An act to amend Sections 11852, 11854, 11860, 11862, 11864, 11870, 11872, 11874, 11880, 11890, 11892, 11894, 12803.2, 13300, and 13300.5 of, to amend the heading of Article 5 (commencing with Section 11890) of Chapter 10 of Part 1 of Division 3 of Title 2 of, and to add Sections 11893 and 11895 to, the Government Code, relating to state government.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 11852 of the Government Code is amended to read:

11852. For purposes of this chapter, the following terms shall have the following meanings:

(a) "Approved FISCal Project documents" means any Special Project Report approved by the Department of Technology, or its successor agency, for the FISCal, as may be amended, augmented, or changed by any subsequent approved Special Project Report or legislative action.

(b) "Cost or costs of the ~~FISCal~~ system" means all costs related to the acquisition, design, development, installation, ~~and~~ deployment, ~~maintenance, operation, and enhancement~~ and other related costs of the system, including, but not limited to, software, hardware, licenses, upgrades, training, facilities, contractors, and staff.

(c) "Cost allocation plan" means the plan described in Section 11874.

(d) "Department" means the Department of FISCal established pursuant to Section 11890.

(e) "Director" means the Director of FISCal appointed pursuant to Section 11894.

~~(d)~~

(f) "FISCal" means the Financial Information System for California.

(g) "FISCal Consolidated Payment Fund" means the fund created pursuant to subdivision (a) of Section 11872.

~~(e)~~

(h) "FISCal Internal Services Fund" means the fund created pursuant to Section 11870.

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~~(f) "FISCal Service Center" means the entity created pursuant to Section 11890.~~

~~(g)~~

(i) "Interface" means to communicate or interoperate with the ~~FISCal~~ system.

~~(h)~~

(j) "Office" means the FISCal project office.

(k) "Partner agencies" means the Department of Finance, the Controller, the Department of General Services, and the Treasurer.

~~(i)~~

(*l*) "State departments and agencies" means all state offices, officers, departments, divisions, bureaus, boards, commissions, organizations, or agencies, claims against which are paid by warrants drawn by the Controller, and whose financial activities are reported in the annual financial statement of the state or are included in the annual Governor's Budget, including, but not limited to, the California State University, the University of California, the legislative branch, and the judicial branch.

~~(j)~~

(m) "System" ~~or "FISCal system"~~ means a single integrated financial management system for the state that encompasses the management of resources and dollars as described in the approved FISCal Project documents and includes the information required by Section 11862.

SEC. 2. Section 11854 of the Government Code is amended to read:

11854. The Legislature intends that the ~~FISCal~~ system meet all of the following objectives:

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(a) Replace the state's aging legacy financial management systems and eliminate fragmented and diverse reporting by implementing standardized financial management processes and systems across all departments and control agencies. For purposes of this subdivision, "financial management" means accounting, budgeting, cash management, asset accounting, vendor management, and procurement.

(b) Increase competition by promoting business opportunities through the use of electronic bidding, online vendor interaction, and automated vendor functions.

(c) Maintain a central source for financial management data to reduce the time and expense of vendors, departments, and agencies collecting, maintaining, and reconciling redundant data.

(d) Increase investment returns through timely and accurate monitoring of cash balances, ~~cashflow~~ cash flow forecasting, and timing of receipts and disbursements.

(e) Improve fiscal controls and support better ~~decisionmaking~~ decision making by state managers and the Legislature by enhancing the quality, timeliness, consistency, and accessibility of financial management information through the use of powerful data access tools, standardized data, and financial management reports.

(f) Improve access and transparency of California's financial management information allowing the implementation of increased auditing, compliance reporting, and fiscal accountability while sharing information between the public, the Legislature, external stakeholders, state, federal, and local agencies.

(g) Automate manual processes by providing the ability to electronically receive and submit financial management documents and data between agencies, departments, banks, vendors, and other government entities.

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(h) Provide online access to financial management information resulting in a reduction of payment or approval inquiries, or both.

