

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER JIM COOPER, CHAIR****TUESDAY, APRIL 25, 2017
1:30 P.M. - STATE CAPITOL ROOM 447**

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ITEMS FOR VOTE-ONLY**7502 DEPARTMENT OF TECHNOLOGY****VOTE-ONLY ISSUE 1: MICROSOFT 365 ENTERPRISE AGREEMENT**

The Department of Technology requests expenditure authority to consolidate the State's two email systems.

BACKGROUND

The Department of Technology is consolidating two existing State email systems into a single Microsoft Office 365 Enterprise Agreement. The Department requests spending authority of \$10.5 million in 2017-81, growing to \$17.6 million in 2018-19 and \$28.5 million in 2019-20 to continue to add new departments to this platform.

The new system will replace the State's two large emails systems, CA Mail and California Email Services. The contract for the California Email Services expired in 2017, and this solution was selected through a competitive procurement to replace that service. In addition to providing email, this solution will also provide departments with licenses for the Microsoft Office suite of software.

STAFF COMMENTS

The Department of Technology believes using the standardized Microsoft 365 software will also improve the security of State information technology.

Staff Recommendation: Approve as Budgeted

0845 DEPARTMENT OF INSURANCE**VOTE-ONLY ISSUE 2: VOICE OVER INTERNET PROTOCOL PHONE REPLACEMENT****BACKGROUND**

The Governor's budget includes an increase in special fund expenditure authority of \$1.3 million in 2017-18, and \$140,000 in 2018-19, and ongoing, for hardware, software, and maintenance for a replacement of the obsolete existing VOIP system.

STAFF COMMENTS

The Department of Insurance receives over 322,000 calls per year.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 3: INCREASED AUTOMOBILE INSURANCE WORKLOAD**BACKGROUND**

The budget requests special fund expenditure authority increase in 2017-18 of \$2.1 million over a four-year period to support and increase in driver's license insurance consumer services workload associated with the implementation of the AB 60 Driver's License law.

STAFF COMMENTS

The requested staffing is based upon demonstrated workload increases that have been observed since 2012.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 4: SACRAMENTO HEADQUARTERS EXPANSION**BACKGROUND**

The budget includes \$341,000 in 2017-18, and \$489,000 in 2018-19, to lease additional space at 300 Capitol Mall to create a public counter and increase hearing, training, and meeting space.

STAFF COMMENTS

None.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 5: CDI MODERNIZATION PROJECT - YEAR 4**BACKGROUND**

CDI Modernization Project - Year 4. The Governor's budget includes a one-time increase of expenditure authority in 2017-18 of \$2,061,000 to support four positions and two temporary help authority to complete Year 4 implementation of a five-year project to replace its legacy CDI Menu and Integrated Database.

STAFF COMMENTS

The Subcommittee first approved this project in 2014 and has been annually approving each stage of the project as an oversight mechanism.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 6: IMPLEMENTING AB 1899, SPANISH LANGUAGE INSURANCE EXAMINATIONS**BACKGROUND**

The budget includes an increase in special fund expenditure authority of \$49,000 in 2017-18, and \$16,000 in 2018-19, and ongoing until 2023-24, to address additional workload created by the passage of AB 1899 (Calderon, Chapter 560, Statutes of 2016). The bill requires the Department of Insurance to provide four insurance licensing exams in Spanish.

STAFF COMMENTS

This funding request is in line with the estimate in the Assembly Appropriations analysis for the bill.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 7: RATE REGULATION BRANCH MANAGERS

The Subcommittee will consider adding two managers in the Rate Regulations Branch.

BACKGROUND

The budget requests a special fund expenditure authority of \$586,000 in 2017-18, and \$570,000 ongoing to support for predictive model analysis. This request annualized outside external actuarial contracts at the current levels that were previously funded with one-time funding. In addition, the request adds two manager positions in the Rate Regulations Branch to allow for better oversight of the 14 staff at in the branch.

STAFF COMMENTS

The Rate Regulations Branch has expanded over the last three years to meet an increase in workload associated with the use of predictive actuarial models to set property and casualty insurance rates. This request solidifies this unit by aligning the budget and management responsibilities to meet the expected ongoing workload.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 8: OUT-OF-NETWORK CHARGES

The Subcommittee will consider the resources needs to implement a bill from 2016.

BACKGROUND

The budget proposes an increase in special fund authority of \$751,000 in 2017-18, and \$730,000 ongoing, to comply with Assembly Bill 72 (Bonta, Chapter 492, Statutes of 2016). AB 72 prevents out-of-network health care providers from balancing billing for services provided and in-network health facility.

The \$751,000 request for 2017-18 has three major components:

- \$186,000 for one Attorney III two-year limited-term position to draft the dispute resolution process, average rate requirement, network implementation and AB 72 report.
- \$186,000 for 1.5 permanent Insurance Compliance positions associated with an estimated 618 complaints per year, which is based on actual workload to date.
- \$375,000 for an external consulting contract for the dispute resolution vendor required by the law.

STAFF COMMENTS

The requested resources reflect the actual workload to date from the initial implementation of the bill, however, the potential workload could increase as the number of complaints increases due to the ability of the department to remedy balance billing.

The Subcommittee received a letter of support for this BCP from Health Access, which sponsored AB 72.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 9: WORKER'S COMPENSATION FRAUD PREVENTION

The Subcommittee will hear the Department's Worker's Compensation Fraud Prevention effort.

BACKGROUND

The budget increases Worker's Compensation Fraud Prevention resources by 5 percent or \$3.4 million for 10 positions and \$1.7 million in local assistance (for local District Attorney's) to fund worker's compensation fraud investigations, pursuant to the recommendations of the Governor-appointed Fraud Assessment Commission. In 2016-17, the Department of Insurance is budgeted to have \$73.8 million and 323.3 positions in the Fraud Division with \$35.1 million allocated to county district attorneys.

STAFF COMMENTS

The special funds for this proposal are derived from a fee charged to insurance companies for fraud inspection.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 10: WARNER CHILCOTT SETTLEMENT SPRING FISCAL LETTER

The Subcommittee will review a Spring Fiscal Letter related to a drug marketing fraud settlement.

BACKGROUND

The California Department of Insurance (CDI) requests to use a portion of General Fund it recovered from a legal settlement to expand its insurance fraud prevention efforts. The Department successfully litigated an anti-fraud case resulting in a settlement payment to the State of California which, according to statute, shall be used by CDI for enhanced fraud investigation and prevention efforts.

CDI is requesting a General Fund appropriation of \$1,864,000 in Fiscal Year (FY) 2017-18 and \$728,000 in FY 2018-19 through FY 2020-21 to implement a fraud data analytics tool and support 2.0 positions to analyze the data generated from the data analytics tool. These resources would continue an effort approved in the 2016 budget, when the Department began development of this tool. The Department reports that the use of this new data analytic tool will assist in finding patterns of fraud which will assist in investigations and prosecutions.

