



According to AOR, in preparation for determining the needed legislation, the Subcommittee conducted the following activities during 1994:

- It convened a panel to discuss industry's role in developing a quality workforce. The discussion focused on the California Business Roundtable's report, *Mobilizing for Competitiveness*. The panel included representatives from the State Council on Vocational Education, Regional Occupational Centers, University of California, Council on Private Postsecondary and Vocational Education, California State University, Governor's Office of Child Development, California Community Colleges, and Employment Training Panel.

- It convened another panel to discuss education's role in developing a quality workforce. This discussion focused on the California High School Task Force report, *Second to None*. This panel included representatives from the Assistant Superintendent of Secondary Education, Elk Grove Unified School District, Council on Vocational Education, Commission on Teacher Credentialing, Center for Research in Vocational Education, Governor's Office of Child Development, State Job Training Coordinating Council, and California Community Colleges.

- It convened a third panel to discuss various state agencies' roles in providing quality, efficient, and accountable workforce training programs. The discussion focused on workforce training from the perspective of economic development, changing demographics, high-tech workplace skills, and return on public investment to build an educational infrastructure that supports industry/business needs. This panel included representatives from the Employment Development Department, Department of Education, California Community Colleges, Employment Training Panel, Trade and Commerce Agency, California Manufacturers Association, California Industrial Leadership Council, State Council on Vocational Education, Council on Private Postsecondary and Vocational Education, University of California at Los Angeles, California State University at Sacramento, and the Governor's Office of Child Development and Education.

The purpose of AOR's *Workforce Training Resource Guide* is to identify resources that address workforce development. The Guide includes information on federal and state resources, grants, legislation, and the latest reference materials.

## SENATE OFFICE OF RESEARCH

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Established and directed by the Senate Committee on Rules, the Senate Office of Research (SOR) serves as the bipartisan, strategic research and planning unit for the Senate. SOR produces major policy reports, issue briefs, background information on legislation and, occasionally, sponsors symposia and conferences.

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### MAJOR PROJECTS

**Law Enforcement's View: The Growing Menace of Fraud in California** (December 1994) focuses on the status of the white-collar crime of fraud in California. In preparing its report, SOR surveyed district attorneys' and sheriffs' offices in all 58 California counties and police departments in the state's 15 most populous cities; according to SOR, the survey responses indicate that fraud is on the rise. For example, the Sacramento County District Attorney's Office reported that consumer protection complaints have more than doubled from 1989 to 1993; the Santa Clara County District Attorney's Office reported that fraud complaints during 1993-94 rose 26% from the previous year; and the FBI's Los Angeles office called Los Angeles "the financial fraud capital of the world." SOR found that losses resulting from white-collar crimes dwarf those associated with other crimes; in Los Angeles County, losses from economic crimes total approximately \$2 billion per year, while financial losses associated with murders, rapes, burglaries, and thefts during 1992 were \$1.3 billion.

Prosecutors responding to the SOR survey expressed frustration about the lack of resources and funding available to adequately address the growing fraud problem. One representative of the state's Attorney General's Office, which disbanded its fraud unit three years ago and assigned those prosecutors to other areas, told SOR that fraud cases are "not cost-effective"—prosecutions are extremely labor-intensive and recovery of the money is rare. Also, prosecutors are often reluctant to prosecute fraud cases because of budget constraints, insufficient resources, and priorities that focus on violent crimes. The police and sheriffs' departments surveyed also expressed frustration about their inability to address white-collar crimes due

to lack of funding, training, and statewide coordination.

According to SOR, real estate fraud merits special attention because long-time homeowners can lose their homes through high-interest loan schemes, forged deeds, or other trickery, and victims often must hire lawyers to pursue remedies; these frauds seem to occur most frequently in South Central or East Los Angeles, where there is a dearth of lending institutions to provide alternative loans to residents. SOR states that African Americans and Latinos are favorite targets of real estate swindlers because those minorities are more likely to be turned down for conventional loans than whites. Homeowners with high equities are also easy targets; swindlers simply forge signatures on phony deeds to homes that have high equities, and then take out huge loans on the property.

Prosecutors and investigators surveyed by SOR offered several descriptions of emerging scams that have come to their attention in recent years. Such scams include phony identification card schemes, automated teller machine (ATM) fraud, computer programming fraud, small business fraud, airline ticket fraud, low-technology embezzlement, phony bank examiner schemes, meat packaging fraud, and "Ponzi" or pyramid schemes. SOR reports that penalties for these white-collar crimes are often inadequate, as the maximum penalties fail to reflect the full damage inflicted by con artists. Moreover, judges rarely impose maximum penalties for white-collar crimes because there is a tendency to overlook the seriousness of non-violent crimes.

The SOR report concludes with the following recommendations, offered by investigators and prosecutors throughout California for addressing fraud in the state:

- Merchants should be required to obtain thumbprints from those who use checks and credit cards; inkless pads are available for this procedure, which would compensate for the ease with which crooks can obtain phony identification.

- Fraud against the elderly should be penalized more severely, given their vulnerability and the frequency with which they are targeted for scams.

- Statistics on the commission of financial crimes should be collected and maintained in a uniform fashion at local and state levels to allow a more accurate assessment of the impact of fraud; this would be a first step in determining the adequacy of resources to combat it.

- A more comprehensive statewide database would permit better tracking of the targets of local fraud investigations



and enable more coordination among investigators in different jurisdictions.

- Court procedures should be available to freeze or seize the assets of white-collar criminals; a priority should be put on full restitution to victims, even if it takes many years.

- Prison sentences should be lengthened to reflect the number of victims in fraud cases; incarceration should be mandatory when restitution to fraud victims is not likely. Because prison space is limited and white-collar criminals often are not violent, less expensive, low-security alternatives should be explored to keep offenders away from new victims.

- A significant new funding source is needed to pay for an improved attack on white-collar crime, much the way fraud in workers' compensation and auto insurance has been targeted by earmarked funds and fees. A modest, state-imposed fee on check, banking card, and credit card transactions could pay for more anti-fraud investigations, prosecutions, and equipment.

- Consumers should be provided with toll-free numbers to access information about the criminal records of con artists.

- The three-year statute of limitations for theft should be lengthened significantly when deception is involved, since it takes many years for some people to learn they have been victims of fraud.

- State agencies, including the departments of Corporations, Justice, and Real Estate, need additional funding to more effectively train and assist local law enforcement personnel in investigating sophisticated fraud cases.

