

ASSEMBLY BILL

No. 576

Introduced by Assembly Member V. Manuel Pérez

February 20, 2013

An act to add and repeal Part 12.2 (commencing with Section 15910) of Division 3 of Title 2 of the Government Code, relating to underground operations.

LEGISLATIVE COUNSEL'S DIGEST

AB 576, as introduced, V. Manuel Pérez. Centralized Intelligence Partnership 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, 2019, a pilot program to create a multiagency partnership consisting of 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, on or before July 1, 2015, 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, 2017, 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 sixty billion dollars (\$60,000,000,000) and one hundred forty
7 billion dollars (\$140,000,000,000) each year.
- 8 (b) According to the State Board of Equalization, an estimate
9 of eight billion dollars (\$8,000,000,000) in corporate, personal,
10 and sales and use taxes goes uncollected in California each year,
11 with unreported and underreported economic activity responsible
12 for the vast majority of that total.
- 13 (c) For purposes of this section, "underground economy" means
14 the activities of individuals, businesses, or other entities that
15 knowingly and intentionally use practices designed to conceal
16 illegal or fraudulent activities that negatively impact legitimate
17 businesses, workers, and consumers, as well as deprive the state
18 and local governments of vital resources.
- 19 (d) The underground economy hurts all Californians. Revenues
20 to support government services are lost, workers are forced to go
21 without basic employment protections, and legitimate businesses
22 are confronted with unfair competition.
- 23 (e) Since the activities of many operating in the underground
24 economy span across multiple jurisdictions, various joint agency
25 enforcement efforts have been undertaken to combat the

1 underground economy, including, but not limited to, the creation
2 of the Joint Enforcement Strike Force on the Underground
3 Economy in 1993, and the creation of the Economic and
4 Employment Enforcement Coalition in 2005. Furthermore, various
5 individual agency efforts have been created, including, but not
6 limited to, the State Board of Equalization's Statewide Compliance
7 and Outreach Program and the Contractors' State License Board's
8 Statewide Investigative Fraud Team. Thus, investigative
9 collaboration among state agencies is not a new concept in
10 California. Many collaborative efforts are already under way,
11 pursuant to which investigators periodically meet to discuss current
12 investigations, collaborate to conduct sting operations, and develop
13 best practices policies.

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

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

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

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

6
7 PART 12.2. CENTRALIZED INTELLIGENCE PARTNERSHIP
8 ACT
9

10 15910. This part shall be known, and may be cited, as the
11 Centralized Intelligence Partnership Act.

12 15912. (a) The Centralized Intelligence Partnership is hereby
13 established in state government as a pilot program.

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

16 15914. (a) The partnership shall include all of the following
17 state entities:

18 (1) Employment Development Department.

19 (2) Franchise Tax Board.

20 (3) State Board of Equalization.

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

24 (1) California Health and Human Services Agency.

25 (2) Department of Consumer Affairs.

26 (3) Department of Industrial Relations.

27 (4) Department of Insurance.

28 (5) Department of Justice.

29 (6) Department of Motor Vehicles.

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

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

37 (b) The advisory committee shall be comprised of one
38 representative from each of the entities in the partnership listed
39 under subdivision (a) of Section 15914. Each representative shall
40 be appointed by the head of the entity in the partnership and serve

1 at the pleasure of the appointing authority. An agency participating
2 in an advisory capacity may provide a representative to the advisory
3 committee to offer guidance and advice to the partnership.

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

6 15918. (a) To serve the best interests of the state by combating
7 the underground economy, the partnership shall do all of the
8 following to combat illegal underground operations:

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

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

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

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

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

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

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

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

35 15920. Duly authorized representatives of members of the
36 partnership, and agencies participating in an advisory capacity,
37 may exchange intelligence, data, documents, information,
38 complaints, or lead referrals for the purpose of investigating illegal
39 underground operations. Any member or ex-member of the
40 partnership, any agent employed by any member of the partnership,

1 or any person who has at any time obtained such knowledge from
2 any of the foregoing partners or persons, shall not divulge, or make
3 known in any manner not provided by law, any of the confidential
4 information received by, or reported to, the partnership.
5 Information exchanged pursuant to this section shall retain its
6 confidential status and shall remain subject to the confidentiality
7 provisions contained in the following provisions:

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

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

13 (c) Department of Industrial Relations: Sections 11181, 11183,
14 and 15553 of this code, Article 7 (commencing with Section 1877)
15 of Chapter 12 of Part 2 of Division 1 of the Insurance Code, and
16 Sections 92, 138.7, 1026, 3762, 6309, 6322, 6396, and 6412 of
17 the Labor Code.

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

21 (e) Department of Justice: Section 11183.

22 (f) Department of Motor Vehicles: Sections 1808.2, 1808.4,
23 1808.5, 1808.6, 1808.21, 1808.24, and 12800.5 of the Vehicle
24 Code.

25 (g) Employment Development Department: Sections 1094 and
26 1095 of the Unemployment Insurance Code.

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

29 (i) State Board of Equalization: Section 15619 of this code,
30 Section 42464.8 of the Public Resources Code, and Sections 7056,
31 7056.5, 8255, 9255, 9255.1, 30455, 38705, 38706, 43651, 45981,
32 45982, 45983, 45984, 46751, 50159, 50160, 50161, 55381, 60608,
33 and 60609 of the Revenue and Taxation Code.

34 15922. On or before July 1, 2015, and annually thereafter, the
35 partnership shall report on its activities and accomplishments to
36 the Legislature in compliance with Section 9795, and to each entity
37 in the partnership.

38 15923. The partnership shall submit to the Legislature on or
39 before December 1, 2017, and in compliance with Section 9795,

1 a report of the pilot program that includes, but is not limited to,
2 the following information:

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

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

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

9 15924. This part shall remain in effect only until January 1,
10 2019, and as of that date is repealed, unless a later enacted statute,
11 that is enacted before January 1, 2019, deletes or extends that date.

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