On December 18, 2015, Insurance Commissioner Dave Jones announced that a \$23,250,000 settlement had been reached between the CDI and whistle-blowers with pharmaceutical company Warner Chilcott to resolve a lawsuit alleging drug marketing fraud in violation of State law. It alleged Warner Chilcott executives violated the California Insurance Code Insurance Frauds Prevention Act, which prohibits anyone from defrauding private insurance companies by using kickbacks or other inducements to procure or steer clients. As required by the State's insurance whistle-blower law, the Warner Chilcott settlement payment was divided between the whistle-blowers and the State of California. The State's share was \$11,852,000, which was paid to the General Fund for enhanced fraud investigation and prevention efforts upon appropriation by the Legislature.

STAFF COMMENTS

With this request, the Department will have committed \$10.4 million of the \$11.8 million General Fund from the settlement. The funding will support the development and implementation of the data tool over the next four years.

Staff Recommendation: Adopt Spring Fiscal Letter

8860 DEPARTMENT OF FINANCE**VOTE-ONLY ISSUE 11: PUBLIC WORKS BOARD TRAILER BILLS****BACKGROUND**

The Governor's budget includes two trailer bill proposals related to the public works board.

- **Public Works Board Expense Account:** Create an expense account (revolving account) within the Public Buildings Construction Fund (Fund) for administrative efficiencies. In addition, provide technical cleanup to fix outdated references to accounts that are not used.
- **CEQA Clarification:** This trailer bill would clarify that the State Public Works Board or Finance would not need to provide further work to comply with CEQA. Instead, the state department pursuing the project is still required to comply with CEQA. This trailer bill would conform existing law with the current practices, where this clarification is made in provisional language.

STAFF COMMENTS

These trailer bill proposals appear technical.

Staff Recommendation: Adopt Proposed Trailer Bill

ITEMS TO BE HEARD

7502 DEPARTMENT OF TECHNOLOGY

ISSUE 1: IT PROJECT OVERSIGHT

The Department of Technology will describe its new technology project approach.

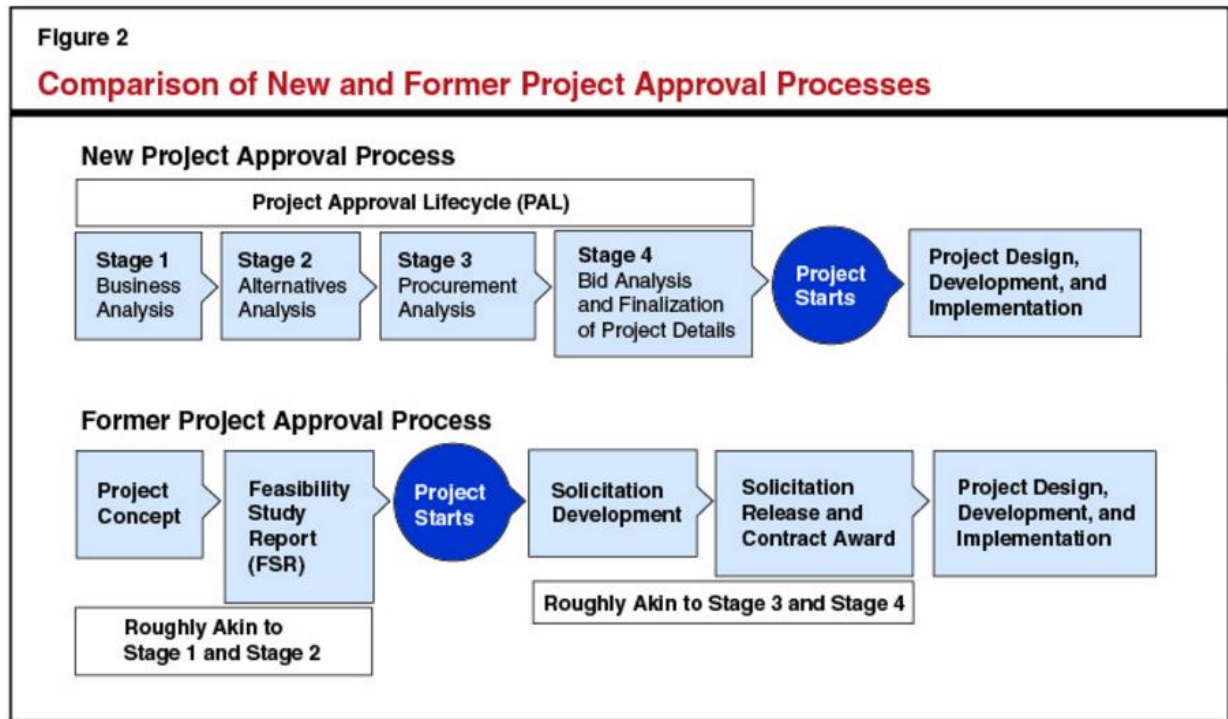
BACKGROUND

In recent years, the Department of Technology has begun implementing a new information technology (IT) project approval process - known as the Project Approval Lifecycle (PAL) - with the goal of helping to bolster project planning and reduce the likelihood of project challenges or failure.

Historically, when departments proposed IT projects, CDT required them to prepare Feasibility Study Reports (FSRs). The FSR identified the problem, evaluated alternatives, and identified a technical solution. Various shortcomings with the FSR approval process meant that projects often experienced challenges once they were underway. These challenges were often associated with significant cost increases and schedule extensions.

In response to the issues with the FSR approval process, in 2016 the Department fully implemented a new IT project approval process - PAL. It divides the Department's approval process into four stages—business analysis, alternatives analysis, procurement analysis, and bid analysis and finalization of project details. Each stage (1) requires sponsoring departments to conduct specific planning-related analyses and submit an associated planning document to the Department and (2) provides the Department with a discrete decision point in its approval process. Collectively, the planning documents from the four stages create a comprehensive plan for implementing the proposed IT project. Departments cannot begin their projects without receiving approval from the Department for each of the four stages.

The new project approval process allows departments to refine their plans and analysis collaboratively with CDT to arrive at more accurate cost estimates and sound project plans at the time of project approval. With a more accurate cost and schedule baseline, sponsoring departments are anticipated to experience fewer challenges once the project is underway.



LAO COMMENTS

While the potential benefits of PAL appear clear, the new project approval process comes with trade-offs and implications. Since the PAL process requires more detailed analysis upfront and includes new activities (mainly procurement) that previously occurred after approval, it is likely to take longer upfront and some departments may request a budget augmentation to support the effort. It is uncertain how long it will take departments to move through the entire PAL process. If the project approval and budget process do not align, the Legislature could be asked to approve funding for project design, development, and implementation without the benefit of a complete project plan. This could compromise the Legislature's effective budgetary oversight of the project.

The Legislature has two key decision points under the new project approval process: (1) whether to fund planning activities associated with the PAL process for proposed IT projects and (2) whether to fund project design, development, and implementation for projects ultimately approved by CDT. Additionally, like in the FSR process, the Legislature will retain its oversight role of approved projects, which may include decisions regarding future changes to the project.

