

AGENDA – PART I**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER ADRIN NAZARIAN, CHAIR****THURSDAY, MAY 19, 2016
11:00 A.M. - STATE CAPITOL, ROOM 437**

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VOTE-ONLY CALENDAR

8955 DEPARTMENT OF VETERANS AFFAIRS

VOTE-ONLY ISSUE 1: VHC-FRESNO AND REDDING FOOD SERVICES

CalVet requests \$592,000 and nine positions in order to address changes in food service delivery at the Fresno and Redding Veterans Homes. This request includes ongoing funding of \$585,000 in order to support the nine positions in the future.

BACKGROUND

The Fresno and Redding Veterans Homes were constructed under new VA guidelines of creating a more homelike environment. In addition to the large main kitchen, each neighborhood was built with a small satellite kitchen. Initially, the plan was to cook the food in the main kitchen and reheat it in the satellite kitchens before distribution to residents. When California Department of Public Health (CDPH) surveyed the facilities, they indicated that they expect the SNF kitchen to function independently from the RCFE kitchen and that CalVet has to create an Interruption of Service Emergency Food Plan that is separate from the Residential Care Facility for the Elderly's (RCFE) plan and storage. Essentially, this requires that the kitchens not only have storage and standalone capabilities, but also that CalVet assign cooks specifically to the SNF kitchen.

STAFF COMMENTS

This proposal was first heard in Subcommittee on April 5th. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 2: RESIDENTIAL NURSING CARE TECHNICAL ADJUSTMENT

CalVet requests \$1.6 million General Fund in the budget year, and \$1.5 million General Fund ongoing in order to support 18 positions.

BACKGROUND

Originally, this proposal requested \$2.9 million (General Fund) and 32 positions in order to address nursing care shortages at the Yountville, Barstow, and Chula Vista Veterans Homes. The proposal also includes ongoing costs of \$2.8 million (General Fund) for the ongoing support of the 32 positions. In April, the Department requested a decrease of \$1.3 million General Fund and 14 positions to correct an error in projecting costs.

In order to improve the delivery of care for consumers, CalVet requests 32 positions to increase nursing staff in the three older Veterans Homes. In order to comply with the law and provide an appropriate staffing relief factor, it is critical that the Homes meet the acuity levels of the residents and absorb unforeseen staffing shortages without disrupting the continuity of care for residents. As the homes operate 24 hours a day, 7 days a week, fatigue and stress on the nursing staff have led to high rates of medical related leave covered by the Family and Medical Leave Act (FMLA) and worker's compensation claims. Utilization of those services, coupled with staffing shortages and recruitment difficulties has led to other staff working double shifts in order to maintain staffing acuity.

Specifically, CalVet requests to use updated data and holiday schedule to revise its around-the-clock nursing relief factor from 1.7 to 1.77. The net impact of nursing staff by home is as follows:

Veterans Home of California	Certified Nursing Assistant	Licensed Vocational Nurse	Registered Nurse	Total
Yountville	7	1	2	10
Barstow	2	0	0	2
Chula Vista	4	1	1	6
Total	13	2	3	18

If approved, this request would enable CalVet to:

- Provide the additional staff needed for uninterrupted coverage and high quality long-term care.
- Reduce errors and injury to residents.
- Reduce overtime, burnout, and injuries to staff. Due to staffing shortages and recruitment difficulties, CalVet has relied on overtime for prolonged periods. This has resulted in hazardous fatigue, medication errors, injuries, and even refusal to work.
- Use health management guidelines of evidence-based best practices regulations.
- Allow staff to take vacation and annual leave time-off.
- Enable more staff training and development.

STAFF COMMENTS

Staff recommends approving the technical adjustment to the Residential Nursing Care proposal to provide the Department \$1.6 million General Fund in the budget year, and \$1.5 million General Fund ongoing in order to support 18 positions.

Staff Recommendation: Approve with Spring Finance Adjustment.

VOTE-ONLY ISSUE 3: VHC-WEST LOS ANGELES MEMORY CARE UNIT

CalVet requests 32 positions and \$3.321 million (General Fund) in 2016-17 in order to staff the last Skilled Nursing Facility at the West LA Veterans (WLA) Home. This proposal includes \$4 million for ongoing support of 40 positions.

BACKGROUND

This proposal would allow for adequate staffing of the remaining 30 Skilled Nursing Facility – Memory Care beds. When funding was initially approved for the WLA home in the 2010 Budget, the funding for this unit was not included due to a miscalculation. Given the time it has taken to ramp up the WLA facility, CalVet chose not to commit further General Fund until the surrounding units were filled. In 2015-16, VHC-WLA received 122 applications to be admitted to the SNF-MC unit, and there is an 80-person waiting list. Without this funding, the final 30 beds will remain vacant. This new facility also would be staffed at the 1.77 level mentioned in detail in the Residential Nursing Care BCP.

Shortly after this proposal was heard in Subcommittee on April 5th, the LAO and Department revised the proposal. The funding and positions requested will provide the 1.77 nursing relief factor to both Skilled Nursing Facilities on the West LA campus.

STAFF COMMENTS

This proposal would allow CalVet to hire staff that would allow the last SNF-MC unit in the WLA Home to be filled to 396 residents, and staff the other SNF at the 1.77 nursing relief factor. Staff recommends approval.

Staff Recommendation: Approve as Budgeted to provide new nursing relief factor to both SNFs at West LA.

VOTE-ONLY ISSUE 4: VHC-YOUNTVILLE KITCHEN RENOVATION

This proposal requests \$5.905 million in order to renovate the main kitchen at the Yountville Veterans Home.

BACKGROUND

The kitchen equipment at the Yountville Veterans Home was last upgraded in 1998, almost 20 years ago. According to the Department, the life expectancy of industrial kitchen equipment is ten years in a production kitchen, and considering that the Home produces over a million meals annually, the current equipment is no longer function able. Due to the non-functioning equipment, the existing kitchen at Yountville is poorly equipped and unable to serve the needs of residents properly.

The scope of the proposal includes the following:

- Installation of the new kitchen equipment
- Replacement of walk-in freezers, refrigerators, and condenser rack
- Recess slabs and building modifications as needed at new freezer and refrigerator locations
- Repair the ventilation system
- Resurface flooring with self-leveling resin type flooring
- Update compliance with Americans with Disabilities Act path of travel modifications.

The Department of General Services (DGS) provided the department an itemized cost estimate for the project, including initial inspection and management activities. DGS estimates total construction costs at \$4.3 million (\$4 million for the contract and \$278,000 to account for 7 percent construction contingency), assuming a 10-month construction period. With additional architectural and engineering services (\$847,200) and other project costs (\$796,000), the total estimated project cost is \$5.9 million.

STAFF COMMENTS

This proposal was first heard in Subcommittee on April 5th. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 5: HUMAN RESOURCES DIVISION STAFF

CalVet requests \$334,000 (\$301,000 General Fund and \$33,000 Farm and Home Building Fund of 1943) and three positions in 2016-17 in order to provide personnel management service, support, oversight, training, and guidance to programs including the eight Veterans Homes of California as a result of rapid growth.

