

AMENDED IN SENATE APRIL 9, 2012

**SENATE BILL**

**No. 1185**

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**Introduced by Senator Price**

February 22, 2012

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

LEGISLATIVE COUNSEL'S DIGEST

SB 1185, as amended, Price. Centralized Intelligence Partnership Act.

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 create 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. ~~This~~ *The* bill would create an advisory committee, comprised of one representative from each entity ~~participating~~ in the partnership, to provide guidance on the activities and operations of the partnership. ~~This~~ *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 ~~belonging to~~ participating in the partnership on its activities. The bill would require an additional report to be filed with the Legislature by December 1, 2018, 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:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) According to the Employment Development Department’s
- 4 analysis of findings made by the Internal Revenue Service, the
- 5 underground economy in California is estimated to be between
- 6 ~~\$60 billion~~ *sixty billion dollars (\$60,000,000,000)* and ~~\$140 billion~~
- 7 *one hundred forty billion dollars (\$140,000,000,000)* each year.
- 8 (b) According to the State Board of Equalization, an average
- 9 of ~~\$8 billion~~ *eight billion dollars (\$8,000,000,000)* in corporate,
- 10 personal, and sales and use taxes goes uncollected in California
- 11 each year, with unreported and underreported economic activity
- 12 responsible for the vast majority of that total.
- 13 (c) The underground economy hurts all Californians. Revenues
- 14 to support government services are lost, workers are forced to go
- 15 without basic employment protections, and legitimate businesses
- 16 are confronted with unfair competition. ~~Furthermore, the presence~~
- 17 ~~of the underground economy allows human traffickers to operate~~
- 18 ~~and victimize individuals who are trapped into forced labor~~
- 19 ~~conditions. Regrettably, California is reported to be one of the top~~
- 20 ~~four human trafficking destination states in the United States.~~
- 21 (d) Since the activities of many operating in the underground
- 22 economy span across multiple jurisdictions, various joint agency
- 23 enforcement efforts have been undertaken to combat the
- 24 underground economy, including, but not limited to, the creation
- 25 of the Joint Enforcement Strike Force *on the Underground*
- 26 *Economy* in 1993, and the creation of the Economic and
- 27 Employment Enforcement Coalition in 2005. Furthermore, various
- 28 individual agency efforts have been created, including, but not

1 limited to, the State Board of Equalization’s Statewide Compliance  
2 and Outreach Program and the Contractors’ State License Board’s  
3 Statewide Investigative Fraud Team. Thus, investigative  
4 collaboration among state agencies is not a new concept in  
5 California. Many collaborative efforts are already under way,  
6 pursuant to which investigators periodically meet to discuss current  
7 investigations, collaborate to conduct sting operations, and develop  
8 best practices policies.

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

12 (f) The Legislature intends this act to enhance existing efforts  
13 to combat the underground economy by institutionalizing  
14 collaboration among state agencies through a Centralized  
15 Intelligence Partnership that acquires relevant data for collaborative  
16 data analysis, economic threat assessment, strategic planning, and  
17 provides a referral tracking and value-added referral disbursement  
18 process *to monitor the progress and measure the success of the*  
19 *partnership activities*. This collaborative effort to combat the  
20 underground economy will, in turn, further aid the state in its  
21 progress toward preventing human trafficking. The Legislature  
22 recognizes that the state needs to comprehensively address the  
23 underground economy and capitalize on each agency’s enforcement  
24 efforts and investigative resources by creating the Centralized  
25 Intelligence Partnership. A key element of this effort is to authorize  
26 and facilitate data and intelligence sharing among the Centralized  
27 Intelligence Partnership and state agencies. It is the intent of the  
28 Legislature in enacting this act to focus on the criminal *and civil*  
29 prosecution of those operating in the underground economy in  
30 flagrant violation of *the* law. Businesses that are in compliance  
31 with state employment, safety, licensing, and tax laws that are  
32 found to have committed minor or inadvertent violations of existing  
33 law are to be addressed through other administrative procedures.

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

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

1 PART 12.2. CENTRALIZED INTELLIGENCE PARTNERSHIP  
2 ACT  
3

4 15910. This part shall be known, and may be cited, as the  
5 Centralized Intelligence Partnership Act.

6 15912. (a) The Centralized Intelligence Partnership is hereby  
7 established in state government.

8 (b) For purposes of this part, the term “partnership” shall refer  
9 to the Centralized Intelligence Partnership.

