# 2019 NASCIO State IT Recognition Awards

# California Cannabis IT Initiative

Category: State CIO (or equivalent) Special Recognition

Project Initiation:     2/13/2017
Project Completion: 1/31/2019

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## EXECUTIVE SUMMARY

California passed the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), which established a uniformed licensing regime for medical and adult-use cannabis January 1, 2018. In response, the State set out to develop and implement the California Cannabis IT Initiative to ensure regulating agencies would be ready to accept applications from license cultivators, retailers, testing laboratories, manufacturers and other business types by the fast-approaching deadline.

The statute spread regulatory authority across three main agencies: the California Bureau of Cannabis Control (BCC) within the California Department of Consumer Affairs (DCA), the California Department of Food and Agriculture (CDFA) and the California Department of Public Health (DPH). The multi-agency initiative required strong collaboration to develop and implement licensing and enforcement platforms that would track the newly regulated businesses.

This project demonstrated the California Department of Technology's (CDT) leadership and its ability to facilitate and motivate collaboration among State partners to move quickly and effectively in the short development timeframe. In just 12 months after the voter-approved Proposition 64, the three agencies set up separate web portals to implement the Control, Regulate, and Tax Adult Use of Marijuana Act. CDT served as the central coordinating agency that provided oversight by facilitating communications among licensing entities, taxation agencies, the legislature and the Governor's Office. In addition, CDT facilitated an IT Cannabis Workgroup that met monthly. CDT was also responsible for keeping the Legislature apprised of the State partner's progress by hosting monthly briefings on the Cannabis IT Systems.

The initiative led to the implementation of three licensing and enforcement platforms under the BCC, the CDFA and the DPH, and served different statutory elements.

The $55 million California Cannabis IT Initiative provides the State with the tools to regulate the approximate 7,000 cannabis-related businesses. Tax revenues reported by the cannabis industry totaled $103.3 million for 4th quarter returns due by January 31, 2019.

## CONCEPT

The California Cannabis IT Initiative required a cross-agency team comprised of CDT, DCA, BCC and DPH to create a statewide architecture and collaborative approach for the online licensing of approximately 7,000 cannabis growers and other cannabis-related businesses ranging from retailers to testing labs.

The initiative attempted to bring three primary State of California departments together to establish a new regulated market in California.

One of the critical initial steps towards implementing the cannabis market was creating a structure for licensing businesses throughout the market's vertical supply chain. By January 1, 2018, the State was required to accept applications and license cultivators, retailers, testing laboratories, manufacturers, and other business types. The initial goal was met by mid-December 2017, when all three departments launched their online presence for accepting licensure applications for their respective regulatory authority. CDT remains engaged with system owners in a constructive oversight role by tracking system performance and progress.

Due to the short development timeframe – just 12 months after the voter-approved Proposition 64 – the three agencies used an Agile (SCRUM) approach for development. Prior to development, they came together in a series of collaborative requirement sessions. These sessions, facilitated by the CDT, identified phases of the new regulatory market, commonalities and differences in statutory responsibility, and mid-level requirements. Such collaboration led to the beginning of data standards, identified interaction points, and an inventory of possible interface partners.

The initiative led to the implementation of three licensing and enforcement platforms serving different statutory elements, and linked by the common denominator of the Track and Trace system, which is used to track the cannabis plant from seed through sale.

Legalizing cannabis in California for both medical and adult-use included a component that would facilitate public health and safety. This project component - called the California Cannabis Track and Trace (CCTT) – was required to ensure that cannabis could be tracked from the initial plant through to the final product purchase. If there was a public health issue and the source needed to be identified, it could be found in the Track and Trace system. Each of the licensing systems feeds relevant information into the Track and Trace system, as will each licensee.

The licensing platforms for the Bureau of Cannabis Control and the Department of Food and Agriculture were new implementations. The Department of Public Health extended its licensing platform to accommodate its new licensure responsibilities. The Department of Public Health configured its existing licensing platform to launch the Manufactured Cannabis Licensing System (MCLS). The MCLS is an intuitive online workflow that steps the cannabis manufacturer applicant through different scenarios and requirements to accurately submit their application. The MCLS also facilitates back-office application review, license lifecycle operations, and enforcement activities.

## SIGNIFICANCE

The California Cannabis IT Initiative was accomplished through a collaborative approach in slightly less than one year in order to meet the deadline established by Proposition 64. The initiative ensures that California's new cannabis market will be regulated for the benefit of the industry and safe for the consumer.  The Track and Trace component of the initiative aims to protect public health and safety. As with many

agricultural products, if a safety concern is discovered, it is critical to identify the source of the concern. The Track and Trace platform is a repository for all three licensing and enforcement platforms and licensee data. This data can be used to identify origin, location, and movement of all cannabis material through the plant and regulatory lifecycle. The collaborative nature of the procurement, development process and the resulting platforms that makeup the cannabis initiative create a dataset that will allow a contaminated edible product in a dispensary to be tracked through its manufacturer to the original cultivator for further investigation and analysis.

CDT developed a cross-agency team that created a statewide architecture that assured a coordinated and collaborative approach to licensing cannabis. It is because of this statewide architecture and collaborative approach that all three State entities were able to not just meet, but beat the January 1, 2018 deadline.

Moving quickly on contract procurement was also a key component of the statewide initiative. CDT leveraged existing agreements with the Department of General Services (DGS) to select the fastest possible procurement avenue while still having a competitive bid process. This permitted our teams to move through the sometimes cumbersome procurement process quickly and efficiently.

## IMPACT

Of the three main participating agencies, CDFA has received 6,800 applications from cannabis-related California-based entities, while BCC has received 4,000 applications, of which 99 percent have been submitted online. The Bureau's licensing portal page has been visited nearly 300,000 times since January 1, 2018.

The State levies a cultivation tax on all harvested cannabis entering commercial market ranging from $1.29 to $9.25 per dry-weight ounce, depending on what part of the plant is commercially harvested. California adds a 15 percent excise tax on purchasers of cannabis and cannabis products. In addition, retail sales of cannabis and cannabis products are subject to state and local sales tax.

According to the California Tax and Fee Administration (CDTFA), tax revenues reported by the cannabis industry totaled $103.3 million for 4th quarter returns due by January 31, 2019.

The licensing system project was completed on budget with a total cost of $17,451,991. CCTT was completed on budget with a total cost of $22,935,853 and the MCLS went live, also on budget, with a total cost of $14,696,278.

Stakeholders and the public can find information on the three licensing authorities on the California Cannabis Portal (https://cannabis.ca.gov/) in addition to links to their respective websites.