

# EXHIBIT 6



**MEMO TO** : Village President Keith Giagnorio and  
Lombard Village Board

**FROM** : Scott R. Niehaus *SN*  
Village Manager

**DATE** : June 11, 2019

**SUBJECT** : **Preliminary Information on recreational Cannabis Legislation**

As you are likely aware, the Illinois General Assembly has approved legislation that would approve the use of recreational cannabis. While the bill still needs to be signed by Governor Pritzker, all indications are that he will do so in the near future. In anticipation of Lombard citizens contacting you with questions as to how this legislation will impact the Village of Lombard and how we will approach it, I have asked staff to prepare a summary memo (attached) for your information.

Please feel free to contact me with any questions regarding this legislation. In addition, staff will be monitoring the public comment and inquiry and prepare FAQ sheets to be posted on social media accordingly.

In addition, I would anticipate that at some point the Village Board may request a workshop session on this topic and/or request input from our standing advisory committees per our past practice.

Thank you.

SN:cb

Attachment

Cc: Tim Sexton, Director of Finance  
Bill Heniff, Director of Community Development  
Carl Goldsmith, Director of Public Works  
Roy Newton, Chief of Police  
Richard Sander, Fire Chief  
Kathy Dunne, HR Director  
Nicole Aranas, Assistant Village Manager  
Avis Meade, Communications Coordinator  
Tom Bayer, Village Attorney



## MEMORANDUM

**TO:** Scott R. Niehaus, Village Manager

**FROM:** William J. Heniff, AICP, Director  
Department of Community Development

**DATE:** June 11, 2019

**SUBJECT:** Recreational Cannabis Overview

Following up upon the Special Meeting of the Village Board on April 25, 2019 and recent actions by the Illinois State Legislature relative to the Cannabis Regulation and Tax Act (the "Act"), staff is providing the Village Board with the latest information pertaining to the pending legalization of recreational cannabis in Illinois. This memorandum also serves as an outline of future actions and steps the Village Board may take at a local level. For immediate reference, Klein, Thorpe & Jenkins prepared the attached overview of the legislation and the full text can be found at <http://www.ilga.gov/legislation/101/HB/PDF/10100HB1438sam002.pdf>

### **BACKGROUND – MEDICAL CANNABIS**

On August 1, 2013, the Compassionate Use of Medical Cannabis Pilot Program Act (PA 098-0122) was adopted by the State. The law creates a four-year pilot medical marijuana program that went into effect on January 1, 2014. That action allowed for individuals with selected serious diseases to obtain a special ID card allowing them to buy limited amounts, up to two-and-a-half ounces during a 14-day period, of medical marijuana from one of 60 state-licensed dispensaries.

That action allowed local units of government to establish regulations that provide for reasonable zoning regulations for the cultivation and dispensing of medical marijuana. The Village Board approved a text amendment to the Zoning Ordinance to allow for medical cannabis establishments as conditional use in the O Office district (PC 13-13). In 2014, the Village considered a petition for a medical cannabis facility to be located at 510 E. 22<sup>nd</sup> Street (PC 14-32), however, that petition was denied by the Village and the petitioner did not receive approval from the State to open a facility.

### **PENDING CANNABIS LEGISLATION**

The current legislation provides for possession of and recreational use of cannabis for individuals who are 21 years of age or older, subject to the following amounts:

1. 30 grams of raw cannabis (the photo below approximates 30 grams and is intended to represent "personal use").



2. 500 mg or less of THC of cannabis-infused products (These are generally candies like a sucker or gummy bears).
3. 5g of cannabis product in concentrated form - (This is typically bottles, creams and the like).
4. Home cultivation of up to five cannabis plants per household is permitted only for medical cannabis patients.

Primary enforcement of the business provisions of the Act will be undertaken by the State of Illinois, through the Department of Agriculture (for cultivation regulations), the Department of Financial and professional Regulation (for business regulations), the State Police (for background checks) the Department of Public Health (for health warnings and advertising), and the Department of Human Services (for preventative and assistance-based programs).

Within the Chicago-Naperville-Elgin defined area, 47 dispensing organization licenses will be made available. As with medical cannabis, licensing selection activities will be performed exclusively by the State, as detailed in the Act. Business violation enforcement actions are regulated and enforced exclusively by the State.

The Act does provide an option for both home-rule and non-home rule units of local government to prohibit cannabis establishments from locating in a given community (referenced as restricted zones). The Act also spells out the provisions for enacting such a zone. However, that action does

not preclude other aspects of the Act from being in effect (e.g., the ability to have up to 30g of cannabis within one's possession, as an example).

While limited, the Act does impact municipalities and the area of interest are set forth within the attached memorandum. These provisions could also fall within the purview of several standing Village committees in the following respects:

- **Public Safety & Transportation** – Matters pertaining to possession, use and use violations and any of the enforcement and criminal aspects, including, of the Act
- **Finance** – Matters pertaining to the potential Village portion of the proceeds from the legal sale of cannabis as local governments can also establish up to a 3 percent local tax.

Government proceeds associated with such sales are broken down as follows:

20% to State mental health services and substance abuse programs

10% to pay unpaid State bills

35% to the State General Revenue Fund

The remaining funds would be distributed as follows:

2% to public education and safety campaigns

8% to the Local Government Distributive Fund, for prevention and training for law enforcement

25% for identified social equity program (see below)

- **Economic & Community Development** – Matters pertaining to the business aspects of such sales activity

The Village can use its local land use zoning authority to establish regulations pertaining to the siting of such recreational cannabis establishments including but not limited to establishing appropriate buffer requirements from selected land uses, and identifying district(s) in which the sale of cannabis would be permitted (either through the conditional use process or by right). Such actions would be taken by the Plan Commission and Village Board through the requisite public hearing process.

Lastly, there are a number of social equity aspects set forth within the Act that attempts to provide some economic benefit to disadvantaged communities. The Act includes expungement provisions, provides additional ranking points for prospective business applicants, access to financial resources for start-up costs for eligible entities, and provides support resources.

### **STATE DRAFT TIMELINE**

As of now, the Act would be effective January 1, 2020, in which sales begin. Existing medical cannabis cultivators and dispensaries will cultivate and provide to adult consumers until additional licensees can apply and get approved. The State will be proceeding on processing licenses though the first half of 2020.

### **COMMUNICATIONS**

Lastly, there are bound to be many questions that will be raised to staff and elected officials regarding the Act and the Village's forthcoming actions. We can represent that we have already begun to receive inquiries from prospective business entities seeking to find out more about the Village actions – staff has represented that the matter has not been formally discussed to date.

### **ACTION REQUESTED**

Staff is forwarding this matter to the Village Board for reference purposes. As the Act is finalized, staff will be bringing this matter back to the Village Board for further consideration and direction as directed or warranted.



June 5, 2019

For any questions or comments you might have regarding this newsletter, please feel free to contact:

Authored By:

## Recreational Cannabis Legislation Heading to Governor

As the Illinois General Assembly's legislative session galloped to a close last week, HB 1438 was amended to become the Cannabis Regulation and Tax Act (the "Act"). The amended bill received House and Senate approvals in the closing days of the legislative session, and is expected to be sent to the Governor and signed shortly.

There have been some changes to the Act from an earlier version amended to a Senate Bill several weeks ago. The following are some of the highlights of the Act as approved in amended HB 1438 that local governments should be aware of:

- Possession limits for Illinois residents who are 21+ years old are any combination of:
  - ◆ 30g of raw cannabis
  - ◆ 500 mg or less of THC of cannabis-infused products
  - ◆ 5g of cannabis product in concentrated form
- Home cultivation of up to five cannabis plants per household is allowed ONLY for medical cannabis patients and is subject to various conditions (this is scaled back from an earlier version)
- Municipalities may enact ordinances to prohibit or significantly limit a cannabis business establishment's location
- Municipalities may enact reasonable zoning ordinances or resolutions regulating cannabis business establishments

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This newsletter is not to be construed as legal advice or a legal opinion under any circumstance. The contents are solely intended for general informative purposes, and the readers of this newsletter are strongly urged to contact their attorney with regard to any concepts discussed herein.

