

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 02/20)

Fiscal Year <b>2020-21</b>	Business Unit <b>1111</b>	Department <b>Department of Consumer Affairs</b>	Priority No. 1
<b>Budget Request Name</b> 1111-106-BCP-2020-MR		<b>Program</b> Bureau Cannabis Control	<b>Subprogram</b> Various

**Budget Request Description**

Continued Implementation of Cannabis Licensing and Enforcement Activities

**Budget Request Summary**

The Department of Consumer Affairs, Bureau of Cannabis Control (Bureau) requests \$68.9 million (\$68.2 million Cannabis Control Fund, \$700,000 Reimbursements) and 42 positions in fiscal year 2020-21; \$74.3 million (\$73.6 million Cannabis Control Fund, \$700,000 Reimbursements) and 79 positions in 2021-22; \$75.4 million (\$74.7 million Cannabis Control Fund, \$700,000 Reimbursements) and 78 positions in 2022-23; and \$57.7 million (\$57 million Cannabis Control Fund, \$700,000 Reimbursements) and 78 positions in 2023-24 and ongoing to address the licensing and enforcement responsibilities assigned to the Bureau under Chapter 27, Statutes of 2017 (SB 94), also known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed <b>Business and Professions Code Section 26015, Penal Code Section 830.2</b>	
<b>Does this BCP contain information technology (IT) components?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, Chief Information Officer must sign.</i>	<b>Department CIO</b> Jason Piccione	<b>Date</b> 5/7/2020

**For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.**

**Project No.** Click or tap here to enter text.   **Project Approval Document:** Click or tap here to enter text.

**Approval Date:** Click or tap to enter a date.

**If proposal affects another Department, does other Department concur with proposal?**  Yes    No  
*Attach comments of affected Department, signed and dated by the Department director or designee.*

<b>Prepared By</b> Carl Beermann	<b>Date</b> 5/14/2020	<b>Reviewed By</b> Robert De Los Reyes	<b>Date</b> 5/14/2020
<b>Department Director</b> Kimberly Kirchmeyer	<b>Date</b> 5/14/2020	<b>Agency Secretary</b> Lourdes Castro Ramírez	<b>Date</b> 5/14/2020

**Department of Finance Use Only**

<b>Additional Review:</b> <input type="checkbox"/> Capital Outlay <input type="checkbox"/> ITCU <input type="checkbox"/> FSCU <input type="checkbox"/> OSAE <input type="checkbox"/> CALSTARS <input type="checkbox"/> Dept. of Technology	
<b>PPBA</b> Kimberly Harbison	<b>Date submitted to the Legislature</b> 5/14/2020

## Analysis of Problem

### A. Budget Request Summary

The Department of Consumer Affairs, Bureau of Cannabis Control (Bureau) requests \$68.9 million (\$68.2 million Cannabis Control Fund, \$700,000 Reimbursements) and 42 positions in fiscal year 2020-21; \$74.3 million (\$73.6 million Cannabis Control Fund, \$700,000 Reimbursements) and 79 positions in 2021-22; \$75.4 million (\$74.7 million Cannabis Control Fund, \$700,000 Reimbursements) and 78 positions in 2022-23; and \$57.7 million (\$57 million Cannabis Control Fund, \$700,000 Reimbursements) and 78 positions in 2023-24 and ongoing to address the ongoing licensing and enforcement responsibilities assigned to the Bureau under Chapter 27, Statutes of 2017 (SB 94), also known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

The position authority requested reflects the difference between the Bureau's current request and the remaining position authority in FISCAL beginning in 2020-21. In total, the requested funding supports 285 positions in 2020-21, 322 positions in 2021-22, and 321 positions beginning in 2022-23. In comparison to 2019-20, the total positions upon full implementation in 2022-23 represents a net-zero change overall.

### B. Background/History

#### Department of Consumer Affairs

The Department of Consumer Affairs (DCA) is the umbrella agency for 37 business and professional licensing entities (collectively referred to as boards and bureaus) that regulate over three million businesses and professionals in over 250 license categories, including, but not limited to commercial cannabis, healthcare, automotive repair, residential and business construction, barbering and cosmetology, and security services.

To fulfill its statutory responsibility to protect and serve California consumers, promote a competent and fair marketplace, and protect professionals from unfair competition by unlicensed practitioners, the DCA boards and bureaus license businesses and professionals, enforce professional standards, and collect payments. Each board and bureau must license and regulate businesses and professionals in accordance with its individual statutory authority under the Business and Professions Code, the California Code of Regulations, or other enabling legislation.

#### Bureau of Cannabis Control

The laws related to commercial cannabis have evolved significantly over the last few years. Although medicinal cannabis was legalized when voters passed Proposition 215 in 1996, medicinal cannabis was primarily regulated at the local level and there was no statewide framework for the licensing, regulation, and enforcement of commercial medicinal cannabis activity.

In late 2015 and early 2016, the Medical Cannabis Regulation and Safety Act (MCRSA) was established through a series of bills passed by the Legislature, creating California's first regulatory system for cannabis at the state level. (Bus. & Prof. Code, § 19300 et seq.) The MCRSA established the Bureau of Cannabis Control (known in that legislation as the Bureau of Medical Cannabis Regulation) under DCA and created California's first framework for the licensing, regulation, and enforcement of commercial medicinal cannabis activity.

The Control Regulate and Tax Adult Use of Marijuana Act (AUMA) was established with the passage of Proposition 64, a voter initiative, in November 2016. The AUMA legalized the non-medicinal adult use of cannabis; established California's framework for the licensing, regulation, and enforcement of commercial nonmedicinal cannabis activity; and set a date of January 1, 2018, for the Bureau to start issuing licenses.

In June 2017, the California State Legislature passed a budget trailer bill, SB 94, which integrated MCRSA with AUMA and created the MAUCRSA (Bus. & Prof. Code, § 26000 et seq.). Under MAUCRSA, a single regulatory system governs the cannabis industry (both medicinal and adult-use) in California. Under MAUCRSA, the Bureau is charged with the licensing, regulation, and enforcement of the following types of commercial cannabis businesses: distributors, retailers, microbusinesses, temporary cannabis events, and testing laboratories. MAUCRSA mandated that the Bureau begin issuing licenses on January 1, 2018.

Despite the timing limitations posed by the new law, having become effective in late June 2017, the Bureau began issuing licenses for medicinal and adult-use cannabis activities in December 2017, including retail, distribution, microbusiness, testing laboratories, and cannabis events, pursuant to the Bureau's emergency regulations, which were effective on December 7, 2017.

On June 6, 2018, the Bureau readopted its emergency regulations with modifications. On July 13, 2018, the Bureau issued a Notice of Proposed Rulemaking and began a 45-day comment period on the proposed regulations. After holding a series of public hearings during summer 2018, the Bureau submitted its proposed regulations for review by the California Office of Administrative Law (OAL) on December 3, 2018. The Bureau's regular rulemaking regulations were subsequently adopted on January 16, 2019.

Unlike most state government programs, the Bureau has been simultaneously starting from scratch on multiple fronts, rather than being developed consecutively. The first Bureau staff member started in February 2016 in an empty corner at the Department of Consumer Affairs' building. The Bureau then had to commence hiring its first staff, locating office space; enter into contracts for basic equipment and services; create internal Bureau processes; conduct environmental review in compliance with the California Environmental Quality Act; develop regulations; conduct a Standardized Regulatory Impact Assessment related to the anticipated economic impacts of its regulations; design an online licensing system; conduct necessary outreach to understand the commercial cannabis industry; collect licensing cash payments for all three commercial cannabis licensing authorities; perform review of temporary and annual license applications; conduct inspections; answer hundreds of public inquiries received in its public email; and other operational activities.

At the time the Bureau first became operational, there was limited information available about the licensee population that it would regulate. However, due to rapid and consistent changes in the law, which frequently changed the scope of the Bureau's authority, the Bureau's operations have had to change significantly over the past three years. For example, the Bureau was initially created to regulate the medicinal cannabis industry; however, it was subsequently tasked with regulating adult-use cannabis activity as well.

Although the cannabis industry continues to evolve, for purposes of this Budget Change Proposal, the Bureau has been able to utilize the information it currently possesses about its licensee population and its internal operations to better evaluate its continuous and ongoing budget needs. For the Bureau to function effectively and meet its required statutory mandates, the requested core positions are needed, as described below.

**Resource History**  
(Dollars in thousands)

<b>Program Budget</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Authorized Expenditures	N/A	10,000	14,853	31,400	68,579
Actual Expenditures	N/A	3,122	8,930	15,719	20,275
Revenues	N/A	0	0	1,544	16,003
Authorized Positions	N/A	5.4	15.0	102.0	219.0
Filled Positions	N/A	1.2	11.4	39.3	79.2
Vacancies	N/A	4.2	3.6	62.7	139.8

**C. State Level Consideration**

As described above, MAUCRSA created the general framework for the regulation of commercial medicinal and adult-use cannabis in California. This included identifying and establishing three state licensing authorities, including the Manufactured Cannabis Safety Branch at the California Department of Public Health and CalCannabis at the California Department of Food and Agriculture, and the Bureau of Cannabis Control at the Department of Consumer Affairs. The Bureau is responsible for licensing and conducting enforcement activities for all state commercial cannabis activities, except for stand-alone manufacturing and cultivation operations. MAUCRSA also established a dual licensing structure in which both the state and local governments participate in setting guidelines and public health standards for the industry; the State sets minimum requirements that all licensees must follow, and local governments are able to set additional requirements. The Bureau is also unable to issue a license if issuing the license would not be compliant with local laws and regulations.

The mission of the Bureau is to regulate commercial cannabis activities to protect public health and safety, while ensuring a regulated environment for commercial cannabis activity that does not impose such barriers to perpetuate, rather than reduce and eliminate, the illicit market for cannabis.

The State of California has many important requirements and guidelines imposed by MAUCRSA and the Bureau's implementing regulations. To efficiently regulate the various commercial cannabis licenses designated by the Legislature, the Bureau must maintain the proper level of staffing and funding. Without adequate staffing and funding, the Bureau cannot effectively regulate its commercial cannabis licensee population or protect public safety. The requested resources are necessary to allow the Bureau to adequately and efficiently fulfill its statutory mandates.

**D. Justification**

**EXECUTIVE DIVISION**

The Bureau's Executive Division is responsible for all statewide policy and procedures impacting licensees, stakeholders, staff, and the public. The Executive division provides crucial oversight of the Bureau's divisions and its programs. The Executive Division also serves as the primary liaison with other licensing authorities, the Legislature, and other state government entities on behalf of the Bureau. The Bureau is requesting 13.0 positions for the purposes of providing executive oversight of and support to the Bureau's various programs.

The Bureau requests an exempt position to serve as the Bureau Chief in accordance with Business and Professions Code 26010.5 (a) which states in part, "[t]he Governor shall appoint a chief of the bureau." The Bureau Chief is responsible for the oversight, policy, operations, and management of the Bureau.

The Bureau Chief represents the Bureau before the Legislature, advisory committees, media, and other public forums.

The Bureau requests an exempt position to serve as the Deputy Chief in accordance with Business and Professions Code 26010.5 (c), which states in part, "[t]he Governor may also appoint a deputy chief," that will provide general oversight of the activities of the Bureau. The Deputy Chief will assist the Bureau Chief in formulating, implementing, and interpreting Bureau policies and procedures, and will act on behalf of the Bureau Chief in their absence.

The Bureau requests an exempt position to serve as the Assistant Chief Counsel in accordance with Business and Professions Code 26010.5 (c), which states in part, "[t]he Governor may also appoint...an assistant chief counsel". The Assistant Chief Counsel plans, organizes, directs, coordinates, and reviews work performed by Bureau legal staff associated with the development, interpretation, application, and enforcement of the laws, rules, and regulations associated with the Bureau.

The Bureau requests an exempt position to serve as the Assistant Chief of Communications, that will develop the Bureau's internal and external communication goals and create strategies for accomplishing those goals. The Assistant Chief of Communications advises the Bureau Chief regarding internal and external communications and interacts with media related to Bureau events, press releases, and media inquiries. The Assistant Chief of Communications reviews, coordinates, and manages requests for the Bureau Chief or other Bureau staff to participate in public forums, media interviews, and other events.

The Bureau requests an exempt position to serve as the Assistant Chief of External and Intergovernmental Affairs, that advises the Bureau Chief and executive management regarding strategies and policies to engage external stakeholders and supports the implementation of cannabis regulation. The Assistant Chief of External and Intergovernmental Affairs also creates, tracks, and maintains relationships with external stakeholders to communicate the Bureau's position concerns regarding ongoing and emerging issues to diverse community organizations, stakeholders, and the public.