This request includes three ongoing positions as well as \$317,000 (\$286,000 General Fund and \$31,000 Farm and Home Building Fund of 1943) annually.

BACKGROUND

Since 2009-10, staffing at CalVet has increased about 56 percent, largely due to the opening of the five newest Veterans Homes. The opening of the new Veterans Home of California-Fresno and Veterans Home of California-Redding, the expansion of the Veterans Home of California-West Los Angeles, and the development of the Seaside cemetery has generated new additional workload for Classification and Pay (C&P) analysts related to the extensive recruitment efforts and hiring of staff. These analysts also provide assistance and direction to the veterans homes' Human Resources staff.

Currently, Human Resources Division has three permanent C&P Analysts that provide guidance, consultation, make recommendations and review all recruitment, and performance management efforts for all headquarters divisions and eight veterans' homes. The Transactions Unit currently has one Senior Personnel Specialist and one Personnel Specialist. They are dedicated to technical transaction processing such as appointments, leave, retirement, benefits, workers compensation, and state disability insurance.

Additionally, the Transactions Unit within the Human Resources Division is unable to keep current with new policies and procedures set by CalHR, the State Controller's Office, and the California Public Employees' Retirement System.

STAFF COMMENTS

This proposal was first heard in Subcommittee on April 5th. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 6: VETERANS HOUSING AND HOMELESS PREVENTION PROGRAM

This proposal requests four positions and \$406,000 from the Housing for Veterans Fund in 2016-17 in order to support the development, implementation, and monitoring of the Veterans Housing and Homeless Prevention Program. This proposal also requests four positions and \$384,000 to support the ongoing functions of the positions requested in the Budget Change Proposal.

BACKGROUND

California is home to nearly two million veterans, the largest veteran population in the nation. In 2009, the federal government announced the goal of ending veteran homelessness by the end of 2015. However, as of January 2015, 11,311 California veterans were homeless. This represents nearly 24 percent of the nation's homeless veterans.

In response to the federal movement to end veteran homelessness, AB 639 (Pérez), Chapter 727, Statutes of 2013, created the Veteran Housing and Homelessness Prevention Act of 2014, which authorized the issuance of \$600 million in bonds to provide multifamily housing to veterans. In June 2014, California voters approved Proposition 41, which provided financial support for the Veterans Housing and Homeless Prevention Bond Act of 2014. Neither the Act nor Prop 41 authorizes state funds to support social supportive services or operating subsidies. As these important services are still necessary to the program's operation, but are not funded, the programs developed a need to incentivize the developers and communities to provide these items. Over the past year, the veteran community demanded that CalVet be intricately involved in all phases of the program development and implementation.

STAFF COMMENTS

CalVet currently lacks sufficient staff to fulfill its role in advocating for veterans and ensuring that programs developed are in accordance with the Act and are in the best interest of California's veterans and the state. Each project must submit a plan that explains how services will be provided to veterans, and this plan is approved by the Department. The positions requested in this BCP are in line with the veteran community's desire to have CalVet support the development, implementation, and monitoring of the VHHP.

This proposal was first heard in Subcommittee on April 5th. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 7: SPRING FINANCE LETTER: VETERAN SERVICES DIVISION SUPPORT

CalVet requests \$1.7 million General Fund to fund sixteen existing but unfunded positions and to reclassify four positions in order to process claims for federal veteran benefits. This augmentation includes \$1.7 million in ongoing costs.

BACKGROUND

The CalVet manages three District Offices throughout the state, which are co-located within the United States Department of Veterans Affairs (USDVA) Regional Offices in Los Angeles, Oakland, and San Diego. The funding requested in this Spring Finance Letter would provide funding for sixteen existing, but unfunded, positions and to reclassify four positions at the District Offices throughout the State. These positions will ensure that California's veterans and their families receive proper federal claims representation as well as receive their federal benefit awards in a timely manner.

The Budget Act of 2013 included an additional \$3 million General Fund and 36 limited-term positions for three years to CalVet to initiate the Joint Claims Initiative. The Joint Claims Initiative is a partnership between USDVA and CalVet, which formed a twelve-person "Strike Team" in each of the District Offices. These positions were aimed at reducing the backlog of pending initial entitlement claims. The Budget Act of 2015 made the 36 positions permanent; however, associated funding is still set to expire on June 30, 2016.

The following chart displays the current and proposed positions from this proposal.

Location	<u>Currently Projected 2016-17 Position Funding</u>	<u>Requested 2016-17 Funding in this Proposal</u>	<u>Total 2016-17 and ongoing Positions if Proposal is Approved</u>
Los Angeles	1 Staff Services Manager (SSM) I 4 Associate Governmental Program Analysts (AGPA) 1 Office Technician, Typing (OT(T))	Reclassify SSM I to SSM II 5 AGPAs	1 SSM II 9 AGPAs 1 OT(T)
Oakland	1 SSM 5 AGPAs 1 OT(T)	Reclassify SSM I to SSM II 7 AGPAs	1 SSM II 12 AGPAs 1 OT(T)
San Diego	1 SSM I 2 AGPAs 1 OT(T)	Reclassify SSM I to SSM II 3 AGPAs	1 SSM II 5 AGPAs 1 OT(T)

The chart below provides veteran population per USDVA Regional Office jurisdiction:

Location	<u>Veteran Population for Region</u>	<u>Number of Veterans per Projected 2016-17 Funded Claims Staff in Region</u>	<u>Number of Veterans Per Claims Staff With Approved Proposal</u>
Los Angeles	549,190	137,298	61,021
Oakland	761,620	152,324	63,468
San Diego	491,636	245,818	98,327

This proposal would make the funding for sixteen of these positions permanent, reclassify one AGPA to AMA, and upgrade one of the three District Office managers from SSM I to SSM II.

STAFF COMMENTS

This proposal was first heard in Subcommittee on May 3rd. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 8: SPRING FINANCE LETTER: ADMINISTRATIVE SUPPORT SERVICES

CalVet requests \$1.75 million (\$1.65 million General Fund and \$103,000 Farm and Home Building Fund) for 2016-17 in order to fund fifteen currently authorized but unfunded positions to provide support to various CalVet programs. This proposal also requests \$1.67 million (\$1.6 million General Fund and \$99,000 Farm and Home Building Fund) ongoing.

BACKGROUND

CalVet has grown exponentially in the past few years. Between 2010 and 2013, five new Veteran Homes opened. Not only has the number of Veterans Homes in the State increased, but also have gone from one Veteran Cemetery to three since 2004 (the California Central Coast Veterans Cemetery is scheduled to open in Summer 2016.) More information about the expansion of the Department is included in the previous issue regarding the additional need for Human Resources Division Staff.

