencies listed in subdivision (a), the following agencies may participate in the pilot program in an advisory capacity to the partnership:

(1) California Health and Human Services Agency.
(2) Department of Consumer Affairs.
(3) Department of Industrial Relations.
(4) Department of Insurance.
(5) Department of Justice.
(6) Department of Motor Vehicles.

(c) If, in its normal course of investigation, an agency listed in subdivision (b) discovers a violation of law that would result in increased tax revenues to the state, that agency shall notify the appropriate tax agency listed in subdivision (a).

15916. (a) The advisory committee to the Centralized Intelligence Partnership is hereby established to provide guidance to, and advice on, the activities and operations of the partnership.

(b) The advisory committee ~~is~~ *shall be* comprised of one representative from each of the entities in the partnership *listed under subdivision (a) of Section 15914*. Each representative shall be appointed by the head of the entity in the partnership and serve at the pleasure of the appointing authority. *An agency participating in an advisory capacity may provide a representative to the advisory committee to offer guidance and advice to the partnership.*

(c) The advisory committee shall meet as needed, but at least quarterly, to conduct its business.

15918. (a) To serve the best interests of the state by combating the underground economy, the partnership shall do all of the following to combat illegal underground operations:

(1) Provide a central intake process and organizational structure to document, review, and evaluate data and complaints.

(2) Establish a processing center to receive and analyze data, share complaints, and research leads from the input of each impacted agency.

(3) Provide participating and nonparticipating agencies with value-added investigative leads where collaboration opportunities exist for felony-level criminal investigations, including, but not limited to, referring leads to agencies with appropriate enforcement jurisdiction.

(4) Provide that each participating and nonparticipating agency retain jurisdictional authority over whether to pursue partnership strategies or collaborative investigative leads based upon the direction of their respective governing structures or available resources.

(5) Document and provide intake data analysis, analytic data findings, referrals, collaborative opportunities, outcomes, emerging evasion trends, lessons learned, as well as additional enforcement, administrative, and legislative opportunities.

(b) The scope of activities and projects undertaken by the partnership shall be consistent with the amount of funds appropriated by the Legislature.

(c) The advisory committee to the partnership shall determine the appropriate agency to house the processing center for the partnership.

(d) The partnership may hire an administrator and staff.

15920. Duly authorized representatives of members of the partnership, *and agencies participating in an advisory capacity,* may exchange intelligence, data, documents, information, complaints, or lead referrals for the purpose of investigating illegal underground operations. Any member or ex-member of the partnership, any agent employed by any member of the partnership, or any person who has at any time obtained such knowledge from any of the foregoing partners or persons, shall not divulge, or make known in any manner not provided by law, any of the confidential information received by, or reported to, the partnership. Information exchanged pursuant to this section shall retain its confidential status and shall remain subject to the confidentiality provisions contained in the following provisions:

(a) California Health and Human Services Agency: Subdivision (c) of Section 6254 of this code and Section 14100.2 of the Welfare and Institutions Code.

~~(a)~~

(b) Department of Consumer Affairs: Section 30 of the Business and Professions Code and Section 56.29 of the Civil Code.

(c) Department of Industrial Relations: Sections 11181, 11183, and 15553 of this code, Section 1877 of the Insurance Code, and Sections 92, 138.7, 1026, 3762, 6309, 6322, 6396, and 6412 of the Labor Code.

(d) Department of Insurance: Section 11180 of this code and Sections 1872.6, 1873, 1874.2, 1875.1, 1877.1, 1877.3, 1877.4, and 1877.5 of the Insurance Code.

~~(b)~~

(e) Department of Justice: Section 11183~~of the Government Code~~.

~~(c)~~

(f) Department of Motor Vehicles: Sections 1808.2, 1808.4, 1808.5, 1808.6, 1808.21, 1808.24, and 12800.5 of the Vehicle Code.

~~(d)~~

(g) Employment Development Department: Sections 1094 and 1095 of the Unemployment Insurance Code.

~~(e)~~

(h) Franchise Tax Board: Sections 19542, 19542.1, and 19542.3 of the Revenue and Taxation Code.

~~(f)~~

(i) State Board of Equalization: Section 15619 of ~~the Government Code~~ *this code*, Section 42464.8 of the Public Resources Code, and Sections 7056, 7056.5, 8255, 9255, 9255.1, 30455, 38705, 38706, 43651, 45981, 45982, 45983, 45984, 46751, 50159, 50160, 50161, 55381, 60608, and 60609 of the Revenue and Taxation Code.

15922. On or before July 1, 2014, and annually thereafter, the partnership shall report on its activities and accomplishments to the Legislature and each entity in the partnership.

15923. ~~(a)~~ The partnership shall submit to the Legislature on or before December 1, ~~2018~~ *2016*, a report *of the pilot program* that includes, but is not limited to, the following information:

~~(1)~~

(a) The number of leads or complaints received by the partnership.

~~(2)~~

(b) The number of cases investigated or prosecuted through civil action or criminal prosecution.

~~(3)~~

(c) Recommendations for modifying, eliminating, or continuing the operation of any or all of the provisions of this part.

~~(b)~~

15924. This ~~section~~ *part* shall remain in effect only until January 1, ~~2020~~ *2018*, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2020~~ *2018*, deletes or extends that date.

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