Issues for Legislative Consideration. Although the PAL process has the potential to improve the quality of IT project implementation in theory, we raise a number of issues for the Legislature to consider as it exercises oversight of this new process:

- ***In Some Cases, Funding for Planning May Have Merit . . .*** The merits of providing funding for project planning proposals should be determined on a case-by-case basis. We note a few issues the Legislature may want to consider

when determining whether to support a request for planning funds or require a department to absorb the cost of planning a proposed IT project.

- . . . **And Gives Legislature an Opportunity to Weigh in Early.** When sponsoring departments request funding for PAL-related planning activities, it presents the Legislature with an early opportunity to weigh in on its own priorities. If the Legislature has certain priorities it would like reflected in the project, it could build in requirements that ensure that the department considers those priorities as part of its budget approval.
- **Legislature May Need to Build in Additional Oversight Methods.** When the PAL process does not neatly align with the budget cycle, the Legislature may need to build in additional oversight methods.
- **Actual Benefits of New Project Approval Process Should Be Evaluated.** Several years often elapse between project approval and full system implementation. We recommend that CDT report at budget hearings on the quantitative and qualitative measures it will use to evaluate the effectiveness of PAL and project success.

STAFF COMMENTS

The new PAL process appears very promising and illustrates the new direction and vision within the Department of Technology. The new leadership at the Department also rolled out the PAL system quickly, after years promises from the Department that such a system would be in place. This new approach and energy will hopefully translate into better projects going forward.

However, the State has a history of falling in love with dashing new IT project oversight approaches only to be left broken-hearted when they fail to deliver on their expected improvements. The Subcommittee will need to monitor this issue more closely to see if we achieve better outcomes, since it represents the deployment of hundreds of millions of dollars of annual expenditures.

In addition, the Subcommittee will need to consider how to oversee IT projects given this PAL approach. With and FSR, the Legislature would be asked to approve projects far earlier in their lifecycle. With PAL, we may be joining the conversation years into the project development - limiting the extent to which we can participate in the project discussions.

Staff Recommendation: Informational Item—No Action needed

ISSUE 2: CYBER-SECURITY

The Subcommittee will learn about the new State effort to provide state agencies and departments cyber-security.

BACKGROUND

The Department of Technology has submitted a no-cost BCP to detail their effort to redirect 9 current positions, costing \$1.2 million, to establish and continuously operating security operations center at the Gold Camp Data Center. The new center will provide a continuous operational security center to detect, prevent, and mitigate the impact of security incidents and cyber-attacks.

This effort is part of a four-department partnership between the Department of Technology, the Office of Emergency Services, the California Military Department and the California Highway Patrol. Each department contributes its own expertise towards addressing the state's information security needs. Office of Emergency Services coordinates the state's efforts related to information security by gathering intelligence and sharing information related to security threats. The California Military Department provides services to departments, such as assessments of security vulnerabilities and training, to assist them in meeting the state's information security requirements. Finally, the California Highway Patrol collects information about computer crime incidents and investigates those incidents.

The Governor's 2017-18 budget includes \$13.9 million (\$4 million General Fund) and 58 positions across 12 departments to strengthen the state's information security operations. The proposals include various approaches to strengthening information security based on the specific vulnerabilities the departments identified. Some departments would establish continuously operating security centers to monitor threats, others would develop mitigation plans to reduce the risk of threats, while still others would establish department policies and procedures to achieve security compliance and train staff on information security procedures.

Governor's 2017-18 Budget: Information Security Proposals

(Dollars in Millions)

Department	Proposed Expenditures		
	Total Funds	General Fund	Positions
Department of Transportation	\$4.0	—	6
Department of Corrections and Rehabilitation	2.6	\$2.6	8
California Highway Patrol	1.8	—	14
Department of Technology	1.2	—	9
State Controller's Office	1.0	0.5	2
Public Utilities Commission	0.7	—	4
Department of Managed Health Care	0.7	—	2
State Teachers' Retirement System	0.6	—	5
Department of Developmental Services	0.4	0.3	3
Department of Rehabilitation	0.3	0.3	2
Department of Alcoholic Beverage Control	0.3	—	2
State Treasurer's Office	0.3	0.3	1
Totals	\$13.9	\$4.0	58

In August 2015, the California State Auditor found that many state departments had poor security controls over their IT systems and that Department had failed to provide effective oversight of departments' information security. The auditor found that these security deficiencies could compromise the IT systems that departments use to perform their daily operations. Since then, the Department has made several changes to strengthen its oversight of information security. Specifically, it:

- Prioritized and Simplified State Security Standards.** According to the State Auditor, more than half of the departments it evaluated indicated that the Department's guidance for complying with security standards was insufficient. The Department has since prioritized and simplified some of the standards that departments are required to comply with in order to focus on the most important and relevant standards and to make them more easily understood by departments.
- Required Routine Security Assessments.** Recently, The Department has required routine independent security assessments of departments under its purview to determine their vulnerabilities—weaknesses in information system security procedures or the identification of components of IT systems that could be exploited by a threat. This is consistent with legislation passed in 2015 requiring no fewer than 35 assessments be completed each year. (While the Department has long required departments to perform security assessments every two years to determine their vulnerabilities, these assessments have not been performed consistently.)

- **Established Security Compliance Audits.** The Department has long required departments to annually self-certify that they are complying with the state's information security policies, standards, and procedures. The State Auditor found deficiencies with the Department's information security oversight because it did not verify departments' self-certifications. Some departments either did not self-certify or certified without actually being compliant. In response to these findings, in 2016 the Department established an information security compliance audit program that verifies whether departments are meeting the standards that they have self-certified and that they have addressed any previously identified security vulnerabilities (such as those identified through previous security assessments). (The audit program was previously piloted before it was officially established in 2016.) Given limited resources, the Department targets its audits to a select group of departments.
- **Conducted One-Time Security "Maturity" Assessment.** In 2016, the Department contracted with a vendor to conduct a one-time analysis of the security maturity of 20 departments. Maturity is an indicator of how prepared departments are to prevent or respond to a security attack in a way that mitigates any negative consequences. Low maturity departments are not well prepared for attack and generally react to security incidents rather than proactively working to prevent them from occurring. In contrast, high maturity departments have an established culture of proactive security monitoring. The purpose of the assessment was to obtain a snapshot of the maturity of the departments analyzed and inform the state's efforts to strengthen information security. The assessment also served to validate the self-certifications of participating departments. The assessment found the state generally performed below the minimum maturity target across departments.
- **Establishing Statewide Inventory of Information Assets and Their Maturity.** The Department is also implementing the California Compliance and Security Incident Reporting System (Cal-CSIRS) to capture information from departments' self-certifications, security breach incidents, and system outages lasting two or more hours. When this system is fully implemented by the end of 2017, it will create a statewide inventory of information assets—any state-owned data, systems, hardware, or software—and their maturity. CDT will use the inventory to better manage its oversight of information security.