The requested positions in this proposal are:

Information Services Division

- 1 Staff Information System Analyst
- 1 Assistant Information System Analyst

Contracts

- 1 Staff Services Manager I
- 3 Associate Governmental Program Analysts
- 1 Office Assistant General

Human Resources Division

- 1 Staff Services Manager I
- 3 Associate Personnel Analysts

Legal Division

- 1 Attorney III

Reasonable Accommodation

- 1 Staff Services Manager I

Payroll-Based Journal

- 2 Associate Governmental Program Analysts

Information Services Division. The additional positions will allow ISD to support the current volume of incoming Helpdesk and desktop requests. Requested resources will be measured along with workload improvements through monthly workload analysis reports.

Contracts. The additional staffing in this division will allow 100 percent of the bidding and contract processes for all eight Veterans Homes and three cemeteries to be completed by the Headquarters Contracts Unit.

Human Resources, Legal Division, and Reasonable Accommodation. The requested positions will enable CalVet to provide and assist with meeting the new homes' recruitment shortfalls, as well as adequately train managers/ supervisors and personnel staff in the areas of personnel/performance management and employee-employer labor relations.

Payroll-Based Journal. The requested positions will enable the Veterans Homes to submit the required data in the specified format to the Centers for Medicare and Medicaid Services (CMS).

STAFF COMMENTS

This proposal was first heard in Subcommittee on May 3rd. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 9: SPRING FINANCE LETTERS: YOUNTVILLE VETERANS HOME RENOVATIONS

The Subcommittee will hear two proposals related to renovations at the Veterans Home of California – Yountville.

The first proposal requests a reappropriation of the unencumbered balances of the working drawings and construction phases of the Steam Distribution Renovation project. The total estimated project costs for working drawings and construction are \$6.9 million (\$2.8 million lease revenue bond funds and \$4.1 million federal funds).

The second proposal requests a reappropriation of the unencumbered balance of the construction phase of the Chilled Water Distribution System Renovation project. The total estimated project costs for construction are \$5.4 million (\$1.7 million lease revenue bond funds and \$3.7 million federal funds).

BACKGROUND

Steam Distribution System Renovation proposal. In the 2015-16 Budget, Calvet requested \$3,387,000 GF for the preliminary plans, working drawings and construction phases of the Veterans Home of California-Yountville Steam Distribution System Renovation. The current proposal reappropriates unencumbered balances from last year's proposal in order to continue with the project. As a result of design and contracting delays, completion of preliminary plans is scheduled for March 2017. Working drawings are schedule for completion by April 2018 and construction is scheduled to being in October 2018.

The steam system provides heating and hot water to all 120 buildings at the Yountville facility. This project includes replacement of underground lines and valves and removal of badly deteriorated asbestos insulation that is a safety hazard. Renovation of the system will ensure a safer and more energy efficient operation and the uninterrupted availability of steam for the facility's critical daily operations.

Chilled Water Distribution System Renovation proposal. In the 2015-16 Budget, CalVet requested an appropriation of \$2,236,000 for the working drawing and construction phases of the Veterans Home of California – Yountville Chill Water Distribution System Renovation. The current proposal reappropriates unencumbered balances from last year's proposal in order to continue with the project. As a result of design and contracting delays, completion of the working drawings is scheduled for August 2016. Construction is scheduled to begin January 2017 and project completion is scheduled for April 2018.

This project will correct system deficiencies and increase chiller capacity, which will ensure the facility has the required chiller capacity to maintain a proper temperature throughout the campus to protect the health and safety of the elderly and/or disabled veteran residents.

STAFF COMMENTS

These proposals were first heard in Subcommittee on May 3rd. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve both the Steam Distribution and Chilled Water Distribution Systems proposals.

0890 SECRETARY OF STATE**VOTE-ONLY ISSUE 10: AB 120 SUPPLEMENTAL REPORT LANGUAGE**

On Tuesday, April 26th, this Subcommittee heard a request from the Secretary of State for \$16.3 million in immediate funding to address unanticipated workload associated with the State Primaries and the verification of signatures for petitions to appear on the November Ballot.

BACKGROUND

When the Subcommittee heard AB 120, the committee discussed Supplemental Reporting Language on the amount dispersed to counties. The language is as follows:

Reimbursement of Election Costs to County Governments. Chapter 11 of 2016 (AB 120, Committee on Budget) establishes a process through which as much as \$16.3 million can be reimbursed to counties that request assistance to pay for identified costs incurred between April 26, 2016 and July 15, 2016 in conducting the June 7, 2016 primary election simultaneously with completing statewide initiative signature verifications in a timely manner. On or before January 10, 2017, the Secretary of State shall submit to the Joint Legislative Budget Committee and the fiscal committees of both houses of the Legislature a report that includes the following information:

- (a) The formula developed by the Secretary of State that was used to determine the maximum amount of money counties seeking reimbursement were eligible to receive as reimbursement pursuant to this item.
- (b) For each county seeking reimbursement, the maximum amount of money available for reimbursement under this item as determined by the formula developed by the Secretary of State.
- (c) For each county seeking reimbursement, the amount of money those counties reported to the State Controller as costs incurred between April 26, 2016 and July 15, 2016 in conducting the June 7, 2016 primary election simultaneously with completing statewide initiative signature verifications in a timely manner.
- (d) For each county seeking reimbursement, the amount of money received pursuant to this item.

STAFF COMMENTS

Staff recommends approval of the Supplemental Report Language.

Staff Recommendation: Approve Supplemental Report Language, as specified.

VOTE-ONLY ISSUE 11: SPRING FINANCE LETTER: CAL-ACCESS REPLACEMENT PROJECT

SOS requests an augmentation of \$757,000 in Budget Year 2016-17 from the Political Disclosure, Accountability, Transparency, and Access (PDATA) Fund in order to procure contracted services to assist with the completion of system and business requirements, additional market research, and project management to implement the California Automated Lobbying and Campaign Contribution and Expenditure Search System (CAL-ACCESS) replacement project.

BACKGROUND

When CAL-ACCESS was first launched fifteen years ago, it promised to increase accountability and transparency. However, the system has not kept pace with policy changes or technological advances. According to the Secretary of State, replacing CAL-ACCESS will “give SOS the opportunity to improve efficiency and customer service using mechanisms such as electronic workflow and online/electronic communication with users... These opportunities will eliminate manual processes and improve functionality for registration, campaign review, correspondence and enforcement activities, and the ‘workarounds’ necessary to accommodate the new legislative mandates.” The Department maintains that this improved data validation will lead to better data quality as well as the opportunity to provide more transparency and a wider range of reporting to the public.

This proposal makes progress toward the replacement of CAL-ACCESS, which is beyond its useful life, unsupported, and at risk of failure. It also responds to the Administration’s priorities to improve and expand campaign finance and lobbying activity transparency. The Secretary of State anticipates making a future funding request based upon the results of the Project Approval Lifecycle Stage/Gate process to complete the project.

STAFF COMMENTS

This proposal was first heard in Subcommittee on May 3rd. Staff notes no concerns and recommends approval.

Staff Recommendation: Approve as budgeted.