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- Municipalities may enact reasonable ordinances or rules governing the time, place, manner and number of cannabis business establishment operations, including minimum distance limitations between cannabis business establishments and locations it deems sensitive, including colleges and universities, through the use of conditional use permits
- Municipalities may not prohibit home cultivation by medical cannabis patients or unreasonably prohibit use of cannabis authorized under the Act
- Municipalities may establish civil penalties for violation of an ordinance or rules governing the time, place, and manner of operation of a cannabis business establishment or a conditional use permit
- Municipalities may regulate the on-premises consumption of cannabis at or in a cannabis business establishment within its jurisdiction in a manner consistent with the Act
- Cannabis business establishments or other entities authorized or permitted by a municipality to allow on-site consumption shall not be deemed a public place within the meaning of the Smoke Free Illinois Act
- The Act includes Home Rule Preemption language, prohibiting all local governments from regulating or licensing the activities described in the Act, except as otherwise provided in the Act
- The Act allows municipalities to levy, by ordinance, on or after January 1, 2020, a Municipal Cannabis Retailers' Occupation Tax of up to 3% in 1/4% increments. Revenue received from the tax is collected by the Department of Revenue and deposited into the Local Cannabis Consumer Excise Tax Trust Fund. Revenues deposited are then redistributed by the Department of Revenue back to municipalities on a monthly basis based on the amount collected from sales made in the municipality during the second preceding calendar month



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- Employers are not prohibited from adopting reasonable zero tolerance, drug free workplace policies, or other drug-related policies provided the policies are applied in a nondiscriminatory manner
- Employers are not required to permit employees to be under the influence of or use cannabis in the workplace, or while performing job duties or while on call
- Employees may be disciplined for violating a workplace drug policy
- Driving under the influence of cannabis remains illegal, and law enforcement officials may use validated roadside chemical tests or standardized field sobriety tests approved by the National Highway Traffic Safety Administration when conducting investigations of a violation of Section 625 ILCS 5/11-501 of the Vehicle Code or a similar local ordinance by drivers suspected of driving under the influence of cannabis
- The originally proposed broad expungement provisions for previous offenders have been considerably scaled back in the amended version of the Act

The Governor is expected to sign the legislation shortly. The Act will take effect on January 1, 2020. Between now and January, KTJ will work with its local government clients on policy decisions, code amendments, procedures and forms related to allowing and regulating and/or prohibiting cannabis business establishments, zoning issues, taxation issues, employment law issues, DUI and other enforcement issues, expungements and the other aspects of the Act subject to local control.

KTJ will continue to provide updates as the Act becomes law and begins to be implemented.

You can view the full text of HB 1438, as amended, here:

[Cannabis Regulation and Tax Act](#)



## LOMBARD POLICE DEPARTMENT

TO: Scott Niehaus  
Village Manager

FROM: Roy Newton  
Chief of Police

SUBJECT: Potential Impact of Cannabis Dispensaries  
On Police Operations

DATE: June 26, 2019

At your request, we have compiled a brief report outlining the potential impact of legalized cannabis and cannabis dispensaries on our police operations. The intent of this information is to provide objective information that will assist Village of Lombard staff and elected officials in making decisions leading up to and after the legalization of recreational cannabis.

There are a number of communities, at or around the same size as Lombard, that currently house *medical* cannabis dispensaries (MCD). They are:

Naperville  
Arlington Heights  
Mount Prospect  
Elmwood Park  
Rolling Meadows  
Deerfield  
Evanston  
Oak Park  
North Aurora  
Romeoville  
Addison

We contacted the aforementioned communities in an effort to seek information on the impact to police service that an MCD would cause. Through our daily bulletin reports, statewide critical reach reports, and general media, I have found there are limited calls for police service at MCD locations. The following communities responded to our request for information concerning police activity at their medical dispensaries:

**Addison:** The Addison Police Department indicated that they have had no calls for service at the MCD. They also stated that they have no received crime or community complaints related to the facility.

**North Aurora:** They indicated that they have had five calls for service at their MCD since December of 2015. These calls were for three false burglar alarms, one counterfeit currency complaint, and one inquiry about a state ID card.

**Elmwood Park:** They indicated they have had no calls for service or any community complaints at the MCD located in their jurisdiction in the years they have been open.

**Arlington Heights:** Although a few calls for service are indicated since opening in June of 2018, the calls are the norm for generally any business within their community. The MCD has had little impact on their operations. Specifically, 10 false burglar alarms, a burglary to a storage container, one suspicious circumstances report, one customer dispute, one suspicious vehicle report, and one disorderly conduct incident.

**Mount Prospect:** They indicated that they have had no issues involving the MCD located in their jurisdiction.

**Deerfield:** They indicated that there has been five alarm calls since opening in mid-2014.

**Naperville:** They have experienced minimal calls for service and most calls are for false burglar alarms.

**Romeoville:** There have been no incidents with this business in the two years they have been open.

At this moment with legalization dispensaries being new, I cannot assume that the impact of MCD's will be similar to the impact of recreational cannabis dispensaries (RCD). Although there are many illicit users of cannabis currently, RCD's will be a vehicle for current users who will now be able to purchase legally. I do not see a sudden increase in the amount of users just because it is now legal. I would also note that with the extreme tax rate that has been imposed on any purchase, the "black market" will continue to flourish.

Certainly a concern of the police department will be on the impact of impaired driving and traffic crashes. Since 2013, the Lombard Police Department has made 56 impaired driving arrests in which drivers tested positive for THC (the component of cannabis that causes a "high"). Approximately 27% of those arrests involved a traffic crash. After medical cannabis became legal, there was a mild increase in the number of DUI cannabis arrests but that number has seemed too stabilized.

It is reasonable to assume that the legalization of cannabis can increase the demand for police services as well as the number of drug impaired drivers on our roadways. However, this will likely occur whether or not the Village of Lombard allows an RCD or not.

Respectfully,

Chief Newton



## MEMORANDUM

**TO:** Scott R. Niehaus, Village Manager

**FROM:** Community Development Department

**DATE:** July 8, 2019

**SUBJECT:** **Zoning Issues Related to Recreational Cannabis**

In the event the Village Board decides to allow recreational cannabis businesses within the Village of Lombard, the Village's Zoning Ordinance would require updating to address the new use(s). Community Development staff has identified several broad planning and zoning policy issues that will be essential to any discussion about regulations for this use. These policy issues are presented below. This document is intended to offer an overview of the types of issues that will require discussion in order to determine the specifics of any future regulations. Staff is not offering any proposed regulations at this time.

**1.) Undertake a review and possible update of relevant definitions in the Zoning Ordinance.**

Terms requiring review include:

- Medical cannabis dispensing organization (existing definition)
- Smoking establishment (existing definition)
- Consider need for additional definitions related to recreational cannabis businesses
  - Cannabis dispensing organization
  - Cannabis cultivation, processing, wholesaling, etc.

**2.) Determine which zoning districts would allow for recreational cannabis businesses.**

Planning staff has held internal discussions about what zoning districts might be appropriate for recreational cannabis businesses. These discussions have focused on the following considerations: the purpose statements within the Zoning Ordinance as related to the various zoning districts within the Village; staff's understanding/best guess as to the geographic range from which these businesses will attract customers; other uses permitted within the Village that might be considered analogous for purposes of administering the Zoning Ordinance.

Based upon these discussions, staff offers the following observations:

- We expect recreational cannabis businesses to have a regional draw, similar to big box retailers, Yorktown Mall or other commercial uses that operate on a regional scale. The regional scale of the business will result from the state limiting the number of licenses it issues and the possibility that some municipalities will opt out of allowing recreational cannabis. Assuming recreational cannabis businesses will function similarly to other retail uses with a regional draw (for zoning and planning purposes), the Village might look to the higher intensity commercial districts (B3, B4, B4A) as reasonable locations for these uses.
- Some aspects of the recreational cannabis business will be similar to the sale of alcohol in that it is legal for people over the age of 21 to purchase and consume, with some restrictions based on time and manner. The Zoning Ordinance permits liquor stores (packaged goods) in the B2, B3, B4, B4A, B5 and B5A districts. Liquor stores are conditional uses in the B1 district.
- The Zoning Ordinance currently lists medical cannabis dispensing organizations as conditional uses in the Office District.

In light of the foregoing, staff has identified several possible courses of action with respect to identifying the zoning districts in which recreational cannabis businesses would operate. The following list is ordered from most restrictive to most permissive scenarios. This list is not exhaustive.

- Amend the Office Zoning District to include recreational cannabis dispensaries as a conditional use. No amendments to any other districts.
- Add recreational cannabis dispensaries as permitted or conditional uses to select B districts.
- Add recreational cannabis dispensaries as permitted or conditional uses in the B3, B4, B4A, O and I Districts.
- Special consideration and policy direction should be given to whether retail sales of cannabis in any form should be permissible in downtown Lombard (B5 and B5A Zoning Districts).

### **3.) Determine whether the use would be a permitted use or a conditional use.**

Permitted uses are permitted by right; would-be businesses are not required to go through a public hearing in order to open.

Conditional uses require approval through a public hearing process with the Plan Commission and Village Board. This process takes approximately 60-90 days.

Staff did not look at the commercial production of cannabis. When staff reviewed medical cannabis in 2014, we also did not review the production noting that a built-out mature community, like Lombard, may not receive any inquires on this matter. Staff has not received any inquires on cultivation centers for either medical or recreational to date. Staff can review this issue, or review if at such time we receive a request.

**4.) Determine whether to enact distancing requirements or other performance standards.**

The state statute provides for municipalities to enact distancing requirements between cannabis businesses and other uses deemed to be sensitive.

The state statute states that cannabis dispensing organizations may not be located within 1,500 feet of another pre-existing dispensing organization or medical cannabis dispensing organization.

Staff conversations with planners working in states that already allow medical and recreational cannabis suggest that odor control can be an issue for businesses that engage in cannabis cultivation, extraction and manufacturing. This may not be relevant if the defined uses are limited to retail establishments (see part 1 above).

**5.) Determine if zoning regulations related to smoking establishments require amendment.**

The Zoning Ordinance currently provides for smoking establishments as conditional uses in the B4A District. Smoking establishments are also subject to the Smoke Free Illinois Act, which places restrictions on the types of buildings smoking establishments may occupy. More research will be required in order to determine how recreational cannabis will be treated with respect to smoking establishments at the state level, which may impact the Village's regulations for smoking establishments.

