

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 1111	Department Department of Consumer Affairs	Priority No. 1
Budget Request Name 1111-001-BCP-BR-2016-MR		Program 142509 – CONSUMER AND CLIENT SERVICES DIV	Subprogram

Budget Request Description
 Bureau of Medical Marijuana Regulation – IT Solution

Budget Request Summary

The Department of Consumer Affairs (Department) is requesting \$5,952,000 in fiscal year (FY) 2016-17, \$6,497,000 in FY 2017-18, \$1,048,000 in FY 2018-19 and \$803,000 ongoing to fund 8.0 positions and external contract costs for the development, implementation and maintenance of an IT solution that will support the Bureau of Medical Marijuana Regulation (Bureau). The Bureau is in need of an IT solution that will support its licensing and enforcement functions. These costs will be funded exclusively by the Bureau.

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

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Department CIO <i>Adam Pearce</i>	Date 5/5/16
If yes, departmental Chief Information Officer must sign.		
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. 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.

Prepared By <i>[Signature]</i>	Date 5/5/16	Reviewed By <i>[Signature]</i>	Date 5/6/16
Department Director <i>[Signature]</i>	Date 5-6-16	Agency Secretary <i>[Signature]</i>	Date 5/11/16

Department of Finance Use Only

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

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA *[Signature]* Date submitted to the Legislature
 May 13, 2016

BCP Fiscal Detail Sheet

BCP Title: Bureau of Medical Marijuana Regulation May Revision Proposal (AB 243, AB 266, and SB 643)

DP Name: 1111-001-BCP-DP-2016-MR

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	8.0	8.0	8.0	8.0	8.0
Total Positions	0.0	8.0	8.0	8.0	8.0	8.0
Salaries and Wages						
Earnings - Permanent	0	712	712	285	285	285
Total Salaries and Wages	\$0	\$712	\$712	\$285	\$285	\$285
Total Staff Benefits	0	355	355	138	138	138
Total Personal Services	\$0	\$1,067	\$1,067	\$423	\$423	\$423
Operating Expenses and Equipment						
5301 - General Expense	0	13	17	9	9	9
5302 - Printing	0	5	5	2	2	2
5304 - Communications	0	10	10	4	4	4
5306 - Postage	0	5	5	2	2	2
5320 - Travel: In-State	0	1	1	1	1	1
5322 - Training	0	5	5	2	2	2
5324 - Facilities Operation	0	10	10	5	5	5
5340 - Consulting and Professional Services - External	0	4,191	5,190	415	170	170
5344 - Consolidated Data Centers	0	4	4	2	2	2
5368 - Non-Capital Asset Purchases - Equipment	0	641	183	183	183	183
Total Operating Expenses and Equipment	\$0	\$4,885	\$5,430	\$625	\$380	\$380
Total Budget Request	\$0	\$5,952	\$6,497	\$1,048	\$803	\$803
Fund Summary						
Fund Source - State Operations						
3288 - Medical Marijuana Regulation and Safety Act Fund	0	5,952	6,497	1,048	803	803
Total State Operations Expenditures	\$0	\$5,952	\$6,497	\$1,048	\$803	\$803
Total All Funds	\$0	\$5,952	\$6,497	\$1,048	\$803	\$803

Program Summary

Program Funding

1455010 - Bureau of Medical Marijuana
Regulation - Support

Total All Programs

0	5,952	6,497	1,048	803	803
\$0	\$5,952	\$6,497	\$1,048	\$803	\$803

Analysis of Problem

A. Budget Request Summary

The Department of Consumer Affairs (Department) is requesting \$5,952,000 in fiscal year (FY) 2016-17, \$6,497,000 in FY 2017-18, \$1,048,000 in FY 2018-19 and \$803,000 ongoing to fund 8.0 positions and associated costs, and external contract costs for the development, implementation and maintenance of an IT solution that will support the Bureau of Medical Marijuana Regulation (Bureau). The Bureau is in need of an IT solution that will support its licensing and enforcement functions. These costs will be funded exclusively by the Bureau.

B. Background/History

The Bureau of Medical Marijuana Regulation was created by Assembly Bill (AB) 266 (Chapter 689, Statutes of 2015), and is responsible for regulating the transportation, distribution, and dispensing of medical marijuana through licensing, investigation, and enforcement efforts, and through coordination with local authorities throughout the state of California.