The Bureau requests a Career Executive Assignment position to serve as the Assistant Chief of Licensing, that will oversee the operation of the Bureau's licensing program. The Assistant Chief of Licensing has the responsibility of licensing program implementation and maintenance, including policy, operations, and management oversight. The Assistant Chief of Licensing will plan, organize, and direct the Bureau's licensing program and serve as the principal advisor to the Bureau Chief and Deputy Chief regarding licensing policy and procedures.

The Bureau requests a Career Executive Assignment position to serve as the Assistant Chief of Enforcement that will oversee the operation of the Bureau's enforcement program with responsibility for program implementation and maintenance, including policy, operations, and management oversight. The Assistant Chief of Enforcement will plan, organize, and direct the Bureau's enforcement program and serve as the principal advisor to the Bureau Chief and Deputy Chief regarding enforcement policy and procedures.

To carry out mission-critical projects and provide administrative assistance to the Bureau Chief, the Bureau is requesting six additional positions in the Executive Division including 1.0 Staff Services Manager I Specialist (SSM I), 2.0 Associate Governmental Program Analysts (AGPA), 2.0 Staff Services Analysts (SSA), and 1.0 Administrative Assistant (AA). These positions provide support to the Executive Division by responding to sensitive inquires, reviewing outgoing communications, creating correspondence, coordinating multidivisional efforts, compiling and analyzing data, assisting with research and policy drafting, providing support to the Public Awareness Campaign and community outreach activities, scheduling meetings, screening calls, and preparing and modifying travel arrangements as needed.

## **LICENSING DIVISION**

The Bureau's Licensing Division is responsible for processing new applications for licensure, processing renewals of existing licenses, and processing requests for modifications to existing licenses for commercial cannabis retail, distribution, testing laboratories, microbusinesses and temporary cannabis events. The Licensing Division is also responsible for collaborating with local governments throughout the state on issues related to commercial cannabis activity, including equity, and acting as a liaison between licensees and the California Cannabis Track and Trace System. The Licensing Division contains three units that are responsible for the Bureau's overall licensure program. This includes the Licensing Unit, the California Cannabis Track-and-Trace (CCTT) Unit, and the Local Liaison and Equity Unit. The Bureau requests 71.0 positions to address its licensing program's workload needs, including 1.0 Staff Services Manager III (SSM III) to supervise the daily activities of the licensing division under the Assistant Chief of Licensing.

### **Licensing Unit**

The Licensing Unit is responsible for the processing, review, and evaluation of all applications, modifications, and renewals for licensure. These processes require constant communication with each applicant regarding the requirements for licensure. It also requires regular communication with the designated point of contacts of local jurisdictions to verify each applicant is compliant with their local jurisdiction's ordinances and regulations.

Each annual license application requires the applicant to submit extensive amounts of information for the Bureau's Licensing Unit's review and analysis. A thorough and accurate review is necessary for each application to promote public safety and consumer protection. Information that is submitted as part of the application process includes: individual ownership information (including criminal history information), business formation documents, financial documents, standard operating procedures, leases, and premises diagrams.

There are many factors that affect the review and processing times. These timeframes are heavily dependent on the amount of follow-up communication needed with the applicant, applicant response times, and level of application complexity.

Consistent with MAUCRSA, the Bureau initially issued temporary licenses, which had fewer requirements than annual licenses and allowed licensees to operate while they worked toward completion of their annual license applications. Currently, most Bureau licensees are operating on provisional licenses, which allows them to operate while certain annual licensure requirements are underway but not yet completed. Based off the current licensing population, the Bureau anticipates receiving approximately 3,500 applications for annual licenses each year.

### **Requests for Modifications to an Existing License**

If licensees wish to modify an existing license, they are required to submit such requests to the Bureau for review and consideration. Common requests include, but are not limited to:

- requests to add an additional commercial cannabis activity designation (e.g., adult-use or medicinal) to an existing license;
- requests to add or remove cannabis activities to or from an existing microbusiness license;
- requests to physically modify an existing premises;
- requests for disaster relief determinations;
- requests to add owners to an existing license, which may involve multiple individuals and background investigations;
- requests to add or change financial interest holders to an existing license; and
- requests to change contact information.

Requests for license modifications require a thorough review and analysis of associated licensure documentation to determine whether the modification would require a new license or if the modification should be approved for the current license. Modifications related to ownership may be quite complex; such ownership changes may include several new owners that require additional Bureau staff time to review qualifications for licensure. Additionally, many modification requests require

the Bureau to reach out to the local jurisdiction to confirm local compliance for the requested change(s).

From July 1, 2019 to March 31, 2020, the Bureau received 1,486 requests for modifications to existing licenses. Modifications to ownership, financial interest holders, and premises are common requests, and requests that require significant staff time to process. For modifications to ownership or financial interest holders, licensing staff review business formation documents, criminal histories and statements of rehabilitation, and financial documents. As the commercial cannabis market develops and acquires new investors, the Bureau expects to see an influx of modifications in owners and financial interest holders. Additionally, as licensed cannabis businesses grow, the Bureau has found that licensees are developing and modifying their premises. Licensees must submit a proposed premises diagram and receive approval from the Bureau prior to making the modifications. Bureau staff will review the premises diagram, determine if the modifications require a California Environmental Quality Act (CEQA) review, review local approvals for the modifications, and in some cases inspect the premises prior to authorizing the modifications.

### **Renewals**

Commercial cannabis licenses are only valid for one year before renewal is required. Renewal of an annual license consists of a completed renewal form, documentation demonstrating the licensee's gross revenue, documentation related to any changes to the original license application, and proof of compliance with the required Division of Occupational Safety and Health (better known as Cal-OSHA) training within 60 days of the expiration of their license. Upon review and approval of the submitted renewal, the license fee is due. Provisional licenses may also be renewed so long as the applicant is diligently pursuing the requirements for an annual license.

The Licensing Unit will need to thoroughly review each submitted renewal application and make an appropriate determination. The Bureau anticipates it will need to review approximately 3,000 license renewal applications based on the current number of licenses and the rate of applications received.

The Bureau requests 48.0 positions for the Licensing Unit, including 2.0 Staff Services Manager II (SSM II), 6.0 Staff Services Manager I (SSM I), 25.0 AGPAs, 8.0 Staff Services Analysts (SSA), 5.0 Program Technician IIs (PT II), and 1.0 Office Technicians (OT).

### **Local Liaison and Equity Unit**

It is the responsibility of the Local Liaison and Equity Unit to serve as the statewide point of contact for local jurisdictions and to respond to regional issues regarding commercial cannabis activity. This includes conducting training and outreach seminars to educate local jurisdictions on the state regulatory program and licensing processes. The Local Liaison and Equity Unit obtains and maintains all local jurisdictions' commercial cannabis ordinances and regulations, as well as other critical information, and makes it accessible to other state licensing authorities and Bureau staff to utilize in performing their duties. The Local Liaison and Equity Unit is also responsible for overseeing the equity grants awarded to specific local jurisdictions and serves as the statewide point of contact for local equity programs regarding commercial cannabis activity within their jurisdiction.

The Local Liaison and Equity Unit also works with local jurisdictions to identify applicants, including equity applicants, in need of additional technical assistance to complete the application process and provides such assistance to applicants. This may require one-on-one review with applicants to assist them in understanding the complexity of the application. For these applications, the staff will complete the full application review conducted for all state licensure applications, which is more fully discussed above.

Further, the Local Liaison and Equity Unit also develops and implements consistent state requirements for temporary cannabis events. Bureau staff in the Local Liaison and Equity Unit will coordinate with local jurisdictions regarding requirements for temporary cannabis events and engage in regular communication with the applicants and licensees regarding specific event requirements. Event

applications will be reviewed by the Local Liaison and Equity Unit, which includes the diagram, security procedures, event participant approval, local authorization, and other requirements. The Bureau estimates approximately 52 event applications per year.

The Bureau requests 18.0 positions for the Local Liaison and Equity Unit including 3.0 SSM Is, 13.0 AGPAs, 1.0 OT, and 1.0 PT II.

### **Track and Trace Unit**

Bureau licensees are required to record their commercial cannabis activity into the state Track and Trace system. The Track and Trace Unit provides analytical and system support for the California Cannabis Track and Trace (CCTT) Program, applicants and licensees. The Track and Trace Unit answers questions and conducts research to provide licensees guidance on system use such as enabling program permissions, password resets, and updating the designated Account Manager.

The Track and Trace Unit identifies, tracks, and creates reports regarding system issues, monitors the system's internal and external interface, as well as credentialing reports, to verify all Bureau applicants have registered for the required CCTT Account Manager training and licensees are operating within the Track and Trace System.

Track and Trace Unit staff works with the other licensing authorities, stakeholders, and vendors on system development. This includes providing recommendations and requests for process, program, and system enhancements related to usability and changes in the law. The staff reviews and provides feedback on CCTT related guides, training, and tools to ensure they are compliant with Bureau regulations and participates in outreach trainings related to the CCTT program.

The Track and Trace Unit collects and analyzes data to perform trend analyses and anticipate future program needs. It also reviews, tracks, distributes, and develops parameters for CCTT system notifications to ensure they are provided to the appropriate internal staff. The Track and Trace Unit also develops procedures and training for Bureau staff on CCTT system usage and monitoring processes.

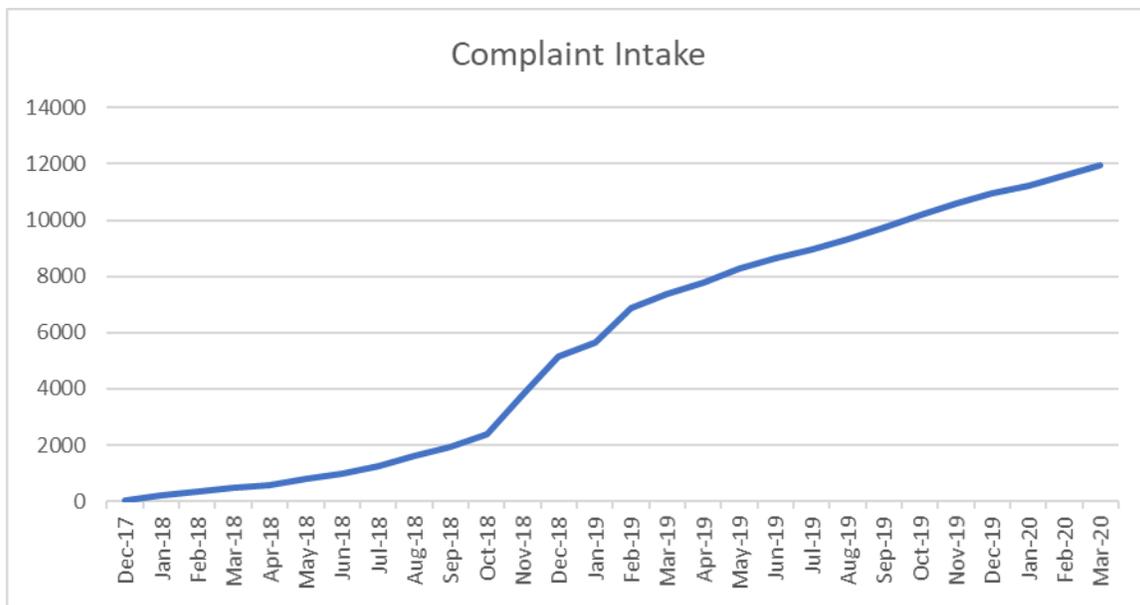
The Bureau requests 4.0 positions for the Track and Trace Unit, including 2.0 AGPAs, and 2.0 SSAs. The Track and Trace Unit will share the same SSM I that supervises the Equity Unit. The Bureau also requests 1.0 SSM II to supervise the Local Liaison and Equity Unit, and Track and Trace Unit, for a total of 5.0 positions.

## **ENFORCEMENT DIVISION**

The Bureau's Enforcement Division is responsible for processing all complaints submitted to the Bureau, conducting inspections, investigating violations of law and regulation by licensed and unlicensed persons, and partnering with other licensing and law enforcement agencies throughout the state. The Bureau requests 132.0 positions to conduct its enforcement activities.

