



Department of Health  
 2023-25 Regular Budget Session  
 Policy Level - HP - Upgrade Medical Cannabis Registry

**Agency Recommendation Summary**

The Department of Health (department) requests funds to successfully complete the medical cannabis authorization system project upgrades to improve reporting functions and accessibility by the end of the 2023-2025 biennium.

**Fiscal Summary**

| Fiscal Summary<br><i>Dollars in Thousands</i> | Fiscal Years |         | Biennial | Fiscal Years |      | Biennial |
|---|--------------|---------|----------|--------------|------|----------|
|   | 2024         | 2025    | 2023-25  | 2026         | 2027 | 2025-27  |
| <b>Staffing</b>                               |              |         |          |              |      |          |
| FTEs  | 8.7          | 4.1     | 6.4      | 0.0          | 0.0  | 0.0      |
| <b>Operating Expenditures</b>                 |              |         |          |              |      |          |
| Fund 447 - 6                                  | \$2,062      | \$1,454 | \$3,516  | \$0          | \$0  | \$0      |
| Total Expenditures                            | \$2,062      | \$1,454 | \$3,516  | \$0          | \$0  | \$0      |
| <b>Revenue</b>                                |              |         |          |              |      |          |
| 315 - 0299                                    | \$2,062      | \$1,454 | \$3,516  | \$0          | \$0  | \$0      |
| Total Revenue                                 | \$2,062      | \$1,454 | \$3,516  | \$0          | \$0  | \$0      |

## Decision Package Description

The department is currently in the process of procuring a new IT solution to replace the medical cannabis authorization system. The new system will enhance reporting functionality, increase system accessibility for mobile or tablet devices, leverage the latest available technologies, and address known system shortcomings. The project is under the oversight of the state Office of the Chief Information Officer (OCIO) and the IT Investment Pool through gated funding.

The department requested and received spending authority in the 2021-23 biennium to replace the authorization system. The department is now requesting \$3.5 million to fund the successful completion of the project by the end of the 2023-2025 biennium.

The existing system, required by RCW 69.51A.230, was developed under contract in 2015 and is maintained by the current vendor. However, the current system is limited in its functionality and needs to be upgraded. The department has implemented a competitive procurement process to purchase a cost-effective solution that addresses its business and stakeholder needs.

The current system lacks sufficient reporting functionality. Additionally, the existing system does not function well on anything besides a desktop computer. Stores that are using laptops or smartphones have reported difficulties in accessing the current system.

The department has continued to amend the existing contract to keep the system up and running. However, the latest contract amendment expired June 30, 2021, and is exceeding state (chapter 39.26 RCW) and agency contracting standards. The department plans to extend the existing contract with a final contract amendment to maintain it through June 30, 2025, at the latest.

The department is looking for a more customer-centered, streamlined data system with robust reporting functionality so it can be responsive and proactive in providing meaningful and accurate data to legislators, agency partners, and stakeholders. The department is looking for mobile solutions to make sure it has a system that consultants and medically endorsed cannabis retail stores can use on any device. The new system should be intuitive, easy to use, and result in less phone calls from store owners, consultants, and patients to troubleshoot issues that arise with the current system.

The department requests \$3.5 million to fund the successful completion of the project by the end of the 2023-2025 biennium.

Receiving the requested funds for the 2023-2025 biennium gives the department an opportunity to build a system that works better for patients and cannabis retailers. This may result in a greater population of patients having improved access to products that may be medically beneficial. Options such as patient portals could also help an individual track their expiration dates and stay on top of follow up treatment.

RCW 69.51A.230 requires the department to hire a contractor to develop, host and maintain a medical cannabis authorization database. This leaves no alternatives. If we are not granted spending authority, the work will not be able to be completed.

Failure to act on this issue would put the department out of compliance with state contracting standards under RCW 39.26 that prevent us from renewing a contract indefinitely. This effort is also driven by the current needs of the department and stakeholders. Not following through with this effort leaves us with a system that is inefficient and limiting for the Medical Cannabis Program and end-users. Failure to engage in this project prevents the department from taking advantage of the competitive bidding process to see if there are other systems out there that are utilizing current technology and security practices, offering a more efficient and versatile platform for the department and stakeholders, including patients.