The 2016-17 Governor's Budget includes a proposal which addresses implementation of the requirements of AB 266, AB 243 (Chapter 688, Statutes of 2015), and Senate Bill (SB) 643 (Chapter 719, Statutes of 2015). The Budget Change Proposal would provide a plan for the development and initial start-up of the Bureau. The staffing plan included in the proposal would authorize a position to act as the primary information technology (IT) liaison for the Bureau and the other licensing authorities, and a position to serve as the designated Department project manager in all Bureau IT matters. The legislative BCP did not address or provide funding for the planning, design, implementation, or maintenance costs related to an IT solution.

Due to the limited time in which to implement an IT solution for the Bureau, funding is needed in FY 2016-17 to start the development and implementation of a system that will provide the Bureau with the ability to commence licensing functions effective January 2018.

C. State Level Considerations

Protection of the public shall be the highest priority for the Department, and the Bureau in exercising its licensing, regulatory, and disciplinary functions under this chapter. This request for additional resources creates the need for additional funds to support those costs. The Bureau is funded through the Medical Marijuana Regulation and Safety Act (Act) Fund which received seed money through a \$10 million loan from the General fund provided by Section 19352 of the Business and Professions Code. As the Bureau has yet to begin licensing functions and does not currently generate revenue, an additional loan from the General fund of \$11 million was proposed in the Governor's Budget to support the Bureau and companion Departments budget year expenses. This proposal would increase that loan amount by an additional \$8 million (\$6 million to support the Bureau's proposed IT solution and \$2 million to support the California Department of Food and Agriculture (CDFA) IT solution). The Act involved several state departments and the information technology needs will require coordination between the different entities to ensure that the systems developed to implement the Act will interface with each other.

D. Justification

AB 266 requires that the Bureau have the capability to issue licenses by January 2018. This proposal requests funding for 8.0 positions effective July 1, 2016, who will assist the current management positions requested in the Governor's Budget in the design, implementation and maintenance of an IT solution that will support the Bureau in these efforts.

The staffing resources requested will lead or actively participate in all phases of the software development lifecycle to support the implementation of the Bureau's requirements. This includes requirements analysis, drafting design documentation, revising design documentation, responding to

Analysis of Problem

developer questions, identifying solutions for defects or new requirements, developing user acceptance testing scripts, providing input to training materials and external user help guides, planning system launch support processes, and triaging potential defects or enhancement requests received after system launch.

The staffing resources requested in this proposal are as follows:

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

Two Senior ISAs and two Staff ISAs will support the documentation of business requirements and support the BMMR staff through all phases of the system development lifecycle. These four staff will break up into two teams – one focusing on licensing business processes and the other enforcement. Additionally, one Staff ISA and one Associate ISA will support the project management tasks associated with implementing the Bureau on a COTS system (e.g. schedule management, deliverables management, drafting project plans, acting as software librarian, etc.). The two SSS IIIs will complete all tasks associated with the startup and initial maintenance of the hardware supporting the BMMR IT COTS. Given the firm deadline of January 2018 and the criticality of setting up foundational hardware to support build, testing, and implementation phases of the software development lifecycle, SSS IIIs were requested as the staff would be expert-level and require little direction to complete tasks by the hard deadline. It is anticipated that only two Senior ISAs and one SSS III will be needed for the maintenance of the IT solution once it is implemented.

Additionally, the Department will need to pursue contracted resources to support configuration and testing of the IT solution, the development of reports and correspondence, and to address other requirements as necessary due to the short timeframe provided to get the system up and running.

The costs identified in this proposal assume the Bureau will implement a commercial-off-the-shelf (COTS) IT solution and was based on the implementation of the Department's BreEZe system which is itself a COTS IT solution. Costs include:

Configuration and Testing and Implementation: Estimated costs are based on the BreEZe release 2 cost of \$334,000 for the vendor to configure, test and implement a single license type. Based on the current amendments for bills associated with the Bureau, the Department anticipates implementing ten license/registration types. An additional 25% was added to this cost category as well because the implementation of a COTS IT solution for which Department staff has no familiarity will likely result in more rework or delays in each phase of the software development lifecycle.

Unanticipated Costs: Given the implementation date of January 2018, costs will likely be high for any adjustments to design or expansion of scope as the delivery date cannot be changed. The statute and regulations associated with the Bureau are expected to be updated and finalized during the same time period software implementation activities are occurring. Changes to statute and regulations may require changes to previously agreed to baseline designs, which will result in additional cost. Furthermore, as statute or regulations change, additional functionality needs may be introduced that were not present at the time the COTS IT solution is chosen and costs will be incurred to enhance the COTS IT solution beyond the original scope.

