

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

Fiscal Year 2016-17	Business Unit 8570	Department Food and Agriculture	Priority No. 7
Budget Request Name 8570-007-BCP-DP-2016-GB		Program 6570 – AGRICULTURAL PLANT AND ANIMAL HEALTH; PEST PREVENTION; FOOD SAFETY SERVICES 6575 – MARKETING; COMMODITIES AND AGRICULTURAL SERVICES	Subprogram

Budget Request Description
 Implementation of the Medical Marijuana Regulation and Safety Act (AB 243, AB 266, and SB 643)

Budget Request Summary

The California Department of Food and Agriculture requests \$3.265 million Reimbursement authority in Fiscal Year 2015-16, 18.0 positions and \$3.355 million Medical Marijuana Regulation and Safety Act Fund in Fiscal Year 2016-17 and ongoing to implement Chapter 688, Statutes of 2015 (AB 243), Chapter 689, Statutes of 2015 (AB 266), and Chapter 719, Statutes of 2015 (SB 643) which establish a regulatory program for the cultivation of medical cannabis as part of the Medical Marijuana Regulation and Safety Act.

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 No	Code Section(s) to be Added/Amended/Repealed	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 <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO <i>Kevin Masuh</i>	Date <i>1-6-16</i>
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 Natalie Krout-Greenberg	Date 9/15/15	Reviewed By Rick S. Jensen	Date 9/18/2015
Department Director <i>Kevin Masuh</i>	Date <i>1-6-16</i>	Agency Secretary <i>Laren Ross</i>	Date <i>1-6-16</i>

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 <i>[Signature]</i>	Date submitted to the Legislature <i>1/7/16</i>
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BCP Fiscal Detail Sheet

BCP Title: Medical Marijuana Regulation and Safety Act Implementation (AB 243, AB 266, and SB 643)

DP Name: 8570-007-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	18.0	18.0	18.0	18.0	18.0
Total Positions	0.0	18.0	18.0	18.0	18.0	18.0
Salaries and Wages						
Earnings - Permanent	0	1,349	1,349	1,349	1,349	1,349
Earnings - Temporary Help	0	285	285	285	285	285
Total Salaries and Wages	\$0	\$1,634	\$1,634	\$1,634	\$1,634	\$1,634
Total Staff Benefits	0	728	728	728	728	728
Total Personal Services	\$0	\$2,362	\$2,362	\$2,362	\$2,362	\$2,362
Operating Expenses and Equipment						
5301 - General Expense	0	16	16	16	16	16
5302 - Printing	0	10	10	10	10	10
5304 - Communications	0	44	44	44	44	44
5306 - Postage	0	20	20	20	20	20
5320 - Travel: In-State	0	40	40	40	40	40
5322 - Training	0	16	16	16	16	16
5324 - Facilities Operation	0	97	97	97	97	97
5340 - Consulting and Professional Services - External	0	110	110	110	110	110
5342 - Departmental Services	0	472	472	472	472	472
5346 - Information Technology	0	54	54	54	54	54
539X - Other	0	25	25	25	25	25
54XX - Special Items of Expense	0	89	89	89	89	89
Total Operating Expenses and Equipment	\$0	\$993	\$993	\$993	\$993	\$993
Total Budget Request	\$0	\$3,355	\$3,355	\$3,355	\$3,355	\$3,355
Fund Summary						
Fund Source - State Operations						
3288 - Medical Marijuana Regulation and Safety Act Fund	0	3,355	3,355	3,355	3,355	3,355
Total State Operations Expenditures	\$0	\$3,355	\$3,355	\$3,355	\$3,355	\$3,355
Total All Funds	\$0	\$3,355	\$3,355	\$3,355	\$3,355	\$3,355