### **Complaint Unit**

The Complaints Unit receives, reviews, and processes complaints received by the Bureau through public counter assistance, phone calls, letters, emails, and its online complaint form. The number of complaints received by the Bureau has increased since its inception. During the first five months of 2018, the Complaint Unit received approximately 155 complaints per month, for a total of 778 complaints. In the second half of 2019, from July 2019 to December 2019, over 2,100 complaints were received, and in the first three months of 2020 alone, the Bureau received 1,073 complaints. This increase in number of complaints is expected to continue to grow with the increased number of annual licenses issued, as well as the continued activities of the unlicensed market.



Specifically, the Complaint Unit has seen an increase in the number of complaints against licensed entities regarding advertisements. It is expected that these types of complaints will increase due to the number of new licenses that will be issued with the number of current licensee's finding new and innovative ways to conduct marketing and advertising. There has also been a steady increase in the number of complaints relating to non-compliant cannabis goods. With the increase in new licenses, the Complaint Unit expects to see an increase in these types of complaints, as well.

Once a complaint is received, the Complaint Unit performs a cursory investigatory review to determine if the case can be completed in the Complaint Unit or whether it should be referred for internal investigation or to another agency. This includes gathering information such as identifying persons of interest, locating copies of advertisements, identifying addresses, and if available gathering statements from complainants and other parties involved. These reviews can range from minor to more serious violations that need further investigation by the Investigations Unit or by sworn investigators.

When appropriate, the Complaint Unit conducts the entire investigation and takes appropriate action to make sure the violation is corrected. Complaint Unit investigations relate to violations of the Bureau's regulations. Complaints that are identified as requiring further investigation, including field investigation, of licensed activity are referred to the Bureau's Investigations Unit.

When a complaint is received regarding unlicensed commercial cannabis activity, in addition to the cursory investigatory review, the Complaint Unit issues a cease and desist letter. These letters are designed to place the person engaging in the unlicensed conduct on notice that a license is required for their activity and to try to gain compliance. As of March 2020, the Bureau has issued more than 4,470 cease and desist letters and expects the number of cease and desist letters it issues to continue at the same level.

If the matter involving unlicensed activity cannot be resolved at the Complaint Unit level, they are referred for investigation by peace officers. Previously, the Bureau had been referring these cases to the Department of Consumer Affairs' Division of Investigation Cannabis Enforcement Unit (CEU) as required. Between May 2018 when the Bureau began referring cases to CEU and December 2018, the Bureau processed and completed preliminary investigations for 776 cases related to unlicensed activity. In the first seven months of 2019, the Bureau processed and completed preliminary investigations for 1,699 unlicensed cases. This is a significant 54 percent increase in the number of cases processed related to unlicensed activity. Between July 2019 and April 2020, 552 cases were referred to CEU. The number of these cases are expected to increase as the number of licensed entities and unlicensed complaints continue to grow.

Unlicensed complaints will now be handled by the Bureau's sworn investigators (see below); however, the Complaint Unit will continue to send cease and desist letters and actively conduct the cursory

investigatory review of the complaints by gathering information such as identifying persons of interest, locating copies of advertisements, identifying addresses, and if available, gathering statements from complainants and other parties involved. Also, after the investigation has been referred to the sworn investigators, the Complaint Unit continues to monitor the investigation and send updated information that it receives or discovers.

Additionally, the Bureau is seeing an increase in the number of police reports and diversion notifications it receives. In the first quarter of 2020 approximately 150 reports were received, compared to approximately 100 reports received in 2019. This number is expected to increase due to the increase in the number of licensees. Also, with the increased and continuous partnerships with local law enforcement agencies, it is expected that the Bureau will continue to receive and see an increase in the number of police reports and diversion notifications received that may not be reported by the licensee.

Currently, the seven Enforcement AGPAs, in addition to processing new complaints, are individually maintaining a complaint caseload. The Bureau's Complaint Unit is requesting three Complaint Unit Special Investigators to review and investigate incoming complaints that are received daily. The SSA will also assist in reviewing and analyze incoming complaints to confirm jurisdiction and help streamline the complaint process. Finally, the Bureau will need one Supervising Special Investigator I to supervise the three Special Investigators, AGPA, SSA, and PT II; and one SSM I to supervise and review the AGPAs' work load as well as an Office Technician (OT) to support the SSM I.

To effectively review and process complaints, the Bureau is requesting 15.0 positions including 7.0 AGPAs, 1.0 SSA, 1.0 SSM I, 1.0 PT II, 1.0 OT, 1.0 Supervising Special Investigator I, and 3.0 Special Investigators.

### **Investigations Unit**

The Investigations Unit performs Bureau inspection of licensed premises and temporary cannabis events, conducts field investigations related to violations of law and regulation, and coordinates with local jurisdictions and law enforcement agencies as needed.

Complaints pertaining to Bureau licensees are referred from the Complaint Unit to the Investigations Unit for further investigation. The Bureau has seen an increase in complaints, which has led to an increase in investigations. A total of 101 investigations were opened in 2018 and a total of 203 investigations have been opened as of July 2019, an increase of 50.2 percent thus far compared to 2018. Between July 2019 and April 2020, the Enforcement Unit has closed over 2,700 cases and investigations.

While conducting investigations, the Special Investigators inspect premises, review cannabis goods for compliance, and handle cannabis goods that the licensee voluntarily surrenders. The Investigations Unit staff are also responsible for identifying, gathering, assembling, evaluating, and preserving statements, affidavits, and other evidence for use in disciplinary actions. The OTs will provide support to the Investigations Unit by performing clerical work, making travel arrangements, processing travel claims, and other related tasks.

In addition to investigating complaints, the Investigations Unit performs compliance inspections of licensed premises unrelated to complaints. These inspections validate that the cannabis goods sold to consumers are compliant with the requirements established by MAUCRSA and the regulations adopted by the three licensing authorities, that licensed premises are safe, and that the licensee is complying with rules and regulations. To help preserve public health and safety, the Bureau has determined that it is necessary to inspect licensed premises. As of early April 2020, the Bureau had approximately 2,395 licensed premises, including 956 retailers, 999 distributors, and 260 microbusinesses. In addition to the quality assurance inspections done on microbusinesses, distributors, and testing laboratories described below, the Investigations Unit also conducts inspections on retailers. Because retailers are consumer facing, it is vital that the Bureau verifies retailers are complying with the regulations. The

Investigations Unit reviews retailers' records and practices for activities such as accepting inventory, verifying customer identification, tracking daily sales limits, and making customer deliveries.

Following an investigation or inspection, the Bureau's special investigators prepare a report detailing their activities and findings. They may also prepare citations and Notices to Comply for violations of MAUCRSA and the Bureau's regulations. A total of 54 Notices to Comply were issued to licensees in 2018. A total of 164 Notices to Comply were issued in 2019, an increase of approximately 300 percent thus far over 2018. After the issuance of a Notice to Comply, if the licensee does not come into compliance, a disciplinary action may be recommended.

The Investigations Unit is also responsible for monitoring activities at temporary cannabis events. A temporary cannabis event is an event where cannabis goods may be sold by licensed retailers for consumption on site by consumers. These events may be up to four days in length and are often held over the weekend. To confirm that temporary cannabis events are held in compliance with MAUCRSA and the Bureau's regulations, the Bureau has determined it is necessary to have staff members on site. The Bureau assigns an average of six special investigators to each temporary cannabis event depending on the size of the event and each assigned special investigator works approximately 24 hours per event. Since January 2019, the Bureau has issued licenses for 24 temporary events. Prior to 2019, temporary cannabis events could only be held at a county fair event or a district agriculture association event. However, beginning January 1, 2019 events may be held at any venue approved by the local jurisdiction. With the vast expansion in locations where events can be held, the Bureau has seen an increase in applications for event organizers and events. As of April 2020, there are 90 active event organizer licenses. These licenses are required to apply for and be issued a temporary event license. With the number of event organizer licenses, the Bureau expects to issue approximately 52 temporary cannabis event licenses per year.

Additionally, the Investigations Unit is responsible for reviewing failed batches of cannabis goods. All batches of cannabis goods must undergo laboratory testing. If a batch does not meet the requirements established in the Bureau's regulations, then the distributor must destroy the batch or arrange to have the batch remediated. To prevent diversion of cannabis goods, the Bureau has determined that it is necessary to correspond with licensees regarding their plans for destruction as well as reviewing the surveillance video of the destruction and associated records. Investigators spend an average of 3.5 hours per failed batch case. The Bureau currently has a batch failure rate of approximately six percent. Based on the current rate of batch failures and the number of tests being performed monthly, the Bureau estimates it will review approximately 3,500 failed batches per year.

As of March 2020, there have been over 335,000 transfers of cannabis goods by distributors. With the implementation of Track-and-Trace and the METRC system, the Investigation Unit also utilizes and relies on the METRC system to follow-up on complaints and investigations to validate that licensees are adhering to the track-and-trace requirements. This includes reviewing transfer manifests within the METRC system that track the movement of cannabis goods in the supply chain and minimizing the risk of inversion and diversion of cannabis goods. With the continual expected growth of new licenses issued by not only the Bureau of Cannabis Control but, also from the California Department of Public Health (CDPH) and the California Department of Food and Agriculture (CDFA); this will increase the amount of cannabis goods that are being moved into the regulated market.

The Investigations Unit is also responsible for ensuring that the requirements in MAUCRSA relating to quality assurance monitoring are met. The Investigations Unit is responsible for reviewing distributors and microbusinesses authorized to engage in distribution practices related to quality assurance review, arranging for laboratory testing, packaging and labeling, and collecting and paying taxes. The Investigations Unit also partners with the Laboratory Unit to conduct inspections of testing laboratories.

The Investigations Unit verifies that licensed distributors and microbusinesses authorized to engage in distribution are complying with requirements for conducting quality assurance, packaging and labeling, and arranging for laboratory testing and collecting and remitting tax payments in

compliance with the law. To determine whether licensees are complying, the Investigations Unit will conduct an inspection and review the licensees' records. The Investigations Unit verifies that cannabis goods are tested for regulatory compliance, by reviewing the testing practices and by reviewing Certificates of Analysis. Following the inspections and review of records, the Investigations Unit prepares inspection reports and Notices to Comply to licensees informing them of deficiencies in their operation and requiring them to remedy deficiencies. The Investigations Unit also assists licensees by helping them come into compliance when deficiencies are detected.

To conduct its operations related to these investigations, Investigations Unit staff will team with an Environmental Scientist from the Laboratory Unit and an Associate Management Auditor. The Investigations staff works cooperatively and in conjunction with the California Department of Tax and Fee Administration, Bureau peace officers, and other state and local agencies. The OTs will provide support to the Investigations Unit by performing clerical work, making travel arrangements, processing travel claims, and other related tasks.

The Investigations Unit also provides training to local law enforcement, due to the unique nature of regulating cannabis goods, which is geared toward assisting these entities with understanding the Bureau's requirements for commercial cannabis activity. The training for law enforcement includes confirming licensure, understanding and reviewing manifests, transportation requirements, best practices for inspecting transport and delivery vehicles, and Trace and Trace system information.

The Investigations Unit requests 30.0 positions, including 2.0 Supervising Special Investigator II, 4.0 Supervising Special Investigator Is, 18.0 Special Investigators, 3.0 Associate Management Auditors, 2.0 OTs, and 1.0 PT IIs.

### **Peace Officer Investigations Unit**

Currently, the Bureau does not have its own peace officer positions. As previously discussed, the Bureau refers complaints related to unlicensed activity for investigation to CEU and must use CEU for peace officer required activities. However, to effectively enforce the provisions of MAUCRSA, it is necessary for the Bureau to have its own sworn peace officers so the Bureau can have a comprehensive and integrated enforcement program.

The Bureau's peace officers will handle investigations related to unlicensed and criminal activity, complex licensed activity investigations, assist special investigators when their inspections and investigations involving activities necessitating peace officer authority, and partner with other law enforcement agencies. The Bureau requests 87 peace officer and support staff positions for the Peace Officer Investigations Unit.

The complaints currently referred to and not completed by CEU would be handled by Bureau peace officers. Based on information from CEU, there are approximately 2,200 cases to investigate, and cases take an average of 149 hours to complete. With a total of 58 positions but only 30 field investigators, approximately 360 cases can be completed annually leaving a current backlog of 1,860 cases. CEU needs 30 additional field investigators to clear this backlog. As discussed previously, in the first seven months of 2019, the Bureau processed and completed preliminary investigations for 1,699 unlicensed cases; therefore, the Bureau anticipates the number of cases for peace officer investigation to, at a minimum, continue to exceed 2,000 annually. It is important to note that this number does not include peace officer assistance or investigation of licensees that require investigation by those with peace officer authority.

