

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 10/20)

<b>Fiscal Year</b> 2022-23	<b>Business Unit</b> 1115	<b>Department</b> California Department of Cannabis Control	<b>Priority No.</b> 1
<b>Budget Request Name</b> 1115-016-BCP-2022-GB		<b>Program</b> 1460-Department of Cannabis Control	<b>Subprogram</b> 1460010-Support

**Budget Request Description**

Cannabis Tax Fund – Priority 1 Allocation

**Budget Request Summary**

The Department of Cannabis Control proposes utilizing approximately \$13.7 million in 2022-23 from the Cannabis Tax Fund for an information technology assessment of a unified cannabis licensing system, consumer awareness campaign, and data collection and sharing efforts.

<b>Requires Legislation</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Code Section(S) To Be Added/Amended/Repealed</b> None	
<b>Does This BCP Contain Information Technology (IT) Components?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Department CIO</b> Jason Piccione	<b>Date</b> 1/10/2021

**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> Melissa Eidson	<b>Date</b> 1/10/2022	<b>Reviewed By</b> Rasha Salama	<b>Date</b> 1/10/2022
<b>Department Director</b> Nicole Elliott	<b>Date</b> 1/10/2022	<b>Agency Secretary</b> Lourdes M. Castro Ramirez	<b>Date</b> 1/10/2022

**DEPARTMENT OF FINANCE USE ONLY**

**Additional Review:**  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Dept. Of Technology

<b>PPBA</b> Kimberly Harbison	<b>Date Submitted to the Legislature</b> 1/10/2022
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## A. Budget Request Summary

The Department of Cannabis Control (Department) is proposing to utilize approximately \$13.7 million in 2022-23 from the Cannabis Tax Fund for an information technology (IT) assessment of a unified cannabis licensing system, consumer awareness campaign, and data-sharing infrastructure.

## B. Background/History

The Department was established on July 12, 2021 with the passage of Chapter 70, Statutes of 2021 (Assembly Bill 141). This legislation consolidated three cannabis programs into a single department: The Bureau of Cannabis Control (Bureau), California Department of Food and Agriculture's (CDFA) CalCannabis Cultivation Licensing Division, and California Department of Public Health's (CDPH) Manufactured Cannabis Safety Branch. Having a single Department allows the state to:

- Centralize and streamline California's commercial cannabis regulatory oversight;
- Simplify and centralize the licensing process for the industry;
- Strengthen program knowledge and resources by combining them into one cohesive and overarching program; and
- Conduct more strategic and streamlined compliance and enforcement.

### Cannabis Licensing Systems

In June 2017, the Legislature passed statutory changes, Chapter 27, Statutes of 2017 (Senate Bill 94), that integrated the Medical Cannabis Regulation Safety Act with Adult Use Medical Act and created the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA) (Bus. & Prof. Code, § 26000 et seq.)

Under MAUCRSA, the Bureau was charged with licensing of: cannabis distributors, retailers, microbusinesses, temporary cannabis events, and testing laboratories. CDFA was responsible for licensing cannabis cultivators and overseeing the administration of the California Track and Trace System, and CDPH was responsible for licensing cannabis manufacturers. MAUCRSA mandated that the licensing authorities begin issuing licenses for both medicinal and adult-use commercial cannabis activity by January 1, 2018.

To meet the mandates of MAUCRSA, each of the departments stood up their own licensing system. The Bureau and CDFA used the software platform Accela, while CDPH used the platform PEGA.

To prevent disruption to the licensed community with the consolidation of the three programs in July 2021, the Department has maintained all three-licensing systems, and continues to use them for new license applications, license renewals, and compliance data.

### Consumer Awareness Campaign

As of January 1, 2018, all those selling cannabis are required to have a state cannabis retail license. The state has made significant efforts to provide pathways to licensure for businesses; however, an unlicensed, unregulated market for cannabis persists.

In 2020, CDFA launched a public information campaign, called "This is California Cannabis," to educate cultivators about the benefits of becoming licensed and joining the regulated market. With the consolidation of the cannabis programs, the focus of the campaign shifted under the Department of Cannabis Control to convey this message of licensure benefits to all commercial cannabis license types.