Program Summary

Program Funding

6575 - Marketing; Commodities and
Agricultural Services

0

3,355

3,355

3,355

3,355

3,355

Total All Programs

\$0

\$3,355

\$3,355

\$3,355

\$3,355

\$3,355

Personal Services Details

Positions	Salary Information			CY	BY	BY+1	BY+2	BY+3	BY+4
	Min	Mid	Max						
0760 - Environmental Program Mgr I (Mgrial) (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
0762 - Environmental Scientist (Eff. 07-01-2016)				0.0	5.0	5.0	5.0	5.0	5.0
0764 - Sr Envirnal Scientist (Supvry) (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
0769 - Environmental Program Mgr II (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
1139 - Office Techn (Typing) (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
1312 - Staff Info Sys Analyst (Spec) (Eff. 07-01-2016)				0.0	3.0	3.0	3.0	3.0	3.0
1337 - Sr Info Sys Analyst (Spec) (Eff. 07-01-2016)				0.0	2.0	2.0	2.0	2.0	2.0
1583 - Sr Programmer Analyst (Spec) (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
5157 - Staff Svcs Analyst (Gen) (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
8547 - Supvng Special Investigator II (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
TH00 - Temporary Help (Eff. 07-01-2016)				0.0	0.0	0.0	0.0	0.0	0.0
Total Positions				0.0	18.0	18.0	18.0	18.0	18.0

Salaries and Wages	CY	BY	BY+1	BY+2	BY+3	BY+4
0760 - Environmental Program Mgr I (Mgrial) (Eff. 07-01-2016)	0	130	130	130	130	130
0762 - Environmental Scientist (Eff. 07-01-2016)	0	277	277	277	277	277
0764 - Sr Envirnal Scientist (Supvry) (Eff. 07-01-2016)	0	107	107	107	107	107
0769 - Environmental Program Mgr II (Eff. 07-01-2016)	0	137	137	137	137	137
1139 - Office Techn (Typing) (Eff. 07-01-	0	38	38	38	38	38

	2016)						
1312	- Staff Info Sys Analyst (Spec) (Eff. 07-01-2016)	0	221	221	221	221	221
1337	- Sr Info Sys Analyst (Spec) (Eff. 07-01-2016)	0	162	162	162	162	162
1583	- Sr Programmer Analyst (Spec) (Eff. 07-01-2016)	0	81	81	81	81	81
5157	- Staff Svcs Analyst (Gen) (Eff. 07-01-2016)	0	46	46	46	46	46
5393	- Assoc Govtl Program Analyst (Eff. 07-01-2016)	0	62	62	62	62	62
8547	- Supvng Special Investigator II (Eff. 07-01-2016)	0	88	88	88	88	88
TH00	- Temporary Help (Eff. 07-01-2016)	0	285	285	285	285	285
Total Salaries and Wages		\$0	\$1,634	\$1,634	\$1,634	\$1,634	\$1,634
Staff Benefits							
5150900	- Staff Benefits - Other	0	728	728	728	728	728
Total Staff Benefits		\$0	\$728	\$728	\$728	\$728	\$728
Total Personal Services		\$0	\$2,362	\$2,362	\$2,362	\$2,362	\$2,362

Analysis of Problem

A. Budget Request Summary

The California Department of Food and Agriculture (CDFA) requests \$3.265 million Reimbursement authority in Fiscal Year (FY) 2015-16, 18.0 positions and \$3.355 million Medical Marijuana Regulation and Safety Act Fund (MMRSAF) in FY 2016-17 and ongoing to implement Chapter 688, Statutes of 2015 (AB 243), Chapter 689, Statutes of 2015 (AB 266), and Chapter 719, Statutes of 2015 (SB 643) which establish a regulatory program for the cultivation of medical cannabis as part of the Medical Marijuana Regulation and Safety Act (MMRSA). These bills, collectively, mandate CDFA to perform the following: establish a Medical Cannabis Cultivation Program (MCCP) to license the cultivation of indoor and outdoor medical marijuana, with consideration given to size and location of the operation; establish a track and trace program that uniquely identifies medical marijuana plants; work in consultation with other state agencies to adopt environmental remediation regulations, and consider and implement best practices, and establish pesticide-use standards; and, establish an electronic database that can be accessed by the Bureau of Medical Marijuana Regulation housed under the Department of Consumer Affairs (DCA). The statutes also include authority to conduct verification inspections, enforcement language, provisions to promulgate regulations, and require a report be submitted to the Legislature annually beginning in 2023.