**6.) Municipal outreach**

Staff contacted municipalities in the surrounding area to ask if they have begun researching the zoning issue on recreational cannabis or had any discussions with their Boards/Commissions.

*The municipalities with an asterisk (\*) currently have a medical cannabis dispensary.*

<b>Municipality</b>	<b>Status</b>
Addison*	August 14 <sup>th</sup> Planning & Zoning Commission meeting to add licensed adult use cannabis dispensing & cultivation to those districts where medical marijuana is already permitted
Arlington Heights*	Hope to have something to the Board in the fall
Bourbonnais	Discussing, working on a staff report
Brookfield	Not reviewing at this time
Buffalo Grove*	Researching, some Board discussions
Champaign*	Not reviewing at this time
Des Plaines	Resolution scheduled on July 1 to direct the Plan Commission to hold a public hearing for text amendments
Deerfield*	Resolution scheduled on July 1 (#19-62) to direct the Plan Commission to hold a public hearing for text amendments (possibly in August)
Downers Grove	Started research, given a summary of the law to the Council
DuPage County	Researching
Elmhurst	Not reviewing at this time
Elmwood Park*	
Evanston*	May bring to the Council in summer or fall
Highland Park*	Will discuss with the Board on July 8
Homewood*	Reviewing zoning changes to allow for one facility (existing medical cannabis center)
Itasca	
Joliet*	Researching for a possible future text amendment
Kankakee County	Researching, noted their existing medical marijuana ordinance may be adequate by only removing the word medical
La Grange	Researching and hope to provide information to the Board before their July 8 meeting
Mokena*	Not reviewing at this time
Mount Prospect*	Researching
Mundelein*	Will be researching soon
Naperville*	Hope to bring to Council in July for initial reaction
North Aurora*	Not reviewing at this time
Oak Brook	Anticipated to opt-out of retail sales
Oak Park*	Not reviewing at this time, will reach out to the medical cannabis owner to discuss his intentions

Rolling Meadows*	Not reviewing at this time
Romeoville*	Internal discussions only
St. Charles*	
South Elgin	May allow, but will limit it to 1 or 2 facilities for purchase only (similar to a liquor license). They will most likely not allow for lounges.
Tinley Park	Will discuss with the Board on August 6

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## MEMORANDUM

To: Scott Niehaus, Village Manager

From: Timothy Sexton, Director of Finance

Date: July 5, 2019

Subject: Potential Revenue from Recreational Cannabis Dispensary

This report will discuss the potential revenue to the Village of Lombard if a recreational cannabis dispensary were to locate within the Village. As this is new to the state of Illinois, and information regarding the existing medical cannabis dispensaries is not publicly available, it is very difficult to determine a precise revenue estimate. However, this report will discuss information that is available and some likely scenarios.

Attached is a report prepared by the Illinois Economic Policy Institute (IEPI) in November 2018 that discusses potential financial impacts of legalizing recreational cannabis. This is a nonprofit organization that is generally aligned with labor organizations and was favorable towards legalizing recreational cannabis. The information in the report should be viewed with that knowledge.

Colorado publishes information on taxes collected on the sale of recreational cannabis, which became legal in 2014. This information can be helpful in analyzing the potential sales in the state of Illinois, and the potential tax revenue it may generate. This information is also referenced in the IEPI report as well.

### Potential Revenue

In looking to analyze the potential revenue that could be generated by a dispensary in the Village, it made sense to look at other states that have legal recreational cannabis. Colorado publishes all of their tax data on recreational cannabis, so their information has been used to come up with an estimate.

As calculated in **Attachment A**, total Marijuana Sales Tax in Colorado, at a rate of 15%, was \$168 million in 2018. If you convert this based on the ratio of Illinois to Colorado population, and then divide by the current number of authorized dispensaries in Illinois of 185, this gives you an estimate per dispensary, based on Colorado's 15% tax. If this 15% tax is converted to the 3% cannabis tax that municipalities are authorized to levy, this amounts to \$401,000 per dispensary. In addition, as part of the regular sales tax, the Village receives 1% regular sales tax and 1% non-home rule sales tax. Each would generate an additional \$134,000. In total,

under this method of estimating the revenue, it is estimated that there would be \$669,000 total revenue generated for the Village.

Separately, the IEPI report contains information that can be used to also calculate an estimate of the potential revenue, which is included in **Attachment B**. This report estimates statewide sales of \$1.62 billion. Using this as a base, and dividing by the potential total of 185 dispensaries, you can calculate an estimate of \$262,000 for the 3% cannabis tax, and \$87,000 for the 1% regular sales tax and 1% non-home rule sales tax, for a total of \$436,000.

This estimate would probably be the low-end, conservative estimate of the minimum amount of revenue that a dispensary would generate. As there potentially can be up to 185 dispensaries located throughout the state, it is very likely that dispensaries in the more densely populated areas in Chicago and the suburbs will see much higher sales than the dispensaries located in lower population areas elsewhere in the state. However, it is very difficult to determine an estimate of this, although it is very possible that the actual revenue that will be generated could be two to three times higher than these estimates. Given this, the potential high revenue estimate could be over \$1.5 million.

### **Summary**

Overall, it is likely that a recreational cannabis dispensary would generate at least \$400,000 revenue annually for Lombard if a dispensary were to locate here. On the upside, it is very possible that it could generate upwards of \$1.5 million annually. This is a broad range of possible revenue, but it is impossible to know for certain until we have experience with this type of business.

**Colorado Recreational Cannabis**

15% Marijuana Sales Tax Total for 2018	\$168,037,275.00
Ratio of IL Population to CO Population (per below)	<u>2.21</u>
Potential Equivalent 15% Sales Tax in IL	\$371,362,377.75
# of Potential Dispensaries in IL	<u>185</u>
15% Sales Tax Per Dispensary	<u><u>\$2,007,364.20</u></u>

**Potential Revenue from Individual Dispensary**

3% Equivalent Sales Tax Per Dispensary	<u>\$401,472.84</u>
1% Regular Sales Tax Per Dispensary	<u>\$133,824.28</u>
1% Non-Home Rule Sales Tax Per Dispensary	<u>\$133,824.28</u>
<b>TOTAL POTENTIAL REVENUE</b>	<u><u>\$669,121.40</u></u>

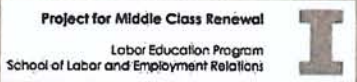
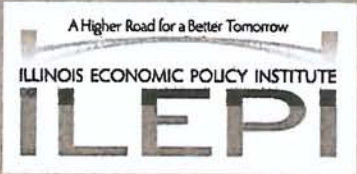
Colorado Population (2019 Estimate)	5,761,252
Illinois Population (2019 Estimate)	12,734,617
Ratio of Illinois Population to Colorado Population	2.21

**IEPI Report Revenue Estimate**

Total Estimated Sales	\$1,616,200,000
# of Potential Dispensaries in IL	185
Sales Per Dispensary	<u>\$8,736,216</u>
3% Cannabis Sales Tax Per Dispensary	<u>\$262,086</u>
1% Regular Sales Tax Per Dispensary	<u>\$87,362</u>
1% Non-Home Rule Sales Tax Per Dispensary	<u>\$87,362</u>
<b>TOTAL POTENTIAL REVENUE</b>	<u><u>\$436,811</u></u>

November 9, 2018

# The Financial Impact of Legalizing Marijuana in Illinois



Frank Manzo IV, MPP  
Jill Manzo  
Robert Bruno, PhD



## **Executive Summary**

There is significant public support for legalizing, regulating, and taxing recreational marijuana in Illinois. Fully 66 percent of registered voters in Illinois support legalizing marijuana, including a bipartisan majority of Democrats and Republicans. Furthermore, 10 states and the District of Columbia have already legalized recreational marijuana.

This report by the Illinois Economic Policy Institute (ILEPI) and the Project for Middle Class Renewal at the University of Illinois at Urbana-Champaign finds that high taxpayer costs for law enforcement and cannabis-related incarceration would be reduced by legalizing recreational marijuana. In total, Illinois taxpayers would save \$18.4 million annually in reduced incarceration costs, law enforcement spending, and legal fees from marijuana legalization. This revenue could be redirected to solve other crimes—such as homicides, robberies, and assaults.

The economy would also grow if Illinois were to legalize recreational marijuana. If marijuana were legalized, regulated, and taxed in Illinois, an estimated \$1.6 billion would be sold in the state, in part due to regional tourism. At a 26.25 percent state excise tax on retail marijuana in addition to the 6.25 percent general sales tax, Illinois would:

- generate \$525 million in new tax revenues, including \$505 million for the state and \$20 million for local governments— a move that credit rating agencies have called “credit positive;”
- create over 23,600 new jobs at more than 2,600 businesses in Illinois;
- boost the Illinois economy by \$1 billion annually; and
- allow the state to make additional pension payments and vital public investments in infrastructure, K-12 public schools, college tuition assistance programs, and drug treatment and prevention programs.

The benefits of legalization outweigh the social costs. While some legislators and constituents are concerned that legalizing recreational marijuana would increase consumption of other illicit drugs, increase motor vehicle crashes, and reduce workplace productivity, there is no evidence to support these claims. In fact, legalized cannabis has been found to reduce opioid use by as much as 33 percent, reduce traffic fatalities by as much as 11 percent, and have no effect on occupational accidents or rates of employee absenteeism. This is because marijuana consumption has not been found to increase after legalization.