National surveys indicate cannabis consumption in California (and nationwide) has remained steady with the introduction of an adult-use marketplace and requirements for retail licensure. Consumers are shifting their purchases from illicit or informal sources to legal retailers, but for public health purposes, the state has an interest in seeing consumer behavior shift more swiftly to the legal and regulated market.

Cannabis obtained from unlicensed sources can pose significant public health risks. Illicit cannabis is largely untested, may contain contaminants or undisclosed additives or allergens, and is often not labeled with accurate cannabinoid content. Illicit retailers do not observe state laws, including those related to selling tested products, preventing access by minors or prohibiting product labeling and advertising that is attractive to youth. Underscoring the harm of illegal products, the 2019 E-Cigarette and Vaping Associated Lung Injury (EVALI) nationwide health crisis was directly associated with illicit cannabis market products and in California it resulted in nearly 250 hospitalizations and five deaths.

### Resource History

The chart below reflects the Department's year-to-date expenditures, revenue, and licensing data, associated with the Cannabis Control Fund. The 2020-21 column reflects the last year under the individual licensing departments.

Department	2020-21	2021-22 Projected
<b>Authorized Expenditures</b>	\$141,334,000	\$157,666,000
<b>Expenditures</b>	\$101,653,000*	\$157,666,000
<b>Revenues</b>	\$168,413,000*	\$173,995,000
<b>Total Approved Applications- Pending Payment</b>	364	3,587**
<b>Total Pending Applications</b>	4,160	299**
<b>Total Licenses</b>	11,247	12,198**

\*Includes estimated year end expenditures and revenue for legacy department cannabis programs. Subject to change upon final year end reconciliations.

\*\*Figures as of December 20, 2021

### C. State Level Consideration

The Department's mission is, through innovative policies and effective implementation, to advance and facilitate a well-regulated, legal market that benefits all Californians.

State law imposes many important requirements on the cannabis industry, as well as the Department. For the Department to effectively meet the objectives of consolidation and its mission, it must continue to streamline its business and licensing processes and share information with the public and its stakeholders in a meaningful way. The resources identified in this proposal are critical to that mission.

### D. Justification

To better serve cannabis stakeholders and the people of the State of California, the Department is proposing resources for the following items:

## **ANALYSIS AND DATA MIGRATION FOR UNIFIED CANNABIS LICENSING SYSTEM**

To prevent disruption to application and license processing with the consolidation of the licensing programs, the Department maintained the three existing cannabis licensing systems. While these platforms provide continuity, they do not provide the necessary uniformity and agility for the Department to meet the overall objectives of consolidation. The continued need to modify three systems duplicates efforts, requires intensive staff resources, challenges data-related efforts and does not provide for a streamlined user experience.

To begin simplifying and centralizing the licensing process, the Department introduced emergency regulations shortly after its establishment that consolidated, simplified, and made consistent the governing regulations related to commercial cannabis activity. To further this effort, the Department is now ready to take the necessary steps to consolidate its data assets and conduct the necessary assessment to create a single unified licensing platform for all cannabis applicants and licensees.

As part of this assessment, the Department must identify, document, and map its current business processes and operations within the licensing and compliance divisions. The documentation of these business processes must then be analyzed for streamlining opportunities and operational and system re-engineering to inform the development of ideal system requirements. This effort will aid the Department in determining the direction and scope for a unified cannabis system that houses licensing and compliance data. The Department intends to procure services to provide project management and business analysis expertise to facilitate and manage this process to the procurement phase.

While the Department is conducting this business analysis, it will begin the data aggregation phase for the manufacturing license type. This phase will begin the process of unifying licensing data, and ultimately supports the Department's efforts to move to one system.

Cumulatively, this effort will yield a comprehensive roadmap for future system procurement and implementation, and will include:

- analysis of the three licensing systems (i.e., GAP analysis);
- development of preferred uniform and streamlined business processes related to licensing;
- development of a scope of work for software acquisition, system integration and transition plan; and
- migration of the manufacturing licensing data to one of the two remaining licensing systems.

The Department proposes \$5.5 million in 2022-23 to begin the process of transitioning data and planning for a unified cannabis licensing and compliance system.