Additionally, rather than having to rely on CEU or other agencies for necessary law enforcement services critical to the Bureau's enforcement program, the Bureau's own peace officers will perform these services. Bureau sworn peace officers will aid the Bureau's special investigators in conducting necessary in-depth investigations of licensed commercial cannabis businesses to determine if they are acting in compliance with applicable laws and regulations. Currently, in conducting enforcement operations, Bureau investigators often discover illegal or non-compliant cannabis goods, firearms

onsite at licensed premises, and persons engaging in illegal activity. MAUCRSA provides peace officers with the authority to seize cannabis, but special investigators cannot. As of June 1, 2019, CEU seized over 3,600 pounds of illegal cannabis goods, worth an estimated \$27,000,000 from just 158 closed cases. Over a 3-day period in December 2019, CEU served search warrants on 24 unlicensed locations in the Los Angeles area, resulting in the seizure of \$8.8 million in cannabis and cannabis products. The authority to arrest persons engaging in illegal activity or verify that a person properly possesses a firearm also does not extend to special investigators. Additionally, in cases where the Bureau has discovered minors in possession of cannabis goods without a valid medical recommendation permitting such possession, its special investigators have no authority to seize the cannabis goods or detain the minor to contact the minor's parents or guardian. Other situations when it may be necessary for Bureau staff to take possession of cannabis goods include when it is subject to recall or embargo, subject to destruction, or must be preserved related to enforcement.

Currently, Bureau special investigators must try to find an available and willing law enforcement officer to assist them, which puts public safety at risk by diverting law enforcement from other public aid. With its own peace officers, the Bureau can more effectively manage safety issues in the field and make sure seized or surrendered cannabis is transported in the safest way possible.

The Bureau must also have peace officers to conduct undercover investigations and write search warrants for areas outside of the licensed premises. Bureau staff are currently unable to obtain undercover driver licenses because they are not peace officers. This prevents Bureau staff from being able to make purchases for non-compliant cannabis goods without using their personal driver license. Additionally, Bureau staff are unable to write search warrants, which has created a problem for Bureau staff in investigating premises where unlicensed rooms are discovered, and it is suspected that unlicensed commercial cannabis activity is taking place in the unlicensed rooms. The Bureau currently must request that law enforcement or CEU write a search warrant, which creates a delay in the investigation and gives the suspect time to remove the evidence of unlicensed commercial cannabis activity. Based on the CEU's experience, investigations related to unlicensed commercial cannabis activity are proving to be extremely complex due to the widespread and relatively sophisticated nature of crimes associated with unlicensed cannabis businesses. Some of the law enforcement tools that would be directly available to the Bureau through sworn staff include: surveillance, undercover operations, search warrants, arrest warrants, and bank seizure warrants.

Further, without peace officers, the Bureau does not have direct access to the Western States Information Network (WSIN), which provides critical criminal intelligence information as well as case and event de-confliction information about persons and locations under investigation by law enforcement and regulatory agencies in states that have regulated commercial cannabis activity. Access to WSIN is limited to agencies that have peace officer authority, thus the Bureau has been unable to check WSIN to determine if another law enforcement agency is investigating a particular person or location. This inability to check WSIN has led to law enforcement frustration in cases where investigations by the Bureau have overlapped with law enforcement investigations, resulting in duplicated efforts. With the addition of peace officer positions, the Bureau would be able to access WSIN, and the Bureau could more efficiently coordinate investigations with regulatory agencies in other states in cases where an entity or person is licensed to conduct commercial cannabis activity in multiple states.

Bureau peace officers will partner with law enforcement agencies in cannabis operations to provide expertise, support, and validate that proper documentation is occurring in cases involving Bureau licensees or regulations. The unique nature of regulating cannabis goods will require sworn peace officers with very specific knowledge of the Bureau's regulations for cannabis licensees. Law enforcement already reaches out to the Bureau for guidance about the Bureau's regulations to determine if a person is conducting compliant commercial cannabis activity. The sworn peace officers within the Bureau will be responsible for empowering local law enforcement with training on new cannabis laws and regulations, cannabis investigative techniques, early intervention and prevention techniques involving minors, human trafficking prevention and intervention during cannabis

investigations, and implementing a records management and data collection system related to cannabis violations within local law enforcement agencies.

Another enforcement priority of the Bureau's sworn peace officers will be to reduce youth access to cannabis goods. The Bureau's approach will include conducting minor decoy and delivery sting operations of licensed retailers to confirm deliveries of cannabis goods are in compliance with regulations by verifying the age and identification of the customer and conduct delivery stings in response to complaints of unlicensed delivery businesses. In addition, the Bureau will conduct trainings for local law enforcement personnel on how to conduct minor decoy operations of licensed and unlicensed businesses and partner with them on these operations in response to complaints.

To effectively supervise peace officer investigators, the Bureau will require three Supervising Investigator II positions to review work of subordinate investigators, review highly sensitive reports, consult with, oversee day-to-day operations, assist, and make recommendations to, the Assistant Chief of Enforcement, and plan, organize and direct the work of staff. The Bureau will also require nine Supervising Investigator I positions to conduct more difficult or confidential investigations, perform supervisory review of reports and other staff work, assist in planning and direction investigation program, assign and supervise work, and make recommendations to the supervising investigators.

To combat unlicensed activity, the Peace Officer Investigations Unit requests 87.0 positions including 1.0 Deputy Chief, 3.0 Supervising Investigator II, 9.0 Supervising Investigator I, 63.0 Investigators (sworn), 1.0 SSM I, 2.0 AGPAs, 2.0 SSAs, and 6.0 OTs.

### **TESTING LABORATORY DIVISION**

The Bureau currently has scientific staff tasked to oversee the licensing and enforcement of testing laboratories within its licensing and enforcement programs. Based on the Bureau's experiences over the last three years, the Bureau has determined that it would be more efficient to have a dedicated laboratory unit as most of the tasks between the separated units overlap. The Bureau requests 19.0 positions for the purposes of aligning scientific staff tasked to regulate the testing laboratory licensees.

The laboratory unit will verify that all licensed testing laboratories are operating in compliance with MAUCRSA and the Bureau's regulations to protect consumers and public health. In order to accomplish this, the laboratory unit will review scientific documentation related to the licensure of testing laboratories and evaluate whether testing laboratories are adequately performing regulatory compliance testing in accordance with the applicable laws, regulations, and valid scientific principles.

The Bureau estimates that there will be 75 testing laboratories by 2020-21 based on the current number of licensed testing laboratories and the current number of pending applications for testing laboratory licensure. To date, the Bureau has issued licenses to over 49 testing laboratories. The Bureau has continued to receive new testing laboratory applications and expects the number of licensed testing laboratories to continue rising over the next few years.

The laboratory unit will review required testing laboratory application materials, including test method standard operating procedures (SOPs), method validation reports, and iso/iec 17025 accreditation. This information must be tracked and reviewed for each new laboratory application, as well as each time a licensed testing laboratory makes modifications or updates to their testing methods and/or sops. Each testing laboratory application will have a minimum of eleven or twelve sops and a minimum of seven or eight chemical and/or microbial method validation reports that will each require a complex technical review performed by the Bureau's scientific staff. The review and analysis of sops will require the Bureau's scientific staff to confirm that testing laboratory SOPs meet minimum requirements. Review of method validation reports will include review and analysis of the corresponding raw data, including instrument chromatograms, calibration curves and calibration data, as well as laboratory quality control sample results. Additionally, Bureau scientific staff will need to determine whether a testing laboratory has obtained iso/iec 17025 accreditation as required by MAUCRSA and the Bureau's

regulations. Bureau scientific staff will determine whether additional scientific and procedural information from the applicant is necessary to complete the scientific review process and to determine if a license should be issued. The laboratory unit will also conduct pre-licensure visits to testing laboratories that have applied for a license but have not yet received a license. Detailed inspection reports will be prepared based on information gathered from the site visit and staff will make recommendations for licensure based on their findings.

The laboratory unit will also be tasked with reviewing regulatory compliance certificates of analysis (COAs) for completeness, correctness, and compliance. Licensed testing laboratories are required to generate a COA for each representative sample that is analyzed and must submit the COA results to the Bureau within one business day of completing the analyses. The laboratory unit will track and review the submitted COAs to determine whether they are in compliance with the Bureau's regulations. For COAs that are not compliant or are missing required information, Bureau scientific staff will need to contact the laboratory for additional information and follow-up with requests for additional information as needed. The laboratory unit receives approximately 50 regulatory compliance COAs from each licensed testing laboratory per week. As the Bureau anticipates 75 licensed testing laboratories, the Bureau expects to receive 195,000 COAs per year for tracking and review.

The laboratory unit will also review COAs to determine whether the correlating batch has passed or failed regulatory compliance testing standards. Considering the current fail rate of six percent and an expected 195,000 COAs per year, the laboratory unit will be responsible for tracking an estimated 11,700 failed batches per year. This includes a review of the failed COA results, as well as the review and assessment of the associated documentation for remediation or destruction of the batches. Laboratory unit staff will notify distributor licensees of failed regulatory compliance tested cannabis goods batches to make sure these commercial cannabis goods do not enter the retail market. The laboratory unit will also verify corrective action plans related to remediation or destruction of failed batches are completed in compliance with MAUCRSA and the Bureau's regulations.

To assure that licensed testing laboratories continue to operate in compliance with MAUCRSA and the Bureau's implementing regulations, the laboratory unit will conduct inspections at all licensed testing laboratory premises biannually. Inspections will consist of interviewing testing laboratory licensees and their employees, reviewing the laboratories' testing processes, ensuring the laboratories use current sops, and verifying laboratory instrumentation calibration and reviewing equipment maintenance records. Additionally, Bureau scientific staff will work with testing laboratory licensees to educate them about best business practices to promote compliance. Bureau scientific staff will document findings from the inspection and compose detailed, comprehensive inspection reports, and if needed, will initiate a formal investigation based on the findings. The laboratory unit will coordinate with the Bureau's enforcement division regarding licensed testing laboratories operating out of compliance and will conduct follow-up audits or assist with enforcement actions.

Another central task for the laboratory unit will be the review and analyses of scientific documents and data packages associated with regulatory compliance testing of cannabis goods batches. The data review may occur as an outcome of a recent inspection, result of an enforcement action or complaint, or related to proficiency test results. The laboratory unit staff will independently evaluate laboratory data packages, including instrument raw data, instrument test methods with parameters, calibration data, and other pertinent information related to the laboratory analyses. Bureau scientific staff will develop and apply knowledge of laboratory sops for the operation of various instruments including gas chromatography/mass spectrometry, liquid chromatography/mass spectrometry, high performance liquid chromatography, inductively coupled plasma mass spectrometry, polymerase chain reaction detectors, and other instrumentation required to complete regulatory compliance testing. Additionally, Bureau scientific staff will independently identify problems and reporting inconsistencies, develop and recommend appropriate courses of action, and conduct critical and/or sensitive scientific investigations and studies. Bureau scientific staff will also review data for accuracy and compile analytical results to generate formal summary reports for review for completeness and correctness.

The Bureau requests 19.0 positions for the Laboratory Division including 1.0 Environmental Program Manager (supervisory), 3.0 Senior Environmental Scientist, Supervisors, 1.0 Senior Environmental Scientist (specialist), 1.0 Research Scientist III (chemical), 10.0 Environmental Scientists, 2.0 SSA, and 1.0 AGPA.

## **LEGAL DIVISION**

The Legal Division is responsible for providing the full range of legal services to the Bureau that include representation, consultation, document preparation and review, as well as ensuring licensees are compliant with the California Environmental Quality Act (CEQA). The Bureau requests 13.0 positions for the purposes of providing appropriate legal representation and providing advisement on the application of regulations and laws.

The Bureau's Legal Division is tasked with providing legal support to the Bureau under the supervision of the assistant chief counsel. The Legal Division provides advice and guidance to the Bureau chief, executive management, and other Bureau staff regarding legal issues that develop during the Bureau's day-to-day operations. The Legal Division also reviews and analyzes legislation that impacts the Bureau and makes recommendations based on that analysis.

The Legal Division is responsible for reviewing and responding to federal and state subpoenas and requests under the public records act (PRA). The Bureau needs 2 AGPAs to coordinate PRA and subpoena responses. Under the leadership of the Legal Division Attorney IIIs, the AGPA reviews requests, gathers responsive documents, and makes necessary redactions. The Attorney IIIs are responsible for reviewing the responsive documents, ensuring necessary redactions are made, and responding to the request. Between January 2018 and April 2020, the Bureau received more than 500 PRA requests. While the Bureau received some PRA requests prior to issuing licenses, most requests received have occurred after licensing began in December 2017. Based on this pattern, the Bureau expects to continue seeing an increase in PRAs and subpoenas as more licenses are issued.