Legalizing, regulating, and taxing recreational marijuana would reduce costs to taxpayers, spur economic activity, create jobs, and shrink the black market. While new tax revenues would be modest and would not solve Illinois’ fiscal issues, they would improve the state’s budget situation and credit rating outlook, fund investments in critical infrastructure and public education, and reduce criminal justice costs. Illinois *should* legalize, regulate, and tax recreational marijuana.

## Table of Contents

Executive Summary	i
Table of Contents	ii
About the Authors	ii
Introduction	1
Consumption of Marijuana and Support for Legalization in Illinois	2
Savings for Taxpayers: Reduced Law Enforcement and Incarceration Costs	2
Tax Revenue Impacts of Illinois Legalizing Recreational Marijuana	3
Economic Effects of Illinois Legalizing Recreational Marijuana	7
Addressing Concerns on Alcohol Consumption, Health, and Safety	9
Conclusion	10
Sources	11
Cover Photo Credit	13

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## **Introduction**

In 2012, Colorado and Washington became the first states to legalize marijuana for recreational purposes. The passage of Colorado Amendment 64 led to the state becoming the first to tax and legalize recreational marijuana, with commercial sales beginning in January 2014. Since marijuana is a relatively safe drug with no documented deaths from a marijuana overdose, support for legalization, regulation, and taxation of marijuana has only grown over time. Support for legalizing marijuana among American adults was just 12 percent in 1969, 48 percent by 2012, and 64 percent by 2017 (McCarthy, 2017).

Although marijuana remains illegal under federal law, 10 states and the District of Columbia have legalized recreational marijuana: Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, North Dakota, Oregon, Vermont, and Washington. Each state has their own guidelines, with different rates of taxation, age restrictions, packaging regulations, and possession limits. Additionally, 13 states have decriminalized the drug and 33 states— including Illinois— have legalized medical marijuana (Chappell, 2018). Of the states which have legalized recreational use, all except Vermont allow commercial sales by private for-profit businesses (Lopez, 2017a).

The legalization, regulation, and taxation of recreational marijuana has already generated hundreds of millions of dollars in tax revenues for state and local governments. During the campaign to legalize marijuana in Colorado, proponents claimed that marijuana taxes would increase state revenues by \$70 million per year. Today, tax revenues have exceeded these projections. In 2017, marijuana taxes, licenses, and fees collected in Colorado totaled \$247 million, with \$40 million of these revenues deposited into the Building Excellent Schools Today (BEST) program— which funds public school capital construction projects— every year. The additional \$207 million is allocated to the Marijuana Tax Cash Fund, which is largely used for health care, education, drug treatment, drug prevention, and law enforcement programs (Lopez, 2017b). Colorado has generated more than half a billion dollars in revenues since it legalized recreational marijuana (Pedersen, 2018).

In addition to generating tax revenues that fund public services and programs for social good, marijuana has been a job creator across the United States. In fact, the cannabis industry already employs 165,000 to 230,000 workers across the United States at retailers, wholesalers, testing labs, and related companies (McVey, 2017). In June 2018, Colorado officials approved \$447 million for 35 school construction projects using money that is partially funded by legal marijuana sales, creating thousands of blue-collar construction jobs (Whaley, 2018).<sup>1</sup>

This Illinois Economic Policy Institute (ILEPI) and Project for Middle Class Renewal report does not discuss the moral implications of legalizing marijuana, but does present the effect on criminal justice and incarceration costs. The tax revenue and economic impacts of legalizing, regulating, and taxing recreational marijuana in Illinois are also evaluated. Evidence on the social costs of legalizing marijuana are considered. This report differs from previous studies assessing the impact of legalizing recreational

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<sup>1</sup> In Illinois, every \$500 million in public construction project funding creates about 5,200 total jobs, including 3,000 direct construction jobs (e.g., see Craighead & Manzo, 2017).



### *The Financial Impact of Legalizing Marijuana in Illinois*

marijuana in Illinois because it evaluates the market for legal recreational marijuana in Illinois using actual economic data and evidence from Colorado's experience, updates taxpayer savings estimates from reduced incarceration costs, illustrates potential public investments that could occur using new tax revenues, and forecasts impacts on private sector sales, business openings, and job creation.

## **Consumption of Marijuana and Support for Legalization in Illinois**

Millions of dollars are already spent illegally in Illinois on the purchase of cannabis on the unregulated black market. According to the Marijuana Policy Project, a pro-legalization advocacy organization, an estimated 750,000 adults in Illinois reported consuming marijuana in the past month— representing nearly 6 percent of the total population in the state. Accordingly, proponents contend that the legalization of recreational marijuana would allow the State of Illinois to safely regulate the activity while collecting new tax revenues (MPP, 2017).

Marijuana is currently decriminalized for recreational use and legally permitted for medical use in Illinois. In 2016, legislators in Illinois decriminalized the possession of up to 10 grams of marijuana for individuals 21 years old or older (Pedersen, 2018). Illinois' Medical Cannabis Pilot Program, which began accepting applications in September 2014, now has more than 46,000 qualifying patients and 55 licensed medical cannabis dispensaries— about 837 patients per dispensary (State of Illinois, 2018). On March 22, 2017, state lawmakers proposed bills to legalize marijuana in Illinois (McCoppin, 2017).

The Illinois General Assembly did not pass legislation to legalize, regulate, and tax recreational marijuana during the 2017-2018 legislative session, despite a clear majority of Illinois voters supporting full legalization. A 2017 survey of 1,000 registered voters conducted by the Paul Simon Public Policy Institute at Southern Illinois University Carbondale found that two-thirds (66 percent) support legalizing, taxing, and regulating marijuana like alcohol in Illinois, including 76 percent of Democrats and 52 percent of Republicans (Paul Simon Public Policy Institute, 2017). In addition, in March 2018, Cook County residents were asked their opinion on legalizing the cultivation, manufacture, distribution, testing, and sale of recreational marijuana by adults 21 years old or older at the state-level. Fully 68 percent voted "Yes" in support of legalization (Pedersen, 2018; Ballotpedia, 2018).

## **Savings for Taxpayers: Reduced Law Enforcement and Incarceration Costs**

Historically, the costs of police, law enforcement, and corrections associated with marijuana possession have been very high in Illinois. A 2013 report by the American Civil Liberties Union found 12,406 marijuana possession arrests were made in the state in 2010, with African Americans 7.6 times more likely to be arrested than white residents. As a result, Illinois taxpayers spent \$127 million to police marijuana consumption, \$72 million in judicial and legal fees, and \$20 million to house individuals in local jails and county correctional facilities for possession of marijuana in 2010 (ACLU, 2013).

### *The Financial Impact of Legalizing Marijuana in Illinois*

After decriminalization, police made fewer arrests and wrote fewer tickets. In 2012, the City of Chicago decriminalized the possession of 15 grams or less of marijuana for anyone 21 years old or older. In the year prior to decriminalization, Chicago police officers made 21,000 arrests. By 2016, there were just 129 arrests and the Chicago Police Department issued fewer than 300 tickets for possession of small amounts of cannabis. In 2016, the State of Illinois decriminalized possession of 10 grams or less of marijuana for anyone 21 years old or older— making possession of small amounts of weed a civil offense rather than a crime, with fines as the penalty instead of jail time (Main, 2018).

Full legalization and taxation of recreational marijuana will further reduce taxpayer costs. In June 2016, Illinois still had 445 people incarcerated in prison due to a cannabis-related possession, manufacturing, or trafficking offense (IDOC, 2016). According to the Illinois State Commission on Criminal Justice and Sentencing Reform in a January 2017 report, it costs Illinois more than \$22,000 per year to incarcerate a prisoner (ICJIA, 2017). Using this cost estimate and adjusting it for inflation to constant 2018 dollars, Illinois could conservatively save \$10.2 million annually in reduced incarceration costs alone due to the legalization of recreational marijuana (Figure 1).

**Figure 1: Estimated Taxpayer Savings from Legalizing Recreational Marijuana in Illinois**

<b>Taxpayer Savings from Recreational Marijuana Legalization</b>	<b>Annual Estimate</b>
Reduced Incarceration Costs	\$10.24 million
Reduced Judicial and Legal Fees*	\$2.95 million
Reduced Policing Costs*	\$5.21 million
<b>Total Savings</b>	<b>\$18.40 million</b>

\* Estimates have been adjusted for inflation using the Consumer Price Index (CPI, 2018).

Source(s): 2013 American Civil Liberties Union (ACLU, 2013); Illinois State Commission on Criminal Justice and Sentencing Reform (ICJIA, 2017).

Figure 1 presents annual taxpayer savings from full legalization of recreational marijuana in Illinois. Estimates are based on findings from the American Civil Liberties Union and the Illinois State Commission on Criminal Justice and Sentencing Reform adjusted for 2017 data on cannabis-related incarceration in Illinois. The estimates are also adjusted for inflation to today's dollars. The analysis reveals that legalizing, taxing, and regulating recreational marijuana would reduce incarceration costs by \$10.2 million per year, decrease judicial and legal fees by about \$3.0 million per year, and lower policing costs by about \$5.2 million per year. In total, legalizing recreational marijuana would save Illinois taxpayers \$18.4 million annually (Figure 1). This is in addition to the hundreds of millions of dollars that were saved from marijuana decriminalization in 2016.