(i) Improve the state's ability to preserve, access, and analyze historical financial management information to reduce the workload required to research and prepare this information.

(j) Enable the state to more quickly implement, track, and report on changes to financial management processes and systems to accommodate new information such as statutory changes and performance information.

(k) Reduce the time, workload, and costs associated with capturing and projecting revenues, expenditures, and program needs for multiple years and scenarios, and for tracking, reporting, and responding to legislative actions.

(*l*) Track purchase volumes and costs by vendor and commodity code or service code to increase strategic sourcing opportunities, reduce purchase prices, and capture total state spending data.

(m) Reduce procurement cycle time by automating purchasing authority limits and approval dependencies, and easing access to goods and services available from existing sources, including, but not limited to, using leveraged procurement agreements.

(n) Streamline the accounts receivable collections process and allow for offset capability which will provide the ability for increased cash collection.

(o) Streamline the payment process and allow for faster vendor payments that will reduce late payment penalty fees paid by the state.

(p) Improve role-based security and workflow authorization by capturing near real-time data from the state's human resources system of record.

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(q) Implement a stable and secure information technology infrastructure.

SEC. 3. Section 11860 of the Government Code is amended to read:

11860. (a) To serve the best interest of the state by optimizing the financial business management of the state, the ~~Department of Finance, the Controller, the Treasurer, and the Department of General Services~~ partner agencies shall collaboratively develop, implement, ~~utilize,~~ and utilize the system and assist the department to maintain the ~~FISCal~~ system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and funds in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset accounting, project accounting, and grant accounting.

(b) ~~(1) All state~~ State departments and agencies shall use the ~~FISCal~~ system, or, upon approval from the office, a department or agency shall be permitted to interface its departmental system with the ~~FISCal~~ system. The ~~FISCal~~ system is intended to replace any existing central or departmental systems duplicative of the functionality of the ~~FISCal~~ system.

~~(2) The FISCal system shall first be developed and implemented with a select number of state departments and agencies, as selected by the office. Once the FISCal system has developed end-to-end processes that meet the financial management needs of the state and has been determined by the office to be effective, operationally efficient, and secure, the FISCal system shall be further implemented, in phases, as more fully described in the approved FISCal project documents, at all remaining state departments and agencies.~~

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SEC. 4. Section 11862 of the Government Code is amended to read:

11862. (a) In addition to the requirements set forth in the approved FISCal project documents, the ~~FISCal~~ system shall include a state ~~budget~~ transparency component that allows the public to have information regarding General Fund and federal fund expenditure data, using an Internet Web ~~site, by including all of the following information for each General Fund and federal fund expenditure:~~ site.

~~(1) The name and principal location of each entity or other recipient of the funds.~~

~~(2) The amount of expenditure.~~

~~(3) The type of transaction.~~

~~(4) The identity of the state department or agency making the expenditure.~~

~~(5) The budget program source for the expenditure.~~

~~(6) A brief description of the purpose for the expenditure.~~

~~(7) A brief description of any item purchased pursuant to the expenditure.~~

(b) This section shall not require the disclosure of information deemed confidential or otherwise exempt from disclosure under state or federal law.

SEC. 5. Section 11864 of the Government Code is amended to read:

11864. (a) Throughout the development of the ~~FISCal~~ system, the California State Auditor's Office shall independently monitor the ~~FISCal~~ system as the California State Auditor deems appropriate. The California State Auditor's Office independent monitoring of the ~~FISCal~~ system shall include, but not be limited to, all of the following:

(1) Monitoring the contract for independent project oversight and independent verification and validation services relating to the ~~FISCal~~ system.

(2) Assessing whether concerns about the ~~FISCal project~~ system raised by the independent project oversight and independent verification and validation services are being addressed by the office and the steering committee of the office.

(3) Assessing whether the ~~FISCal~~ system is progressing timely and within its budget.

(b) The California State Auditor's Office shall report, at a minimum, on or before January 10 of each year, on the ~~FISCal~~ system activities that the California State Auditor's Office deems appropriate to monitor pursuant to this section in a manner consistent with Chapter 6.5 (commencing with Section 8543) of Division 1.