## **CONSUMER AWARENESS CAMPAIGN**

Consumers will greatly benefit from enhanced education associated with the legal cannabis market, including to shift consumer buying habits toward the legal market and away from illicit or informal sources. Illegal cannabis and the illicit market in which it is sold can pose significant risks for public health and safety. The Department proposes to utilize a consumer awareness campaign that builds on the previously-funded California cannabis campaigns related to the licensed and legal cannabis market.

The campaign would provide consumers (both California residents and tourists) basic information needed to purchase cannabis through the legal, regulated market and to deter use of untested, unsafe product obtained from unlicensed sources. It will also provide consumers with basic information about responsible use and consumption.

This information would be provided using multiple mediums and languages to reach California's diverse population and those that visit California.

### Phase I: Research & Concept Development

The campaign will focus on identifying the consumer population, assessing their understanding of the legal cannabis market, identifying areas of opportunity for education, development of a strategy to effectively reach and communicate with these populations, and for the creation of original content.

This effort will include developing a baseline through research and the establishment of metrics to measure the success of the campaign. Further, the campaign will require an assessment through user engagement to determine what consumers know and don't know about buying cannabis from the legal market, cannabis products, and the responsible use of cannabis. This will inform the creation of content that will then be developed for a variety of mediums with a goal of engaging consumers in ways that are meaningful to them.

### Phase II: Production and Campaign Rollout

Public rollout of the campaign will begin upon completion of Phase I. The campaign will utilize a variety of age appropriate and culturally-sensitive mediums such as web collaterals, social media, TV public service announcements, radio, and podcasts.

The campaign will include education to help consumers:

- understand how to find legal cannabis retail stores
- differentiate between legal and illegal retail stores
- differentiate between legal and illegal cannabis products
- understand where it is legal to consume cannabis
- understand the benefits of supporting the legal market (e.g., investment in community, legitimate jobs, safe businesses)
- recognize diversity within the market and the importance of supporting products produced by small and equity-based businesses
- responsibly store cannabis, including in households and environments with children
- understand legal possession as well as safe and responsible consumption, including for new or novice users, and basic information related to what to expect with various consumption methods

The Department proposes \$6 million for a contract to implement the campaign, along with \$174,000 in 2022-23 to fund an Information Officer II to oversee the campaign activities.

### **DATA SHARING**

The Department's vision is to create a safe, sustainable, and equitable market in California. A key component of this vision is sharing information with state partners and public stakeholders to help inform the development of policies related to the state regulatory framework and practices within the licensed market.

The Department collects data through its licensing, compliance, and enforcement programs. This includes information on business activities, business locations and ownership; local allowances and prohibitions for cannabis activity types; market health and economic activity; public complaints, and unlicensed enforcement outcomes.

While limited infrastructure has been developed to aggregate this data for the purpose of analysis (spreadsheets, multiple licensing systems and third-party information), the current infrastructure is insufficient to meet the Department's objectives related to data-driven policymaking and public data transparency.

The Department proposes funding for the development of:

- (1) A data warehouse that aggregates the information from the multiple sources in which it currently exists;
- (2) Data tools to "clean" and maintain the data; and
- (3) Development of data displays and visualizations. This includes but is not limited to interactive maps or data filtering tools that will support California's emerging legal cannabis market.

The development of data warehouses and mechanisms to display data visually through web and internal dashboards will increase the quality, efficiency and transparency of Department operations and improve the delivery of public services.

The sharing of data publicly using things such as visualizations, interactive maps or data filtering tools will also support California's emerging legal cannabis market. This data can help stakeholders identify locations where they can legally purchase cannabis, make more identifiable local jurisdictions that are providing or prohibiting access to licensure for businesses, and inform public health, economic and scientific exploration. Further, this data can be used to inform licensee business decisions resulting in a more sustainable California cannabis market.

The Department proposes \$2 million to support a) the development of a data warehouse to store licensing and compliance data, b) cleaning existing data, c) engineering queries to pull selected data, and d) web development to create data visualizations.

## **E. Outcomes and Accountability**

With approval of this proposal, the Department will have the necessary resources to:

- Conduct a gap analysis of the existing business processes and licensing platforms, develop a scope of work for software acquisition and transition plan, and migrate manufacturing licensing data to the Department.
- Develop a data warehouse for licensing and compliance data that can be used to develop a public facing dashboard.
- Develop a consumer awareness campaign.