The AGPAs are also responsible for coordinating grant funding activities, including reviewing and monitoring the grant funding distributed pursuant to the cannabis equity act. This includes interfacing with the public and stakeholders on questions and inquiries related to grant funding, as well as assisting in the development of guidelines and applications for the grant funding.

The Legal Division is also responsible for reviewing licensing applications to verify that legal requirements are met. This includes reviews related to the requirements under CEQA. MAUCRSA and the Bureau's regulations require extensive disclosure of ownership and financial interests as well as business formation documents, operating agreements, and commercial leases. Many of the Bureau's applicants have complex, multi-layer ownership structures, including foreign ownership and investment that require review by experienced senior attorneys to identify all individuals that need to be disclosed as owners or financial interest holders. Due to the complexity of required ownership and financial interest disclosures, the Bureau has determined that it needs an Attorney IV as well as Attorney IIIs to conduct review of licensing applications.

The Legal Division is also responsible for reviewing enforcement investigations and documents such as notices to comply. As previously mentioned, Bureau licensees must make extensive disclosures in their applications under the penalty of perjury. An important aspect of enforcement is reviewing a licensee's operation and documents such as operating agreements, business formation documents, and CAL-OSHA compliance to confirm that the licensee was truthful in the application and has complied with requirements after licensure. The Bureau will need an Attorney IV and Attorney IIIs to review enforcement actions for legal sufficiency and to represent the Bureau in administrative actions.

While the Bureau adopted regulations to implement MAUCRSA in January 2019, the statutes related to the Bureau and commercial cannabis activity will continue to evolve and change. Thus, the Bureau will need to adopt new regulations and amend current regulations each time a regulation is impacted by changes to the underlying statutes. Following the passage of MAUCRSA, the Legal Division

researched, drafted, and guided through the adoption process regulations pursuant to the Administrative Procedure Act to implement the state-wide licensing and enforcement of commercial cannabis businesses in California. The process of adopting the regulations included holding three public hearings and responding to over 8,000 comments. Attorney Is, as well as more senior Attorneys, will conduct legal research, draft regulations, and draft regulatory documents. If the changes to regulations implicate an environmental assessment under CEQA, the Legal Division will again be for overseeing the Bureau's CEQA compliance for the adoption of its regulatory program.

The Attorney Is will also conduct low level CEQA review. The Bureau also utilizes the Attorney Is to respond to correspondence from the public, licensees, stakeholders, and other government agencies. Currently the Bureau receives hundreds of emails each month regarding the Bureau's licensing program, the regulations, and enforcement efforts. Due to the complexity of regulating a new commercial market, the Bureau has found it necessary to have the Legal Division assist with responding to most of the Bureau correspondence.

The Legal Division is responsible for organizing and staffing the cannabis advisory committee meetings. Since November 2017, the Bureau has convened 11 cannabis advisory committee meetings and 24 subcommittee meetings. The Bureau's legal secretary is responsible for communicating with more than 20 committee members regarding travel arrangements and prepares travel reimbursements for the committee members. The SSA is responsible for communicating with the chair and vice chair of the advisory committee regarding agendas for each meeting and subcommittee meeting and preparing minutes for each meeting. Additionally, the SSA and legal secretary serve as facilitators for regular meetings and subcommittee meetings. The Bureau's senior attorneys attend committee meetings and subcommittee meetings where they serve as counsel to the committee and subcommittees and are responsible for ensuring compliance with the Bagley Keene open meeting act and the Americans with Disabilities Act. The senior Attorneys also review recommendations from the committee and advise the Bureau Chief on the legality of the recommendations.

The Bureau utilizes Attorney IIIs to address complex legal issues related to local control, CEQA, and to provide advice on requests under the public records act. The Attorney IIIs are needed to advise on issues associated with local ordinances and regulations, including whether issuing a requested state license violates these laws. Lastly, as stated above the Bureau utilizes Attorney IIIs to assist with review of the most complex applications such as those containing multi-layer organizational structures and foreign corporations.

The Bureau has determined that based on the broad scope of work that the Legal Division is responsible for, an Attorney IV is necessary to conduct research in complex and emerging areas of law, provide advice on a broader range of legal issues, draft and review legal documents and responses, liaising with the Attorney General's office regarding Bureau matters, and provide legal support to the licensing and enforcement units. The Attorney IV is necessary for the most complex legal issues such as those relating to advertising, tax collection by licensees, and the issuance of licenses on tribal lands because they raise complex constitutional issues only the most experienced Attorneys will be able to address. The Attorney IV is also needed as an expert in privacy laws and to provide legal advice on the most complicated enforcement cases. The Attorney IV will also need to work with the Attorney General's office on cases that are appealed to the panel, Supreme Court or courts of appeal, as well as legal court challenges to statute and regulations.

Additionally, cannabis laws are new and emerging. Bills proposed by the Legislature that impact the Bureau are analyzed by the Bureau's most senior attorneys to determine what the fiscal impact on the Bureau will be if the bill is passed. The complexity of this analysis is heightened by the fact that the commercial cannabis market is new, thus there is limited data that can be used to make projections on the fiscal impact of a bill on the Bureau. Attorneys with the experience required of an Attorney IV will be critical for the Bureau to address issues that come from a rapidly developing body of law. The Attorney IV must address conflicts arising with federal law and keep the Bureau chief and assistant chief counsel apprised of changes to state law, federal law, tribal law, international law, and the laws

in other cannabis jurisdictions throughout the country. The Attorney IV will work on the most complicated and sensitive issues and will be responsible for communicating and working with other states' attorneys regarding cannabis issues and laws that affect all cannabis-licensing agencies. Additionally, the Attorney IV is necessary to serve in a lead capacity to the Attorney IIs and IIIs and to assist the assistant chief counsel by serving as their backup and representing the Bureau at high-level meetings such as those with other agencies and the governor's office and representing the Bureau at public meetings, conferences, and events.

The Bureau's Legal Division also contains the Bureau's CEQA unit which is responsible for ensuring the Bureau's issuance of licenses satisfies the requirements of CEQA. The Bureau's CEQA unit is tasked with reviewing the applicant's CEQA-compliant documents prior to issuing a license; reviewing local laws and regulations supplied by the local jurisdiction to determine the applicant's compliance; liaising with local jurisdictions to gather this information; and consulting with local jurisdictions when questions arise.

The Bureau's CEQA unit will be charged with reviewing local ordinances and licensing requirements. From January 2018 onward, the CEQA unit has reviewed ordinances and licensing requirements from 157 local jurisdictions. Annual review will be necessary because local ordinances are subject to change. In furtherance of this task, CEQA unit members will research, gather, and review city and county ordinances, as well as licensing requirements to determine: (1) whether the local jurisdiction engages in discretionary or ministerial review; (2) what type of documentation is required to authorize commercial cannabis activity; and (3) the appropriate information needed to prepare various types of environmental compliance and planning documents. In addition, the Bureau's CEQA unit will research, gather, and review city and county general plans for jurisdictions that engage in ministerial review of commercial cannabis activities. Like review of local ordinances, and licensing requirements, annual review will be necessary as general plans are subject to change.

A significant portion of the CEQA unit's efforts will necessarily be centered on processing CEQA review referrals from the licensing unit. As a part of this effort, the CEQA unit will review local decision-making documents, such as staff reports and decision-making body meeting minutes. CEQA unit members will communicate both verbally and in writing to applicants to: advise applicants regarding their CEQA compliance requirements; request additional information in furtherance of the Bureau's CEQA review; or notify applicants when no additional information is required. Bureau CEQA unit members will also be necessary to perform a variety of functions in furtherance of CEQA review, including: (1) preparing CEQA compliance determinations; (2) coordinating with, and soliciting information from, state, local, and regional governmental agencies and organizations on site-specific environmental factors; (3) conducting site-specific environmental impacts analysis; and (4) preparing and filing documents with the state clearinghouse as necessary.

Finally, additional CEQA unit members will be required to provide advice and assistance to the Bureau's enforcement staff and laboratory unit staff on a variety of issues, including: use of pesticides in confined areas; solid and hazardous waste management; and chemicals used in manufacturing extraction processes and laboratory testing. The Bureau's CEQA unit will provide necessary advice and assistance to laboratory unit staff on issues of environmental contaminants (e.g., pesticides, microbial pathogens, etc.), routes of exposure, and scientific and technical matters that impact laboratory testing of cannabis products.

The Bureau requests 13 positions for the Legal Division, including: 1.0 Attorney IV, 4.0 Attorney IIIs, 2.0 Attorneys, 1.0 Legal Secretary, 2.0 AGPAs, 1.0 SSA, and 2.0 Environmental Planners.

## **REGIONAL OFFICES**

The Regional Offices provide licensees, applicants, stakeholders, and the public a convenient and safe location to pay fees, seek guidance and direction, and have documents related to their licensure reviewed. The Bureau is requesting 28 positions for the purposes of providing statewide customer service in relation to commercial cannabis activity.

As required by statute, the Bureau opened its first regional office in Eureka on July 2018 and requests 5.0 positions to perform Bureau related functions including 1.0 Supervising Special Investigator I, 2.0 Special Investigator, 1.0 AGPA, and 1.0 OT classification. The Supervising Special Investigator and Special Investigator will perform duties associated with enforcement activities, while the Associate Governmental Program Analyst will perform Licensing duties. The OT will provide overall office support including cash collection.

The Bureau seeks to establish an additional regional office in or near Los Angeles County to provide localized assistance in Southern California. The Bureau requests 23.0 positions to perform Bureau functions including 1.0 Supervising Special Investigator II, 2.0 Supervising Special Investigator I, 10.0 Special Investigators, 1.0 SSM I, 3.0 AGPAs, 1.0 SSA, and 5.0 OTs. The Supervising Special Investigator II and I and the Special Investigator will perform duties associated with enforcement. In addition, one OT will provide general office support to enforcement staff. The SSM I will provide supervision to the AGPA who will assist with the Licensing workload including the Local Liaison and Equity programs. The SSA will assist in the less complex analytical work associated with licensing and the OT will provide overall administrative support to the Licensing staff. The Bureau will also staff the Southern California regional office with three OTs to provide cash collection services.

With the establishment of a regional office in the Los Angeles County area, the Bureau will have offices in Northern California, Central California, and Southern California, and will be able to effectively provide in-person services to licensees, applicants, stakeholders, and the public throughout the state.

## **ADMINISTRATION DIVISION**

The Administration Division provides a multitude of services to support the timely and efficient execution of the Bureau's day-to-day operations. The Bureau requests 28.0 positions for the purposes of providing the appropriate level of administrative support to the Bureau's staff and operations.

To provide appropriate oversight of the division, the Bureau requests 1.0 Staff Services Manager III (SSM III) that will be assigned to plan, organize and direct the activities of the Administrative Division which includes the following six units: Procurement, Contracts, and Business Services Unit, Human Resources Unit, Cashiering, and the Budgets, Policy, and Legislation Unit. The SSM III will have full management and supervisory responsibility of subordinate supervisors. The SSM III requires skills and knowledge at the highest level, with responsibility for work of the most critical or sensitive nature. Additionally, the Bureau is requesting 1.0 SSM II that will supervise, direct, and monitor the workload of the supervisory staff assigned to the Administration Division and the encompassed units. The SSM II will be responsible for the recruitment and selection of staff and for tracking workload assignments of the Administrative Division.

### **Procurement, Contracts and Business Services Unit**

The Procurement, Contracts, and Business Services Unit provides administrative support for the Bureau by ensuring daily operations are successfully carried out. The Bureau requests 1.0 SSM I to oversee the Procurement, Contracts and Business Services Unit's operations and to make sure the Contracts and Procurement, Fleet and Facilities, Mailroom, and Asset Coordination sections are appropriately administered.

### **Contracts and Procurement**

The Contracts and Procurement Section is responsible for the development and preparation of a variety of contract and procurement requests. Bureau Contracts and Procurement staff frequently develop and prepare contracts for Bureau approval, including both interagency and standard agreements. Staff are also responsible for gathering and analyzing data necessary to make informed and effective recommendations to management. Additionally, Bureau Contracts and Procurement staff research and prepare procurement requests.

During the 2018-19 fiscal year, the Bureau engaged in an increased number of contracts and procurement activities and it is anticipated to continually increase as the Bureau begins to open an

additional regional office. As a result, the Bureau requests the following positions for the Contracts and Procurement Section: 4.0 AGPAs.