(c) This section shall not supersede or compromise the Department of Technology's oversight authority and responsibilities with respect to the ~~FISCal~~ system.

(d) This section shall remain operative until the completion of the system, as specified in paragraph (2) of subdivision (a) of Section 11890, and thereafter shall be inoperative.

SEC. 6. Section 11870 of the Government Code is amended to read:

11870. The FISCal Internal Services Fund continues in existence in the State Treasury to pay the costs of development, implementation, ~~operations, and maintenance~~ and other approved costs of the ~~FISCal System.~~ system. All assets, liabilities, and surplus shall remain in the FISCal Internal Services Fund. The Department of Finance shall make the final determination of the budgetary and accounting transactions that are required to carry out this section. Accounts and subaccounts may be created within the FISCal Internal Services Fund as needed. Moneys in the FISCal Internal Services

Fund, and its accounts and subaccounts, are available for ~~cashflow~~ cash flow borrowing by the General Fund pursuant to Section 16310.

SEC. 7. Section 11872 of the Government Code is amended to read:

11872. (a) The FISCal Consolidated Payment Fund is created in the State Treasury for the purpose of allowing the Controller to issue consolidated payments, excluding payroll, to any payee, of costs that are chargeable to appropriations made from other funds in the State Treasury, thereby allowing for efficient processing through the ~~FISCal~~ system of payments.

(b) The amounts to be disbursed from the FISCal Consolidated Payment Fund shall be transferred by the Controller, from the funds and appropriations otherwise chargeable therewith, to the FISCal Consolidated Payment Fund prior to the time of disbursement. All amounts in the FISCal Consolidated Payment Fund that are derived from abatements, refunds of amounts disbursed, returned warrants, or the cancellation of warrants issued from the FISCal Consolidated Payment Fund shall be returned by the Controller to the funds and appropriations from which the amounts were originally transferred.

SEC. 8. Section 11874 of the Government Code is amended to read:

11874. (a) The ~~office,~~ department, subject to the approval of the Department of Finance, shall establish and assess fees and a payment schedule for state departments and agencies to ~~use or interface with the FISCal~~ pay for the design, development, and implementation of the system. The fees ~~shall recover the costs of the FISCal system, including, but not limited to, the ongoing maintenance and operation costs of the FISCal~~

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~~system and~~ shall be deposited in the FISCal Internal Services Fund. ~~The fees shall be based on an interim cost allocation plan until statistically valid usage data is available.~~

(b) The ~~office~~ department shall submit the cost allocation plan, including the methodology used to develop fees, to the Department of Finance during the state's annual budget development processes for review and approval. The office shall submit any proposed changes in fees or methodology to the Department of Finance concurrently with budget requests.

SEC. 9. Section 11880 of the Government Code is amended to read:

11880. (a) The office and ~~the FISCal Service Center~~ department shall require fingerprint images and associated information from any employee, prospective employee, contractor, subcontractor, volunteer, vendor, and partner agency employee assigned to either the office or the ~~FISCal Service Center~~ department whose duties include, or would include, having access to confidential or sensitive information or data on the network or computing infrastructure.

(b) The fingerprint images and associated information described in subdivision (a) shall be furnished to the Department of Justice for the purpose of obtaining information as to the existence and nature of any of the following:

(1) A record of state or federal convictions and the existence and nature of state or federal arrests for which the person is free on bail or on his or her own recognizance pending trial or appeal.

(2) Being convicted of, or pleading nolo contendere to, a crime, or having committed an act involving dishonesty, fraud, or deceit, if the crime or act is

substantially related to the qualifications, functions, or duties of the person in accordance with this provision.

(3) Any conviction or arrest, for which the person is free on bail or on his or her own recognizance pending trial or appeal, with a reasonable nexus to the information or data to which the person shall have access.

(c) Requests for federal criminal offender record information received by the Department of Justice pursuant to this section shall be forwarded to the Federal Bureau of Investigation by the Department of Justice.

