



State of California

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March 13, 2018

The Honorable Cathleen Galgiani
State Capitol, Room 5097
Sacramento, CA 95814

RE: SUPPORT FOR SENATE BILL 1272

Dear Senator Galgiani,

The Little Hoover Commission supports Senate Bill 1272, the measure you co-authored to require the State of California to expand the Tax Recovery and Criminal Enforcement (TRaCE) task force.

In its 2015 report, *Level the Playing Field: Put the Underground Economy Out of Business*, the Commission recognized the important work conducted by TRaCE and acknowledged the need to expand it, writing:

“In order to transform business culture into one of voluntary compliance, the impact of TRaCE must be felt by run-of-the-mill criminals: Those who are not running elaborate multi-state operations or trafficking humans on the side. A change of culture necessitates significant outreach to educate those who are misinformed and for the truly criminal, recognizing there is a real possibility the task force could be coming for them. During its short tenure, the TRaCE team has shown promising results. In March 2015, a second TRaCE team will be launched and based in Los Angeles. But these two multi-agency financial crimes teams with two prosecutors are not enough in a state as large as California. At a minimum, California should have a multi-agency financial crimes-focused task force based in every major metropolitan region.”

In addition, the Commission was impressed with the caliber of personnel working on TRaCE, writing that it found them, “to be smart, dedicated, hard-working, resourceful and talented.” The Commission has long held that the state’s public servants are among its biggest assets, and looks forward to seeing similarly-capable personnel join the state’s fight against the underground economy.

In its study, the Commission called for a chief advisor to provide a center of accountability for the state’s response to the underground economy. With responders reporting either directly or through their chain of command to the independently-elected Governor, Attorney General and the State Controller, the Commission wanted to see a central policy advisor with the support of all of these officials to coordinate the state’s response to the underground economy. This has yet to happen, and the Commission hopes the Legislature will consider this recommendation as it takes action against the underground economy.

The Commission is encouraged, however, to see expansion of a successful task force incorporating so many key players against the underground economy and supports this measure. As the bill moves through the legislative process, I will be writing letters on behalf of the Commission to Legislators urging aye votes. Please let me know if the Commission can provide any further assistance or expertise.

Sincerely,



Terri Hardy
Executive Director (A)

C: Commissioners, Little Hoover Commission; Mario De Bernardo, Deputy Attorney General,
Department of Justice