



Washington State Liquor Control Board

Title: Licensing and Tracking Recreational Marijuana

Category: Digital Government: Government to Business (G to B)

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Executive Summary

In November 2012, Washington State voters passed Initiative 502 (I-502), authorizing the Washington State Liquor Control Board (WSLCB) to license, regulate, track and tax legalized recreational Cannabis for persons 21 years of age and older. This initiative posed a real challenge and opportunity for our state. Our agency was tasked with implementing a recreational Marijuana licensing process and traceability system for producers, processors, and retailers of Marijuana. We had an implementation date of December 2013. That gave our agency 13 months total to learn about Marijuana; determine solutions for licensing, enforcing, educating, tracking, and regulating. The outcome would have significant interest from stakeholders, media, and other states that are beginning to consider the legalization of Marijuana.

Initiative 502 requires that the WSLCB create a tightly regulated, state-licensed recreational Marijuana tracking system. To facilitate this requirement, the WSLCB required a cloud-based Seed to Sale Inventory Tracking System which enables the WSLCB to gather and track inventory, product harvesting, product transfer, product disposal, quality assurance, retail sales transaction data, and tax information from all Marijuana Licensees operating in Washington State.

In accordance with draft rule WAC 314-55-083(4), Marijuana Licensees must track Marijuana from seed to sale to prevent diversion, promote public safety, and collect tax revenue. Licensees must provide the required information on a system specified by the WSLCB. Plants, lots of useable Marijuana or trim, leaves, and other plant matter must be traceable from production through processing, and finally into the recreational marijuana retail environment including the ability to identify the batches of products such as extracts or marijuana infused products.

Our agency had limited expertise in the Marijuana world however, we were on the fast track to get a system up and running so licensees could legally open their recreational Marijuana businesses as the voters indicated.



Business Problem and Solution Description

A. Business Problem to Be Solved:

Initiative 502 and guidance from the U.S. Department of Justice requires that the WSLCB create a tightly regulated, state-licensed recreational Marijuana tracking system that would be used to prevent diversion, promote public safety, and collect tax revenue data. Our agency needed to implement a Marijuana licensing process and Seed to Sale Inventory Tracking System that would enable the WSLCB to track inventory, and obtain information regarding product harvesting, product transfer, product disposal, quality assurance, retail sales transaction data, and tax information from all Marijuana Licensees operating in Washington State. Our agency did not have an existing solution that could be used, nor did other Washington State agencies. The solution needed to be cloud based to allow licensees the 24/7 interactive ability to enter information from anywhere in the state. In addition, the state needed to provide a tracking system that could interface with software solutions licensees would use for their business. A system needed to be in place by December, 2013.

B. Proposed Solution to Business Problem:

Part of our market analysis took us to the State of Colorado to demo their system. We met with state regulators to discuss system functionality and their business needs. In addition, we met with users of the system in Colorado's marijuana industry to gain their perspective on the system. We discussed Colorado's lessons learned and took those into consideration for our solution.

We also studied the system the State of Washington uses to trace apple growth, harvest and distribution. Further, we studied pharmaceutical traceability systems which track medicine from production through distribution to the retailer.

The analysis determined that we could leverage existing hosted systems (COTS/MOTS) that were already developed and in use that could be minimally customized for our own regulatory requirements with minimal resource impact and meet the timeframes set forth in I-502. We determined based on the need of licensee data input, a cloud-based solution was a requirement.

We recognized the need for a consulting contract with experts in the Cannabis field. Our agency was on a pilot program for digital signatures. Using innovative technology solutions designed to use the internet and true electronic means to get documents reviewed and signed without printing and mailing became a catalyst to meet our time constraints. Our workflow for the application process needed to have digital signatures.



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Streamlining this process kept us on track for the timeframes we were given. The entire Marijuana application process was electronic. Applicants were able to upload the required information, forms, and data through a secure process that is tracked.

The seed to sale solution would require vendor management from our agency to capitalize on the technology and ensure that it is meeting the agency and public's need. We maintained our innovative strategy to deliver services that make public interaction with state government more streamlined and responsive. The vision of the Seed to Sale solution was to partner with a vendor that could be flexible with the evolving needs that the Marijuana process may require from our agency.

System components included, but are not limited to, the following:

- A central inventory management system
- A web application interface for Marijuana Licensees
- An application interface for WSLCB System users
- A cloud service for Marijuana Licensee submission of inventory data
- An ad-hoc and standard reporting function
- A unique plant identifier method to track individual plants

Our agency used several project methodologies to successfully implement the traceability system. Primarily, we used the agile project management approach. We incrementally managed the design and build of the system. We worked closely with the vendor and had daily scrum meetings for status updates.

The system would be utilized by the WSLCB to track Marijuana through the supply chain. Washington State licensed Marijuana Producers, Processors, and Retailers (Marijuana Licensees) are required to submit specific information to the WSLCB via this system. The system will provide functionality to assist with analysis of the information, auditing operations, and enforcement by the WSLCB to ensure compliance with Washington State regulations. Our state was one of two states to legalize recreational Marijuana. We had limited resources to reference regarding the state regulation for this market. The agency successfully fulfilled the initiative with a traceability product in the short timeframe required. The success was due in part to an innovative mindset and willingness to remain dedicated to the mission.

Significance of the Project

Digital Signatures and the Seed to Sale Inventory Tracking System are vital tools for licensing, tracking and monitoring all marijuana plants to help prevent diversion, promote public safety, and collect tax revenue.

The project improved government operations by allowing the seamless flow of transactional data in the recreation marijuana market.



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The Seed to Sale solution was an innovative project that combined segments from the agricultural and prescription medicinal domains to form one portal solution for the business in this new market.

The project incorporated Washington State's technical innovation priorities with the use of a digital signatures and cloud services to track location data on the marijuana product from seed to sale including product chemical makeup for possible Health Care concerns in addition to addressing budget and cost control by configuring a Commercial off The Shelf (COTS) solution.

The beneficiaries of this effort range from the citizens of the state with public safety through the tightly controlled market and the increased tax revenue for public programs, along with the new market business owner (licensees and third party labs). The interactive system provides data to the enforcement community product inventory, chemical makeup, and transportation data for investigations.

The primary impact of the project was the timely deployment of a cloud based solution that allows seamless transfer of data from the business' in the market to the regulating agencies and back out to the citizen stakeholders of the state of Washington.

Benefit of the Project

Benefits of the project range from the ease of use by the licensees in a tightly controlled market to the availability of data to the regulating agencies as well as the ability to collect revenue from a new market for citizens of the state.

Considerations for the solution allowed business partners (licensees) to use a point of sale/Inventory system of their choosing that would interface with the state's traceability system. Licensees are not locked into the state solution to run their business. Business partners can use API's to transmit transaction data into the system.

The measurable operational benefit is the timeliness of the data available to address the concerns of the citizens of the state and the federal government.