(d) The Department of Justice shall respond to the Chief of Human Resources of the office or the ~~FISCal Service Center~~ department with information as provided under subdivision (p) of Section 11105 of the Penal Code.

(e) The Chief of Human Resources of the office or the ~~FISCal Service Center~~ department shall request subsequent arrest notifications from the Department of Justice as provided under Section 11105.2 of the Penal Code.

(f) The Department of Justice may assess a fee sufficient to cover the processing costs required under this section, as authorized pursuant to subdivision (e) of Section 11105 of the Penal Code.

(g) Persons described in subdivision (a) may be rejected if it is determined they meet the criteria described in paragraph (2) or (3) of subdivision (b). If a person is rejected, the individual shall receive a copy of the response record from the Chief of Human Resources of the office or the ~~FISCal Service Center.~~ department.

(h) The Chief of Human Resources of the office or the ~~FISCal Service Center~~ department shall follow a written appeal process for an individual described in

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subdivision (a) who is determined ineligible for employment because of his or her Department of Justice or Federal Bureau of Investigation criminal offender record.

(i) When considering the background information received pursuant to this section, the Chief of Human Resources of the office or the ~~FISCal Service Center~~ department shall take under consideration any evidence of rehabilitation, including, but not limited to, participation in treatment programs and age and specifics of the offense.

SEC. 10. The heading of Article 5 (commencing with Section 11890) of Chapter 10 of Part 1 of Division 3 of Title 2 of the Government Code is amended to read:

Article 5. ~~FISCal Service Center~~ Department of FISCal

SEC. 11. Section 11890 of the Government Code is amended to read:

11890. (a) (1) There is in state government the ~~FISCal Service Center.~~ Department of FISCal.

(2) (A) Upon the acceptance of the system by the state, as determined by the Director of Finance in his or her capacity as the system sponsor, the Department of FISCal shall be within the Government Operations Agency.

(B) The director shall post a notice on the Internet Web site of the Department of FISCal when the Director of Finance accepts the system in accordance with subparagraph (A).

(b) The Department of FISCal shall maintain, upgrade, or otherwise enhance and support the system, provide operational support to the customers and stakeholders of the system, and onboard any new, deferred, or exempt state entities.

SEC. 12. Section 11892 of the Government Code is amended to read:

11892. (a) ~~Consistent with the FISCal Service Center Charter, the FISCal Service Center~~ The department shall incrementally assume responsibility of the ~~FISCal~~ system functionality as portions of the ~~FISCal~~ system are implemented and accepted.

(b) The ~~FISCal Service Center~~ department shall provide the administrative functions for the ~~FISCal~~ system, including those functions of the office, during its existence.

(c) The office and the ~~FISCal Service Center~~ department shall exist concurrently during the phased implementation of the ~~FISCal~~ system. Upon full implementation and final acceptance of the ~~FISCal~~ system, the ~~FISCal Service Center~~ department shall supersede the office and perform all ~~maintenance~~ administration, maintenance, and operation of the ~~FISCal~~ system.

SEC. 13. Section 11893 is added to the Government Code, to read:

11893. The administrative costs, as defined in Section 11270, of the Department of FISCal shall be allocated to and recovered from funds in a manner consistent with Section 11274.

SEC. 14. Section 11894 of the Government Code is amended to read:

11894. ~~The FISCal Executive Partner~~ (a) The Director of FISCal shall be appointed by, and serve at the pleasure of, the Governor, subject to Senate confirmation.

(b) The director shall have appointment power for both the office and the ~~FISCal Service Center~~ department and shall oversee the day-to-day functions of both the office and the ~~FISCal Service Center.~~ department. The ~~FISCal Executive Partner~~ director shall identify and transfer staff from the office to the ~~FISCal Service Center~~ department to further performance of the duties specified in Section 11892, in accordance with Section 19050.9.

SEC. 15. Section 11895 is added to the Government Code, to read:

11895. (a) The director shall, at least annually, confer with the partner agencies and at least one representative of other agencies utilizing the system to prioritize system enhancements, defects, and workarounds.