ISSUE 12: BUSINESS FILINGS AND CALIFORNIA BUSINESS CONNECT PROJECT

SOS requests \$2.6 million (\$2 million from the Business Programs Modernization Fund and \$605,000 from the Business Fees Fund) in spending authority in Budget Year 2016-17, in order to continue implementation of the California Business Connect project. An additional \$325,000 is also requested for temporary help (and corresponding DGS service fees) in order to backfill staff positions redirected to the project.

BACKGROUND

Business Filings. The Secretary of State's Business Programs Division continues to process business formation filings and Statements of Information within an average of five business days. January 2016 was an exception at an average of six business days due to increased business filings and year-end workload. This is the only time since reaching the five business day average in October 2013 that processing times have exceeded the five business day average.

California Business Connect. The California Business Connect project is an effort to replace the antiquated and labor-intensive business filing process with a modern automated process that will both improve the customer experience and reduce operational costs for the State. The project includes a comprehensive technology upgrade that will increase online services for business filings and copy orders, allowing the Secretary of State to process documents within as quickly as a few hours and avoid seasonal processing fluctuations. This will allow business to quickly open their doors, create bank accounts, acquire loans, hire employees, and generate income regardless of the time of year, creating a friendlier business environment in California.

Currently, the Uniform Commercial Code and Statement of Information filings are on paper, manually sorted, tracked on different automation systems, including a system on three-inch by five-inch index cards. The SOS received its feasibility study report (FSR) approval for the project on April 1, 2011; and a contract was awarded on January 10, 2014. On April 10, 2015, the SOS and its system integrator, Bodhtree Solutions Inc., mutually terminated the contract for \$8.9 million.

Special Project Report #2. On December 28, 2015, the SOS submitted a Special Project Report (SPR) to the California Technology Department which proposed:

- Changing the project scope to focus on the largest annual volume filings and reducing the complexity of the project,
- Changing the schedule to a phased implementation approach; and
- Changing the project's budget.

The revised project was approved by the California Department of Technology on April 1, 2016. According to the Department, "Instead of a big bang implementation of all filings, a more results oriented, risk based approach is proposed. In addition, the project will include a fewer number of filing types to focus resources on the most common and

largest volume filing types. The Business Programs Division will add the low volume, niche filings to the system after this project is completed thus reducing the initial complexity of the core implementation. The project approach will be to phase the system and accompanying functionality into production by lines of business, to minimize the risk to the organization and to maximize the benefit to the organization including the benefit of decommissioning legacy systems.

The project efforts will be focused on the highest volume filings for the most common lines of business.

- Business Entities:
 - Limited Liability Companies
 - Limited Partnerships
 - Corporations
- Uniform Commercial Code (UCC)
 - Financing Statements
 - Federal and State Tax Lien Notices
 - Other lien notices including Judgment Liens and Attachment Liens
- Trademarks and Service Marks

After a thorough analysis and refinement of business processes, the Secretary of State will conduct a business-based procurement solicitation for California Business Connect. SOS provided the following information regarding the project timelines:

Major Milestones	Estimated Completion Date
Release of Request For Proposal	8/01/2017
Contract Awarded	9/01/2018
Vendor On-board	11/01/2018
Phase 1: LLC & LP Deployment	8/31/2019
Phase 2: Corporations Deployment	2/29/2020
Phase 3: Uniform Commercial Code Deployment	8/31/2020
Phase 4: Trademarks Deployment	1/31/2021
First Year Contract Maintenance and Operations	1/31/2022
Post Implementation Evaluation Report	1/31/2022

January Budget Request. In January, the Governor's budget requested 52 temporary help positions to assist in processing business filings and statements of information until California Business Connect is implemented in 2020. This proposal is still being held open by this Subcommittee.

Spring Finance Letter Request. SOS requests \$2.6 million (\$2 million from the Business Programs Modernization Fund and \$605,000 from the Business Fees Fund) in spending authority in Budget Year 2016-17, in order to continue implementation of the California Business Connect project. An additional \$325,000 is also requested for temporary help (and corresponding DGS service fees) in order to backfill staff positions redirected to the project.

STAFF COMMENTS

This January Budget request was heard in this Subcommittee on April 19th. The Spring Finance Letter request was heard on May 3rd. Staff notes no concerns and recommends approval of both the January and Spring Finance requests.

Staff Recommendation: Approve both the January proposal and Spring Finance Letter.

ITEMS TO BE HEARD

8955 DEPARTMENT OF VETERANS AFFAIRS

ISSUE 1: CAL-TAP PROGRAM

The Department of Veterans Affairs (CalVet) requests \$813,000 General Fund in Budget Year 2016-17 and \$774,000 General Fund annually thereafter to support seven positions, of which five are existing but unfunded, which will support the California Transition Assistance Program (Cal-TAP) within the Veteran Services Division of the CalVet.

BACKGROUND

AB 1509 (Hernandez) Chapter 647, Statutes of 2014 required CalVet to develop a transition assistance program plan to assist veterans who have been discharged from the Armed Forces of the United States or the National Guard of any state, as specified. The bill also required the program plan to include certain California-specific transition assistance information.

The Department of Defense (DoD) Transition Assistance Program (TAP) was developed in 1990 to assist separating and retiring military members in preparing for their transition back to civilian life. The program consisted of a one-week curriculum that primarily focused on employment. The TAP was coordinated by the Department of Labor (DOL) and provided three days of employment training focusing on identifying transferable skills, resume writing, and effective interviewing techniques. The remaining scheduled curriculum was filled by representatives of the United States Department of Veterans Affairs (USDVA) and DoD family support networks.

The largest criticism of the TAP program was that it was not available to all separating service members with often times no program in place for National Guard or Reserve members. Additionally, the USDVA role was so minimal that it was not possible to properly disseminate nor retain the volumes of information delivered in such a short period of time. The USDVA benefits education portion of the program was often referred to as "drinking from a fire-hose." The DoD representatives that presented at TAP were also criticized for lacking the understanding of the civilian world and the myriad of challenges service members might face once they took the uniform off.

In the federal Vow to Hire Heroes Act of 2011, a new transition program for exiting service members was mandated. Over the past three years, the DoD, USDVA, DOL, along with partners like the Small Business Administration, United States Department of Education have restructured the program formerly known as TAP into what is now called Transition: Goals, Plans, Success (T-GPS). The focus of the T-GPS program is to develop a curriculum that can be standardized and delivered with consistency across all branches of the military. Additionally, the T-GPS program was made mandatory for all exiting service members and is also available to spouses in a live classroom or

online format up to 12 months before separation. T-GPS is an outcome-based modular curriculum which offers a core curriculum with standardized learning objectives. The program's goal is to prepare service members for the transition to civilian life by aligning their experience and knowledge obtained in the military with their civilian career goals. The program is designed to achieve this alignment by offering service members three distinct tracts; Education, Technical Training, and Entrepreneurship. The training modules are delivered by the Military Services and partnering agencies at installations across the country.