### **Tax Revenue Impacts of Illinois Legalizing Recreational Marijuana**

Illinois is about twice as large as Colorado (Figure 2). There are 4.8 million households in Illinois compared to 2.1 million households in Colorado. Additionally, according to data from the Bureau of Economic Analysis at the U.S. Chamber of Commerce, the Illinois economy produced 2.4 times as much output as Colorado (BEA, 2016). However, Illinois collects more in state and local taxes than Colorado.

*The Financial Impact of Legalizing Marijuana in Illinois*

Figure 2 multiplies the total number of households by their average household income in both Colorado and Illinois and then adjusts total income for purchasing power after all state, federal, and local taxes. The result is that Illinois has 2.1 times as much purchasing power as Colorado. This means that recreational marijuana sales in Illinois could feasibly be about 2.1 times as much as in Colorado.

**Figure 2: Purchasing Power of Resident Households, Colorado vs. Illinois, 2016 Data**

2016 Economic Data	Colorado	Illinois
Total Households (2016)	2,108,992	4,822,046
Average Household Income (2016)	\$88,246	\$84,561
Total Household Income After All Taxes*	\$129.89 billion	\$275.20 billion
Illinois Purchasing Power as a Multiple of Colorado		2.12 x
*Based on data from 2015 <i>State and Local Government Finances</i> by the U.S. Census Bureau and average federal income tax rates (Census, 2015). Note that this estimate is not the same as total labor income, which would include benefits, and not the same as gross state product (GSP).		

Source(s): 2016 *American Community Survey* by the U.S. Census Bureau (Census, 2016); 2015 *State and Local Government Finances* by the U.S. Census Bureau (Census, 2015).

The Colorado Department of Revenue is required by law to report marijuana tax data to the public (Colorado Department of Revenue, 2018a). Colorado currently taxes recreational marijuana at a 32.9 percent effective tax rate. This includes a 2.9 percent state sales tax on both medical and retail marijuana, a 15 percent state retail marijuana excise tax, and a 15 percent state retail marijuana sales tax that was increased from 10 percent on July 1, 2017. Over the fiscal year from July 2017 through June 2018, the state collected \$251.0 million in total marijuana taxes— not including license and application fees paid by retailers and individuals to sell recreational marijuana. Based on the effective tax rate, this means that Colorado residents and visitors spent \$762.8 million legally on recreational marijuana in Colorado over 12 months (Figure 3).

**Figure 3: Estimating the Market for Legalized Recreational Marijuana in Illinois, By 2020**

The Markets for Recreational Marijuana in Colorado and Illinois	Data or Estimate
Total Marijuana Sales in Colorado Annually	\$762.81 million
Total Marijuana Tax Rate in Colorado*	32.9%
Total Marijuana Taxes Collected in Colorado Annually	\$250.97 million
Illinois Purchasing Power as a Multiple of Colorado	2.12 x
Total Estimated Annual Sales in Illinois (After Legalization)	\$1,616.20 million
*Total marijuana revenue in Colorado includes a 2.9 percent state sales tax on medical and retail marijuana, a 15 percent state retail marijuana sales tax, and a 15 percent state retail marijuana excise tax.	

Source(s): Authors' estimates based on *Marijuana Tax Data from the Colorado Department of Revenue* (Colorado Department of Revenue, 2018), using purchasing power estimates from Figure 2.

It is estimated that about \$1.62 billion of recreational marijuana would be sold in Illinois if the state were to legalize, regulate, and tax the substance at similar levels as Colorado (Figure 3).<sup>2</sup> This is based

<sup>2</sup> The \$1.62 billion recreational marijuana market may be a *conservative* estimate. For example, there were 46,018 qualifying patients in Illinois' Medical Cannabis Pilot Program who spent \$10.8 million per month at licensed medical cannabis dispensaries from January 2018 through September 2018— or \$235.40 per patient per month (State of Illinois,

*The Financial Impact of Legalizing Marijuana in Illinois*

on the total sales in Colorado adjusted for the purchasing power of Illinois households. Additionally, Illinois would benefit from being one of the only states in the region to legalize recreational marijuana. Like Colorado, tourism would be expected to increase modestly as consumers from neighboring states travel to Illinois for legalized cannabis, boosting business sales in Illinois.

Illinois taxes tobacco and alcohol at higher rates than clothes, food, and services. In addition to the 6.25 percent general sales tax, Illinois levies excise taxes of \$0.23 per gallon for beer, \$1.39 per gallon for wine, \$8.55 per gallon for liquor, and \$1.98 per pack of 20 cigarettes (SalesTaxHandbook, 2018). The legalization, regulation, and taxation of marijuana would be no different.

Figure 4 presents estimated tax revenues from the State of Illinois levying a proposed 26.25 percent state excise tax on retail marijuana. Combined with the 6.25 percent general sales tax, this would make the total effective tax rate on recreational marijuana 32.5 percent in Illinois— slightly lower than in Colorado (32.9 percent). In general, consumers tend to buy more of a product if it is taxed at a lower rate, but Figure 4 conservatively uses the total marijuana sales estimate of \$1.62 billion for Illinois, based on Colorado’s total effective tax rate.

If the state were to impose a 26.25 percent excise tax on recreational marijuana in addition to the 6.25 percent general sales tax, Illinois would generate an estimated \$525.3 million in new tax revenues (Figure 4). Fully \$505.1 million would go to the state government while local governments would receive \$20.2 million.<sup>3</sup> This revenue estimate falls in the middle of the \$350 million to \$700 million range projected by some proponents of legalizing recreational marijuana in Illinois (Driscoll, 2018). It also exceeds the \$354 million in revenue projected by researchers at the conservative-learning Tax Foundation (Bishop-Henchman & Scarboro, 2016). Note, however, that the revenue estimate from Figure 4 does not include tax revenue from licenses and application fees paid by retailers and individuals to sell recreational marijuana.

**Figure 4: Estimated Tax Revenues from Legalizing Recreational Marijuana in Illinois, By 2020**

Estimated Sales, Proposed Tax Rate, and Expected Tax Revenues	Annual Estimate
Total Estimated Marijuana Sales in Illinois	\$1,616.20 million
Illinois State Marijuana Excise Tax (Proposed)	26.25%
Illinois Sales Tax: State Share	5.00%
Illinois Sales Tax: Local Share	1.25%
Total State Taxes Collected	\$505.06 million
Total Local Taxes Collected	\$20.20 million

*Source(s): Authors’ estimates based on Marijuana Tax Data from the Colorado Department of Revenue (Colorado Department of Revenue, 2018), using purchasing power estimates from Figure 2.*

2018). If 750,000 adults in Illinois consume marijuana at the same monthly quantities as qualified patients (MPP, 2017), estimated sales would be \$176.5 million per month, or a market size of \$2.12 billion.

<sup>3</sup> In Illinois, the general sales tax is 6.25 percent. The state keeps 80 percent of the revenue from the sales tax (or 5 percentage points of the tax) in the General Fund and transfers 20 percent (or 1.25 percentage points of the tax) to local governments.

*The Financial Impact of Legalizing Marijuana in Illinois*

State lawmakers could stipulate how new tax revenues collected from legalized marijuana are spent. Figure 5 outlines potential public investments that could occur using the new tax revenue, assuming that half of the revenue is used to reduce pension debts by about \$250 million per year.

The remaining revenue could be distributed evenly at 10 percent to fund five government functions annually at about \$50 million each.

- Lawmakers could follow Colorado's lead and deposit 10 percent of recreational marijuana tax revenues in the **School Infrastructure Fund**. The additional state funding could potentially be used by local school districts to slightly reduce property tax burdens. Compared to actual revenue of \$72.1 million in fiscal year 2017, \$50 million would represent a *70 percent* increase in school construction funding provided by the state (Illinois Comptroller, 2017).
- Lawmakers could allocate 10 percent of recreational marijuana tax revenues to the **State Construction Account**. This money is used to fund road, bridge, transportation, and similar infrastructure projects. Compared to actual revenue of \$506.6 million in fiscal year 2017, \$50 million would represent a *10 percent* increase in funding (Illinois Comptroller, 2017).
- 10 percent of recreational marijuana tax revenues could be appropriated to the **Illinois State Board of Education** to support elementary education at Illinois' public schools. The additional state funding could also be used by local school districts to slightly reduce property tax burdens. Compared to an enacted budget of \$6.8 billion for evidence-based funding of schools, \$50 million would represent about a *1 percent* increase in total funding (ISBE, 2018).
- 10 percent of recreational marijuana tax revenues could be dedicated to the **Illinois Student Assistance Commission** to help students pay for college education through the Monetary Award Program (MAP) grants. In the 2019 fiscal year, MAP grant funding was \$401.3 million (ISAC, 2018). \$50 million in new revenue would represent a *12 percent* increase in higher education tuition assistance for students to attend Illinois' public universities and community colleges.
- 10 percent could be appropriated to the **Department of Human Services** to fund drug treatment and drug prevention programs, including to help combat the current opioid crisis. These programs were among the hardest hit by the 736-day budget impasse in Illinois. Compared to the \$230.7 million enacted for the Division of Addiction Treatment, \$50 million in new revenue would represent a *22 percent* increase in funding for substance abuse treatment and prevention programs (Illinois OMB, 2018).