### **Fleet and Facilities**

The Fleet and Facilities Section is responsible for building maintenance issues and requests for headquarters and field offices. Bureau Fleet and Facilities staff consult with lessors regarding necessary actions to make recommendations for the completion of ongoing maintenance of tenant modifications and/or space alterations. Additionally, Bureau Fleet and Facilities staff submit required documents notifying appropriate Bureau staff, DCA Facilities, private contractors, lessors, and applicable state agencies, of necessary actions; and serve as the contact for staff regarding emergency situations such as fire, theft, illness, and vandalism, to determine an appropriate resolution. Bureau Fleet and Facilities staff are also responsible for monitoring and responding to emergency repairs using lessor's private vendors, police department, fire department, and DCA facility personnel, to maintain building safety.

Additionally, Bureau Fleet and Facilities staff organize, prepare, and track various reports as needed such as vehicle repair costs, mileage, and Voyager usage reports. Bureau Fleet and Facilities staff serve as the Bureau's primary point of contact for vehicle repairs and record vehicle repair history in a database. The Bureau requests for the Fleet and Facilities Section 1.0 AGPA position to manage the Bureau's fleet and to implement and maintain the Bureau's headquarters and field offices.

### **Mailroom**

The Mailroom Section is responsible for the gathering, sorting, and delivery of incoming Bureau correspondence and packages. Bureau Mailroom staff manage outgoing mail, ensuring the appropriate postage is affixed, tracking number assigned, and that packaging is prepared appropriately for delivery. The Bureau's Mailroom staff are also responsible for interagency mailing which involves delivery and pickup of items from varying governmental agencies in the Sacramento area via the use of a fleet vehicle. The Bureau requests for the Mailroom Section 1.0 OT position.

### **Asset Coordination**

The Asset Coordination Section is responsible for creating and maintaining records of the location of Bureau property, for recording the receipt of new property, and for the proper marking of property such as computers, monitors, phones, and other tagged assets. The Bureau's Asset Coordination staff communicate with the DCA Office of Information Systems (OIS) to request new asset tags as needed, and report lost tags to Bureau management. Staff release property to authorized units and individuals; inform employees receiving property of their responsibility and liability for it; issue directives concerning the care and movement of property; receive requests for and recommend transfers of property; make periodic inventories and inspections of property; investigate discrepancies in inventories and reconcile property records; and determine the condition and recommend proper disposition of property requiring repair, salvage, or disposal.

Additionally, Bureau Asset Coordination staff evaluate inventory to confirm sufficient items are accessible and ready for use; track and report projected asset needs; and provide asset management support to the staff in the Bureau's headquarters and field office. The Bureau requests for the Asset Coordination Section 1.0 OT position.

### **Human Resources Unit**

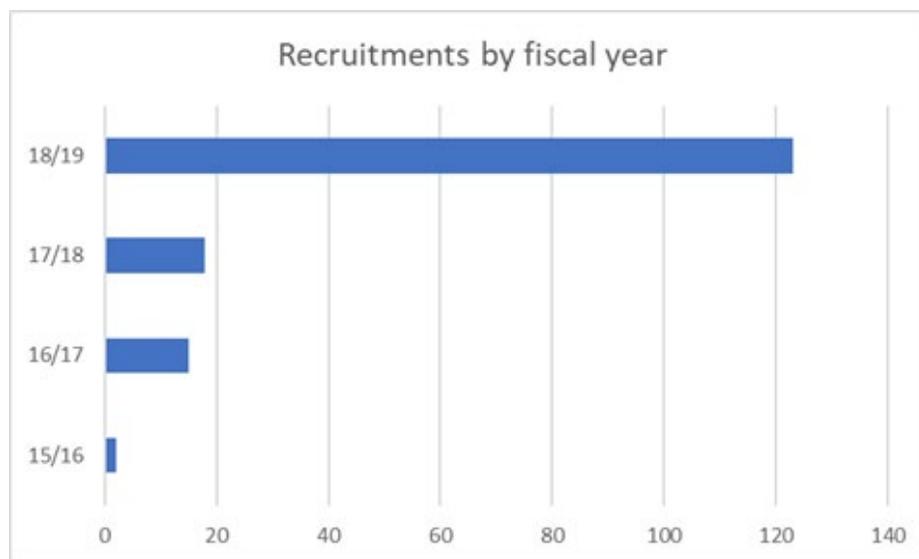
The Human Resources (HR) Unit is responsible for hiring activities of the Bureau, helping to make sure that the Bureau's processes and procedures are in place and that hiring deadlines are met. Bureau HR Unit staff help support the Bureau's adherence to position allocation guidelines and organizational structure by maintaining position authority, composing justification memos, updating employee duty statements, and preparing organization charts. Bureau HR Unit staff prepare all 'out-of-class', Hiring Above Minimum (HAM), Promotion-in-Place, and Training and Development Assignments requests impacting the Bureau. Bureau HR Unit staff prepare hiring packets, develop screening criteria, draft

advertisement language, screen applications, schedule interviews, develop interview packets, participate on interview panels, and conduct reference checks and personnel file reviews.

The Bureau's HR Unit staff work on all pay and benefit requests, including the onboarding of new staff, maintaining all Bureau informal personnel files, and coordinating the completion of timesheets and leave accounting balances. They provide consultation, advice, and recommendations to all levels of Bureau staff regarding personnel management policies and procedures, the interpretation of Civil Service laws and rules, promote adherence to merit system principles, selection and allocation standards, and conformance to control agencies' laws, rules and policies. HR staff also review and approve Request for Personnel Actions, advise management regarding the progressive discipline process, review minimum qualification and eligibility requests, prepare interview questions, manage job advertisements, and perform all functions in the ECOS system.

The SSM I within the HR Unit provides consultative services to Bureau management; serves as the subject matter expert; and performs the most difficult, high-level, and sensitive HR related tasks. They directly plan, review and evaluate the work activities of the HR analytical and clerical staff, ensuring conformity to the State Personnel Board (SPB) and California Department of Human Resources (CalHR) laws and rules.

The Bureau was established in 2016, and has continually increased recruitment efforts since its inception, which is demonstrated in the chart below:



As the Bureau begins to fill its ranks, Bureau HR Unit staff are additionally tasked with the need to provide consultation on all personnel related matters. The increased workload experienced throughout the Bureau is anticipated to continue throughout the implementation and ongoing regulation of the cannabis industry.

The Bureau requests 5.0 positions for the Human Resources Unit, including 1.0 SSM I, 1.0 AGPA, 2.0 SSA, and 1.0 OT. These positions shall be used for the purposes of preparing Requests for Personnel Action packages along with all supporting documents, screening applications, responding to internal inquiries regarding salary and benefits, providing consultative services to Bureau staff and the public regarding Bureau related recruitments, and conducting position analysis for Bureau.

### **Cashiering Unit**

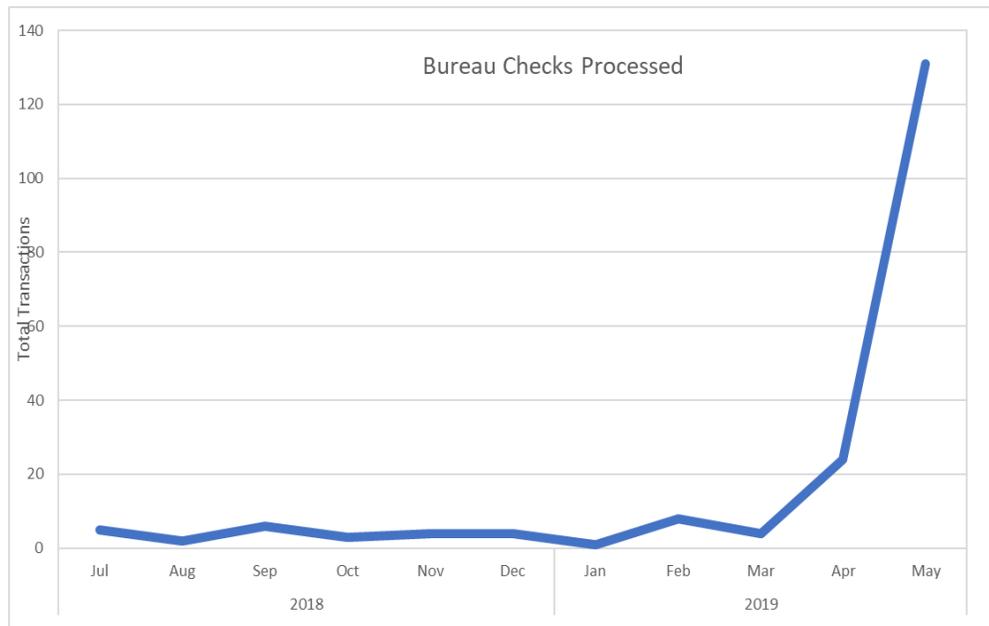
The Cashiering Unit is responsible for promoting the financial integrity and operational efficiency of the Bureau through exceptional monitoring of all accounting, analysis, collections, and expenditures for the Bureau. The Bureau requests 1.0 SSM I to oversee the Cashiering Unit's operations and help make sure they are appropriately administered.

The Cashiering Section is responsible for the scheduling, processing, and deposit of all payments made to the Bureau. The Cashiering Section at the Bureau's headquartered office additionally schedules and processes all cash payments made locally to the CDFA CalCannabis Cultivation Licensing Division, and the CDPH Manufactured Cannabis Safety Branch. Applicants and licensees contact the Cashiering Section to schedule appointments and obtain payment information. Payments are accepted by Bureau Cashiering staff via check, money order, or cash. To process a check and/or money order payment, the Bureau Cashiering staff must initially obtain verification from Bureau licensing staff. Once verification has been obtained, the payment is applied in the online licensing system and recorded for deposit with the DCA. Additionally, applicants and licensees often submit multiple checks or money orders for a singular transaction, resulting in Bureau Cashiering staff processing multiple methods of payment for a single transaction.

To promote the safety of the public and Bureau staff, all cash transactions are conducted via a prescheduled appointment. Each transaction is performed by two Bureau Cashiering staff members and overseen by a manager. Due to the large sums of money in varying denominations, it is necessary to rotate staff to help produce accurate counts and to avoid fatigue and injury.

As applicants for licensure are approved for provisional and annual licenses, Bureau Cashiering staff have experienced a significant spike in workload. This workload has come in the form of an increase in the request for cash appointments across all three agencies as illustrated in the chart below:

Cashiering staff have also had an unanticipated growth in workload in the form of the number of check and money order payments submitted by applicants for licensure which have increased dramatically during the past fiscal year:



The Bureau requests 7.0 positions for cashiering, including 1.0 AGPA, 2.0 SSAs and 4.0 OTs. These positions shall be utilized to collect, receipt, and deposit cash payments for all three of the cannabis licensing agencies, as well as for processing all transactions made payable to the Bureau.

### **Budgets, Policy, and Legislation Unit**

This unit is responsible for administering and building the Bureau's annual budget, monitoring expenditures and tracking budget related activity which includes drafting Budget Change Proposals, making recommendations to Bureau executive management, performing unit evaluations, preparing reports, and executing statistical analysis as needed. The unit staff will track, identify, and make

recommendations on pending legislation and regulations for fiscal and economic impact to the Bureau.

Since its inception, there have been approximately 50-60 cannabis bills each year. This unit tracks all bills during the legislative session. The unit will research and evaluate proposed legislation for fiscal impact on the Bureau. In addition to California bills, this unit will also track and analyze cannabis developments in other states, at the federal level, and in other countries. The Bureau regularly receives requests from other jurisdictions, both foreign and domestic, inquiring about the Bureau's program and requesting collaboration as those jurisdictions develop their programs. This unit will serve as the Bureau's liaison with these other jurisdictions and will research other programs throughout the world. Such research may include developing surveys for other jurisdictions to complete as well as responding to program surveys issued by other jurisdictions. The unit will provide reports to the Bureau Chief on developments in cannabis around the globe and will make recommendations on Bureau developments.

Additionally, this unit will coordinate with program staff to gather and evaluate data relating to licensing and enforcement trends. Staff will analyze licensing and enforcement trends and provide recommendations to the Bureau Chief on resource needs such as the need for additional regional offices and advising on where the regional offices should be located. The unit will also research and develop the Bureau's policies.