B. Background/History

CDFA does not currently regulate the cultivation of medical marijuana, as authorized under Proposition 215, the Compassionate Use Act (CUA) of 1996. The CUA allowed patients and primary caregivers to obtain and use medical marijuana, as recommended by a physician, and prohibited physicians from being punished or denied any right or privilege for making a medical marijuana recommendation to a patient. In 2003, SB 420 (Chapter 875, Statutes of 2003) allowed patients and primary caregivers to collectively and cooperatively cultivate medical marijuana, and established a medical marijuana card program for patients to use on a voluntary basis. However, since the passage of Proposition 215 and SB 420, the State has not adopted a framework to provide for appropriate licensure and regulation of medical marijuana. In addition, despite the CUA and SB 420, marijuana is still illegal under State and Federal law.

Local authority over medical marijuana. By exempting qualified patients and caregivers from prosecution for using or from collectively or cooperatively cultivating medical marijuana, the CUA and SB 420 essentially authorized the cultivation and use of medical marijuana. These laws have triggered the growth of medical marijuana dispensaries in many localities, and in response, local governments have sought to exercise their police powers to regulate or ban activities relating to medical marijuana. After numerous court cases and years of uncertainty relating to the ability of local governments to control medical marijuana activities, particularly relating to the ability to control the zoning, operation, and existence of medical marijuana dispensaries, the California Supreme Court (Court), in *City of Riverside v. Inland Empire Patients (2013) 56 Cal. 4th 729*, held that California's medical marijuana statutes do not preempt a local ban on facilities that distribute medical marijuana. The Court held that nothing in the CUA or SB 420 expressly or impliedly limited the inherent authority of a local jurisdiction, by its own ordinances, to regulate the use of its land, including the authority to provide that facilities for the distribution of medical marijuana will not be permitted to operate within its borders. Accordingly, many California jurisdictions, roughly estimated by the League of California Cities at 50 percent pending completion of a statewide survey, ban the cultivation and sale of medical marijuana altogether.

Environmental concerns. According to some estimates, there are 30,000 cultivation sites in the tri-county area of Humboldt-Mendocino-Trinity, and an additional 10,000 or more cultivation sites elsewhere in California. As a result, California land, watersheds, and some species have been significantly damaged by some cultivation operations. "Trespass grows," which cultivate marijuana without permission on public, tribal or privately owned land, have been associated with wildlife poisoning, use and dumping of fertilizers and pesticides, illegal water diversions and water pollution, logging and land disturbance, and severe problems with garbage and human waste. These industrial-size marijuana grows, taking place in the national forests and on private timberland in some of the

Analysis of Problem

State's most remote and ecologically sensitive areas, are the subject of a recent study by the Department of Fish and Wildlife, "Impacts of Surface Water Diversions for Marijuana Cultivation on Aquatic Habitat in Four Northwestern California Watersheds," which showed that during drought conditions, water demand for marijuana cultivation exceeded stream flow in three of four study watersheds and that diminished stream flow from this water-intensive activity is likely to have lethal to sub-lethal effects on salmon and steelhead trout, which are listed under the state and federal Endangered Species Acts, and cause further decline of sensitive amphibian species.

In response, the Budget Act of 2014 appropriated resources for both Department of Fish and Wildlife and State Water Resources Control Board to reduce environmental damage caused by marijuana cultivation on private and high value state-owned public lands in California. A total of \$3.3 million was allocated to the two agencies to create a multi-disciplinary Marijuana Task Force, and to implement a priority-driven approach to address the natural resources damages from marijuana cultivation on private lands in northern California and on high conservation value public lands. This program was authorized as a five-year pilot program.

Under CDFA, the Division of Inspection Services (IS) provides professional services that support and contribute to a safe, abundant, and quality food supply; environmentally sound agricultural practices; and, an equitable marketplace for California agriculture. The services provided by IS include: inspection of fruits, vegetables, and nuts to ensure maturity, grade, size, weight, packaging and labeling meeting the consumers' quality expectations; chemical analysis services in support of food and environmental safety; verification audits to ensure that good handling and agriculture practices are utilized to contribute to a safe food supply; and inspections ensuring fertilizer, animal feed, and livestock drugs are safe, effective, and meet the quality and quantity guaranteed by the manufacturer.