The Cal-TAP curriculum will be developed based on current best practices and the analysis of veteran demographic and benefits usage data regionally. Curriculum will continuously be evaluated with recommendations derived from up to date veteran data and research analysis, producing recommendations for targeting outreach and information to meet the veteran need. To inform and connect veterans of all eras successfully, a core curriculum will be developed that upon completion will lead veterans into three pathways: education, employment, and entrepreneurship—a total of 22 modules.

This proposal requests funding for 1.0 Staff Services Manager II and 6.0 Associate Governmental Program Analysts (AGPA) including position authority for 2.0 of these positions to develop and continuously update the online and in-person curriculum. Experts from organizations who administer programs and benefits for veterans will deliver the curriculum, and veterans can hear directly from the CalVet, USDVA, and numerous non-profit community-based organizations about specific benefits and services available nationally, state-wide, or more importantly in the community where they live.

Implementation Plan:

- June 2016 - Post job announcements
- June 2016 - Interview applicants
- July 2016 - Hire and onboard incumbents.

STAFF COMMENTS

Staff recommends asking CalVet the following questions:

- How many Veterans does CalVet anticipate serving over the next few budget years/expected caseload?
- What are some of the lessons learned from the previous CalTap program and does the Department have a plan moving forward to implement best practices?

Staff Recommendation: Hold open.

0890 SECRETARY OF STATE

ISSUE 2: VOTER INFORMATION GUIDE

The Secretary of State (SOS) requests \$10 million General Fund for additional costs related to the Voter Information Guide (VIG). Specifically, this funding will be used to print the principal and supplemental voter information guides (VIG) for the 2016 Election. The proposal also includes budget bill language to specify that resources can only be used for printing the 2016 VIG; and prior to expending funds, the SOS must provide a report to Department of Finance. In addition, the language authorizes any unexpended funds to revert to the General Fund.

BACKGROUND

This year's election cycle is shaping up to be one of the most contentious in decades. The November 2016 ballot is expected to have a large number of initiatives for consideration, and thus the voter information guide will include more detail than in previous years. On April 29, 2016, the Governor signed Assembly Bill 120 (Budget Committee), Chapter 11, Statutes of 2016, which provided \$16.3 million GF to the SOS to provide counties reimbursement for elections costs related to the June 2016 primary. AB 120 does not include funding for the printing of the voter information guide.

The request includes language that requires the Secretary of State to "provide a detailed report to the Department of Finance." As proposed, the language does not indicate what information would be reported to Finance, when the information will be provided, or the purpose of the report.

The Subcommittee may wish to consider the following language:

0890-001-0001—For support of Secretary of State
 239,038,000

Schedule:

- (1) 0700-Filings and Registrations 1,181,000
- (2) 0705-Elections 429,350,000
- (3) 0710-Archives 8,174,000
- (4) 0715-Department of Justice Legal Services 333,000
- (5) 9900100-Administration 24,467,000
- (6) 9900200-Administration—Distributed -24,467,000

Provisions:

1. The Secretary of State shall not expend any special handling fees authorized by Chapter 999 of the Statutes of 1999 which are collected in excess of the cost of administering those special handling fees unless specifically authorized by the Legislature.
2. Of the funds appropriated in this item, \$15,733,000 is available for the purposes of preparing, printing, and mailing the state ballot pamphlet pursuant to Article 7 (commencing with Section 9080) of Chapter 1 of Division 9 of the Elections Code. At least 30 days before these funds are expended, the Secretary of State shall submit to the Director of Finance and the chairperson of the Joint Legislative Budget Committee an itemized estimate of these costs. Any unexpended funds pursuant to this provision shall revert to the General Fund.

STAFF COMMENTS

At this Subcommittee’s hearing on April 26th, the Secretary of State mentioned that the increased cost for the Voter Information Guide would be around \$8.7 million. The Subcommittee may wish to have SOS explain the increase in cost.

Staff recommends holding this item open to consider the proposed changes to the budget bill language.

Staff Recommendation: Hold open.

1110/1111 DEPARTMENT OF CONSUMER AFFAIRS

ISSUE 3: BOARD OF BEHAVIORAL SCIENCES EXAMINATION VENDOR CONTRACT

The Board of Behavioral Science requests budget authority for \$1.5 million in fiscal year (FY) 2016- 17 to amend its examination vendor contract in order to accommodate a higher number of test takers, resulting from the Board's recent examination restructure required by SB 704 (McLeod) Chapter 387, Statutes of 2011.

BACKGROUND

At the time the Board proposed the examination restructure, it considered the costs associated with the examination change; specifically the costs to develop the examination. The Board noted that the examination development costs would be absorbable. Since the candidate pays for the examination when the examination application and fee is submitted, the Board did not anticipate any issues associated with paying the examination contract. However, under the current budget structure, the Board is unable to redirect current budget authority, despite receiving sufficient revenue, to cover the increase in examination contract costs.

Under the new examination process, all Board registrants are required to take and pass a Law and Ethics examination. Once a registrant passes the Law and Ethics examination, they are not required to retake the examination. Currently, the Board anticipates a substantial influx of registrants who will be required to submit an application to take the Law and Ethics examination within the next two fiscal years. Registrants who are not successful in the Law and Ethics examination will have the opportunity to retake the examination every 90 days. The Board estimates that it will receive over 61,000 applications (initial examination application and retake applications) in FY 2016-17.

Fiscal Year	2016-17
Initial Registrants*	8,627
Existing Registrants required to take exam	30,634
Total first exam	39,261
First retake applications**	15,704
Subsequent retake applications **	6,282
Total exam applications received annually	61,247
*includes MFTI, ASW, PCI	
** assumes 60% pass rate	

According to the Board, it is unable to absorb these additional contract costs, caused by an influx of Law and Ethics exam test takers, within its existing resources.

STAFF COMMENTS

On April 19th, this Subcommittee approved the Board's request for \$557,000 in 2016-17, and \$533,000 in 2017-18 and ongoing in order to fund eight positions in the licensing and examination units to address the ongoing increase of applications and to reduce processing times. In conversations with the Board, it was noted that a fee increase may be needed in order to keep the Board's fund from insolvency, however nothing has been proposed by the Board at this time.

Staff Recommendation: Hold open.

ISSUE 4: BOARD OF OPTOMETRY REGISTERED DISPENSING OPTICIANS TRAILER BILL LANGUAGE

The Administration proposes amendments to the trailer bill language as follows:

Business and Profession Code Section 3010.5. is amended to read:

(a) There is in the Department of Consumer Affairs a State Board of Optometry in which the enforcement of this chapter is vested. The board consists of 11 members, five of whom shall be public members and one of the nonpublic members shall be an individual registered as a dispensing optician, spectacle lens dispenser or a contact lens dispenser. The registered dispensing member shall be registered pursuant to Chapter 5.5. (commencing with Section 2550) and in good standing with the board.

Six members of the board shall constitute a quorum.

(b) The board shall, with respect to conducting investigations, inquiries, and disciplinary actions and proceedings, have the authority previously vested in the board as created pursuant to former Section 3010. The board may enforce any disciplinary actions undertaken by that board.