The Bureau is also tasked with selecting grant recipients for funding under Revenue and Taxation Code section 34019, related to cannabis research. The Budgets, Policy, and Legislation unit will help administer the grant process, and promote accessibility through the California State Library Grants Portal, and compliance with the research funding requirements, as well as the Grants Information Act of 2018. This requires all agencies to register every grant they administer with the California State Library, prior to commencing a solicitation or award process.

The Bureau's Budgets, Policy, and Legislative Unit is requesting 1.0 SSM I 3.0 AGPA, and 1.0 SSA.

#### **Bureau of Cannabis Control Facilities**

The Bureau is requesting \$3.8 million in 2020-21, and \$5.1 million in 2021-22 and ongoing for tenant improvements and ongoing rent expenses for its headquarters, field offices, and reference laboratory locations.

#### **Bureau of Cannabis Control Advisory Committee**

Under the MAUCRSA, the Bureau is mandated to convene an advisory committee. The cannabis advisory committee meets four to six times a year and can hold additional meetings as necessary. The majority of these meetings will be held at the Bureau's headquarters and webcasted to provide public engagement.

The advisory committee is scheduled to meet at least four times annually. The Bureau requests \$300,000 to cover costs associated with committee meetings including room rental, audio and visual needs, materials production, court reporters, and other services as well as to provide travel reimbursement to committee members.

#### **Bureau of Cannabis Control Interagency Agreements**

The MAUCRSA permits the Bureau to enter into interagency agreements with the CDFA and the CDPH for their assistance in the licensing and enforcement of microbusinesses. CDFA has requested \$577,000 ongoing to cover their costs regarding microbusiness licensing from the Bureau. The CDPH has requested \$527,000 ongoing to cover their costs regarding microbusiness licensing from the Bureau.

In addition to the IA's with CDFA, CDPH, and DCA above, this request includes \$222,000 ongoing to fund an interagency agreement with the California Business, Consumer Services, and Housing Agency.

The Bureau is also requesting reimbursement authority in the amount of \$350,000 from both CDFA and CDPH, for a total of \$700,000, to cover their shares of the Bureau's costs for cashiering and security services at both the North Coast and Sacramento headquarters offices.

### **Bureau of Cannabis Control Track and Trace Cost Share**

Under the MAUCRSA, the CDFA is responsible for procuring the Track and Trace system for reporting the movement of cannabis and cannabis products through the distribution chain that utilizes a unique identifier. The Bureau is responsible for a portion of the cost of the system and for the portion of unique identifier tags that its licensees will place on each cannabis plant or cannabis product monthly. The Bureau is responsible for \$11.271 million (\$8.975 million for identifier tags and \$2.296 million for administrative costs) in 2020-21 and \$11.439 million (\$9.098 million for identifier tags and \$2.341 million for administrative costs) in 2021-22 for the Track and Trace program. Funding for Bureau's share of these costs are requested on a three-year limited-term basis to allow Track and Trace costs to be reevaluated to determine an appropriate ongoing level as more information becomes available. For now, the 2021-22 cost share is requested for 2022-23.

### **Attorney General**

The Bureau is requesting \$1.25 million ongoing to cover its anticipated costs for AG services.

### **Office of Administrative Hearings**

The Bureau is requesting \$5.0 million ongoing to cover its anticipated costs for administrative hearing services provided by Office of Administrative Hearings.

## **DEPARTMENT OF CONSUMER AFFAIRS (DCA)**

For DCA to continue to meet the support needs of the Bureau, DCA will need continued funding and position authority for its Bureau-funded positions in fiscal operations, information technology, human resources, business services, legislative and legal divisions. DCA's staffing needs are discussed in further detail below.

### **DCA Fiscal Operations**

The Fiscal Operations Office is responsible to provide full range accounting and budget services to the Bureau. To provide necessary and adequate support to the Bureau, continued funding and position authority is needed in the DCA accounting and budget units.

The Accounting Unit is requesting 1.0 Accounting Officer (Specialist) position to review and process all Bureau vendor invoices, travel advances, and travel expense claims, and 1.0 additional Accounting Officer (Specialist) position to handle a broad range of daily tasks associated with Bureau financial reporting, including daily and monthly reconciliation of revenue collection records, bank statements, fund balances, and creating and maintaining accounts receivable records.

The Budget Unit is requesting 1.0 Associate Budget Analyst position to administer and build the Bureau's annual budget, monitor expenditures and tracking budget related activity which includes drafting Budget Change Proposals, performing the necessary duties as the Cannabis Control Fund administrator, make recommendations to executive management, performing unit evaluations, preparing reports, and executing statistical and fiscal analyses as needed.

### **DCA Office of Information Services**

The Office of Information Services is responsible for providing technical support for the Bureau's hardware, software, and IT infrastructure. To provide necessary and adequate support to the Bureau, continued funding and position authority is needed in the DCA Office of Information Services.

The IT Support Unit is requesting 2.0 Information Technology Associates to handle all the Bureau's IT help desk and PC support needs. This includes the support of desktops, laptops, printers, and peripherals, and the setup of equipment for new users, software configuration, and computer hardware issues.

The Change & Release Management Unit is requesting 3.0 Information Technology Specialist I's and 1.0 Information Technology Specialist II to operate and maintain the Bureau's licensing and enforcement system (Accela). This includes updating system configurations based on requested system enhancements or defect resolutions, testing prior to deployment, deploying the enhanced software, and developing system extensions.

### **DCA Human Resources**

The Office of Human Resources (HR) is responsible for all hiring activities of the Bureau, as well as any classification and pay issues that may arise. To provide necessary and adequate support to the Bureau, continued funding and position authority is needed in the DCA Office of Human Resources.

The HR Unit is requesting 3.0 Associate Personnel Analysts (2.0 permanent and 1.0 2-year limited term) to help prepare Requests for Personnel Action packages along with all supporting documents, screen applications, responding to internal inquiries regarding salary and benefits, provide consultative services to Bureau staff and the public regarding Bureau related recruitments, and conducting position analysis for the Bureau.

### **DCA Business Services**

The Business Services Office provides administrative support to the Bureau by coordinating facilities projects as well as contract and procurement requests. To provide necessary and adequate support to the Bureau, continued funding and position authority is needed in the DCA Business Services Office.

The Facilities Unit is requesting 2.0 Associate Governmental Program Analysts to assist the Bureau with building maintenance issues and requests for headquarters and field offices. This includes consulting with lessors regarding necessary actions to make recommendations for the completion of ongoing maintenance of tenant modifications and/or space alterations, submitting required documents notifying appropriate staff of necessary actions, and serving as the point of contact regarding emergency situations such as fire, theft, illness, and vandalism.

The Contracts & Procurement Unit is requesting 1.0 Associate Governmental Program Analyst to develop and prepare contracts for approval. This includes interagency and standard agreements as well as procurement requests.

### **DCA Legislative Affairs**

The Legislative Affairs Office provides administrative support to the Bureau by coordinating proposed legislation as well as conducting policy analyses. To provide necessary and adequate support to the Bureau, continued funding and position authority is needed in the DCA Legislative Affairs Office.

The Legislative Affairs Office is requesting 1.0 Associate Governmental Program Analyst to analyze legislation related to the Bureau and make recommendations regarding the position of DCA. A significant amount of research goes into each bill analysis, which contains comprehensive background on existing law, detailed explanation of the changes proposed by the bill, related legislation, stakeholder positions, arguments in support and opposition to the bill, among a variety of other information.

### **DCA Legal Affairs**

#### **Administrative Cases**

Each appeal of an action by the Bureau will have been reviewed by DCA's Legal Affairs Division (LAD). Specifically, much of the legal work will be reviewing and advising the Director on all appealed licensing and discipline decisions. (Bus. & Prof. Code, §§ 26031 & 26058.) That is, when an applicant or licensee challenges the Bureau's initial decision to deny a license or discipline a license, the case moves into the formal administrative adjudication phase. In such cases, the Bureau is represented by the Attorney General's Office. There will often be a hearing and a formal decision will be proposed to the Director, who will decide how to proceed. LAD will need to review the entire record in these

matters, this may include the investigative report, evidence, and transcripts of hearings to properly advise the Director.

Currently, the Department has rendered 1,113 bureau decisions from July 1, 2019 to April 2020.

<b>TOTAL DECISIONS: July 1, 2019 – Current</b>	
Bureau of Automotive Repair	894
Cemetery and Funeral Bureau	8
Bureau of Household Goods and Services	2
Professional Fiduciaries Bureau	0
Bureau for Private Postsecondary Education	23
Bureau of Security and Investigative Services	186
<b>Total (as of April 2020)</b>	<b>1,113</b>

Present staffing levels are insufficient to address this workload.

### **General Legal Matters**

Cannabis laws in California are rapidly developing and LAD is responsible for addressing the unique complexities associated with the emerging cannabis laws, including but not limited to, drafting or reviewing legal opinions on novel areas of law (i.e. tribal jurisdiction), reviewing regulations for legal sufficiency, overseeing litigation, and addressing cannabis equity grants issue and contracts.

The DCA Legal attorney will also advise the DCA on cannabis-related public records act requests (separate from the Bureau's requests), and other cross-over areas where the DCA has legal interests that are separate from the Bureau (such as public contracts involving both the DCA and the Bureau).

### **Personnel Matters**

From July 1, 2019 to date, LAD has handled 168 personnel actions. With approximately 4,188 DCA employees statewide, this accounts for approximately 4% of employees with some personnel issue that required legal review. Cases have varying degrees of complexity. Generally, time expended on each case ranges from 20-400 hours for more involved or complex matters. Given that the Bureau has 141 filled positions, the general expectation would be that approximately 6, or 4% of that number would account for LAD personnel work.

To meet the administrative, general, and personnel workload demands as described above, LAD requests that it maintain one Attorney IV.

### **E. Outcomes and Accountability**

After the first full year of commercial cannabis licensing, California's commercial cannabis market is quantifiably the largest in the country. The Bureau's main priority is to help make sure that the cannabis market is governed by effective regulatory and enforcement systems that enhance and help maintain public safety and public health.

With the staff and funding requested, the Bureau will be able to continue issuing licenses in a timely manner, thereby bringing cannabis businesses into the regulated legal market and reducing the illegal market. Additionally, the Bureau will be able to conduct efficient enforcement, thus ensuring that licensees remain in compliance with laws and regulations.

## **F. Analysis of All Feasible Alternatives**

Alternative 1: Approve this proposal for \$68.9 million (\$68.2 million Cannabis Control Fund, \$700,000 Reimbursements) and 42 positions in fiscal year 2020-21; \$74.3 million (\$73.6 million Cannabis Control Fund, \$700,000 Reimbursements) and 79 positions in 2021-22; \$75.4 million (\$74.7 million Cannabis Control Fund, \$700,000 Reimbursements) and 78 positions in 2022-23; and \$57.7 million (\$57 million Cannabis Control Fund, \$700,000 Reimbursements) and 78 positions in 2023-24 and ongoing to continue resources for the Bureau and DCA, as well as make some improvements to enforcement, enabling the continued implementation of cannabis licensing and enforcement activities.

Pros: The Bureau will be able to effectively meet licensing and enforcement requirements under MAUCRSA. The Bureau will be able to conduct effective enforcement activity across the state, issue and review licenses more expeditiously, and process payments across the state for added convenience to stakeholders.

Cons: Requires additional staffing and funding to continue resources beyond 2019-20.

Alternative 2: Approve funding on a three year limited term basis for \$68.9 million (\$68.2 million Cannabis Control Fund, \$700,000 Reimbursements) and 42 positions in fiscal year 2020-21; \$74.3 million (\$73.6 million Cannabis Control Fund, \$700,000 Reimbursements) and 79 positions in 2021-22; \$75.4 million (\$74.7 million Cannabis Control Fund, \$700,000 Reimbursements) and 78 positions in 2022-23.

Pros: The Bureau will be compliant with MAUCRSA and will be able to continue licensing and enforcement activities.

Cons: The Bureau will have to re-evaluate and submit another proposal in three years for a funding extension in order for the legal cannabis market to continue in California.

## **G. Implementation Plan**

The Bureau currently has 156.0 positions filled that will serve as the baseline going forward. All other positions are being phased in and are based off anticipated cannabis industry growth that will require a net increase in resources for the Bureau to maintain appropriate service levels. In 2020-21, 129.0 additional positions will be phased in consisting of 10.0 administration positions, 40.0 sworn positions, 19.0 enforcement positions, 6.0 executive positions, 10.0 laboratory positions, 7.0 legal positions, 29.0 licensing positions, 3.0 positions for the North Coast field office, and 5.0 DCA positions.