C. State Level Considerations

This proposal is consistent with the Governor's Office policy and priority of protecting the health and safety of the citizens of California and the environment. It is in accordance with the primary mission of CDFA, which is to promote and protect a safe and healthy food supply and to enhance local and global agricultural trade, through efficient management, innovation and sound science, with a commitment to environmental stewardship. This proposal is also in agreement with CDFA's strategic plan to optimize resources through collaboration, innovation, and process improvements.

Despite the CUA and SB 420, marijuana is still illegal under state and federal law. Under California law, marijuana is listed as a hallucinogenic substance in Schedule I of the California Uniform Controlled Substances Act. Yet, the CUA prohibits prosecution for obtaining, distributing, or using marijuana for medical purposes. Under the federal Controlled Substances Act, it is unlawful for any person to manufacture, distribute, dispense or possess a controlled substance, including marijuana, whether or not it is for a medical purpose.

CDFA may incur unidentifiable costs, potentially in the millions of dollars, associated with the implementation of AB 243, AB 266, and SB 643 that are not included in this Budget Change Proposal. Aside from the repeal of alcohol prohibition laws, never in the history of the State has there been an instance of bringing such a large underground economy into a legitimate regulatory framework. It should be noted that, as this program develops, CDFA expects potential litigation, issues with oversight, significant legal consultation, and constant interaction with local, state, and federal agencies.

D. Justification

AB 243, AB 266, and SB 643, collectively, mandate a State licensing and track and trace program for medical cannabis cultivators and their plants; environmental considerations, consultation, and best practices, including water discharge, nutrient application, and wildlife habitat; pesticide use and

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standards; provide that weighing or measuring devices used in connection with the sale or distribution of medical cannabis are required to meet standards; and, establish an electronic database accessible by external agencies. The statutes also include enforcement language, require promulgation of regulations, and require a report submitted to the Legislature annually beginning in 2023. These bills establish the Bureau of Medical Marijuana Regulation within DCA and the MCCP within CDFA.

AB 243 provides for an initial operating loan from the General Fund of \$10.0 million into the MMRSF within DCA. CDFA will enter into an Interagency Agreement (IAA) with DCA to receive \$3.265million of the loan for initial start-up costs of implementing the bills in FY 2015-16.

These bills will have a significant impact on CDFA requiring the establishment of a regulatory program, MCCP, for the cultivation of medical cannabis as part of the MMRSA. MCCP will be housed in CDFA's IS.

Division of Inspection Services

As written, these bills will require IS to:

- License, track and trace, and develop an electronic database to identify and regulate medical cannabis cultivation operations within the State. Scope will include efforts targeting both indoor and outdoor cultivation operations, estimated at approximately 40,000 cultivators statewide. Unique identifiers will be issued to each cultivator identifying each plant and associated information that will feed into a multi-agency database system, which will be housed and secured at CDFA.
- In consultation with other State agencies, MCCP will ensure that individual and cumulative effects of water diversion and discharge associated with cultivation do not affect the instream flows and require each applicant seeking a license to cultivate to provide a detailed description of the applicant's operating procedures for cultivation.
- Perform inspection and enforcement of all cultivators. MCCP will conduct annual site visits and record unique identification details of the operation for consideration including but not limited to: canopy size, number of plants, identification of plants, a review of on-site cultivation plan (including environmental requirements), product labeling and use of proper shipping manifests, and tamper proof packaging methods. MCCP will also prepare reports of findings, update the online database system, and perform enforcement activities as necessary. These activities are not currently funded and a Budget Change Proposal for future years will request funds to cover these activities.
- Provide program administration to support establishment of the MCCP, including serving on the multi-agency taskforce, promulgating new regulations, compiling status reports including the report for the Legislature, maintaining the website, and developing and supporting a database.
- Effective guidelines and best management practices will require extensive initial understanding of the current environmental impacts, CDFA, as a lead agency, will be required to prepare an Environmental Impact Report for activities undertaken to meet licensing requirements.