(c) This section shall remain in effect only until January 1, 2018, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2018, deletes or extends that date. Notwithstanding any other law, the repeal of this section renders the board subject to review by the appropriate policy committees of the Legislature.

(d) The amendments effected by this act shall apply retroactively, to appointments made on or after January 1, 2016.

Business and Profession Code Section 3011. is amended to read:

Members of the board, except the public members and the registered dispensing optician member, registered dispensing member, registered pursuant to Chapter 5.5. (commencing with Section 2550), shall be appointed only from persons who are registered optometrists of the State of California and actually engaged in the practice of optometry at the time of appointment or who are members of the faculty of a school of optometry. The public members shall not be a licentiate of the board or of any other board under this division or of any board referred to in Sections 1000 and 3600.

No person except the registered dispensing optician member, including the public members, shall be eligible to membership in on the board who is a stockholder in or owner of or a member of the board of trustees of any school of optometry or who shall be financially interested, directly or indirectly, in any concern manufacturing or dealing in optical supplies at wholesale.

No person shall serve as a member of the board for more than two consecutive terms.

A member of the faculty of a school of optometry may be appointed to the board; however, no more than two faculty members of schools of optometry may be on the board at any one time. Faculty members of the board shall not serve as public members.

The amendments effected by this act shall apply retroactively, to appointments made on or after January 1, 2016.

Business and Profession Code Section 3013. is amended to read:

(a) Each member of the board shall hold office for a term of four years, and shall serve until the appointment and qualification of his or her successor or until one year shall have elapsed since the expiration of the term for which he or she was appointed, whichever first occurs.

(b) Vacancies occurring shall be filled by appointment for the unexpired term.

(c) The Governor shall appoint three of the public members, five members qualified as provided in Section 3011, and the registered member, as provided in Section 3010.5. The Senate Committee on Rules and the Speaker of the Assembly shall each appoint a public member.

(d) No board member serving between January 1, 2000, and June 1, 2002, inclusive, shall be eligible for reappointment.

(e) For initial appointments made on or after January 1, 2003, one of the public members appointed by the Governor and two of the professional members shall serve terms of one year. One of the public members appointed by the Governor and two of the professional members shall serve terms of three years. The remaining public member appointed by the Governor and the remaining two professional members shall serve terms of four years. The public members appointed by the Senate Committee on Rules and the Speaker of the Assembly shall each serve for a term of four years.

(f) The initial appointment of a registered dispensing optician, spectacle lens dispenser or a contact lens dispenser member shall replace the optometrist member whose term expired on June 1, 2015.

(g) The amendments effected by this act shall apply retroactively, to appointments made on or after January 1, 2016.

Business and Profession Code Section 3020. is amended to read:

(a) There shall be established under the State Board of Optometry a dispensing optician committee to advise and make recommendations to the board regarding the regulation of a dispensing opticians, spectacle lens dispensers and contact lens dispensers, registered pursuant to Chapter 5.5 (commencing with Section 2550). The committee shall consist of five members, one shall be a registered dispensing optician, two of whom shall be a one shall be a spectacle lens dispenser or a contact lens dispenser, registered pursuant to Chapter 5.5 (commencing with Section 2550), two of shall be public members, and one shall be a member of the board. Initial appointments to the committee shall be made by the board. The board shall stagger the terms of the initial members appointed. The filling of vacancies on the committee shall be made by the board upon recommendations by the committee.

(b) The committee shall be responsible for:

(1) Recommending registration standards and criteria for the registration of dispensing opticians, non-resident contact lens seller, spectacle lens dispensers, and contact lens dispensers.

(2) Reviewing of the disciplinary guidelines relating to registered dispensing opticians, non-resident contact lens seller, spectacle lens dispensers, and contact lens dispensers.

(3) Recommending to the board changes or additions to regulations adopted pursuant to Chapter 5.5 (commencing with Section 2550).

(4) Carrying out and implementing all responsibilities and duties imposed upon it pursuant to this chapter or as delegated to it by the board.

(c) The committee shall meet at least twice a year and as needed in order to conduct its business.

(d) Recommendations by the committee regarding scope of practice or regulatory changes or additions shall be approved, modified, or rejected by the board within 90 days of submission of the recommendation to the board. If the board rejects or significantly modifies the intent or scope of the recommendation, the committee may request that the board provide its reasons in writing for rejecting or significantly modifying the recommendation, which shall be provided by the board within 30 days of the request.

(e) After the initial appointments by the board pursuant to subdivision (a), the Governor shall appoint the registered dispensing optician members and the public members. The committee shall submit a recommendation to the board regarding which board member should be appointed to serve on the committee, and the board shall appoint the member to serve. Committee members shall serve a term of four years except for the initial staggered terms. A member may be reappointed, but no person shall serve as a member of the committee for more than two consecutive terms.

The amendments effected by this act shall be retroactively effective on January 1, 2016.

STAFF COMMENTS

When the language was first drafted, the Administration used the term “Registered Dispensing Optician” or (RDO) as a catch-all phrase. However, it has been brought to the Board’s attention that an RDO typically refers to a location or a business owner. The clarifications in this language address this concern.

Staff recommends holding this proposal open to have time to discuss with stakeholders.

Staff Recommendation: Hold open.

ISSUE 5: BUREAU OF MEDICAL MARIJUANA REGULATION TRAILER BILL LANGUAGE

The intent of the proposed trailer bill language is to implement the Medical Marijuana Regulation and Safety Act, a package of bills passed in 2015.

BACKGROUND

Establishment of a Bureau to Oversee Medical Marijuana Regulation. As medicinal marijuana has become more prevalent in California, so has the need to create regulatory framework for the cultivation, transportation, quality, and distribution of medical marijuana. Three policy bills were passed last year, which established the Medical Marijuana Regulation and Safety Act within the Business and Professions Code. The following bills compose the Medical Marijuana Regulation and Safety Act:

- AB 243 (Wood, Chapter 688, Statutes of 2015) establishes the Medical Marijuana Regulation and Safety Act Fund and appropriates \$10 million.
- AB 266 (Cooley, Chapter 689, Statutes of 2015) establishes articles related to licensed cultivation sites, funding, penalties and violations, and a study with the California Marijuana Research Program.
- SB 643 (McGuire, Chapter 719, Statutes of 2015) establishes standards for a physician and surgeon prescribing medical cannabis and allows the Governor to appoint a Bureau Chief.

Budget Overview. The Budget includes a loan of \$5.4 million to the Medical Marijuana Regulation and Safety Act Fund in order to fund initial regulatory activities. In addition, the Budget includes \$12.8 million General Fund, \$10.6 million Medical Marijuana Regulation and Safety Act Fund, \$1.2 million other special funds, and 126 positions to implement the regulation of medical marijuana in California. The funding and regulatory responsibility to implement the Act is shared by six Departments and Boards, including:

- **Department of Consumer Affairs.** \$1.6 million in 2015-16 and \$3.8 million from the Medical Marijuana Regulation and Safety Act Fund and 25 positions in 2016-17 to create the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs. The Bureau will regulate the cultivation, transportation, quality, and distribution of medical marijuana.
- **Department of Public Health.** \$457,000 in 2015-16 and \$3.4 million from the Medical Marijuana Regulation and Safety Act Fund and 14 positions in 2016-17 for the licensing and regulation of medical marijuana product manufacturers and testing laboratories.