(b) The director retains the discretion and ultimate authority on the implementation of changes in the system.

SEC. 16. Section 12803.2 of the Government Code is amended to read:

12803.2. (a) The Government Operations Agency shall consist of all of the following:

(1) The Office of Administrative Law.

(2) The Public Employees' Retirement System.

(3) The State Teachers' Retirement System.

(4) The State Personnel Board.

(5) The California Victim Compensation and Government Claims Board.

(6) The Department of General Services.

(7) The Department of Technology.

(8) The Franchise Tax Board.

(9) The Department of Human Resources.

(b) The Government Operations Agency shall include the Department of FISCal upon the acceptance of the Financial Information System for California (FISCal) by the state, as determined by the Director of Finance, pursuant to Section 11890.

~~(b)~~

(c) The Government Operations Agency shall be governed by the Secretary of Government Operations pursuant to Section 12801. However, the Director of Human Resources shall report directly to the Governor on issues relating to labor relations.

~~(c)~~

(d) The Governor, upon the recommendation of the Secretary of Government Operations, may appoint up to three deputies for the secretary.

SEC. 17. Section 13300 of the Government Code is amended to read:

13300. (a) The department shall devise, install, supervise, and, at its discretion, revise and modify, a modern and complete accounting system and policies for each agency of the state permitted or charged by law with the handling of public money or its equivalent, to the end that all revenues, expenditures, receipts, disbursements, resources, obligations, and property of the state be properly, accurately, and systematically accounted for and that there shall be obtained accurate and comparable records, reports, and statements of all the financial affairs of the state.

(b) This system shall permit a comparison of budgeted expenditures, actual expenditures, encumbrances and payables, and estimated revenue to actual revenue that is compatible with a budget coding system developed by the department. In addition,

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the system shall provide for a federal revenue accounting system with cross-references of federal fund sources to state activities.

(c) This system shall include a cost accounting system that accounts for expenditures by line item, governmental unit, and fund source. The system shall also be capable of performing program cost accounting as required. The system and the accounts maintained by all state departments and agencies shall be coordinated with the central accounts maintained by the Controller, and shall provide the Controller with all information necessary to the maintenance by the Controller of a comprehensive system of central accounts for the entire state government.

~~(d) Beginning with the 2008–09 fiscal year, the Department of Finance, the Controller, the Treasurer, and the Department of General Services shall partner to design, develop, and implement the Financial Information System for California Project to meet the requirements of subdivisions (a), (b), and (c), and the FISCal Project documents, as established in the FISCal Special Project Report dated October 30, 2006, as revised on December 14, 2006, as amended by the FISCal Special Project Report dated November 9, 2007, as revised on December 19, 2007, and as amended, augmented, or changed by any subsequent approved Special Project Report.~~

SEC. 18. Section 13300.5 of the Government Code is amended to read:

13300.5. (a) The Legislature finds and declares that the ~~project of the FISCal Project~~ system to modernize the state's internal financial systems is a critical project that must be subject to the highest level of oversight. According to the Department of Technology, the size and scope of this modernization and automation effort make this project one of the highest risk projects undertaken by the state. Therefore, the Legislature

must take steps to ensure it is fully informed as the project is implemented. It is the intent of the Legislature to adopt additional reporting requirements for the ~~FISCal Project Office~~ office to adequately manage ~~the project's~~ risk and ~~to~~ ensure the successful implementation of this effort.

(b) The ~~FISCal Project Office~~ office shall report to the Legislature, ~~by~~ on or before February 15 of each year, ~~an update on the project. The report shall include~~ on all of the following:

(1) An executive summary and overview of the ~~project's~~ system's status.

(2) An overview of the ~~project's~~ system's history.

(3) Significant events of the ~~project~~ system within the current reporting period and a projection of events during the next reporting period.

(4) A discussion of mitigation actions being taken by the ~~project~~ office for any missed major milestones.