LAO COMMENTS

Budget Proposals Seem Reasonable on an Individual Department Level . . . Based on our review, we do not raise any particular concerns with each of the 12 budget proposals across various departments to strengthen information security. We understand it is the Department's practice to review IT-related budget proposals, including these security-related proposals. Although the Department did not initiate these proposals, it indicates that as part of its review, it validated the security issue identified by the department proposing its own proposal and assessed whether the

department was taking a reasonable approach towards addressing the issue. This review is valuable given that the Department was created to provide IT-related expertise and the individual departments may not always know the best practices for addressing a security vulnerability that they face.

... But Unclear Whether Proposals Address the State's Most Critical Security Risks. Although we are not raising any particular concerns with the individual proposals, we are concerned that because they were generally initiated by the individual departments, it is unclear whether they collectively address the state's most critical security risks—the IT systems with the most significant vulnerabilities and the most sensitive information. The individual departments do not have a comprehensive view of the entire state's security needs and therefore whether their individual information security needs are the most critical to address across state government. While the Department reviewed these individual requests to verify that there was some level of information security need, it did not determine whether the requested resources addressed the state's most critical information security issues. For example, a department may have high vulnerability but the associated information that would be released in the event of a security breach is not particularly sensitive. Consequently, this may not be the most critical vulnerability to resolve when other departments may have vulnerabilities that may lead to catastrophic consequences should information be breached or confidentiality not protected. Additionally, it is possible that departments that did not come forward with a budget request might have more critical security risks but are unaware of their own vulnerabilities. Figure 2 depicts this security vulnerability and sensitivity matrix. Ideally, the Legislature would want to make sure the state is focusing its attention and resources on addressing the IT systems that present the most critical security risks—those in the upper right quadrant of the figure.

STAFF COMMENTS

The emerging attempt to combat cyber threats requires the partnership of a large number of departments and agencies. Often these efforts face governance challenges because the various partners have very different core competencies and organizational cultures. In addition, while the Department of Technology can be the lead from a technical perspective, each department must take responsibility for its data and information for this effort to be successful.

Staff Recommendation: Approve as Budgeted

ISSUE 3: NEGOTIATION PROCUREMENT PROCESS

The Subcommittee will consider whether the State should continue using negotiated procurement.

BACKGROUND

Currently, Public Contract Code Section 6611 allows the Department of General Services to negotiate in a procurement process if certain circumstances are met:

- (1) The business need or purpose of a procurement or contract can be further defined as a result of a negotiation process.
- (2) The business need or purpose of a procurement or contract is known by the department, but a negotiation process may identify different types of solutions to fulfill this business need or purpose.
- (3) The complexity of the purpose or need suggests a bidder's costs to prepare and develop a solicitation response are extremely high.
- (4) The business need or purpose of a procurement or contract is known by the department, but negotiation is necessary to ensure that the department is receiving the best value or the most cost-efficient goods, services, information technology, and telecommunications.

The law also allows the Department of Technology to use a similar process for IT projects.

This Section contains a statutory sunset of January 1, 2018

STAFF COMMENT

The code section was extended to the Department of Technology through an action of Subcommittee 4 in 2012. Both the Department of Technology and the Department of General Services have pointed to examples of how this procurement model has added value in the procurement process.

At this time, no policy bills are currently proposing to extend the Section 6611 authority, despite praise from departments, vendors, and IT professionals. Staff recommends extending this authority or eliminating the sunset.

Staff Recommendation: Adopt Placeholder Trailer Bill Language to remove the sunset.

8880 Fi\$CAL

ISSUE 4: Fi\$CAL

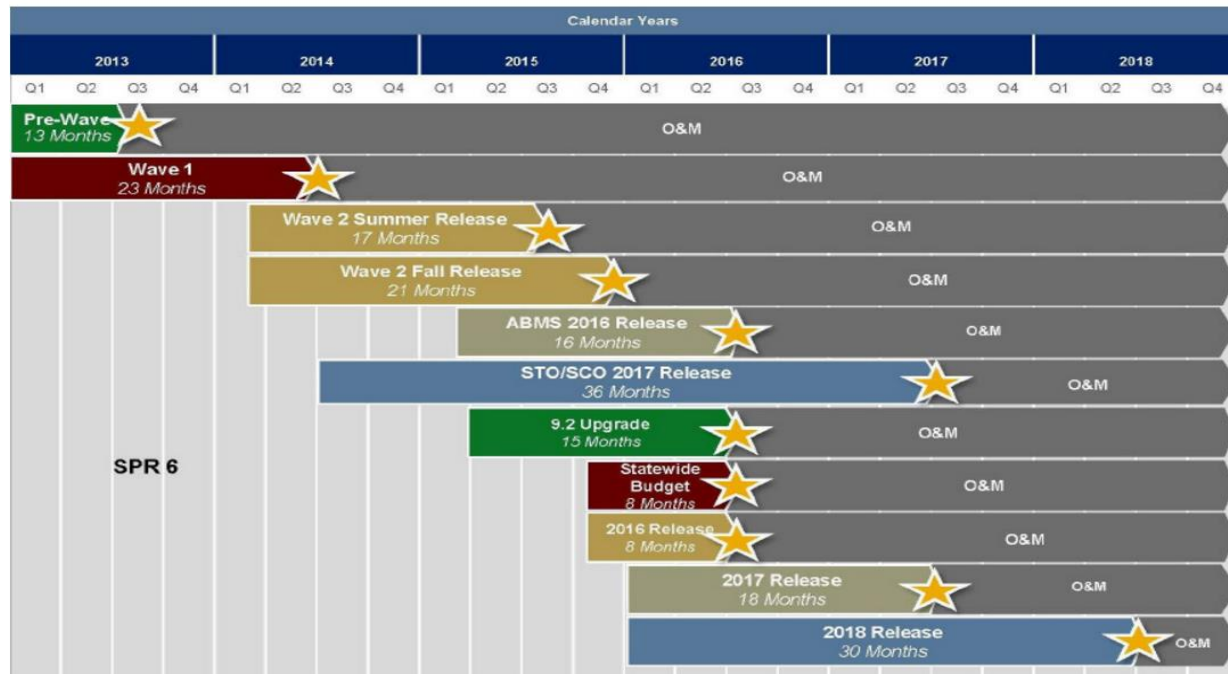
The Subcommittee will receive an update on the Fi\$Cal Project

BACKGROUND

The Financial Information System for California (Fi\$Cal Project) is California’s largest IT project at this time, with an estimated cost of \$910 million. Fi\$Cal will enable the State of California to combine accounting, budgeting, cash management, and procurement operations into a single financial management system, often referred to as an Enterprise Resource Planning (ERP) system. This will eliminate the need for more than 2,500 independent legacy systems and department-specific applications that support the internal financial management operations of the State. Most of these systems and applications do not communicate with each other, and have exceeded their useful lives.

The Project is led by a partnership of the Department of Finance, the State Controller, the State Treasurer, and General Services.

The project took decades to develop, and was finally launched in 2011, with a contract awarded to Accenture to oversee software integration and implementation. The project approach changed in 2016, when the project began to focus more on roll out the system to departments. This new approach extended the full implementation timeline until at least 2019:



STAFF COMMENTS

Since Fi\$Cal is California's largest IT project and interfaces with so many vital state functions, the Subcommittee will receive a brief update on the project's vital implementation efforts.

