

**EXCERPT – June 25, 2019 Press Release
House Bill 1438 (Public Act 101-0027)**

OVERVIEW OF KEY ELEMENTS

ACHIEVING EQUITY THROUGH OWNERSHIP AND LICENSURE

- Creates a \$30 million low-interest loan program to defray the start-up costs associated with entering the licensed cannabis industry.
- Establishes a "social equity applicant" status for licensing.
- Designates 20% of the total points for qualifying applicants to obtain a license for a dispensary, cultivation center, infuser, craft grower or transporting organization.
- Waives 50% of non-refundable license fees.
- Allows 180 days from the license award date to identify a physical location for the dispensary, reducing up-front costs.
- Limits ownership to three cultivation centers or craft grow facilities or 10 dispensaries.
- Dedicates a portion of sales in early approval facilities to a cannabis business development fund.

INVESTING IN COMMUNITIES THAT SUFFERED THROUGH THE WAR ON DRUGS

- Establishes the Restore, Reinvest and Renew (R3) Grant Program to address the impact of economic disinvestment, violence, and the historical overuse of the criminal justice system.
- 25% of state cannabis revenue will be transferred to the Criminal Justice Information Projects Fund to support the R3 program.

PROVIDING RELIEF FOR MINOR VIOLATIONS OF THE CANNABIS CONTROL ACT

- Roughly 700,000 records are eligible for expungement under the Cannabis Regulation and Tax Act.
- Approximately 405,000 records are eligible for automatic expungement or the clemency process.
 - o Category 1: Local law enforcement and ISP will automatically expunge arrests not leading to a conviction for possession and manufacture or possession with intent to deliver for up to 30 grams.
 - o Category 2: Governor will grant pardons authorizing expungement for convictions for possession and manufacture or possession with intent to deliver for up to 30 grams.
- An additional 302,000 are eligible for the motion to vacate process.
 - o Category 3: Individuals and State's Attorneys may file motions with courts to vacate convictions for possession up to 500 grams.
- Exclusions: If the cannabis offense was connected to a violent crime it is ineligible for the automatic expungement processes, but the individual (or State's Attorney) can still file motion with the court to vacate conviction.

PUBLIC HEALTH AND SAFETY

Starting January 1, 2020, adults over 21 will be able to legally purchase cannabis for recreational use from licensed dispensaries across the state. The new law takes several steps to protect public health and safety of all Illinoisans.

- Possession limit for Illinois residents:
 - o 30 grams of cannabis flower;
 - o 5 grams of cannabis concentrate; and
 - o No more than 500 milligrams of THC contained in a cannabis-infused product; and
 - o Registered patients in the medical cannabis pilot program may possess more than 30 grams of cannabis if it is grown and secured in their residence under certain conditions.
- Possession limit for non-Illinois residents:
 - o 15 grams of cannabis flower;
 - o 2.5 grams of cannabis; and
 - o No more than 250 milligrams of THC contained in a cannabis-infused product.
 - o 20% of state cannabis revenue will support efforts to address substance abuse and prevention and mental health.
- Established a DUI Cannabis Task Force.
- Regulates advertising, packaging and location of cannabis businesses near public spaces, including schools and parks.
- Allows local governments to regulate the location of a cannabis business and home grow.
- Home grow limited to participants of the Compassionate Use of Medical Cannabis Pilot Program, and caps to 5 plants per household.

TAXATION

The taxation structure is competitive with other states and seeks to raise revenue to promote equity while also eliminating the black market.

- Cultivation privilege tax:
 - o 7% of the gross receipts from the sale of cannabis by a cultivator or a craft grower to a dispensing organization
- Cannabis purchaser excise tax:
 - o 10% of the purchase price - Cannabis with a THC level at or below 35%
 - o 20% of the purchase price - All cannabis infused products
 - o 25% of the purchase price - Cannabis with a THC level above 35%
 - o This tax is not imposed on cannabis that is subject to tax under the Compassionate Use of Medical Cannabis Pilot Program Act.

ALLOCATION OF STATE REVENUE

The Illinois Department of Revenue projects that this industry will generate over \$57 million in tax revenue and licensing fees in FY20 and, in tax revenue alone, \$140.5 million in FY21, \$253.5 million in FY22, \$323.5 million in FY23, and \$375.5 million in FY24.

- Minus administrative costs, the remaining state revenue will be allocated as follows:
 - o 35% for the General Revenue Fund,
 - o 25% for the Criminal Justice Information Projects Fund to support the R3 program,
 - o 20% for the Department of Human Services Community Services Fund to address substance abuse and prevention and mental health concerns,
 - o 10% for the Budget Stabilization Fund to pay the backlog of unpaid bills,
 - o 8% for the Local Government Distributive Fund to support crime prevention programs, training, and interdiction efforts, including detection, enforcement, and prevention efforts, relating to the illegal cannabis market and driving under the influence of cannabis, and
 - o 2% for the Drug Treatment Fund to fund public education campaign and to support data collection and analysis of the public health impacts of legalizing the recreational use of cannabis.