

Social Equity Provisions in Illinois Cannabis Law

By Daniel S. Rosenbaum

Beginning January 1, 2020, adults over the age of 21 in the state of Illinois will be allowed to legally purchase cannabis from licensed dispensaries. This Illinois recreational cannabis program will have a significant social equity component, including giving a leg up to socially disadvantaged groups in areas with high rates of arrest, conviction and incarceration related to cannabis, or areas of high poverty and unemployment that have been historically affected by the criminalization of cannabis.

Illinois regulators started accepting applications December 10, 2019 and will continue to do so through January 2, 2020 for 75 new recreational use dispensary licenses. These licenses will be distributed by May 1, 2020 and are in addition to the 30 existing medical cannabis dispensary licenses to begin legal retail sales on January 1, 2020 – all currently held by non-minorities. Social equity applicants will be awarded a 20 percent bonus in this new application scoring process if they either live in a designated “disproportionately impacted area,” have a low-level drug record or have a close relative with one, or are able to prove that employees hired meet those criteria. Illinois has issued a map with disproportionately impacted areas which shows more than 2 million Illinoisans living in these areas. This program is unique because of this social component and because existing license holders, and new ones, are paying into the Cannabis Business Development Fund through loan repayments, license transfer funds and a percentage fee levied on license fees that companies pay to operate. This fund will provide loans and grants to social equity applicants that win licenses.

This Illinois law also provides an avenue for industry involvement for those applicants who live or who will hire individuals that live in “Disproportionately Impacted Area”, which the law defines as a census tract or comparable geographical area that satisfies certain criteria such as: (i) the area has a poverty rate of at least 20% according to the latest federal decennial census; (ii) 75% or more of the children in the area participate in the federal free lunch program according to the reported statistics from the State Board of Education; (iii) at least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program; or (iv) the area has an average unemployment rate as determined by the Illinois Department of Employment Security that is more than 120% of the national average.

Census Tract 8432 is a swath of land in Chicago that include parts of Bridgeport and East Pilsen (roughly 34% of the total land in the Census Tract)¹. According to the City of Chicago provided data, 25.8% of households in Pilsen are below the poverty line. Nevertheless, Pilsen is a resurgent and popular neighborhood in Chicago. This area is one of many in the Chicago-area and Illinois at large that is potentially ripe for entrepreneurs to enter the Illinois cannabis space via the social equity provisions in the Illinois law.

There is some concern that these measures may not work in the way intended. The process is expensive – requiring a nonrefundable \$5,000 application fee with winners paying \$60,000 for the new dispensary licenses. The complicated 400-page application may limit who can realistically apply or necessitate hiring a consultant to navigate through it. The social equity points given for hiring impacted minorities may also work against local entrepreneurs and favor big cannabis companies. Despite these issues, officials,



observers and participants are hopeful this program can be a blueprint for future social equity programs in the cannabis field.

For additional information on Illinois cannabis provisions or any other cannabis-related question, please contact any of the listed attorneys.

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¹ According to <https://www.chicagocityscape.com/maps/index.php?place=censustract-17031843200>