(5) A comparison of actual to budgeted expenditures, and an explanation of variances and any planned corrective actions, including a summary of ~~FISCal project~~ the system and staffing levels and an estimate of staff participation from partner agencies.

(6) An articulation of expected functionality and qualitative benefits from the ~~project~~ system that were achieved during the reporting period and that are expected to be achieved in the subsequent year.

(7) An overview of change management activities and stakeholder engagement ~~in~~ during the ~~project,~~ system implementation process, including a summary of departmental participation in the ~~FISCal project.~~ system.

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(8) A discussion of lessons learned and best practices that will be incorporated into future changes in management activities.

(9) A description of any significant software customization, including a justification for why, if any, customization was granted.

(10) Updates on the progress of meeting the ~~project~~ system's objectives.

(c) ~~The initial report, due February 15, 2013, shall provide a description of the approved project scope. Later reports~~ Reports shall describe ~~any later~~ deviations to the project scope, cost, or ~~schedule.~~ schedule from Special Project Report 6.

~~(d) The initial report shall also provide a summary of the project history from Special Project Report 1 to Special Project Report 4, inclusive.~~

~~(e)~~

(d) This section shall remain ~~in effect until a postimplementation evaluation report has been approved by the Department of Technology.~~ operative until the completion of the system, as specified in paragraph (2) of subdivision (a) of Section 11890, and thereafter shall be inoperative. ~~The Department of Technology shall post a notice on its Internet Web site when the report is approved.~~

(e) The definitions in Section 11852 shall apply to the applicable terms in this section.

LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: The Financial Information System for California (FISCal).

The Financial Information System for California (FISCal) Act establishes the FISCal system, a single integrated financial management system for the state. The act establishes the FISCal Service Center and the FISCal project office to exist concurrently during the phased implementation of the FISCal system and requires the FISCal Service Center, upon full implementation and final acceptance of the FISCal system, to perform all maintenance and operation of the FISCal system. The act further establishes a FISCal Executive Partner who has responsibilities for the functions of the FISCal project office and the FISCal Service Center. The act requires the FISCal project office, subject to the approval of the Department of Finance, to establish and assess fees and a payment schedule for state departments and agencies to use or interface with the system, including fees to recover the costs of the FISCal system.

This bill would replace the FISCal Service Center with the Department of FISCal, with specified duties, make conforming changes, and would eliminate the FISCal Executive Partner and establish the Director of FISCal, who would be appointed by, and serve at the pleasure of, the Governor, subject to Senate confirmation. The bill would modify the requirement of the system to have a state budget transparency component. The bill would locate the department within the Government Operations Agency upon the acceptance of the system by the state, as determined by the Director of Finance. The bill would modify the fees assessed on state departments and agencies to pay for the design, development, and implementation of the system, as specified, and require administrative costs to the allocated and recovered in a special manner.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: The Financial Information System for California (FISCal).

The Financial Information System for California (FISCal) Act establishes the FISCal system, a single integrated financial management system for the state. The act establishes the FISCal Service Center and the FISCal project office to exist concurrently during the phased implementation of the FISCal system and requires the FISCal Service Center, upon full implementation and final acceptance of the FISCal system, to perform all maintenance and operation of the FISCal system. The act further establishes a FISCal Executive Partner who has responsibilities for the functions of the FISCal project office and the FISCal Service Center. The act requires the FISCal project office, subject to the approval of the Department of Finance, to establish and assess fees and a payment schedule for state departments and agencies to use or interface with the system, including fees to recover the costs of the FISCal system.

This bill would replace the FISCal Service Center with the Department of FISCal, with specified duties, make conforming changes, and would eliminate the FISCal Executive Partner and establish the Director of FISCal, who would be appointed by, and serve at the pleasure of, the Governor, subject to Senate confirmation. The bill would modify the requirement of the system to have a state budget transparency component. The bill would locate the department within the Government Operations Agency upon the acceptance of the system by the state, as determined by the Director of Finance. The bill would modify the fees assessed on state departments and agencies to pay for the design, development, and implementation of the system, as specified, and require administrative costs to the allocated and recovered in a special manner.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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