10 15914. ~~(a)~~ The partnership shall include all of the following  
11 state entities:

- 12 ~~(1)~~
- 13 (a) California Health and Human Services Agency.
- 14 ~~(2)~~
- 15 (b) Department of Consumer Affairs.
- 16 ~~(3)~~
- 17 (c) Department of Industrial Relations.
- 18 ~~(4)~~
- 19 (d) Department of Insurance.
- 20 ~~(5)~~
- 21 (e) Department of Justice.
- 22 ~~(6)~~
- 23 (f) Department of Motor Vehicles.
- 24 ~~(7)~~
- 25 (g) Employment Development Department.
- 26 ~~(8)~~
- 27 (h) Franchise Tax Board.
- 28 ~~(9)~~
- 29 (i) State Board of Equalization.

30 ~~(b) The Centralized Intelligence Partnership may include any~~  
31 ~~other state or local entity that chooses to participate.~~

32 15916. (a) The advisory committee to the Centralized  
33 Intelligence Partnership is hereby established to provide guidance  
34 to, and advice on, the activities and operations of the partnership.

35 (b) The advisory committee is comprised of one representative  
36 from each of the entities ~~participating~~ in the partnership. Each  
37 representative shall be appointed by the head of the entity  
38 ~~participating~~ in the partnership and serve at the pleasure of the  
39 appointing authority.

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

3 15918. (a) To serve the best interests of the state by combating  
4 the underground economy, the partnership shall do all of the  
5 following to combat illegal underground operations:

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

8 (2) Establish a processing center to receive and analyze data,  
9 share complaints, and research leads from the input of each  
10 impacted agency, ~~including, but not limited to, federal and local~~  
11 ~~law enforcement agencies.~~

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

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

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

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

29 ~~The Department of Justice~~ *advisory committee to the*  
30 *partnership shall determine the appropriate agency to house the*  
31 *processing center for the partnership.*

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

33 ~~15920. Notwithstanding any other law, duly authorized~~  
34 ~~representatives of members of the partnership may exchange~~  
35 ~~intelligence, data, documents, information, complaints, or lead~~  
36 ~~referrals for the purpose of investigating illegal underground~~  
37 ~~operations. Information exchanged pursuant to this section shall~~  
38 ~~retain its confidential status.~~

39 *15920. Duly authorized representatives of members of the*  
40 *partnership may exchange intelligence, data, documents,*

1 *information, complaints, or lead referrals for the purpose of*  
2 *investigating illegal underground operations. Any member or*  
3 *ex-member of the partnership, any agent employed by any member*  
4 *of the partnership, or any person who has at any time obtained*  
5 *such knowledge from any of the foregoing partners or persons,*  
6 *shall not divulge, or make known in any manner not provided by*  
7 *law, any of the confidential information received by, or reported*  
8 *to, the partnership. Information exchanged pursuant to this section*  
9 *shall retain its confidential status and shall remain subject to the*  
10 *confidentiality provisions contained in the following provisions:*

11 *(a) Department of Consumer Affairs: Section 30 of the Business*  
12 *and Professions Code and Section 56.29 of the Civil Code.*

13 *(b) Department of Justice: Section 11183 of the Government*  
14 *Code.*

15 *(c) Department of Motor Vehicles: Sections 1808.2, 1808.4,*  
16 *1808.5, 1808.6, 1808.21, 1808.24, and 12800.5 of the Vehicle*  
17 *Code.*

18 *(d) Employment Development Department: Sections 1094 and*  
19 *1095 of the Unemployment Insurance Code.*

20 *(e) Franchise Tax Board: Sections 19542, 19542.1, and 19542.3*  
21 *of the Revenue and Taxation Code.*

22 *(f) State Board of Equalization: Section 15619 of the*  
23 *Government Code, Section 42464.8 of the Public Resources Code,*  
24 *and Sections 7056, 7056.5, 8255, 9255, 9255.1, 30455, 38705,*  
25 *38706, 43651, 45981, 45982, 45983, 45984, 46751, 50159, 50160,*  
26 *50161, 55381, 60608, and 60609 of the Revenue and Taxation*  
27 *Code.*

28 15922. On or before July 1, 2014, and annually thereafter, the  
29 partnership shall report on its activities and accomplishments to  
30 the Legislature and each ~~participating member~~ entity in the  
31 partnership.

32 15923. (a) The partnership shall submit to the Legislature on  
33 or before December 1, 2018, a report that includes, but is not  
34 limited to, the following information:

35 (1) The number of leads or complaints received by the  
36 partnership.

37 (2) The number of cases investigated or prosecuted through  
38 civil action or criminal prosecution.

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

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

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