Staff Recommendation: Informational Item—No Action Needed

**8860 DEPARTMENT OF FINANCE
9100 TAX RELIEF****ISSUE 5: LOCAL UPDATE OF CENSUS ADDRESS PROGRAM**

The Subcommittee will consider a proposal to provide financial assistance to local governments to assist with activities related to the 2020 Census.

BACKGROUND

The Governor's Budget proposes \$7 million General Fund to assist local government activities related to the Local Update of Census Address program (LUCA).

Since 1790, the United States has conducted a census every ten years. Census results are used for many purposes, including reapportioning seats in the House of Representatives, realigning congressional and state legislative districts, and distributing roughly \$400 billion in federal funds to the states. The next U.S. Census will be conducted in 2020.

For the purposes of mailing census questionnaires, the Census Bureau maintains a national residential address list. The Census Bureau takes many steps to keep this list up to date, including incorporating new information from the U.S. Postal Service and using satellite imagery and other geographic information systems to identify areas of development. The Census Bureau also works with local governments to verify residential addresses. Through the Local Update of Census Address program (LUCA), local governments can review Census Bureau information on residential addresses for accuracy. Participating in LUCA is not required, but the federal government encourages local governments to participate.

In 2007, the State budgeted \$3 million for LUCA activities related to the 2010 Census. The Governor's budget proposes a substantial increase in the funding available for local governments to participate in LUCA. Under the Governor's proposal, grants would range from \$7,500 to \$125,000 per local government based on housing activity in the jurisdiction. DOF defines housing activity as the amount of new construction, demolitions, conversions (to housing units), and housing unit annexations since the 2010 Census. The Administration cites the low take-up rate of the 2007-08 grants as an indicator that the grants need to be increased in order to achieve better participation from cities and counties. Moreover, the Administration believes city and county participation is particularly important because the Census Bureau will no longer be validating 100 percent of the national residential address list through fieldwork. In prior years, the Census Bureau validated each address with in-field canvassing. For the 2020 Census, the Census Bureau will only be doing in-field canvassing where addresses cannot be verified through other means.

LAO COMMENT

Given the impact the U.S. Census results can have on California, taking steps to ensure an accurate count is meritorious. The Legislature may want to consider, however, whether the LUCA funds could be better targeted. In particular, county assessors could be better positioned, in some cases, to verify the Census Bureau addresses. County assessors are charged with maintaining the county rolls, which contain the addresses of all legal properties in the counties. (Properties built without permits may not be contained within the county rolls, however, city and county governments likely would not have these addresses either.) Rather than distributing the funds across all cities and counties, encouraging LUCA participation by county assessors (on behalf of the county and its cities) could increase the funding available to each county. Moreover, many cities may not have the resources available to review the federal address data. Targeting the work to the county assessors could result in a larger portion of California addresses being reviewed and verified.

Given the proposed changes to the 2020 Census, the Legislature will want to consider what types of outreach should be done in the years and months leading up to the count. While some residents may be very comfortable with filling out online census forms, some may not want to use that format. Though the Census Bureau will be undertaking various efforts to encourage participation, the Legislature may wish to consider in the coming few years how the state can ensure an accurate count given these changes and potential challenges.

STAFF COMMENTS

According to the Department of Finance, the Administration believes that the increased grant amounts to local governments will encourage a higher level of participation from jurisdictions, especially small jurisdictions.

Staff Recommendation: Approve as Budgeted

1111 DEPARTMENT OF CONSUMER AFFAIRS
 8570 DEPARTMENT OF FOOD AND AGRICULTURE
 4265 DEPARTMENT OF PUBLIC HEALTH
 0860 STATE BOARD OF EQUALIZATION

ISSUE 6: VARIOUS CANNABIS BUDGET CHANGE PROPOSALS

The Governor's budget proposes a total of \$51.4 million from Marijuana Control Fund (MCF) in 2017-18 across four departments: Department of Consumer Affairs (DCA), Department of Public Health (DPH), California Department of Food and Agriculture (CDFA), and State Board of Equalization (BOE). The budget also requests about 190 positions in 2017-18 across these departments. The table below shows the budget request for 2017-18 through 2020-21 and ongoing. Additionally, each proposal is discussed in more detail below.

Summary of Governor's 2017-18 Budget Proposals for Cannabis Implementation

(Dollars in Millions)

Department	2017-18	2018-19	2019-20	2020-21 and After
Consumer Affairs	\$22.5	\$30.9	\$30.4	\$30.2
Food and Agriculture	22.4	16.1	16.1	0.0
Board of Equalization ³	5.4	2.7	2.1	2.0
Public Health	1.0	0.1	-0.2	-0.2
Totals	\$51.4	\$49.8	\$48.4	\$32.1

Positions				
Department	2017-18	2018-19	2019-20	2020-21 and After
Consumer Affairs	120.0	188.0	205.0	205.0
Food and Agriculture	50.8	60.0	60.0	0.0
Board of Equalization ³	22.0	21.3	17.4	16.9
Public Health	-3.0	-3.0	-3.0	-3.0
Totals	189.8	266.3	279.4	218.9

³Budget proposal also identified \$1.1 million and 1.9 positions for the Board of Equalization in 2016-17.

1. DCA's Proposal Funds Licensing, Enforcement, and IT (\$22.5 Million). The Governor's budget proposes a total of \$22.5 million for DCA in 2017-18, an amount that would grow to roughly \$30 million in out years. The budget year funding would support the following:

- **Licensing and Enforcement (\$17.4 Million).** DCA requests additional resources for licensing and enforcement of medical and nonmedical cannabis businesses, including dispensaries/retailers, microbusinesses, distributors, transporters, and testing laboratories. Specifically, the request would support 120 staff, relocation to a new headquarters office for DCA's Bureau of Marijuana Control (BMC), laboratory testing, and vehicles and equipment. Of these proposed positions, 50 are for enforcement, 35 are for licensing, and 35 are for various support functions. Out-year funding includes the establishment of a total of five field offices by 2019-20.
- **IT Implementation and Ongoing Maintenance (\$5.1 Million).** DCA also requests funding to continue to implement a licensing and enforcement IT project for medical cannabis that was initially approved in 2016-17, as well as expand the project to cover its nonmedical cannabis licensees. Funding is proposed to decrease to \$3.6 million beginning in 2018-19 to cover the ongoing operations and maintenance costs of the project.