## Assumptions and Calculations

### **Expansion, Reduction, Elimination or Alteration of a current program or service:**

N/A

### **Detailed Assumptions and Calculations:**

In addition to the workforce costs identified below this request includes contract and vendor costs. Contract costs are \$250,000 per year of the project which include work for quality assurance, organizational change management, external cyber security, and attorney general. The solution vendor and exact costs will be identified once the RFP has been completed, which the department believes will be at the end of FY 2023. Based on the department’s experience it is assumed that roughly \$750,000 is needed per year starting in FY2024.

### **Workforce Assumptions:**

| Workforce Assumptions FY24 Projections Only |  |                     |                     |                    |                    |
|---|--|---------------------|---------------------|--------------------|--------------------|
| FTE   | Job Classification                             | Salary              | Benefits            | Startup Costs      | FTE Related Costs  |
| 0.7   | IT PROJECT MANAGEMENT - SENIOR/SPECIALIST      | \$81,000.00         | \$27,000.00         | \$3,000.00         | \$5,000.00         |
| 0.2   | IT POLICY & PLANNING - SENIOR/SPECIALIST       | \$23,000.00         | \$8,000.00          | \$1,000.00         | \$2,000.00         |
| 0.2   | IT BUSINESS ANALYST - SENIOR/SPECIALIST        | \$22,000.00         | \$8,000.00          | \$1,000.00         | \$2,000.00         |
| 0.8   | IT BUSINESS ANALYST - JOURNEY                  | \$80,000.00         | \$29,000.00         | \$3,000.00         | \$6,000.00         |
| 1.0   | IT QUALITY ASSURANCE - JOURNEY                 | \$100,000.00        | \$36,000.00         | \$4,000.00         | \$8,000.00         |
| 0.1   | IT APPLICATION DEVELOPMENT - SENIOR/SPECIALIST | \$12,000.00         | \$4,000.00          | \$0.00             | \$1,000.00         |
| 0.1   | IT DATA MANAGEMENT - SENIOR/SPECIALIST         | \$11,000.00         | \$4,000.00          | \$0.00             | \$1,000.00         |
| 0.1   | IT ARCHITECTURE - SENIOR/SPECIALIST            | \$12,000.00         | \$4,000.00          | \$0.00             | \$1,000.00         |
| 0.3   | IT BUSINESS ANALYST - JOURNEY                  | \$30,000.00         | \$11,000.00         | \$1,000.00         | \$2,000.00         |
| 0.1   | CONTRACTS SPECIALIST 3                         | \$8,000.00          | \$3,000.00          | \$0.00             | \$1,000.00         |
| 2.5   | FISCAL ANALYST 2                               | \$135,000.00        | \$65,000.00         | \$0.00             | \$0.00             |
| 1.6   | HEALTH SERVICES CONSULTANT 1                   | \$84,000.00         | \$41,000.00         | \$0.00             | \$0.00             |
| <b>7.7</b>                                  |  | <b>\$598,000.00</b> | <b>\$240,000.00</b> | <b>\$13,000.00</b> | <b>\$29,000.00</b> |

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|--|--|--|--|--|--|
|  |  |  |  |  |  |
|--|--|--|--|--|--|

Estimated expenditures include salary, benefit, and related costs to assist with administrative workload activities. These activities include policy and legislative relations; information technology; budget and accounting services; human resources; contracts; procurement; risk management, and facilities management.

## Strategic and Performance Outcomes

### **Strategic Framework:**

#### Results Washington

This proposal supports the Governor's Results Washington goal areas of healthy and safe communities and efficient, effective, and accountable government. It also supports the agency and division goals of equity, innovation, engagement, and access to care. The proposal does this by:

- Modernizing and enhancing the medical cannabis authorization system to meet the needs of the public and decrease resources currently needed to manage a paper system
- Better serving historically marginalized communities of color by ensuring they receive the benefits of registration such as arrest protection and safer cannabis products
- Decreasing barriers and costs to become a medically endorsed retail store

This work cannot continue to move forward without the requested spending authority.

#### Department of Health Transformational Plan

The proposal supports the department's Transformational Plan II. Health Systems and Workforce Transformation that all Washingtonians are well served by a health ecosystem that is robust and responsive, while promoting transparency, equity, and trust. This is achieved through data, information, and technology innovations through the ability to provide better data to inform policy decisions impacting health outcomes of the medical cannabis population.

