
KEY FINDINGS

Methodology: This report presents the key findings of an equity analysis conducted by Equity and Transformation, Law for Black Lives, John Marshall Law School, and Northwestern Law School, on the cannabis industry in Illinois.

What is Preventing Black inclusion in the Cannabis Industry?

Our Research found the following:

National Licensing Restriction Data

- 1 in 3 adults has a criminal record. 1 in 5 need a license to work.
- Employment barriers cost the economy \$78 billion in 2014.
- **Strict licensing processes increases the likelihood of recidivism for formerly incarcerated people.**

Illinois Licensing Restriction Data

- As of 2012, 118 licenses can be denied to people with felonies.
- S.B. 1688 was passed in 2017, requiring the IDFPR to publish an annual report of the number of licensing applicants for new licenses, the number with a criminal conviction, the number of licenses granted and denied, and the number granted and denied with a criminal history record. But this report is not available or difficult to find!
- **Illinois has one of the most restrictive Medical Cannabis Programs in the nation.**
- People with cannabis-related convictions are prevented from entering the cannabis industry.
- Licensing costs for medical cannabis dispensaries and cultivation centers exclude the majority of people, particularly those most affected by the war on drugs, from accessing the industry.
- Other financial obligations to meet licensing requirements further exclude low-income populations from entering the legal cannabis industry.

Investment to Enter Illinois' Medical Cannabis Industry

- **Each dispensing organization applicant must have at least \$400,000 in liquid assets.**
- An application fee of \$5,000 must be submitted with each application.
- If selected, a registration fee of \$30,000 must be submitted and a registration bond or escrow account must be established in the amount of \$50,000.
- An application fee for each dispensing organization agent is \$100.

As of 2012, 118 licenses can be denied to people with felonies

Access to small business loans and limitations for prospective borrowers with criminal records

- In general, access to small business loans is limited, especially for people with felonies.
- **A felony record reduces a person's access to credit. Each year of incarceration leads to a drop of 47 points in credit score.**
- People with felonies face discrimination when applying for credit in the same way that they can be discriminated against in the labor market.
- The Small Business Association (“SBA”) is the best option for people with felonies to get a loan because prospective borrowers are not automatically disqualified for having a criminal record.
- The SBA does not make loans directly, it administers loan programs in Illinois through local lenders
- Local lenders may have their own requirements that disqualify a prospective borrower with any conviction.
- People with felonies typically have more success getting a micro loan (i.e., loans under \$50,000). However, the average reported loan is around \$13,000.



People with felonies face discrimination when applying for credit in the same way that they can be discriminated against in the labor market

Findings & Recommendations

The following policy areas of focus represent this report’s core recommendations:

“Legitimate, tax paying Business men and not criminal actors, will conduct sales”

- **SENATE BILL 7**

1. Eligibility: inform eligibility criteria with data, set tiered eligibility criteria to allow most affected groups to receive higher-value benefits, while extending some benefits to a wider range of applicants impacted by the War on Drugs.
2. Permitting: prioritize and assist Equity Applicants during the permitting process, and establish an incubator program to incentivize partnerships between Equity Applicants and other cannabis operators.

3. Community Reinvestment: direct new potential funding from local cannabis taxes or the state toward programming for communities impacted by the War on Drugs. Businesses should also be required to describe how their business will provide

community benefits.

4. **Workforce Development:** promote equitable employment opportunities at all cannabis businesses, especially for formerly-incarcerated individuals and those living in neighborhoods impacted by the War on Drugs. Expand First Source and Local Hire to cover the cannabis industry.
5. **Financial & Capital Access:** take an active advocacy role to open up banking services, particularly through state and local credit unions, for the cannabis industry.
6. **Technical Assistance:** direct Equity Operators to existing technical assistance resources in the City, and create new technical resources within the Office of Cannabis. Facilitate partnerships with other existing Operators and non-profits to help overcome technical barriers.
7. **Criminal History:** hold streamlined expungement events for citizens convicted of eligible cannabis offenses.
8. **Stakeholder Engagement:** create culturally sensitive and district-specific outreach, and extend Task Force membership to include representatives from communities with high concentrations of individuals eligible for Equity status.
9. **Public Awareness & Education:** deploy an outreach campaign for the Equity Program.
10. **Data Collection & Accountability:** gather data on General and Equity Applicants on a regular basis to analyze the outcomes of the Equity Program, and use this data to refine the program. Enforce compliance of commitments made by applicants.
11. **Modification & Course Correction:** permitting in phases and communicating with stakeholder groups will allow for steady improvement of the regulatory structure.
12. **Land Use & Zoning:** create land use controls that mitigate over concentration in disenfranchised neighborhoods.

Conclusion

In conclusion, the barriers to the cannabis economy for black Illinois residents are vast. Many of the barriers exist in the very policy's developed to reduce social inequity. **Senate Bill 7 is prime example for that.** Prohibiting license eligibility for formally incarcerated people is an archaic, anti-black framework, that aides recidivism, weakens economic stability in black communities and produces racial inequity.

To address the barriers in SB7, Illinois elected officials must remedy the barriers outlined in this report. To acknowledge the war on drugs yet, continue to perpetuate the same war by denying formerly incarcerated people access to the cannabis economy, defeats the purpose of the acknowledgment. With over 118 licenses already denied to formerly incarcerated people, limited options for small business loans, lack of credit due to their incarceration, coupled with a long documented history of work place discrimination and limited resources for higher education, one has to begin to question the role policies like SB7 are playing in the production of community violence in the city of Chicago.

Our findings and recommendations are keys to unlock an equitable future for Chicago. Governor Pritzker, Senator Heather Steans, and State Representative Kelly Cassidy have a choice, **to either continue the legacy of coded anti black racism in Illinois, or fight for racial equity now.**