

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/29/2012
POSITION: Oppose
SPONSOR: State Board of Equalization

BILL NUMBER: SB 1185
AUTHOR: Price, Curren

BILL SUMMARY: Centralized Intelligence Partnership Act.

This bill would establish a Centralized Intelligence Partnership (CIP) to serve as a centralized information intake center for the receipt, analysis, gathering, strategic planning, and sharing of data related to potential violation of labor, tax, and other laws by organized criminal entities and/or serial offenders.

This bill would sunset January 1, 2018.

FISCAL SUMMARY

BOE estimates costs of \$245,000 in 2012-13, \$584,000 in 2013-14 and \$697,000 ongoing to fund the CIP central intake center. FTB estimates their costs at \$137,000 to fund one position in 2012-13 and ongoing. The basis for the BOE and FTB cost estimates is unclear since we are not aware of any functional or workload analysis for the proposed CIP central intake center. Set-up and ongoing costs for the departments participating in an advisory capacity are estimated to be minor and absorbable.

Finance regards the BOE revenue estimate of \$15 million increased Sales and Use Tax ongoing and the FTB \$1 million corporation and personal income tax revenue as speculative and unsubstantiated, since CIP functions and staffing have yet to be fully set forth.

COMMENTS

Finance opposes this bill because it would result in General Fund costs without a clear benefit to the state as the creation of a CIP has not been subject to the customary analysis and review of functions, costs and staffing by the Administration. In addition, this proposal appears to duplicate some of the activities of the Labor Enforcement Task Force (LETF), such as intelligence and lead sharing.

Analyst/Principal (0762) C.Hill	Date	Program Budget Manager Kristin Shelton	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

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ANALYSIS

1. Programmatic Analysis

Under current law various joint agency enforcement efforts have been undertaken to combat the underground economy, including the creation of the Joint Enforcement Strike Force in 1993 and the Economic and Employment Enforcement Coalition, later consolidated into the Department of Industrial Relations as the LETF. Various individual agency efforts such as the BOE's Statewide Compliance and Outreach Program and the Contractor State License Boards Statewide Investigative Fraud Team have also been established.

This bill, until January 1, 2018, would establish a CIP to serve as a centralized information intake center for the receipt, analysis, gathering, strategic planning, and sharing of data related to potential violation of labor, tax, and other laws by organized criminal entities and/or serial offenders. The CIP would include:

- Board of Equalization
- Franchise Tax Board
- Employment Development Department

The following departments would participate in the CIP pilot program in an advisory capacity.

- Department of Insurance
- Department of Justice
- Department of Health
- Department of Motor Vehicles
- Department of Consumer Affairs
- Department of Industrial Relations

An advisory committee to provide guidance to, and advice on, the activities and operations of the CIP would be established. The committee would be comprised of one representative from each participating entity. Specifically, this bill would:

- Establish a processing center to receive and analyze data, share complaints, and research leads from the input of each impacted agency.
- Allow representatives of the partnership to exchange intelligence, data, documents, information, complaints, or lead referrals, related to illegal underground operations.
- Provide participating and nonparticipating entity 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 jurisdictions.
- Provide that each participating and nonparticipating entity 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.

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ANALYSIS (continued)

- Provide that the participating entity shall 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.
- Require the CIP to submit a report to the Legislature on or before December 1, 2018, that would include, but is not limited to, the following information:
 - The number of leads or complaints received by the CIP.
 - The number of cases investigated or prosecuted through civil action or criminal prosecution.
 - Recommendations for modifying, eliminating, or continuing the operation of any or all of the provisions of the bill.

This bill would sunset January 1, 2018.

2. Fiscal Analysis

BOE estimates costs of \$245,000 in 2012-13, \$584,000 in 2013-14 and \$697,000 ongoing to fund the CIP central intake center. FTB estimates their costs at \$137,000 to fund one position in 2012-13 and ongoing. The basis for the BOE and FTB cost estimates is unclear since we are not aware of any functional or workload analysis for the proposed CIP central intake center. Set-up and ongoing costs for the departments participating in an advisory capacity are estimated to be minor and absorbable.

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BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
0860/Equalization	SO	No	C	245	C	584	C	697 0001
1730/FTB	SO	No	C	137	C	137	C	137 0001
1147/Pers Inc Tax	RV	No	L	1,000	L	1,000	L	1,000 0001
1149/Sale Use Tax	RV	No	L	550	L	1,100	L	15,000 0001
7100/EDD	SO	No		----- See Fiscal Analysis -----				0001
0845/Insurance	SO	No		----- No/Minor Fiscal Impact -----				0217
0820/Justice	SO	No		----- No/Minor Fiscal Impact -----				0001
4265/PublicHealth	SO	No		----- No/Minor Fiscal Impact -----				0001
2740/DMV	SO	No		----- No/Minor Fiscal Impact -----				0044
1111/ConAfr-BurPg	SO	No		----- No/Minor Fiscal Impact -----				0421
7350/DIR	SO	No		----- No/Minor Fiscal Impact -----				0223

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0044	Motor Vehicle Account, STF
0217	Insurance Fund
0223	Workers' Comp Administration Revolv Fund
0421	Vehicle Inspection and Repair Fund