2. CDFA's Proposal Funds Licensing and Track and Trace (\$22.4 Million). The Governor's budget proposes \$22.4 million for CDFA in 2017-18 to continue to implement statutory requirements for cannabis cultivation licensing. This amount would decrease to \$16.1 million in 2018-19 and expire after 2019-20. The funding would support the following:

- **IT Implementation and Ongoing Maintenance (\$16.9 Million).** The budget requests \$16.9 million and 13 positions in 2017-18, decreasing to \$10.5 million in 2018-19 (expiring after 2019-20) to develop and support the cultivator licensing and track and trace IT projects. (Funding includes \$15.1 million in 2017-18 and \$8.7 million in 2018-19 and 2019-20 for contracted services for the cultivator licensing and track and trace systems.)
- **Licensing and Enforcement (\$5.5 Million).** The budget requests three-year limited-term funding of \$5.5 million and 34.3 permanent positions (growing to 40 positions in 2018-19) for license and enforcement activities related to cultivators, as well as one human resources support position.
- **Measurement Standards.** The budget requests 3.5 permanent positions in 2017-18, growing to seven permanent positions in 2018-19, to enforce standards established by CDFA to ensure the accuracy of all weighing and measuring devices (such as scales) used in connection with the sale or distribution of cannabis. No funding is requested because revenues received from weighmaster

license and registration fees are deposited into a continuously appropriated account within the Agriculture Fund to support these activities.

3. DPH's Proposal Funds IT and Redirects Positions to BMC for Licensing of Testing Labs (\$1 Million). The Governor's budget proposes a net increase of \$1 million for DPH in 2017-18, an amount that would decrease in future years and be a net reduction to its budget of \$172,000 beginning in 2019-20. This includes the following changes:

- ***IT Implementation and Ongoing Maintenance (\$1.4 Million).*** The Governor's budget requests funding to design, configure, and maintain an IT application to process medical cannabis manufacturers' licenses. Although DPH will also be responsible for licensing nonmedical manufacturers, it has not requested funding to incorporate this responsibility into its IT application at this time.
- ***Transfer of Testing Laboratories (-\$0.4 Million).*** DPH also proposes to redirect three positions (and \$410,000) from DPH to DCA for licensing medical cannabis testing laboratories, consistent with the transfer of authority over these laboratories made in the 2016-17 budget package.

4. BOE's Proposal Funds Tax Administration Activities (\$5.4 Million). The Governor's budget proposes \$5.4 million for BOE in 2017-18, decreasing to \$2 million annually beginning in 2020-21, to administer the new excise taxes required under Proposition 64. (The budget also assumes BOE spends \$1.1 million in the current year.) The funding would support drafting regulations; conducting outreach and education; registering taxpayers; and processing payments, returns, collections, and appeals. This proposal does not include funding for audits or enforcement, so it does not reflect the full ongoing cost of administering the new tax program.

5. Governor Proposes General Fund Loan in 2017-18. The Governor's budget includes a General Fund loan to the MCF of up to \$62.7 million in 2017-18. (The administration's fund condition statement for MCF actually shows a higher budget-year loan amount of \$78.3 million.) This amount would be in addition to a total of \$45.5 million projected to be loaned from the General Fund in 2015-16 and 2016-17, including the loans authorized under Medical Cannabis Regulation and Safety Act (MCRSA) (\$10 million), the 2016-17 Budget Act (\$30.5 million), and Proposition 64 (\$5 million).

BACKGROUND

In 1996, voters approved Proposition 215, which legalized the use of medical cannabis in California. However, the measure did not create a statutory framework for regulating or taxing it at the state or local level. For most of the past two decades, medical cannabis has mainly been regulated and taxed by local governments through ordinances and permit requirements. While the state largely did not regulate medical cannabis, it did collect sales tax on these products. Local jurisdictions throughout the

state have imposed restrictions on the cultivation and sale of medical cannabis or in some cases banned it entirely.

In 2015, the Legislature passed three state laws (Chapter 688 [AB 243, Wood], Chapter 689 [AB 266, Bonta], and Chapter 719 [SB 643, McGuire])—known collectively as MCRSA—to provide a statutory framework for the state to regulate medical cannabis. MCRSA (as amended by the 2016-17 budget package) requires specified state agencies to regulate the medical cannabis industry. For example, it gives the (1) Department of Consumer Affairs (DCA) the authority to license distributors, transporters, dispensaries, and testing laboratories; (2) California Department of Food and Agriculture (CDFA) the authority to license cultivators; and (3) Department of Public Health (DPH) the authority to license manufacturers of cannabis-related products (such as baked goods). (As we discuss later, the 2016-17 budget package transferred oversight over medical cannabis testing laboratories from DPH to DCA.) MCRSA established a target date of January 1, 2018 for accepting license applications.

Regulatory agencies are also required to set standards for the labelling, quality testing, and packaging of medical cannabis products. MCRSA further requires the establishment of an information technology (IT) system that uniquely identifies cannabis plants and enables licensing authorities to track cannabis through the distribution chain (commonly referred to as “track and trace”). Additionally, MCRSA authorizes state departments to establish licensing fees to cover regulatory costs. These fees are to be deposited into a new state fund, MCF.

In November of 2016, voters approved Proposition 64, which legalizes the nonmedical use of cannabis. Under Proposition 64, adults 21 years of age or older can legally grow, possess, and use cannabis for nonmedical purposes, with certain restrictions. Proposition 64 also creates a statutory framework for the state to regulate nonmedical cannabis. Specifically, the measure requires state agencies to regulate and license the nonmedical cannabis industry and gives them responsibilities similar to those established under MCRSA for medical cannabis.

- Authorizes CDFA to license cultivators.
- Charges DPH with licensing testing laboratories and manufacturers, consistent with MCRSA as originally adopted.
- Authorizes DCA to license distributors, retailers (similar to medical cannabis dispensaries), and a new license category called microbusinesses. (Microbusinesses can engage in cultivation of less than 10,000 square feet, distribution, manufacturing, and retailing.)
- Expands CDFA’s track and trace IT system developed under MCRSA to include cannabis for nonmedical use.
- Requires each licensing agency to charge fees to cover its regulatory costs for nonmedical cannabis.

- Requires licensing agencies to begin issuing licenses by January 1, 2018.
- Sets Up Framework for Taxation for both medical and nonmedical cannabis to be administered by the Board of Equalization (BOE).
- Provides that revenues collected will be used to pay back certain state agencies for any cannabis regulatory costs not covered by license fees. A portion of the monies will then be allocated for specified purposes, such as for substance use disorder treatment and education.
- Authorizes General Fund loans of (1) up to \$30 million to the MCF for initial regulatory costs and (2) \$5 million in 2016-17 for the Department of Health Care Services to provide a public information campaign about the dangers of driving under the influence of cannabis and the repercussions of cannabis use by minors and pregnant women.

2016-17 Budget Resources. The 2016-17 budget provided a total of \$33.1 million and 134 positions to six state departments in 2016-17 to implement MCRSA including:

- Funding—primarily for DCA and DPH—to develop and implement regulations for different parts of the medical cannabis industry.
- A total of \$8 million for DCA (\$6 million) and CDFA (\$2 million) to begin development of licensing IT projects and for CDFA’s track and trace project.
- Resources for the Department of Fish and Wildlife and State Water Resources Control Board to reduce the environmental impacts of cannabis cultivation—such as on water quality and instream flows needed for fish spawning and migration.
- A loan of \$19 million (in addition to the \$10 million authorized in MCRSA) from the General Fund to the MCF to cover costs associated with implementing MCRSA.
- Legislation - Chapter 32 of 2016 (SB 837, Committee on Budget and Fiscal Review)—that made various statutory changes, including shifting authority to license medical cannabis laboratories from DPH to DCA.