Though not shown in Figure 5, the approximately \$20 million in recreational marijuana tax revenues that are transferred to local governments could be used either to fund law enforcement and hire additional officers or to pay down local police and fire pension debt obligations. The administration and regulation of legal marijuana could be funded entirely by license fees and application fees paid by retailers and individuals to sell recreational marijuana. These fees generated \$8.8 million for the State of Colorado from July 2017 through June 2018 (Colorado Department of Revenue, 2018b). Elected

officials and voters in Illinois could expect to double that revenue to pay for administering and regulating the legalized marijuana law.

**Figure 5: Potential Public Investments Using New Tax Revenues from Legalized Marijuana**

Potential Public Investments Based on New Tax Revenues	Annual Estimate
Total State Marijuana Taxes Collected	\$505.06 million
<u>Potential Public Investments for the Public Good</u>	
50 Percent to Pension Payments	\$252.53 million
10 Percent to School Infrastructure Fund	\$50.51 million
10 Percent to State Construction Account	\$50.51 million
10 Percent to K-12 Public Schools	\$50.51 million
10 Percent to Monetary Award Program (MAP)	\$50.51 million
10 Percent to Drug Treatment and Prevention Programs	\$50.51 million

## Economic Effects of Illinois Legalizing Recreational Marijuana

Convenient access to dispensaries, consumption lounges, and licensed marijuana businesses is essential to a successful and safe market for legal marijuana. If consumers cannot easily purchase cannabis from the regulated legal market because local governments prevent dispensaries or retail stores from selling the substance, they will again turn to the unregulated black market. For example, Denver allows one cannabis retail establishment per 3,091 residents, which has caused the illegal market share to fall to 30 percent. Seattle, on the other hand, limited retail licenses to 21 firms, or one dispensary per 30,373 residents. Illegal activity was still estimated at 70 percent of the total cannabis market in Seattle due to the lack of access to the regulated market. Research finds that states need at least one legal cannabis retail storefront per 7,500 residents to limit the illicit black market (Beals, 2018).

This section uses IMPLAN to assess the economic effects of legalizing recreational marijuana in Illinois. IMPLAN is an input-output software that is considered the “gold standard” in economic impact analyses (Vowels, 2012). IMPLAN uses U.S. Census Bureau data to account for the interrelationship between businesses and households in a regional market, following a dollar as it cycles through the economy. The software uses multipliers to estimate how much a policy change— such as legalizing recreational marijuana— would affect the economy.

The results reveal that legalizing marijuana would boost the Illinois economy (Figure 6). If Illinois were to legalize cannabis at an effective tax rate of 32.5 percent, total recreational marijuana sales would be expected to be \$1.62 billion at over 2,600 businesses— approximately one cannabis dispensary, retailer, or manufacturer for every 4,900 residents in the state. This would be a higher density of points of sale per person than Seattle but a lower density than Denver (Beals, 2018).

Legalization would directly create nearly 19,500 jobs at marijuana dispensaries, retailers, and manufacturers. Additionally, the Illinois workers who are newly employed at marijuana-related businesses would earn incomes that they spend back in the economy. This additional consumer

*The Financial Impact of Legalizing Marijuana in Illinois*

demand would save or create another 4,100 jobs at restaurants, stores, and other local businesses. Overall, the Illinois economy would grow by an estimated \$1 billion annually due to the consumption of recreational marijuana by both residents and tourists (Figure 6).<sup>4</sup>

**Figure 6: Estimated Annual Economic Impacts of Legalizing Marijuana in Illinois, By 2020**

Impact on Sales, Businesses, Employment, and Gross State Product	Annual Estimate
Total Estimated Marijuana Sales in Illinois	\$1,616.20 million
Number of Establishments (Firms Created)	2,633 businesses
Total Employment (Jobs Created)	23,618 jobs
<ul style="list-style-type: none"> <li>• Direct Jobs at Marijuana Dispensaries and Manufacturers</li> <li>• Induced Jobs from Higher Consumer Demand</li> </ul>	<ul style="list-style-type: none"> <li>• 19,486 jobs</li> <li>• 4,132 jobs</li> </ul>
Net Economic Impact (Annual Gross State Product)	\$1,000.17 million

*Source(s): Authors' estimates from an economic simulation using IMPLAN (IMPLAN, 2018) based on legal recreational marijuana market estimates from Figure 4.*

Finally, information from the 2016 *County Business Patterns* dataset by the U.S. Census Bureau is used to compare the estimated number of marijuana dispensaries and related establishments to the current number of smoke shops and alcoholic drinking places in Illinois (Figure 7). As of 2016, the state had nearly 500 tobacco stores primarily engaged in selling cigarettes, cigars, pipes, and other smokers' supplies that employed nearly 1,300 workers. Similarly, the state had nearly 2,700 drinking places serving alcoholic beverages— such as bars, distilleries, and wineries— where over 21,600 bartenders, cooks, servers, barbacks, and other individuals worked. Note that this does not include restaurants which primarily sell food but may also offer alcoholic beverages. The legalization, regulation, and taxation of recreational marijuana would create about the same number of jobs— at a similar rate of pay (about \$19,600 annually for mostly part-time workers)— in Illinois as there are at bars and other alcoholic drinking places.

**Figure 7: Estimated Marijuana Stores Compared to Similar Establishments in Illinois, 2016 Data**

Sector of the Economy (NAICS code)	Number of Establishments	Paid Employees	Annual Payroll	Payroll Per Employee
Estimated: Marijuana Dispensaries	2,633	19,486	\$383.57 million	\$19,588
NAICS 453991: Tobacco Stores	479	1,265	\$24.63 million	\$19,470
NAICS 7224: Alcoholic Drinking Places	2,668	21,623	\$365.97 million	\$16,925

*Source(s): Authors' estimates from Figure 6; 2016 County Business Patterns from the U.S. Census Bureau (Census, 2016).*

<sup>4</sup> The net effect on the overall economy (\$1.00 billion) is less than total sales (\$1.62 billion) because annual gross state product is the difference between all sales and the production cost of all products. As an example, consider a toy bought by an Illinois consumer at a local store for \$10. Suppose that the toy was manufactured in New Mexico for \$4. The difference between the sales price (\$10) and the cost that the local store paid for the toy (\$4) is \$6. In this case, total sales are \$10 in Illinois, but the Illinois economy only grows by \$6 due to the local business activity. The New Mexico economy grows by the remaining \$4 from manufacturing the product. The same logic applies for recreational marijuana.

## **Addressing Concerns on Alcohol Consumption, Health, and Safety**

Marijuana consumption rates do not rise following legalization. In Colorado, for example, “marijuana use [among Colorado residents] has not changed since legalization either in terms of the number of people using or the frequency of use among users” and marijuana consumption has remained lower than daily alcohol or tobacco use (Colorado Department of Public Health & Environment, 2016). While more research is needed, the evidence suggests that cannabis consumption does not change due to legalization.

Nevertheless, some legislators and constituents in Illinois are concerned about the unintended consequences of legalizing and taxing recreational marijuana. One concern is the relationship between marijuana use and the consumption of other drugs, including alcohol. Studies consistently show that marijuana is less addictive and less risky than alcohol. Alcohol is the leading risk factor for death among people aged 15-49 and is linked with violent behavior. Conversely, there have been no documented deaths from cannabis use and there is some evidence that marijuana users may actually be less likely to commit violence against a partner (Brodwin, 2018). The research is mixed as to whether legalizing recreational marijuana would increase or reduce alcohol consumption (Kilmer & Smart, 2018). Of 39 academic studies reviewed on the topic, 16 supported the idea that alcohol consumption would decrease (41 percent), 10 supported the claim that alcohol consumption would rise (26 percent), and 13 found no effect (33 percent) (Subbaraman, 2016).

Studies have found that legalized cannabis mitigates opioid use and abuse. Over the past two decades, an increasing number of fatal drug overdoses have been related to prescription opioid medications. In 2014, 40 percent of all opioid overdose deaths involved a prescription opioid, with 46 people dying every day from an opioid overdose (CDC, 2018). A recent study published by researchers at the University of Kentucky and Emory University found that opiate-related deaths decreased by about 33 percent in 13 states in the six years after medical marijuana was legalized (Wen & Hockenberry, 2018). Additionally, a report conducted by the Minnesota Department of Health found that 63 percent of patients taking opioid medication for pain reduced or eliminated their opioid use once treated with medical cannabis (Singer, 2018).

Would legalizing recreational marijuana increase the number of car accidents due to motorists driving under the influence of cannabis? Studies have failed to find a correlation between car accidents and marijuana usage in Colorado since legalization (Ingraham, 2017). In fact, traffic fatalities have been found to drop by between 8 percent and 11 percent on average in states that legalized medical marijuana, although the reason for this finding is unknown (Cohen, 2016). One explanation may be that marijuana consumption rates do not statistically increase following legalization.

Lastly, some groups say that that marijuana legalization would have negative economic impacts from higher workplace injury rates, increased absenteeism, and additional homelessness— costing the state hundreds of millions of dollars per year (SAM, 2018). However, the National Academies of Sciences, Engineering, and Medicine has concluded that there is no evidence to support the claim that cannabis use increases occupational accidents or injuries and academic studies do not corroborate the claim that employee absenteeism would worsen (Miller, 2018). Meanwhile, there is no evidence that legal



cannabis contributes to an increase in homelessness (Zhang, 2018). Because marijuana consumption does not rise following legalization, each of these social costs is not expected to be any higher than current levels in Illinois.