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

Alternative #1: Approve approximately \$13.7 million in 2022-23 for the Department to develop a unified cannabis licensing system, consumer awareness campaign, and data-sharing infrastructure.

Advantages: This will provide the Department with the necessary authority to cover the expenses to implement these projects without further obligation to cannabis licensees. These projects are essential to effective and efficient cannabis licensing, consumer protection, and informed policy decisions.

Disadvantages: This alternative increases the resources being allocated from the Cannabis Tax Fund.

Alternative #2: Do not approve the requested resources for the Department to conduct the necessary gap analysis and scope of work for a unified cannabis licensing system, consumer awareness campaign, and data-sharing dashboard.

Advantages: No use of additional resources from the Cannabis Tax Fund.

Disadvantages: Without the resources to conduct this system analysis and project plan, the Department would need to continue to duplicate licensing efforts and utilize licensee funds to conduct the analysis and procurement of the unified licensing and compliance system. Without a consumer awareness campaign, the public will not receive adequate resources to assist consumers with making sound decisions when purchasing and consuming cannabis products in California.

## **G. Implementation Plan**

### ***Fiscal Year 2022-23***

- Bid and hire vendor for the:
  - Analysis of the three licensing systems (i.e., GAP analysis).
  - Development of uniform and streamlined business processes.
  - Development of a scope of work for software acquisition, system integration and transition plan.
  - Migration of the manufacturing licensing data to the DCC environment.
- Bid and hire vendor for the consumer awareness campaign.
- Recruit Information Officer II to oversee the campaign activities.
- Bid and hire vendor to develop the data warehouse to store licensing and compliance data.

## **H. Supplemental Information**

This proposal includes contractual expenses for the following:

- \$5.5 million for a business analysis and development of a procurement plan for the consolidation of the three licensing systems.
- \$6.2 million for a consumer awareness campaign.
- \$2 million for the development of a data dashboard.

## **I. Recommendation**

The Department recommends Alternative 1 to provide approximately \$13.7 million in 2022-23 from the Cannabis Tax Fund for an IT assessment of a unified cannabis licensing system, consumer awareness campaign, and public facing dashboard that provides data-sharing infrastructure.

# BCP Fiscal Detail Sheet

BCP Title: Cannabis Tax Fund - Priority 1 Allocation

BR Name: 1115-016-BCP-2022-GB

## Budget Request Summary

### Personal Services

Personal Services	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Salaries and Wages Earnings - Permanent	0	90	0	0	0	0
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$90</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Total Staff Benefits	0	58	0	0	0	0
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$148</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Operating Expenses and Equipment

Operating Expenses and Equipment	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5301 - General Expense	0	5	0	0	0	0
5302 - Printing	0	2	0	0	0	0
5304 - Communications	0	2	0	0	0	0
5306 - Postage	0	1	0	0	0	0
5320 - Travel: In-State	0	3	0	0	0	0
5322 - Training	0	1	0	0	0	0
5340 - Consulting and Professional Services - External	0	13,500	0	0	0	0
5344 - Consolidated Data Centers	0	4	0	0	0	0
539X - Other	0	8	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$13,526</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



## Total Budget Request

Total Budget Request	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Total Budget Request	\$0	\$13,674	\$0	\$0	\$0	\$0

## Fund Summary

### Fund Source

Fund Source	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
State Operations - 3335 - Cannabis Tax Fund - Cannabis Control	0	13,674	0	0	0	0
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$13,674</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$13,674</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Summary

### Program Funding

Program Funding	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
1460010 - Department of Cannabis Control - Support	0	13,674	0	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$13,674</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Personal Services Details

### Salaries and Wages

Salaries and Wages	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5595 - Info Officer II	0	90	0	0	0	0
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$90</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Staff Benefits

Staff Benefits	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5150350 - Health Insurance	0	19	0	0	0	0
5150500 - OASDI	0	7	0	0	0	0
5150630 - Retirement - Public Employees - Miscellaneous	0	26	0	0	0	0
5150800 - Workers' Compensation	0	3	0	0	0	0
5150820 - Other Post-Employment Benefits (OPEB) Employer Contributions	0	3	0	0	0	0
<b>Total Staff Benefits</b>	<b>\$0</b>	<b>\$58</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Total Personal Services

Total Personal Services	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$148</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>