Maintenance: The first year of maintenance (FY 2018-19) is expected to see a heavy volume of changes as statute and regulations are updated and the understanding of business needs matures. The first year of maintenance was approximated to be roughly 10% of the cost of the total 'start-up' cost (i.e. COTS Configuration, Testing, and Implementation). For the second year, it is anticipated statute and regulations will see decreased change, thus the decrease to approximately 5% of the cost of 'start-up' for the second year.

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Contracted Resources: The implementation of a COTS IT solution will require contracted resources in addition to those associated with the vendor team responsible for configuration, testing and implementation of the COTS solution. Examples of these resources include independent project oversight, independent verification and validation, project management, user acceptance testing management, and additional development resources. Similar costs were incurred for the implementation of the BreEZe system, which was used to baseline the cost estimate.

Hardware and Software: Hardware costs associated with the BreEZe COTS system was used to approximate the costs associated with implementing the BMMR on a COTS IT solution. Startup and follow-on year costs were estimated to be approximately 8% of the startup and follow-on year costs incurred when the Department implemented BreEZe. Similar to the estimation of hardware costs, the BMMR COTS IT solution software licensing costs were estimated using BreEZe's software licensing costs as a baseline. The software licensing costs for BMMR is approximated to be 20% of the initial start-up and ongoing costs incurred when the Department implemented BreEZe

Estimated costs, in thousands and by fiscal year, are as follows:

	FY 16/17	FY 17/18	FY 18/19	Ongoing
Configuration and Testing	\$2,088	\$2,087	\$0	\$0
Reports and Correspondence Development	40	40	0	0
Update of Existing DOJ Background Check and Third-Party Print Interfaces	5	5	0	0
Development of New Interface with the CDFA to Share License Information	45	45	0	0
Web Portal for Law Enforcement Personnel Easy Access to License Data	13	13	0	0
IT Consulting and Project Management Resources	1,500	1,500	0	0
Unanticipated Enhancement Requests/Initial System Maintenance After Launch	500	1,500	415	170
Total Estimated Contract Costs	\$4,191	\$5,190	\$415	\$170
Hardware + Software	577	183	183	183
Staff	1,184	1,124	450	450
Total Estimated Costs	\$5,952	\$6,497	\$1,048	\$803

This cost estimate is based on the cost structure to develop and support the Department's BreEZe system, however the intent of the Department is to consider all alternatives, which may include looking at other states' licensing systems and available COTS products. The Department will work with the California Department of Technology (DOT) on identifying the best IT solution to ensure the Bureau has the capability to issue licenses effective January 2018. Additionally, the Department anticipates working closely with the California Department of Food and Agriculture (CDFA) to develop an interface for sharing and leveraging licensee information.

Proposed and chaptered legislation frequently causes a major impact to a board or bureau's IT processes and systems. Accordingly, there are two pieces of current legislation that will impact the Bureau's yet-to-be created IT solution. AB 26 will require the Bureau to adopt standards for the approval of training programs, to charge each training program a fee to cover costs incurred for approving the training program, and to deny the application of an applicant that does not have, or revoke the license of a state licensee that fails to institute or maintain, a training program approved by the bureau. AB 1575 will require the Bureau to promulgate regulations related to the packaging and transportation of medical cannabis and medical cannabis products, and to establish minimum qualifications for state authorization to conduct research on medical cannabis. It should be noted that future amendments to these and any other proposed or chaptered legislation may result in changes to this cost estimate, depending on the nature of the legislation.

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The Department's current IT resources exclusively support existing clients (Boards, Bureaus and Divisions) and Department-wide oversight and IT support are therefore unavailable for redirection without creating a significant detrimental impact to clients and the Department.

E. Outcomes and Accountability

The Bureau will develop regulations to implement the chapter and will ensure the IT solution meets the needs of its core licensing and enforcement functions pursuant to those regulations.

F. Analysis of All Feasible Alternatives

Alternative 1 – Approve 8.0 positions and \$5,952,000 in FY 2016-17, \$6,497,000 in FY 2017-18, \$1,048,000 in FY 2018-19 and \$803,000 ongoing to fund the development, implementation and maintenance of the Bureau's licensing and enforcement IT solution.

Pro: This alternative will allow the Department to develop and implement an IT solution for the Bureau to ensure the effective licensing and enforcement operations of the Bureau.