CDFA requests funding for 5.5 administratively established positions and 2.7 redirected positions in FY 2015-16, beginning January 1, 2016. The administratively established positions include 1.5 Staff Information Systems Analysts, 1.0 Senior Information Systems Analysts, and 0.5 Senior Programmer Analyst to develop the multi-agency electronic database. Additional administratively established positions include 0.5 Environmental Program Manager (EPM) II, 0.5 EPM I, and 0.5 Associate Governmental Program Analyst (AGPA). The EPM II will serve as the Program point of contact and will serve on the Bureau task force, field all questions, build the program, establish relationships with stakeholders, and direct IT needs. The EPM I will serve as a subject matter expert in the capacity to

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gain an understanding of environmental issues, remediation efforts, provide guidance to the AGPA on regulations, and help with outreach efforts. The AGPA will write regulations, compile contracts, manage the budget, and prepare correspondence. CDFA also requests 0.5 Special Assistant and 0.5 EPM I to coordinate between Inspections, IT and the Governor's Office. The resources requested also include \$150,000 for 2.7 redirected existing positions to assist in data development.

CDFA requests 18.0 positions and \$3.355 million MMRSF in FY 2016-17 and ongoing. This includes annual position authority and funding for the administratively established positions identified above, except for the 0.5 Special Assistant and 0.5 EPM I, which total 9.0 positions. Moreover, CDFA requests 9.0 permanent positions and \$285,000 for 3.7 database-related redirected positions in FY 2016-17 and ongoing. The additional permanent positions include 1.0 Supervising Special Investigator II, 1.0 Senior Environmental Scientist (Supervisor) and 5.0 Environmental Scientists to provide programmatic input on the electronic database including development of the licensing and track and trace functions of the program, develop best practices, and work with other State agencies on water diversion and discharge issues. The additional permanent positions also include 1.0 Staff Services Analyst and 1.0 Office Technician to perform administrative functions in development of the new MCCP.

In subsequent years, MCCP will continue to develop regulations; develop and update outreach material; conduct inspections to ensure all cultivators understand the environmental and track and trace regulations and that they are in compliance; monitor raw data collected from the track and trace program and identify irregularities; investigate violations; and pursue and develop cases.

CDFA requests \$3.265 million Reimbursement authority in FY 2015-16, 18.0 positions and \$3.335 million MMRSF in FY 2016-17 and ongoing to implement AB 243, AB 266 and SB 643. This includes one-time funding of \$2.0 million in FY 2015-16 for an Environmental Impact Review to evaluate the impact of the cultivation of medical marijuana on water use and environmental impact, and help promulgate environment-related regulations as required by AB 243. The resources also include \$30,000 in FY 2015-16 and ongoing for an IAA with the Board of Equalization to develop and implement a system for reporting the movement of commercial cannabis and cannabis products, as required by AB 266.

As MCCP develops, CDFA expects potential litigation, issues with oversight, significant legal consultation, and constant interaction with local, State, and Federal agencies. Also there may be at least one (if not several) marijuana and medical marijuana related statutory and constitutional initiatives on the 2016 ballot. If any ballot initiative is enacted that conflicts with certain provisions of AB 243, AB 266, and SB 643, there could be litigation and various interpretations by the courts. This could potentially change the way CDFA's MCCP is implemented and ultimately require CDFA to submit additional future requests for budget augmentation.

Given that California medical marijuana producers are currently operating without a vigorous, uniform regulatory framework, there are varying figures related to the number of California medical marijuana producers, number of individuals eligible under the CUA, and the economic value of the medical marijuana industry. Consequently, developing licensure, environmental stewardship, inspection and enforcement, and administrative components, as mandated by AB 243, AB 266, and SB 643, may cost several million dollars more than originally anticipated, depending on the depth and breadth of the medical marijuana industry. As an anticipatory measure due to the expected growth of the program, MCCP will submit a Budget Change Proposal for FY 2017-18.

E. Outcomes and Accountability

MCCP will record non-compliances, fines, and suspensions that occur at cultivation sites and communicate all enforcement activities as required to the Bureau. Revenue and expenses will be monitored by MCCP and as mandated an annual report will be submitted to the Legislature beginning March 1, 2023.

Analysis of Problem

F. Analysis of All Feasible Alternatives

Alternative #1: Approve \$3.265 million Reimbursement authority in FY 2015-16, 18.0 positions and \$3.355 million MMRSF in FY 2016-17 and ongoing for CDFA to implement AB 243, AB 266, and SB 643 which establishes a regulatory program for the cultivation of medical cannabis as part of the MMRSF.