LAO RECOMMENDATIONS

- **Create One Regulatory Structure of Cannabis Activities.** The LAO **recommends** the Legislature work with the administration to enact legislation to align the regulation of medical and nonmedical cannabis to the maximum extent possible. According to the LAO, the administration’s approach of creating one regulatory structure of cannabis activities makes sense because it would likely eliminate some duplicative regulatory functions and reduce confusion among licensees.

- **Make Policy Choices Before Making Budget Decisions.** To the extent possible, before making its decisions on the Governor's requested funding and related positions, the LAO recommends that the Legislature make its decisions on the extent to which it wants to modify the provisions of MCRSA and Proposition 64 to better align the regulatory structures for medical and nonmedical cannabis.
- **Limit Funding Provided for Out-Years.** Given the high level of uncertainty regarding the resource needs that will be required in the future to regulate cannabis, the LAO recommends taking a more incremental approach to budgeting for these departments by authorizing certain budget requests on a limited-term basis. The specific proposals that the LAO recommends modifying to be limited term are:
 - *All IT-Related Funding.* The LAO recommends approving all of the IT funding requests for 2017-18, but reject proposed funding in the out years. Next year, better information will be available to assess future IT costs because departments will have selected systems integrators, and the new IT systems should be largely complete.
 - *Share of DCA's 2017-18 Licensing and Testing Costs.* The LAO recommends approving a portion of the funding requested by DCA in 2017-18 on a two-year limited-term basis.
 - *None of DCA's Licensing and Enforcement Out-Year Requests.* The LAO also recommends denying requests for future increases in DCA's licensing and enforcement request at this time. While the department might need to increase its licensing and enforcement activities over time (for example, to staff the new proposed field offices), it is too early to tell what DCA's ongoing level of resource needs will be.
- **Reduce General Fund Loan to Reflect Actual Budget Actions.** Once the Legislature determines its preferred level of funding for 2017-18, it should tailor the size of the General Fund loan provided to the MCF to meet those needs.
- **Require Additional Reporting on Implementation of Cannabis Regulatory Programs**
 - *Annual Report on Implementation and Outcomes.* The LAO recommends that the Legislature enact legislation to require the administration to submit a report by April 1 of each year on the implementation of MCRSA and Proposition 64.
 - *Quarterly Briefings on IT Projects.* The LAO recommends that the Legislature adopt budget bill language to require the departments implementing new cannabis-related IT projects—DCA, CDFA, and DPH—

to provide legislative staff with quarterly briefings on the status of these projects.

STAFF COMMENTS

The Subcommittee may wish to consider the following:

- **Ongoing resources.** Staff recognizes the need to provide resources for the implementation of the cannabis regulatory, enforcement and IT systems. However, with the uncertainty of how this will all work, it is very difficult to determine if the ongoing resources are appropriately sized.

The Subcommittee may wish to consider how to provide adequate resources for 2017-18 by requiring the departments to come back with additional information for future years. This would allow Legislative oversight and additional information on the new and developing cannabis regulatory system.

With the approach, the Subcommittee may wish to consider how to ensure that departments can hire for positions that will be ongoing in nature – but will have limited term funding. The goal of limited term funding will not be to restrict departments in hiring staff long term, but rather to ensure that there is adequate oversight and the correct sizing of resources.

- The Subcommittee may wish to ask the departments, specifically DCA and DFA what their plan is to hire staff? Will hiring happen in phases?
- **Positions for Lab Testing.** The 2016-17 budget transferred the authority of the laboratories from DPH to DCA; why did the Administration only transfer three positions? Three positions will not be adequate for all the testing needed.
- **Reporting and Oversight.** How should the department provide the information to the Legislature on the number of licenses the department is issuing? When and how should this information be provided to the Legislature?

Specifically on the IT systems: Staff concurs with the LAO on the need for annual reporting and quarterly briefings for the IT systems.

- **Banking.** Banking continues to be a big issue for the cannabis industry due to the restrictions at the federal level. The Subcommittee may wish to ask the licensing department, how will cash payments be accepted?
- **Enforcement.** The proposals focus on licensing, with some resources for enforcement. The Subcommittee may wish to ask the Department when they envision enforcement will begin? What other departments have enforcement responsibilities and when will we see resources for these departments, in the May Revision or next year in 2018-19 budget?

- **Ongoing BOE Discussion.** During the Sub. 6 hearing on Budget Oversight on April 5th, the DOF discussed revising BOE BCPs due to the vacant positions currently at the BOE. The Subcommittee may wish to ask the BOE and DOF if they will revise this BCP as well?

Staff Recommendation: Hold Open

ISSUE 7: CANNABIS REGULATION DRAFT TRAILER BILL LANGUAGE

In April 2017, the Administration released a draft of the Cannabis Regulation Trailer Bill Language (TBL). The TBL proposes a regulatory system for the regulation of both medicinal and adult use of cannabis activities.

TRAILER BILL LANGUAGE

The Administration provided the following summary of changes for the proposed TBL. The TBL seeks to address the key differences between AUMA and MCRSA, as well as propose solutions to address these issues.

1. Dual State and Local Licensing: Under MCRSA, a local permit, license, or other authorization is a prerequisite for obtaining a state license. Under this law, the applicant is responsible for providing proof of compliance with these local requirements to state licensing authorities.

Under Proposition 64, adult-use cannabis businesses must be in compliance with any local ordinance or regulation in order to obtain a license, but the burden is on the state licensing authorities to determine whether or not businesses are in fact in compliance.

Proposed Solution: With 58 counties and 482 cities, it is unrealistic to expect the licensing entities to verify that each applicant is in compliance with any local law or regulation. The proposed solution does the following:

- a. Since the state licensing authorities cannot require applicants to show proof of a local permit, new language will require the Bureau to work with local jurisdictions to collect all the ordinances that govern cannabis in the state, including those that have bans. In addition, local jurisdictions shall be responsible for providing the contact for their jurisdiction so that state licensing entities know who to call when questions arise about an applicant.
- b. Authorizes an applicant to voluntarily submit a copy of the permit, license, or local authorization to the state licensing entities for jurisdictions that have taken action to regulate cannabis and have completed a programmatic Environmental Impact Report (EIR) in order to issue local permits.
- c. In instances where a local jurisdiction allows cannabis business to operate, but does not issue permits, then the applicant will be responsible for submitting the EIR for certification to the state licensing entity. This will be similar to how a land developer has to work on their own EIR before a project moves forward.
- d. As an incentive for locals to take on more of the environmental compliance work, a narrow CEQA streamlining is proposed for local jurisdictions that moves forward to regulate.

The proposed solution maintains local autonomy of zoning and planning decisions while providing state regulators with local compliance information in a timely manner.