## **Conclusion**

There is significant public support for legalizing, regulating, and taxing recreational marijuana in Illinois—where lawmakers have decriminalized possession of up to 10 grams of cannabis for individuals 21 years old and older. Fully 66 percent of registered voters in Illinois support legalizing marijuana. This includes 76 percent of Democrats and 52 percent of Republicans.

Historically, the costs of police, law enforcement, and corrections associated with marijuana possession have been very high in Illinois. After decriminalization, police made fewer arrests and wrote fewer tickets. However, Illinois still has people incarcerated in prison due to a cannabis-related possession, manufacturing, or trafficking offense. By fully legalizing recreational marijuana, Illinois taxpayers would save \$18.4 million annually in reduced incarceration costs, law enforcement spending, and legal fees.

The State of Illinois is also in dire need of revenue enhancements. Following a 736-day budget impasse from the summer of 2015 to the summer of 2017, Illinois still has a \$8.1 billion backlog of unpaid bills and \$130 billion in unfunded pension liabilities (Illinois Comptroller, 2018; CTBA, 2017). One policy change that has been proposed to raise state tax revenues is to legalize and tax recreational marijuana. Moody's Investors Service, a credit rating agency, calls legalizing recreational marijuana a "credit positive" potential change in tax policy (Moody's, 2018). As of November 2018, eleven states and the District of Columbia have legalized recreational marijuana.

If Illinois were to legalize marijuana, an estimated \$1.6 billion of recreational marijuana would be sold in the state, in part due to regional tourism. At a 26.25 percent state excise tax on retail marijuana in addition to the 6.25 percent general sales tax, Illinois would generate \$525 million in new tax revenues, create over 23,600 new jobs at more than 2,600 businesses, boost the Illinois economy by \$1 billion annually, and reduce law enforcement and incarceration costs. With new tax revenues, Illinois could fund additional pension payments while making vital public investments in new school construction projects, road and transportation construction projects, K-12 public school education, the Monetary Award Program (MAP) grants for tuition assistance for college students, and drug treatment and prevention programs.

Legalizing, regulating, and taxing recreational marijuana would reduce costs to taxpayers, spur economic activity, create jobs, and shrink the black market. While new tax revenues would be modest and would not solve Illinois' fiscal issues, they would improve the state's budget situation and credit rating outlook. Illinois should legalize, regulate, and tax recreational marijuana.

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## Recreational Cannabis FAQs

- 1. When was cannabis made legal in Illinois?**

On Tuesday 6/25/2019, Governor JB Pritzker signed Illinois House Bill 1438, better known as the Cannabis Regulation and Tax Act (CRTA), thus legalizing the consumption and possession of cannabis for adults 21 and older in Illinois.
- 2. Can the consumption/possession of cannabis be banned by a local municipality like Lombard?**

No, municipalities cannot ban or override the CRTA.
- 3. Will the Village have any regulatory abilities?**

Yes. When it comes to restrictions, municipalities have the ability to:

  - ban the selling of recreational cannabis within Village limit
  - dictate the amount of legal dispensaries within the Village
  - determine how cannabis businesses are operated such as hours of operation
  - dictate the location of cannabis businesses as they relate to points of interest such as schools, churches, government buildings, and liquor stores.
  - regulate the zoning of cannabis businesses in specific districts
- 4. What regulatory abilities, if any, do business owners and landlords have?**

Any person, business, public entity, or landlord may prohibit the use of cannabis on private property.
- 5. If the sale of recreational cannabis was to be allowed in Lombard, how many licenses would be issued?**

While many individual cities have a limitation on the amount of recreational cannabis facilities (dispensaries) that are allowed within their limits, Lombard is part of a larger Bureau of Labor Statistics Region within the state. The region Lombard is a part of is the Chicago-Naperville, Elgin region. The State is allowing up to 47 licenses within the region.
- 6. Should the Village permit dispensaries to open, how will the Village manage public safety at these locations?**

The Lombard Police Department surveyed communities that currently contain a medical cannabis facility within its limits and found that there were limited calls to such facilities statewide. Public safety is the Village's top priority and any specific security concerns will be addressed.
- 7. Who can legally purchase and consume cannabis?**

As a result of the new State legislation, the consumption of cannabis as of 1/1/2020, will be treated similarly to that of the consumption of alcohol with any Illinois resident, or non-resident, ages 21 or over, now being able to purchase and consume cannabis.
- 8. Who can legally grow and sell recreational cannabis?**

Only licensed businesses will be able to legally grow and sell cannabis. Medical cannabis

patients will be allowed to grow up to five plants each within their home.

**9. What will the Village's role be in the licensing process?**

The Village plays no role in the licensing process as it is left up to the Department of Financial and Professional Regulation to select and process those individuals attempting to obtain a license.

**10. How much cannabis may an individual possess?**

Illinois residents may possess up to:

- 30 grams, or just over one ounce of "flower"
- 5 grams of cannabis concentrate
- 500 milligrams of THC - the chemical that makes users high – in a cannabis infused product such as gummies, candy, other consumable products (referred to as "edibles"), or tinctures, and lotions

Non-Illinois residents may legally possess up to ½ of these amounts.

**11. What action is required by the Village Board to allow recreational cannabis to be sold in Lombard?**

The Village Board will go through multiple readings regarding the sale of recreational cannabis in Lombard before giving a final approval or disapproval. In addition to this, the Village code of ordinances will be changed accordingly.

**12. Will cannabis consumption be allowed in public spaces?**

No, the consumption of cannabis in public will be considered unlawful.

**13. Where will consumption be allowed?**

The consumption of cannabis will be allowed on private property or potentially, specifically designated establishments such as dispensaries or smoking lounges.

**14. Are there any changes to existing medical cannabis laws?**

Yes; the list of conditions that are covered under the use of medical cannabis was expanded to now include chronic pain, autism, migraines, irritable bowel syndrome, osteoarthritis, and anorexia.

**15. Is the sale of medical cannabis currently allowed in Lombard? If so, where?**

Yes. By state and local ordinance, medical cannabis was approved in 2014 and its sale is permitted in Lombard as a conditional use in the office district. While these facilities are allowed in Lombard, no such business has opted to open in Lombard.

**16. How is cannabis taxed?**

Sales will be taxed at 10% for cannabis with THC levels at or less 35%; 25% for cannabis with THC levels above 35%; and 20% for cannabis infused products such as edibles. This is in addition to standard state and local sales taxes. Additionally, municipalities may add a special tax of up to 3% and counties may add a special tax up to 3.75% in unincorporated areas.

**17. How will the potential tax revenue generated be used?**

Within the bill, any government proceeds associated with the sale of recreational cannabis was

established as follows:

- 20% to State mental health services and substance abuse programs
- 10% to pay unpaid State

bills

35% to the State General Revenue Fund

- 2% to public education and safety campaigns

-8% to the Local Government Distributive Fund, for prevention and training for law enforcement

- 25% for identified social equity programs

**18. How will the potential tax revenue from the (3%) tax be used by Lombard?**

Currently, the Village has no plans in place for these potential funds. The expectation of staff is that the 3% sales tax would go toward the General Fund but it is not yet certain.

**19. How do federal laws affect Illinois' law?**

Although cannabis remains illegal at the federal level, federal law enforcement has rarely interfered with individuals possessing the state regulated legal amount or businesses complying with state enforced programs. Any questions related to Federal or State regulations should be directed to the proper agencies.

**20. How does recreational cannabis affect criminal records?**

Illinois Governor JB Pritzker has stated that he will pardon past convictions for possession of up to 30 grams, with the attorney general going to court to delete public records of a conviction or arrest for the now legal amount. Regarding possession of 30-500 grams, an individual or a state's attorney may petition the court to vacate or expunge the conviction.

**21. What are some potential impacts to the State's decision to allow recreational marijuana use when it comes to policing?**

It is reasonable to assume that the legalization of cannabis will increase the demand for police services as well as the number of drug impaired drivers on our roadways, due to the state-wide allowance of marijuana, regardless of whether or not such a facility is located within the city limits of Lombard.

**22. What efforts will the Village take in communicating to the public about this topic?**

The Village is committed to above board communication and honest transparency at each step that should occur. Ahead of each time that this topic will be considered on any Village committee or board agenda, the Village will share information about the upcoming meeting on Facebook, Twitter, and in the Village's weekly e-pride newsletter. All meetings will also be posted on the Village Calendar and agendas will be available at: <https://www.villageoflombard.org/209/View-Agendas-Minutes>

**23. How can I share my thoughts or opinions on this topic as a resident or community member?**

Please email [recreationalcannabis@villageoflombard.org](mailto:recreationalcannabis@villageoflombard.org) with any thoughts or concerns. Additionally, public comment at Village Board and Committee Meetings is available for any member of the public.

