



MEMORANDUM

TO: Cannabis Regulatory Commission Board
FROM: Jeff Brown, Executive Director
SUBJECT: Metrc Statement of Work Approval
DATE: January 7, 2021

Executive Summary: On February 22, 2021, Governor Murphy signed the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act (P.L. 2021, c.16). On August 19, 2021, the Cannabis Regulatory Commission (“Commission” or “CRC”) adopted its initial rules and regulations pursuant to P.L. 2021, c. 16. Together, the authorizing statute at N.J.S.A. 24:6I-31 et seq., and the Commission’s initial rules at N.J.A.C. 17:30 establish the standards by which the Commission shall regulate the cannabis industry. Critical to that charge is the establishment of a statewide inventory management system.

Inventory management systems allow regulators to effectively:

- Ensure regulatory compliance with inventory standards, transport, sales, and product testing;
- Assist with the accurate reporting of sales data;
- Prevent the sale of cannabis to underage consumers;
- Prevent the adulteration of legal cannabis products with harmful substances;
- Prevent diversion from legal regulated markets to illegal markets; and
- Allows regulatory agencies to target limited resources as effectively as possible.

In order to achieve those measures for the CRC, the Commission’s Board has before it a project plan to establish a comprehensive, industry leading inventory management system.

Metrc (Marijuana Enforcement Tracking Reporting & Compliance), which provides track-and-trace inventory tracking systems to the majority of states with recreational cannabis markets, is contracted with the State of New Jersey to provide SAAS (Software-As-A-Service) services under State Contract T3121 – Software Reseller Services. Through this contract, Metrc is ready to deploy an industry-leading, regulator-focused, data-driven inventory management system that is compliant with P.L. 2021, C.16 and N.J.A.C. 17:30.

The Executive Director of the Commission is seeking Board approval of the Scope of Work (“SOW”) with Metrc which would enable the Commission to utilize the Metrc platform for a term of six years at a cost of \$65,000 per year – totalling \$390,000.



Authority: N.J.S.A. 24:6I-22, N.J.A.C. 17:30-3.6, 17:30-9.13 and 17:30-13.4

N.J.S.A. 24:6I-22 requires the Commission to develop and maintain a system for tracking the following: (1) the cultivation of medical cannabis, (2) the manufacturing of medical cannabis products, (3) the transfer of medical cannabis and medical cannabis products between medical cannabis cultivators, manufacturers, dispensaries, clinical registrants, testing laboratories and testing facilities, (4) the dispensing and delivery of medical cannabis to registered qualified patients, and designated caregivers as well as institutional caregivers, (5) the production of personal use cannabis, (6) manufacturing of cannabis items, (7) the transportation of cannabis between the premises of cultivators, manufacturers, wholesalers, retailers and authorized laboratories and testing facilities, and (8) the delivery of cannabis items to persons 21 years of age or older through cannabis delivery services or personal use cannabis handlers.

The system must be developed and maintained and shall be capable of tracking, at minimum: (1) the propagation of immature medical cannabis plants and personal use cannabis plants, the production of medical cannabis by a medical cannabis cultivator, and the production of personal use cannabis by a cannabis cultivator; (2) the utilization of medical cannabis in the manufacture and creation of medical cannabis products by a medical cannabis manufacturer, the manufacturing of personal use cannabis items by a cannabis manufacturer, the receiving, storing, and sending of personal use cannabis items by a cannabis wholesaler, and the transporting in bulk cannabis items by a cannabis distributor; (3) the transfer of medical cannabis and medical cannabis products, and personal use cannabis items, to and from licensed testing laboratories and facilities for testing purposes; (4) the dispensing of medical cannabis by a medical cannabis dispensary or clinical registrant, and the selling of personal use cannabis items by a cannabis retailer; (5) the furnishing of medical cannabis by a medical cannabis dispensary or clinical registrant to a medical cannabis handler for delivery, and the furnishing of personal use cannabis items by a cannabis retailer to a personal use cannabis handler for delivery; (6) the delivery of medical cannabis by a medical cannabis handler, and the delivery of personal use cannabis items by a personal use cannabis handler; (7) the purchase, sale, or other transfer of medical cannabis and medical cannabis products between medical cannabis cultivators, medical cannabis manufacturers, medical cannabis dispensaries, and clinical registrants as authorized pursuant to paragraph (5) of subsection a. of section 7 of P.L.2009, c. 307 (C.24:6I-7) and subsection h. of section 27 of P.L.2019, c. 153 (C.24:6I-20), and the purchase, sale, transporting, or other transfer of personal use cannabis and cannabis items by or between cannabis cultivators, cannabis manufacturers, cannabis wholesalers, cannabis distributors, cannabis retailers, and cannabis delivery services as authorized pursuant to P.L.2021, c. 16 (C.24:6I-31 et al.); and (8) any other information that the commission determines is reasonably necessary to accomplish its duties, functions, and powers.