In 2021-22, 37.0 positions will be phased in consisting of 6.0 administration positions, 4.0 enforcement positions, 3.0 licensing positions, 1.0 North Coast field office position, and 23.0 Los Angeles field office positions.

## **H. Supplemental Information**

- Workload Tables
- Proposed Organizational Charts (available upon request)

## **I. Recommendation**

Approve Alternative 1. This alternative would provide the Bureau with the necessary resources to maintain a strong and effective regulatory, licensing, and enforcement system that protects public safety and health by bringing cannabis businesses into the legal market and reducing the illegal market.

# BCP Fiscal Detail Sheet

BCP Title: Continued Implementation of Cannabis Licensing and Enforcement Activities

BR Name: 1111-106-BCP-2020-MR

Budget Request Summary

## Personal Services

Personal Services	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	42.0	79.0	78.0	78.0	78.0
<b>Total Positions</b>	<b>0.0</b>	<b>42.0</b>	<b>79.0</b>	<b>78.0</b>	<b>78.0</b>	<b>78.0</b>
Earnings - Permanent	0	18,649	23,366	24,209	24,209	24,209
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$18,649</b>	<b>\$23,366</b>	<b>\$24,209</b>	<b>\$24,209</b>	<b>\$24,209</b>
Total Staff Benefits	0	13,719	16,467	16,759	16,759	16,759
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$32,368</b>	<b>\$39,833</b>	<b>\$40,968</b>	<b>\$40,968</b>	<b>\$40,968</b>
<b>Operating Expenses and Equipment</b>						
Operating Expenses and Equipment	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
5301 - General Expense	0	1,425	1,610	1,605	1,605	1,605
5302 - Printing	0	570	644	642	642	642
5304 - Communications	0	570	644	642	642	642
5306 - Postage	0	285	322	321	321	321
5320 - Travel: In-State	0	855	966	963	963	963
5322 - Training	0	285	322	321	321	321
5324 - Facilities Operation	0	3,841	5,078	5,078	5,078	5,078
5340 - Consulting and Professional Services - External	0	2,257	2,304	2,304	2,304	2,304
5340 - Consulting and Professional Services - Interdepartmental	0	20,752	20,920	20,920	3,231	3,231
5344 - Consolidated Data Centers	0	570	644	642	642	642
5346 - Information Technology	0	855	966	963	963	963
5368 - Non-Capital Asset Purchases - Equipment	0	4,291	50	50	50	50

<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$36,556</b>	<b>\$34,470</b>	<b>\$34,451</b>	<b>\$16,762</b>	<b>\$16,762</b>
<b>Total Budget Request</b>						
Total Budget Request	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$68,924</b>	<b>\$74,303</b>	<b>\$75,419</b>	<b>\$57,730</b>	<b>\$57,730</b>
<b>Fund Summary</b>						
<b>Fund Source</b>						
Fund Source	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
0995 - Reimbursements	0	700	700	700	700	700
State Operations - 3288 - Cannabis Control Fund	0	68,224	73,603	74,719	57,030	57,030
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$68,924</b>	<b>\$74,303</b>	<b>\$75,419</b>	<b>\$57,730</b>	<b>\$57,730</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$68,924</b>	<b>\$74,303</b>	<b>\$75,419</b>	<b>\$57,730</b>	<b>\$57,730</b>
<b>Program Summary</b>						
<b>Program Funding</b>						
Program Funding	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
1425049 - Consumer and Client Services Division	0	2,609	2,609	2,473	2,473	2,473
1426049 - Distributed Consumer and Client Services Division	0	-2,609	-2,609	-2,473	-2,473	-2,473
1455010 - Bureau of Cannabis Control - Support	0	68,924	74,303	75,419	57,730	57,730
<b>Total All Programs</b>	<b>\$0</b>	<b>\$68,924</b>	<b>\$74,303</b>	<b>\$75,419</b>	<b>\$57,730</b>	<b>\$57,730</b>

Personal Services Details						
Positions						
Positions	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
0756 - Environmental Program Mgr I (Supvry) (Eff. 07-01-2020)	0.0	1.0	1.0	1.0	1.0	1.0
0762 - Environmental Scientist (Eff. 07-01-2020)	0.0	10.0	10.0	10.0	10.0	10.0
0764 - Sr Envirnal Scientist (Supvry) (Eff. 07-01-2020)	0.0	3.0	3.0	3.0	3.0	3.0
0765 - Sr Envirnal Scientist (Spec) (Eff. 07-01-2020)	0.0	1.0	1.0	1.0	1.0	1.0
1139 - Office Techn (Typing) (Eff. 07-01-2020)	0.0	17.0	24.0	24.0	24.0	24.0
1282 - Legal Secty (Eff. 07-01-2020)	0.0	1.0	1.0	1.0	1.0	1.0
1401 - Info Tech Assoc (Eff. 07-01-2020)	0.0	3.0	3.0	3.0	3.0	3.0
1402 - Info Tech Spec I (Eff. 07-01-2020)	0.0	3.0	3.0	3.0	3.0	3.0
1414 - Info Tech Spec II (Eff. 07-01-2020)	0.0	1.0	1.0	1.0	1.0	1.0
4159 - Assoc Mgmt Auditor (Eff. 07-01-2020)	0.0	3.0	3.0	3.0	3.0	3.0
4546 - Accounting Officer (Spec) (Eff. 07-01-2020)	0.0	2.0	2.0	2.0	2.0	2.0
4640 - Environmental Plnr (Eff. 07-01-2020)	0.0	2.0	2.0	2.0	2.0	2.0
4800 - Staff Svcs Mgr I (Eff. 07-01-2020)	0.0	14.0	16.0	16.0	16.0	16.0
4801 - Staff Svcs Mgr II (Supvry) (Eff. 07-01-2020)	0.0	4.0	4.0	4.0	4.0	4.0
4802 - Staff Svcs Mgr III (Eff. 07-01-2021)	0.0	2.0	2.0	2.0	2.0	2.0
5142 - Assoc Pers Analyst (Eff. 07-01-2020)	0.0	3.0	3.0	2.0	2.0	2.0
5157 - Staff Svcs Analyst (Gen) (Eff. 07-01-2020)	0.0	20.0	23.0	23.0	23.0	23.0
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2020)	0.0	67.0	74.0	74.0	74.0	74.0
5591 - Research Scientist III (Eff. 07-01-2020)	0.0	1.0	1.0	1.0	1.0	1.0
5778 - Atty (Eff. 07-01-2020)	0.0	2.0	2.0	2.0	2.0	2.0
5780 - Atty IV (Eff. 07-01-2020)	0.0	2.0	2.0	2.0	2.0	2.0
5795 - Atty III (Eff. 07-01-2020)	0.0	4.0	4.0	4.0	4.0	4.0
7500 - - C.E.A. - A (Eff. 07-01-2020)	0.0	8.0	8.0	8.0	8.0	8.0
8483 - Dep Chief - Investigations & Enforcement (Eff. 07-01-2020)	0.0	1.0	1.0	1.0	1.0	1.0
8545 - Supvng Special Investigator II (Non-Peace Officer) (Eff. 07-01-2020)	0.0	2.0	3.0	3.0	3.0	3.0

8549 - Supvng Special Investigator I (Non-Peace Officer) (Eff. 07-01-2020)	0.0	7.0	9.0	9.0	9.0	9.0
8596 - Supvng Investigator I (Eff. 07-01-2020)	0.0	9.0	9.0	9.0	9.0	9.0
8597 - Supvng Investigator II (Eff. 07-01-2020)	0.0	3.0	3.0	3.0	3.0	3.0
8610 - Investigator (Eff. 07-01-2020)	0.0	63.0	63.0	63.0	63.0	63.0
8612 - Special Investigator (Eff. 07-01-2020)	0.0	18.0	33.0	33.0	33.0	33.0
9928 - Program Techn II (Eff. 07-01-2020)	0.0	8.0	8.0	8.0	8.0	8.0
VR00 - Various (Eff. 07-01-2020)	0.0	-243.0	-243.0	-243.0	-243.0	-243.0
<b>Total Positions</b>	<b>0.0</b>	<b>42.0</b>	<b>79.0</b>	<b>78.0</b>	<b>78.0</b>	<b>78.0</b>
<b>Salaries and Wages</b>						
Salaries and Wages	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
0756 - Environmental Program Mgr I (Supvry) (Eff. 07-01-2020)	0	144	144	144	144	144
0762 - Environmental Scientist (Eff. 07-01-2020)	0	572	673	673	673	673
0764 - Sr Envirnal Scientist (Supvry) (Eff. 07-01-2020)	0	312	374	374	374	374
0765 - Sr Envirnal Scientist (Spec) (Eff. 07-01-2020)	0	92	92	92	92	92
1139 - Office Techn (Typing) (Eff. 07-01-2020)	0	605	892	1,020	1,020	1,020
1282 - Legal Secty (Eff. 07-01-2020)	0	49	49	49	49	49
1401 - Info Tech Assoc (Eff. 07-01-2020)	0	200	200	200	200	200
1402 - Info Tech Spec I (Eff. 07-01-2020)	0	250	250	250	250	250
1414 - Info Tech Spec II (Eff. 07-01-2020)	0	98	98	98	98	98
4159 - Assoc Mgmt Auditor (Eff. 07-01-2020)	0	169	225	225	225	225
4546 - Accounting Officer (Spec) (Eff. 07-01-2020)	0	122	122	122	122	122
4640 - Environmental Plnr (Eff. 07-01-2020)	0	44	117	117	117	117
4800 - Staff Svcs Mgr I (Eff. 07-01-2020)	0	968	1,298	1,318	1,318	1,318
4801 - Staff Svcs Mgr II (Supvry) (Eff. 07-01-2020)	0	362	362	362	362	362
4802 - Staff Svcs Mgr III (Eff. 07-01-2021)	0	183	209	209	209	209
5142 - Assoc Pers Analyst (Eff. 07-01-2020)	0	209	209	139	139	139
5157 - Staff Svcs Analyst (Gen) (Eff. 07-01-2020)	0	1,039	1,156	1,195	1,195	1,195
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2020)	0	3,983	4,939	5,148	5,148	5,148
5591 - Research Scientist III (Eff. 07-01-2020)	0	98	98	98	98	98
5778 - Atty (Eff. 07-01-2020)	0	71	190	190	190	190

5780 - Atty IV (Eff. 07-01-2020)	0	251	286	286	286	286
5795 - Atty III (Eff. 07-01-2020)	0	519	519	519	519	519
7500 - - C.E.A. - A (Eff. 07-01-2020)	0	975	1,077	1,077	1,077	1,077
8483 - Dep Chief - Investigations & Enforcement (Eff. 07-01-2020)	0	127	127	127	127	127
8545 - Supvng Special Investigator II (Non-Peace Officer) (Eff. 07-01-2020)	0	178	280	306	306	306
8549 - Supvng Special Investigator I (Non-Peace Officer) (Eff. 07-01-2020)	0	586	744	812	812	812
8596 - Supvng Investigator I (Eff. 07-01-2020)	0	737	885	885	885	885
8597 - Supvng Investigator II (Eff. 07-01-2020)	0	305	333	333	333	333
8610 - Investigator (Eff. 07-01-2020)	0	4,104	5,069	5,069	5,069	5,069
8612 - Special Investigator (Eff. 07-01-2020)	0	1,105	2,008	2,431	2,431	2,431
9928 - Program Techn II (Eff. 07-01-2020)	0	192	341	341	341	341
VR00 - Various (Eff. 07-01-2020)	0	0	0	0	0	0
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$18,649</b>	<b>\$23,366</b>	<b>\$24,209</b>	<b>\$24,209</b>	<b>\$24,209</b>
<b>Staff Benefits</b>						
Staff Benefits	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
5150350 - Health Insurance	0	5,117	5,781	5,763	5,763	5,763
5150500 - OASDI	0	1,427	1,788	1,852	1,852	1,852
5150600 - Retirement - General	0	6,576	8,148	8,365	8,365	8,365
5150800 - Workers' Compensation	0	599	750	779	779	779
<b>Total Staff Benefits</b>	<b>\$0</b>	<b>\$13,719</b>	<b>\$16,467</b>	<b>\$16,759</b>	<b>\$16,759</b>	<b>\$16,759</b>
<b>Total Personal Services</b>						
Total Personal Services	FY20	FY20	FY20	FY20	FY20	FY20
	Current Year	Budget Year	BY+1	BY+2	BY+3	BY+4
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$32,368</b>	<b>\$39,833</b>	<b>\$40,968</b>	<b>\$40,968</b>	<b>\$40,968</b>