Con: Would require an increase to the proposed 2016-17 General Fund loan to support the cost of this IT solution.

Alternative 2 – Wait for the Bureau to develop regulations and provide funding for the IT solution starting in FY 2017-18.

Pros: This would allow time for the program to develop a more substantial regulatory structure on which the IT solution's requirement would be based on.

Cons: This would not provide funding until FY 2017-18 and would provide the Bureau with only six months in which to hire staff and contract out for services to implement an IT solution. With such a short amount of time, it is possible that the Bureau would be unable to meet its mandate to begin licensing functions as of January 2018.

G. Implementation Plan

The high-level timeline provided below illustrates how the requested resources will support the implementation of the Bureau's statutory and regulatory requirements.

July 1, 2016 – August 31, 2016

Two Senior Information Systems Analysts (SR ISAs) and two Staff Information Systems Analysts (Staff ISAs) will analyze existing statutory requirements, regulations, pending legislation, and pending regulations with the participation of the Bureau staff to develop business process diagrams and use cases to serve as a foundation for more detailed system configuration. All staff must closely monitor proposed changes to statute or regulations in order to update documentation accordingly. One Associate Information Systems Analyst (Associate ISA) and one Staff ISA will assist in starting and completing the procurement process for a COTS system solution. Two Systems Software Specialist III (SSS III) staff will begin hardware procurement processes.

September 1, 2016 – December 31, 2016

Bureau staff and the two SR ISAs and two Staff ISAs will begin working with the contracted resources to develop more detailed design documentation to implement the requirements defined in statute and regulation. The two SR ISAs and two Staff ISAs will continue to closely monitor proposed changes to statute or regulations in order to update documentation accordingly during this phase of the system design. Contracted resources will begin early foundational configuration of the system as more detailed

Analysis of Problem

system design is finalized. Contracted resources will also begin unit testing. Design discussions for correspondence and reports will begin in late 2016. Additionally, initial external interface design discussions will begin. Collaboration with the CDFA regarding interface designs to support exchanging licensing data will also begin. One Associate ISA and one Staff ISA will assist in onboarding the solution vendor contracted staff and setting up project plans and the project schedule. The two SSS III staff will complete the hardware procurement process and begin hardware configuration.

January 1, 2017 – March 31, 2017

Bureau staff, the two SR ISAs, and the two Staff ISAs will work with the contracted resources to build upon the early foundational configuration design during the previous period to fully develop and finalize the public-facing components of the system, including designs for the consumer license lookup, online applications, and the consumer complaint form. Bureau staff, the two SR ISAs, the Staff ISAs, and contracted staff will respond to potential defects or recommended design changes identified during configuration unit testing of the early foundational designs. Designs for all interfaces will be finalized. Designs for correspondence and reports will also be finalized. One Associate ISA and one Staff ISA will assist in processing submitted deliverables and maintaining project plans and the schedule. The two SSS III staff will complete the hardware configuration.

April 1, 2017 – June 30, 2017

Contracted resources will complete configuration of the system based on the finalized design documentation for all system components. Bureau staff, the two SR ISAs, and two Staff ISAs will respond to potential defects or recommended design changes identified during the configuration unit testing for the early foundational designs. Development for all new interfaces will be completed. Development for correspondence and reports will also be completed. One Associate ISA and one Staff ISA will assist in processing submitted deliverables and maintaining project plans and the schedule. The two SSS III staff will assist with hardware tuning and modifications based on testing.

July 1, 2017 – September 30, 2017

Contracted resources will complete integrated system testing of all aspects of the solution to ensure all system components (e.g. online application portal, enforcement, license maintenance, public license lookup) function appropriately once completely integrated with interfaces (e.g. CDFA, Department of Justice, and external print vendor), reports, and correspondence. Bureau staff, the two SR ISAs, and the two Staff ISAs will respond to potential defects or recommended design changes identified during this integrated system testing phase. Contracted resources will fix system defects or implement enhancement requests to design and configuration as necessary. Bureau staff, the two SR ISAs, the two Staff ISAs and contracted resources will develop and finalize user acceptance testing scripts to allow Bureau end-users and select external stakeholders to fully test the system during the final phase of testing. One Associate ISA and one Staff ISA will assist in processing submitted deliverables and maintaining project plans and the schedule. The two SSS III staff will assist with hardware tuning and modifications based on testing.