N.J.A.C. 17:30-3.6 authorizes the Commission to require all Alternative Treatment Centers and cannabis businesses to utilize the tracking system designated by the Commission for these purposes.

N.J.A.C. 17:30-9.13 requires all cannabis businesses to utilize the tracking system designated by the Commission for inventory tracking, and establishes certain requirements for inventory tracking.

N.J.A.C. 17:30-13.4 establishes that every cannabis item must be affixed with a unique tax stamp or tag (also referenced at N.J.S.A. 24:6I-22), as prescribed by the Commission, that can be utilized for tracking the batches and lots with which the cannabis item is located, and for tracking compliance with all applicable taxes.

Overview of Project: The effective tracking of cannabis business inventories is critical to the ongoing regulation of New Jersey’s nascent recreational cannabis market and will help to modernize regulation of the existing medicinal cannabis providers. Safety is a core value of the CRC, and having the resources in place to assist the CRC’s investigators is core to ensuring a safe market.

Under the proposed Scope of Work, Metrc will provide a production-ready, web-based track-and-trace system to manage the cannabis supply chain from seed to sale in New Jersey. This includes the fully configured and tested Software-as-a-Service; radio frequency identification (“RFID”) tags; data management, reporting, training, and support to the Commission and training and support to all user groups.

Under the subscription terms: Metrc grants to the CRC a license or right to:

- Access and use Metrc’s web-based track-and-trace system;
- For SaaS, use underlying software as embodied or used in the track-and-trace system; and
- View, copy, download, and use documentation.

Metrc will provide the following under the SOW:

- Project planning;
- Configuration and gap analysis;
- Integration planning for existing systems;
- Training and testing, the development of user guides, training videos, and in-person user training;



- Application Programming Interface test and integration with external and internal state systems;
- Handheld devices to assist compliance staff with validating RFID tags;
- Complimentary online training available at any time for industry and state users; and
- Other services and deliverables as noted in the SOW.

Payment Structure and Cost: Pursuant to the SOW under the aforementioned contract, this is a SAAS product available to the Commission at the cost of \$65,000 per year, with an estimated total 6-year project cost of \$390,000.¹

Responsibility of License-holders: If the proposed Scope of Work is approved, pursuant to N.J.A.C. 17:30-3.6, 17:30-9.13 and 17:30-13.4, license-holders in New Jersey will be required to utilize Metrc as their inventory management system and to pay any associated costs with that utilization. The costs of products and services offered by Metrc to license-holders may vary and are subject to Metrc's terms and conditions. The Commission would not be responsible for negotiating the price of Metrc's products or services.

Accountability and Security: As a current contractor to the State of New Jersey for SAAS applications, Metrc has undergone rigorous reviews for security and compliance, both from the Department of the Treasury and the Office of Information Technology.

Recommendation: Metrc is a company with a proven track record around the country. The vast majority of mature recreational cannabis markets utilize Metrc. It is a proven system that is cost-effective for both regulators and license-holders. The Executive Director recommends the Commission approve this project so that the Commission can expeditiously begin the implementation process and subsequently move forward with preventing unlawful diversion of medicinal cannabis items and personal-use cannabis items, tracking tax compliance, and ensuring product safety.

¹ It is noted that the projected cost will cover the baseline annual SaaS fee. Out-of-Scope Enhancements and additional storage can be completed at an additional cost.