2. Vertical Integration: MCRSA places restrictions on the number and type of licenses cannabis business may acquire. There are 17 license classifications and six licensure categories (cultivation, manufacturing, testing, dispensary, distributor, and transporter). Under MRCSA licensees can hold up to two separate license categories, with the exception of testing and distribution. The restrictions seek to limit the ability of one entity to control multiple steps in the cultivation, distribution, and retail chain.

AUMA does not include prohibitions against holding multiple licenses. The only exception is that a testing licensee cannot hold a license or ownership interest in any other category.

Proposed Solution: The Administration proposes to maintain AUMA's vertically integrated licensing structure for both adult use and medicinal cannabis licensees. Overly restrictive vertical integration stifles new business models and does not enhance public and consumer safety. AUMA has restrictions to protect against the over concentration of licenses in areas as well as monopolies. It also requires that testing licensees to be independent of all licensees in other categories.

3. Distribution: Under MCRSA, all medicinal cannabis and medicinal cannabis products are required to go through a third-party distributor. The distributor is responsible for arranging testing of the flower or cannabis product prior to it going to market. A distributor can hold a transportation license, but is precluded from holding any other license type.

Under AUMA, a distribution license regulates only transportation activities and allows a distributor to hold any other license except for a testing license. Proposition 64 allows for both third-party and in-house distributors owned by licensed cultivators, manufacturers, and retailers. Under AUMA, the responsibility for testing cannabis or cannabis product falls on the licensee taking the product to market.

Proposed solution: The Administration proposes to maintain the AUMA's open distribution model. Allowing a business to hold multiple licenses including a distribution license will make it easier for businesses to enter the market, encourage innovation, and strengthen compliance with state law. To ensure the integrity of the testing is maintained, all distributors must arrange for an independent licensed testing laboratory to select a random sample, transport it to a laboratory, and test the product.

4. Ownership: The definition of an applicant varies in MCRSA and AUMA depending on the level of ownership. MCRSA defines applicant as any person having decision making authority or an ownership or financial interest. Under MCRSA, all applicants and those having a five percent interest or more in a publicly-traded company are required to pass a background check.

AUMA only requires a background check for licensees having at least a 20 percent ownership and having direct management authority.

Proposed Solution: The Administration proposes two separate definitions for applicant and owner. For ease of administration, only one designee will be required as the applicant. Owners must pass a background check under both systems. The Administration proposes to adopt the AUMA definition of owner of having at least 20 percent ownership, or any person with the power to impact management decisions. In addition, with the exception of publicly traded companies, licensees must disclose the identity of all investors to the licensing authorities.

5. Cultivation limits: MCRSA includes a limit on the scale of cultivation and the number of medium size (Type 3) licenses that can be issued. Most cultivation licenses authorize a maximum of 1 acre of cultivation. The Type 10A multiple-cultivation license allows a maximum of 4 acres of cultivation, although the 4 acre limit sunsets on January 1, 2026.

AUMA added a new cultivation license type not included in MCRSA, the Type 5, which allows large size cultivation of over 1 acre or greater than 22,000 square feet indoors. This license type cannot be issued until January 1, 2023. AUMA does not limit the number of medium size (Type 3) licenses that can be issued.

Proposed Solution: In furtherance of the intent of Proposition 64 to prevent illegal production and avoid illegal diversion to other states, the administration proposes to limit the number of Type 3 licenses consistent with MCRSA.

6. Microbusinesses: AUMA establishes a new license type called microbusiness which was not included in the MCRSA. A microbusiness is authorized to engage in activities in four market segments: cultivation, manufacturing using non-volatile solvents, distribution, and retail. Unlike other license types, a microbusiness would only require a license from the Bureau.

Proposed Solution: In order to protect the public health and safety and compliance with state environmental laws, the California Department of Food and Agriculture and the Department of Public Health must also review microbusiness licensees. The Administration proposes a process whereby licensing authorities shall establish a process to ensure that a microbusiness applicant and licensee can demonstrate compliance with all the requirements under the law for the activity or activities they conduct.

7. Environmental Protections: Senate Bill 837 (SB 837), Committee on Budget, Chapter 32, Statutes of 2016, was legislation that clarified the roles of the appropriate state environmental entities, all of which must coordinate with the California Department of Food and Agriculture (CDFA) before a cultivation license is issued. For example, SB 837 requires that all CDFA licenses include a pending application, registration, or other water right documentation that has been filed with the State Water Resources Control Board. SB 837 clarifies that the State Water Board has enforcement authority if water is diverted or illegally used for cannabis cultivation.

Proposed Solution: Due to the timing of the passage of the above legislation, the drafters of the AUMA were unable to conform to the changes made in SB 837. The Administration proposes to amend the AUMA to include the same environmental protection requirements as MCRSA.

8. Appeals Panel: AUMA establishes a Marijuana Control Appeals Panel (Panel), consisting of three members appointed by the Governor and subject to the confirmation by the Senate. Any applicant or licensee can appeal to the Panel to review a penalty, a license issuance, denial, or other adverse action by any of the licensing authorities. This panel was not contemplated in MCRSA.

Proposed Solution: The Administration proposes to extend the review of the panel to all licensing decisions relating to cannabis. The Panel will streamline the appeals process and bring needed expertise and due process to the review of any licensing decision. The language allows a party to appeal a Panel decision directly to the Court of Appeals, which is similar to how the Alcoholic Beverage Control Appeals Board works.

9. Medical ID Card: Deletion of requirement for state issued medicinal ID cards: SB 420 (Chapter 875, Statutes of 2003) established a voluntary registry identification card system, maintained by Department of Health Services, for patients that have a recommendation from their doctor to use medicinal cannabis. The card was intended to provide some protection to the cardholder from arrest and prosecution for possession, transportation, and cultivation of marijuana for medicinal purposes.

Approximately 80 percent of cannabis patients do not currently use medical cannabis identification cards, but instead use their physician recommendation to purchase medical cannabis. The identification card in its current form cannot be used to confirm the identity of any individual as it contains no identifying information other than a photo and the name of the county from which it was obtained. The photo and county name is also the only information maintained by the state.

Proposed Solution: The Administration proposes to delete the requirement for state issued medicinal ID cards and provides the county with the authority to issue local cards.

STAFF COMMENT

Staff is working with various stakeholders to identify and address the conformity issues included in the proposed TBL. The conformity issues are complicated by the fact that over 50 bills have been introduced in the Legislature that deal with cannabis broadly. These bills either amend or impact MCRSA or Prop. 64, or both, and deal with issues of conformity as well as other issues that do not impact the implementation of the TBL.

The Subcommittee may wish to ask the following general questions:

- What was the reasoning for the Administration choosing one regulatory system?
- Is the goal of the trailer bill solely conformity between Prop. 64 and MCRSA? How will other bills that are running through the legislative process be dealt with?
- Why did the Administration use Prop. 64 as the foundation, and bring over the MCRSA statutes?
- The trailer bill defers to the regulatory system on many issues that the Legislature considers policy issues, why did the Administration choose to do this?
- Can the Administration provide additional detail on thought process behind the CEQA exemption under the licensing section?
- How will testing work under the Administration's proposal?