Advantages: This will provide CDFA with the inspection, scientific, and administrative staff necessary to meet its mandate of developing a MCCP that includes licensing, environmental review and remediation efforts and track and trace of licensee transactions. This will help to protect the environment from the risks associated with existing medical marijuana cultivation practices. It will also provide assurances, to a limited extent, for human health as it will provide a framework to establish tolerances (pesticide residues, molds, heavy metals, etc) on an ingestible product.

Disadvantages: There will be an increased obligation to the MMRSF.

Alternative #2: Pursue industry funding to ensure compliance with AB 243, AB 266, and SB 643.

Advantages: There will be no obligation to the MMRSF.

Disadvantages: AB 243, AB 266, and SB 643 provide authority for CDFA to impose new fees on the industry to support the mandated program activities; however, if no MMRSF authority is available for start-up costs, CDFA will not have the ability to implement the mandates outlined in AB 243, AB 266, and SB 643 putting both the environment and human health at continued risk from unregulated practices of medical marijuana cultivation.

Alternative #3: Pursue funding from the Federal government.

Advantages: There would be no obligation to the MMRSF.

Disadvantages: CDFA can not apply for any Federal assistance for this program as long as marijuana use, in any form, remains illegal per federal law.

G. Implementation Plan

FY 2015/16

- Department of Fish and Wildlife /State Water Resources Control Board Taskforce - initial formation and begin participation (identify environmental issues and what areas need to be regulated in this industry)
- Environmental Impact Report – draft and release an “Request for Offer” to establish an outside contractor
- Outreach and Education - website, industry groups, grower visits to gain an understanding of the industry
- Database scoping and consultation with all State Agencies and Departments that will utilize the database
- Begin database development
- Begin searching for available lease space for field offices
- Identify purchasing needs (vehicles, IT equipment, etc)

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- Regulations* - Phase I, develop regulations for inspection authority, program administration, environmental considerations, and state cultivator license types 1 – 2B and Type 4. Subsequently, as the program matures, CDFA would have to develop regulations for license types 3 – type 3B. Expecting significant public outreach and at least a two-year process to develop the first batch of regulations

FY 2016/17

- Administration (baseline)
- Develop Environmental Stewardship guidelines (in consultation with Department of Fish and Wildlife and State Water Resources Control Board) to incorporate into the regulations
- Secure lease space for field offices (for use starting January 1, 2018)
- Hire scientists and information technology staff
- Submit Budget Change Proposal (expected program growth)

FY 2017/18**

- Database testing (July 1, 2017 – November 30, 2017)
- Outreach about new database system and online licensing requirements to begin January 1, 2018
- Licensing to begin January 1, 2018
- Scientists review license application
- Begin on-site inspections and verification

FY 2018/19**

- Continue licensing and on-site inspections
- Enforcement actions as necessary
- Regulations* - Phase II, and more difficult, in that it limits the licenses allowed. CDFA would determine what criteria would be used for limiting licenses
- Necessary database enhancements

** These regulations would be the first of their kind in California and CDFA would expect significant public outreach and comments during the rulemaking process. Given the complexity of overseeing the medical marijuana industry, CDFA anticipates that the rulemaking process would be conducted in two steps.*

***Activities conducted during these years will be funded by a future proposal.*

H. Supplemental Information

This proposal also includes one-time costs for vehicles, communication equipment, computers and software, and additional leased space.

I. Recommendation

CDFA recommends approval of Alternative #1, providing CDFA with \$3.265 million Reimbursement authority in FY 2015-16, and 18.0 positions and \$3.355 million MMRSF in FY 2016-17 and ongoing. This will provide CDFA with the appropriate number of scientific and administrative support staff to meet the mandate set forth in AB 243, AB 266, and SB 643 ensuring the protection of the environment from the risks associated with existing medical marijuana cultivation practices. It will also provide assurances, to a limited

Analysis of Problem

extent, for human health as it will provide a framework to establish tolerances (pesticide residues, molds, heavy metals, etc) on an ingestible product.