### **Performance Outcomes:**

The main outcome of approving this request is sufficient funding to complete the system upgrade within the initial timeframes. Upgrading the system will provide the following outcomes:

- A secure data system that is aligned and up to date with current technology.
- A system that meets all the department's business reporting and support requirements.
- Rigorous reporting functionality and a system that supports the medical cannabis market and its patient population.
- A system that is intuitive, easy to use, and one that will result in less phone calls from store owners, consultants, and patients to troubleshoot issues with the current system.
- Ease of access with streamlined end-user process including mobile and electronic options such as end user portals, and cellular phones with streamlined end-user processes.
- Increased reporting accuracy for tax audits, which will benefit both medically endorsed retail store owners and the Department of Revenue.

## Equity Impacts

### **Community outreach and engagement:**

None. Because this proposal requests spending authority to complete a project already approved and underway, it will not have a direct impact on equity or specific targeted populations.

### **Disproportional Impact Considerations:**

N/A

### **Target Populations or Communities:**

Patients who are likely to use medical cannabis are often medically fragile. The purpose of the medical cannabis program is to facilitate access to safe products and services. In addition, the law provides arrest protections for possessing product outside of the current legal possession limits and a sales tax exemption on purchases.

## Other Collateral Connections

### ***Puget Sound Recovery:***

N/A

### ***State Workforce Impacts:***

N/A

### ***Intergovernmental:***

Washington State Patrol and the Department of Revenue have access to the data system. We will consult with both agencies as part of the development of the system requirements to identify system specifications, which will minimize impacts to those agencies.

In consulting with the Department of Revenue, we are looking at ways we can enhance reporting functionality when it comes to cannabis retailers who have been selected for audits. This would increase reporting accuracy for tax audits which will benefit both medically endorsed retail store owners and the Department of Revenue. We anticipate the Washington State Patrol will be neutral on this proposal and the Department of Revenue supportive of this proposal.

### ***Stakeholder Response:***

| <b>Partner</b>  | <b>Anticipated Position<br/>(Support, Neutral, Oppose)</b> |
|---|--|
| Medical cannabis patients   | Support  |
| Medically endorsed retail store owners                            | Support  |
| Medical cannabis consultants                                      | Support  |
| Medically endorsed cannabis retail store employees and budtenders | Neutral  |
| Patient advocacy groups   | Support  |
| Tribal Nations  | Support  |
| Legislative staff (JLARC)   | Support  |
| Liquor and Cannabis Board   | Neutral  |
| Washington State Patrol   | Neutral  |
| Department of Revenue   | Support  |

### ***State Facilities Impacts:***

N/A

### ***Changes from Current Law:***

N/A

### ***Legal or Administrative Mandates:***

N/A

Reference Documents

- [IT Addendum 2023-25 Upgrade Medical Cannabis Registry.docx](#)
- [Med Cannabis Registry FinancialCalculator\\_2023-25\\_ver24.1 \(1\).xlsm](#)
- [MMJ RFP DP - IT Addendum Fiscal Estimate Workbook final.xlsx](#)

IT Addendum

**Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?**

Yes

Objects of Expenditure

| Objects of Expenditure<br><i>Dollars in Thousands</i> | Fiscal Years |       | Biennial       | Fiscal Years |      | Biennial   |
|---|--------------|-------|----------------|--------------|------|------------|
|   | 2024         | 2025  | 2023-25        | 2026         | 2027 | 2025-27    |
| Obj. A  | \$706        | \$293 | <b>\$999</b>   | \$0          | \$0  | <b>\$0</b> |
| Obj. B  | \$277        | \$120 | <b>\$397</b>   | \$0          | \$0  | <b>\$0</b> |
| Obj. C  | \$250        | \$250 | <b>\$500</b>   | \$0          | \$0  | <b>\$0</b> |
| Obj. E  | \$794        | \$781 | <b>\$1,575</b> | \$0          | \$0  | <b>\$0</b> |
| Obj. T  | \$35         | \$10  | <b>\$45</b>    | \$0          | \$0  | <b>\$0</b> |

Agency Contact Information

Kristen Bettridge  
 (360) 236-4126  
 kristen.bettridge@doh.wa.gov