October 1, 2017 – December 31, 2017

Bureau staff, the two SR ISAs, and two Staff ISAs will conduct user acceptance testing. Contracted resources will fix system defects or implement enhancement requests to design and configuration as necessary. Planning for the support needed from all staff and contracted resources to facilitate a successful system launch on January 1, 2018 will complete. Bureau staff will make final determinations on what online applications will be available at go-live. All staff will participate in developing training guides and external user help guides to assist in a successful launch. One Associate ISA and one Staff ISA will assist in processing submitted deliverables and maintaining project plans and the schedule. The two SSS III staff will assist with hardware tuning and modifications based on testing.

January 1, 2018 – March 31, 2018

Analysis of Problem

The Bureau will launch the system. All staff and contracted resources will complete launch activities and meet frequently during the four-six week period succeeding the launch to respond to any defects or enhancement requests presenting after launch. As need dictates, maintenance releases to address defects or enhancement requests will occur. Each maintenance release will involve the participation of Bureau staff, the two SR ISAs, two Staff ISAs, and contracted resources to conduct all design and testing of the scope of system updates included in the maintenance release. SR ISAs, Staff ISAs and Bureau staff will engage other State staff in developing or revising training guides and external user help guides based on feedback received after initial launch. The level of system support and IT resources needed for the Bureau for future years will be assessed. One Associate ISA and one Staff ISA will assist in processing submitted deliverables and maintaining project plans and the schedule. The two SSS III staff will assist with hardware tuning and modifications based on production system monitoring.

April 1, 2018 – June, 30 2018

As need dictates, maintenance releases to address defects or enhancement requests will occur. Each maintenance release will involve the participation of Bureau staff, the two SR ISAs, the Staff ISAs and contracted resources to conduct all design and testing of the scope of system updates included in the maintenance release. SR ISAs, two Staff ISAs and Bureau staff will engage other State staff in developing or revising training guides and external user help guides based on feedback. One Associate ISA and one Staff ISA will assist in processing submitted deliverables and maintaining project plans and the schedule. During this quarter, project closeout of the initial phase will occur. The two SSS III staff will assist with hardware tuning and modifications based on production system monitoring.

July 1, 2018 – June 30, 2019

As the Bureau's requirements and business needs continue to mature, contracted resources and a scaled down set of State resources will continue to assist the Bureau.

July 1, 2019 – ongoing

As the Bureau's requirements and business needs continue to mature, decreased contracted resources and a scaled down set of State resources will continue to assist the Bureau.

H. Supplemental Information

I. Recommendation

Approve Alternative 1, as this alternative will provide the Department and the Bureau with the required resources to effectively implement an IT solution to enable the Bureau to begin licensing functions effective January 2018.

3288 - Medical Marijuana Regulation and Safety Act Fund

Analysis of Fund Condition

(Dollars in Thousands)

2016-17 Governor's Budget

Includes proposed FY 2016-17 May Revise Finance Letter

	AB 243 Governor's Legislation Budget Appropriation			
	ACTUAL 2014-15	CY 2015-16	BY 2016-17	BY+1 2017-18
BEGINNING BALANCE	\$ -	\$ -	\$ -	\$ 474
Prior Year Adjustment	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ -	\$ -	\$ -	\$ 474
REVENUES AND TRANSFERS				
Revenues:				
Totals, Revenues	\$ -	\$ -	\$ -	\$ -
Transfers from Other Funds				
GF loan per Chapter 688, Statutes of 2015	\$ -	\$ 10,000	\$ -	\$ -
GF loan per Item 1111-011-0001, Budget Act of 2016	\$ -	\$ -	\$ 19,000	\$ -
Transfers to Other Funds	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ -	\$ 10,000	\$ 19,000	\$ -
Totals, Resources	\$ -	\$ 10,000	\$ 19,000	\$ 474
EXPENDITURES				
1111 DCA (State Operations)	\$ -	\$ 10,000	\$ 3,781	\$ -
MRFL - BMMR IT Solution			\$ 5,952	\$ 6,497
4265 Department of Public Health (State Operations)	\$ -	\$ -	\$ 3,438	\$ -
8570 Department of Food and Agriculture (State Operations)	\$ -	\$ -	\$ 5,355	\$ -
Total Disbursements	\$ -	\$ 10,000	\$ 18,526	\$ 6,497
FUND BALANCE				
Reserve for economic uncertainties	\$ -	\$ -	\$ 474	\$ -6,023
Months in Reserve	0.0	0.0	0.9	-69.0

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