- **Department of Food and Agriculture.** \$3.3 million in 2015-16 and \$3.4 million from the Medical Marijuana Regulation and Safety Act Fund and 18 positions in 2016-17 to provide Medical Cannabis Cultivation Program administrative oversight, promulgate regulations, issue medical marijuana cultivation licenses, and perform an Environmental Impact Report. The Department of Food and Agriculture will also be responsible for developing a program to report the movement of medical marijuana products throughout the distribution chain using unique identifiers.
- **Department of Pesticide Regulation.** \$700,000 from the Pesticide Regulation Fund and three positions in 2016-17 to develop guidelines for the use of pesticides in the cultivation of medical marijuana.
- **Department of Fish and Wildlife.** \$7.7 million from the General Fund to expand and make permanent the statewide multi-agency task force that addresses environmental impacts of medical marijuana cultivation. This task force will also regulate water diversions.
- **State Water Resources Control Board.** \$5.7 million (\$5.2 million General Fund and \$472,000 Waste Discharge Permit Fund) and 35 positions in 2016-17 to develop and implement a regulatory program to address the environmental impacts of medical cannabis cultivation. This program will protect the instream flows for fish from water diversions related to marijuana cultivation.

BUDGET CHANGE PROPOSAL

The Budget includes \$1.6 million and 9.7 positions in 2015-16, \$3.8 million and 25 positions in 2016-17, \$4.1 million in 2017-18, and \$492,000 in 2018-19, and 2019-20 in order to fund the development and initial start-up of the Bureau of Medical Marijuana Regulation. In budget year 2016-17, the Bureau of Medical Marijuana Regulation requests 25 positions.

TRAILER BILL LANGUAGE

The proposed Trailer Bill Language makes various changes to the Business and Professions, Fish and Game, Food and Agricultural, Water, and Revenue and Taxation Codes.

Department of Consumer Affairs Provisions Contained in the Administration's Proposed Medical Cannabis TBL:

The May Revision provides updated trailer bill language for the Medical Cannabis Regulation and Safety Act. The language, among other provisions:

1. Changes the Bureau's name from "Bureau of Medical marijuana Regulation" to "Bureau of Medical Cannabis Regulation"

2. Clarifies that each licensing authority in the Act has the power to enforce against its licensees and authorizes a licensing authority to promulgate regulations, including emergency regulations;
3. Authorizes licensing authorities to work with state and local law enforcement entities when carrying out investigation and enforcement related actions;
4. Establishes a filing deadline for individuals to submit an application for licensure
5. Requires additional conditions of licensures, such as security protocols as part of operative procedures and proof of bond to cover the cost of destroying product;
6. Gives the licensing entity the authority to provide a conditional license;
7. Clarifies how a distributor will take medical cannabis and products to a laboratory for testing
8. Authorizes the Board of Equalization (BOE), for purposes of taxation and regulation, to have access to the Department of Food and Agriculture's track and trace electronic database, of requiring the BOE to create a separate reporting system;
9. Shifts authority to license laboratories from the DPH to the Bureau of Medical Cannabis Regulation; and
10. Excludes a cannabis manufacturer, who infuses butter with cannabis, from having to be licensed as a milk product plant.

Department of Public Health Provisions Contained in the Administration's Proposed Medical Cannabis TBL:

1. Transfers licensing authority for marijuana testing laboratories from the Department of Public Health to the Department of Consumer Affairs.
2. Authorizes the product to transition from a cultivator to a manufacturer without going through a distributor.
3. Provides authority to DPH to:
 - Create additional licensures;
 - Utilize emergency regulations for the implementation of the medical marijuana program;
 - Issue conditional licenses;
 - Establish security requirements for manufacturers, and to add those requirements to regulations;
 - Establish packaging requirements, including requiring childproof packaging;
 - Issue fines, and specifically to issue fines for unlicensed activity;

- Request a corrective action plan for deficiencies found during inspections;
- Issue a press release if the department finds something wrong with a product;
- Define the product as misbranded and issue citations for misbranding a product;
- Define a product as adulterated and issue citations for adulterating a product;
- Issue a mandatory recall on a product; and to
- Embargo a product.

Natural Resources Provisions Contained in the Administration's Proposed Medical Cannabis TBL:

- 1. Clarifying Agency Roles in Protecting Streams.** The TBL clarifies that the State Water Resources Control Board (State Board), rather than the California Department of Food and Agriculture (CDFA), as the agency responsible for ensuring individual and cumulative effects of water diversion and discharge do not affect instream flows needed for fish (migration, spawning, and rearing) and to maintain natural flow variability. The State Water Board must consult with CDFA and the California Department of Fish and Wildlife (DFW) in developing requirements. Requirements established by the State Water Board and DFW to protect instream flows must be included in CDFA's cannabis cultivation licenses.
- 2. Licensing and Enforcement.** The TBL establishes requirements for water supply information when growers apply for a license from CDFA as follows:
 - For the first five years, requires that all CDFA licenses must include a pending application, registration or other water right documentation filed with the Water Board.
 - Beginning 2020, all licenses must have a valid water right. *Business & Prof. Code, Section 19332.2*

The TBL specifies that CDFA licenses will include applicable in-stream flow requirements set by SWRCB and DFW. *Business & Prof. Code, Section 19332.2e*. The TBL specifies that CDFA licenses must also specify that they are not effective until the licensee has received a DFW-issued lake and streambed alteration agreement or is told by CDFW that it is not needed. *Business & Prof. Code, Section 19332.2*.

- 3. Coordination of DFW and SWRCB.** The TBL gives DFW the authority to advise a cultivator that a streambed alteration Agreement is not necessary if the license includes streamflow and other protective measures specified by DFW and the Water Board. Also allows DFW to develop a general agreement for cannabis cultivation. *Fish and Game Code Sections 1602(c) and 1617*. The TBL clarifies State Water Board has enforcement authority if water is diverted or used for cannabis cultivation and: (1) a CDFA license is required, but not obtained; or (2) the diversion does not comply with the requirements to protect instream flows established by the State Water Board or DFW. This impacts Water Code, Sections 1831(cease and desist order) and 1847 (administrative fines).

- 4. Process to Protect Instream Flows.** The TBL provides interim requirements directing the State Water Board (through existing process for adopting water quality policies) to establish interim requirements to protect instream flows pending development of long-term requirements. This is designed to enable the State Water Board to act quickly to address impacts to fish and wildlife. Once requirements are developed, the State Water Board and DFW will implement a coordinated registration program for small irrigation operations (similar to existing registration program in all or portions of five North Coast counties). *Business & Prof. Code, Section 19332(e).*

The TBL authorizes DFW to create, using emergency regulations, interim requirements to protect fish and wildlife from the impact of diversions from cannabis cultivation. These interim requirements may be in addition to the State Water Board's instream flow measures. DFW interim requirements remain in place until long-term requirements to protect instream flows are adopted by the State Water Board. *Business & Prof. Code, Section 19332(e).*

The TBL provides long-term requirements directing the State Water Board, in consultation with CDFW, to adopt principles and guidelines to maintain instream flows where cannabis cultivation has the potential to substantially affect instream flows. *Business & Prof. Code, Section 19332(e).*

- 5. Environmental Review.** The TBL exempts the State Water Board and DFW streamflow requirements from the California Environmental Quality Act (CEQA). For the long-term flows, however, the legislation requires an impacts analysis with less potential for delay: the State Water Board must identify significant environmental impacts and alternatives or mitigation to reduce them, and it must consider public comments on the analysis prior to adoption. *Business & Prof. Code, Section 19332(e).*

LAO COMMENT

The LAO provided the following comments:

“The Governor’s proposed budget trailer legislation includes a number of policy and programmatic changes to MMRSA. As such, the Legislature will want to ensure that these changes are consistent with its priorities and preferred approach to regulating medical marijuana. Below, we highlight several potential questions that the Legislature may wish to ask as it reviews the proposed changes to MMRSA.”

The LAO also highlights the following issues:

Clear Rationale. Has the administration provided a clear rationale for the proposed changes to MMRSA? For example, why does the administration propose new requirements and enforcement procedures for cannabis-related water diversions rather than relying upon existing water law?

Impacts of Changes. What are the possible budgetary and policy impacts of the proposed changes to MMRSA? For example, transferring responsibilities for licensing marijuana testing laboratories would suggest a need for a corresponding budgetary change.

Urgency of Proposed Changes. Which provisions of the proposed language are particularly important to be implemented in the next few weeks in conjunction with the budget act? Alternatively, are there proposed changes that could be made through the policy process where taking more time would not cause significant problems for the implementing departments?

Relationship to Proposed Non-Medical Marijuana Initiative. How would these proposed changes be impacted by the proposed ballot initiative to legalize recreational marijuana should it be passed by voters in November? For example, the initiative as proposed assumes DPH as the licensing authority for marijuana testing laboratories, whereas the proposed trailer bill language tasks DCA with this responsibility.

Drafting Issues. Are new requirements placed in appropriate statutes? For example, some water-related requirements are proposed for Business and Professions Code rather than Water Code.

STAFF COMMENTS

Staff appreciates the effort the Administration and various Departments have put in to implement the Medical Marijuana Regulation and Safety Act. In many ways, the proposed language provides the framework and regulations necessary in order to implement the Act.

The Subcommittee may wish to ask the following questions of the Bureau and Departments:

1. Why have some functions been moved from the Department of Public Health to the Bureau?
2. Why have the water and instream flow requirements been added to the Business and Professions Code, as opposed to referencing existing water codes?
3. Why are marijuana crops being treated differently than other crops? Why not simply require marijuana growers to adhere to California's strict water laws?
4. CEQA exemptions should be used only in the most dire of situations. To be sure, the state needs to move quickly to address concerns about instream flows and water quality concerns, particularly in the north state. What other options have been explored for expediting this proposal?

Staff Recommendation: Hold open.

**ISSUE 6: BUREAU OF MEDICAL MARIJUANA REGULATION INFORMATION TECHNOLOGY
REQUEST**

The Department provided a May Revision request for \$6 million in fiscal year (FY) 2016-17, \$6.5 million in FY 2017-18, \$1 million in FY 2018-19 and \$803,000 ongoing to fund eight positions and external contract costs for the development, implementation and maintenance of an IT solution that will support the Bureau of Medical Marijuana Regulation (Bureau). The Bureau is in need of an IT solution that will support its licensing and enforcement functions. These costs will be funded exclusively by the Bureau.

BACKGROUND

The Administration's \$11 million General Fund loan proposed in the Governor's Budget for 2016-17 medical marijuana resources is insufficient to cover the costs of implementing medical marijuana regulation. Therefore it is also requested that Item 1111-011 -0001 be increased by \$8 million to support this request (\$6 million) and a similar IT proposal from the Department of Food and Agriculture (\$2 million).

AB 266 requires that the Bureau have the capability to issue licenses by January 2018. This proposal requests funding for 8.0 positions effective July 1, 2016, who will assist the current management positions requested in the Governor's Budget in the design, implementation and maintenance of an IT solution that will support the Bureau in these efforts. The staffing resources requested will lead or actively participate in all phases of the software development lifecycle to support the implementation of the Bureau's requirements. This includes requirements analysis, drafting design documentation, revising design documentation, responding to developer questions, identifying solutions for defects or new requirements, developing user acceptance testing scripts, providing input to training materials and external user help guides, planning system launch support processes, and triaging potential defects or enhancement requests received after system launch.

The staffing resources requested in this proposal are as follows:

- 2.0 Systems Software Specialist III (SSS III)
- 2.0 Senior Information Systems Analysts (Senior ISA)
- 3.0 Staff Information Systems Analysts (Staff ISA)
- 1.0 Associate information Systems Analyst (Associate ISA)

Two Senior ISAs and two Staff ISAs will support the documentation of business requirements and support the BMMR staff through all phases of the system development lifecycle. These four staff will break up into two teams - one focusing on licensing business processes and the other enforcement. Additionally, one Staff ISA and one Associate ISA will support the project management tasks associated with implementing the Bureau on a COTS system (e.g. schedule management, deliverables management, drafting project plans, acting as software librarian, etc.). The two SSS IIIs

will complete all tasks associated with the startup and initial maintenance of the hardware supporting the BMMR IT COTS.

Given the firm deadline of January 2018 and the criticality of setting up foundational hardware to support build, testing, and implementation phases of the software development lifecycle, SSS IIIs were requested as the staff would be expert-level and require little direction to complete tasks by the hard deadline. It is anticipated that only two Senior ISAs and one SSS III will be needed for the maintenance of the IT solution once it is implemented.

STAFF COMMENTS

The Subcommittee may wish to ask the following questions of the Bureau and Departments:

1. How does the Department plan to work with California Department of Technology in order to ensure viability of the project as well as proper legislative oversight?
2. How does this new project fit into the Department's Stage/Gate model?

Staff Recommendation: Hold open.

ISSUE 7: CONTROL SECTION 11.42

The Administration proposes Control Section 11.42, which would authorize the Department of Finance, no sooner than 30 days after written notification to the Joint Legislative Budget Committee and chairs of the fiscal committees in each house, to augment departmental budgets, as necessary, to fund medical marijuana-related information technology projects.

STAFF COMMENTS

In last year's budget hearings, this Subcommittee spoke at length regarding oversight with the BreEZe project, and noted concern regarding DCA's ability to request additional funds without utilizing the budget process. It has also been noted that the proposed control section is duplicative to existing Control Section 11, which requires the Department of Finance to report any increases to the project's overall cost of \$5 million to the Joint Legislative Budget Committee.

Staff Recommendation: Hold open.