# **Illinois Cannabis Regulation and Tax Act Recreational Cannabis**

Village of Lombard  
Village Board Workshop

July 31, 2019



# Overview of Discussion

1. Transparency & communication
2. Recreational cannabis legislation review
3. Policy and zoning issues
4. Public comment
5. Board discussion
6. Direction and next steps

# Transparency & Communication

- Village commitment to transparency and communication
- Workshop meeting – no final action
- Communications efforts
- Dedicated website address  
[www.villageoflombard.org/recreationalcannabis](http://www.villageoflombard.org/recreationalcannabis)
  - Links to statute
  - FAQ
  - Presentation
  - Updates

# Communication Efforts

4

- E-Pride Newsletter
  - July 11 – 1,122 opens; 43% open rate
  - July 28 – 1,014 opens; 38% open rate
- Website
  - Dedicated page [www.villageoflombard.org/recreationalcannabis](http://www.villageoflombard.org/recreationalcannabis)
    - Visits 596
    - Unique page views 483
    - Average time spent on the page: 5 minutes and 46 seconds
    - Entrances from a link posted elsewhere (social media) 487
- Dedicated e-mail address
  - [recreationalcannabis@villageoflombard.org](mailto:recreationalcannabis@villageoflombard.org)
  - 1 e-mail received

# Communication Efforts – Social Media

- Posts on July 11, 22, 26, & 29
  - Facebook
    - Reached 14,784 people
    - FB engaged 3,109 people
    - 3,250 comments and 57 shares
  - Twitter reached: 2,626
  - Instagram likes: 76

## Social media totals: 17,410 reaches



# Recreational Cannabis in Illinois

- Illinois Cannabis Regulation and Tax Act (HB 1438) signed by Governor Pritzker on June 25, 2019
- Authorizes lawful purchase and consumption of recreational cannabis on January 1, 2020
- Any resident or non-resident may consume cannabis on private property or carry it on their person.
- It shall remain unlawful to consume cannabis outdoors or in public spaces.

# Recreational Cannabis in Lombard

- Recreation use of cannabis approved as of right under State law – not a local decision
- Local jurisdiction and scope is limited to regulation of recreational cannabis dispensaries:
  - Does the Village of Lombard wish to prohibit recreational cannabis dispensaries from locating within the corporate limits?
  - If no, what reasonable restrictions, if any, should be placed on the location and operations of a dispensary?

## Local Regulatory Policy Questions

- Should the Village of Lombard pass an ordinance to prohibit the location of cannabis dispensaries within the corporate limits?  
Note that cannabis use remains permitted regardless.
- If not otherwise prohibited, should the Village enact additional regulatory restrictions pertaining to location and operations of local dispensaries?

# Potential Local Regulatory Issues/Questions

- Zoning districts for cannabis dispensary locations
- Conditional or permitted use
- Distance Requirements (buffer zones from other uses)
- Performance standards and operational regulations
- Limits on number of dispensaries
- Other amendments to local ordinances



# Local Communities With Medicinal Cannabis Dispensaries

- Naperville
- Evanston
- Arlington Heights
- Oak Park
- Mt. Prospect
- North Aurora
- Elmwood Park
- Romeoville
- Rolling Meadows
- Addison
- Deerfield

# Security & Public Safety Requirements

- Police Department contacted communities with existing medicinal cannabis dispensaries to seek information on impact upon police services.
- Minimal calls for service reported.
- Public safety concerns regarding impaired driving.
- Impacts on the demand for police services and increases to drug impaired drivers, if any, would likely occur regardless of whether recreational cannabis dispensaries are permitted locally or not.

# Current Zoning of MEDICINAL Cannabis

- Since 2013, Medicinal Cannabis dispensaries are permitted as a conditional use in O – Office District (zoning entitlement process)
- Currently Lombard has ZERO medicinal cannabis dispensaries
- May not be located within 1,000 feet of the property line of a pre-existing public or private preschool, elementary school, secondary school, day care center, day care home, group day care home, or part day child care facility (State law)
- Prohibited in areas zoned residential (State law)
- *Policy Question: should the Village amend the Zoning Ordinance to allow for recreational, as well as medicinal, in the Office District?*

# Zoning of RECREATIONAL Cannabis Dispensaries

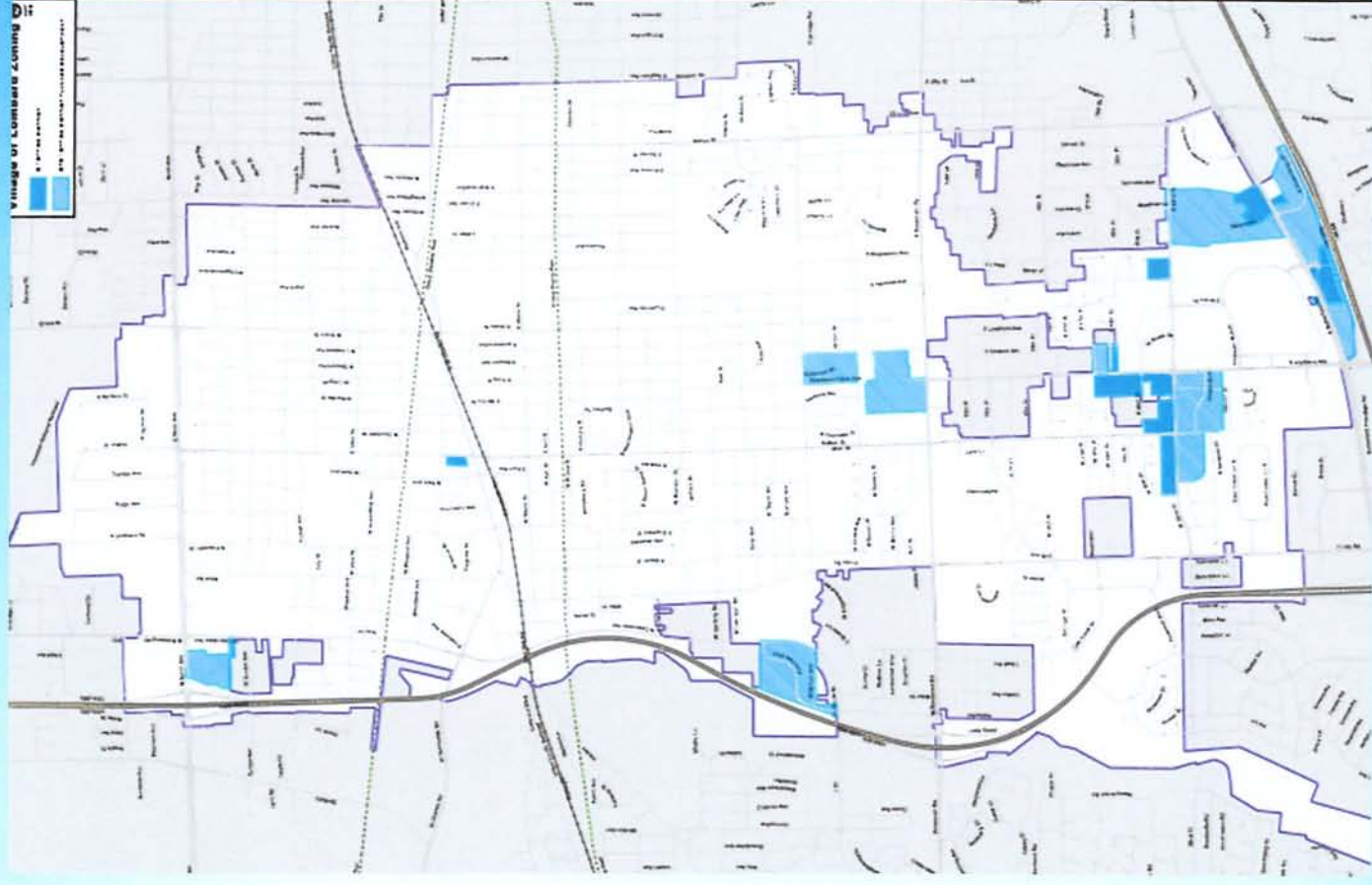
- Recreational cannabis dispensaries may open on January 1, 2020 with a State license
- Should the Village choose to opt-out of permitting this use?
- If not, what Zoning Districts are appropriate?
- Should dispensaries be permitted or conditional uses?

# Zoning Process

- *Policy Question: if allowed, should recreational cannabis be a permitted or conditional use? What zoning districts?*
- Permitted use – can open by right without Plan Commission or Village Board review/approval
- Conditional use process
  - Allows the review of each petition
  - Approximate 60-90 day process
  - Public hearing with the Plan Commission
  - Requires Village Board consideration/vote
- May need to approve a text amendment for recreational cannabis dispensaries
  - Can do in conjunction with a potential business (like tattoo studios)
  - Can do independently without a potential business like medicinal cannabis or breweries in the downtown
- May need to add a definition in the zoning ordinance

# Map of Office District

- Key Areas:
  - Heron Point (North Avenue and Route 53)
  - Woodlake Business Park
  - 22<sup>nd</sup> Street
  - Highland Avenue
  - Butterfield Road



# Lombard Retail Districts

- B1 and B2
  - Considered neighborhood commercial
  - Most businesses are smaller in nature and serve the immediate neighborhood
- B3, B4, B4A
  - Considered community and corridor shopping districts
  - Draw from a larger area, including areas outside Lombard
- For reference, liquor stores (packaged goods) are permitted uses in the B2, B3, B4, B4A, B5 and B5A districts

# Map of Retail Districts B1, B2, B3, B4, B4A

- Key Areas:
  - Roosevelt Road
  - East St Charles Road
  - Yorktown Mall
  - Highland Avenue
  - North Avenue

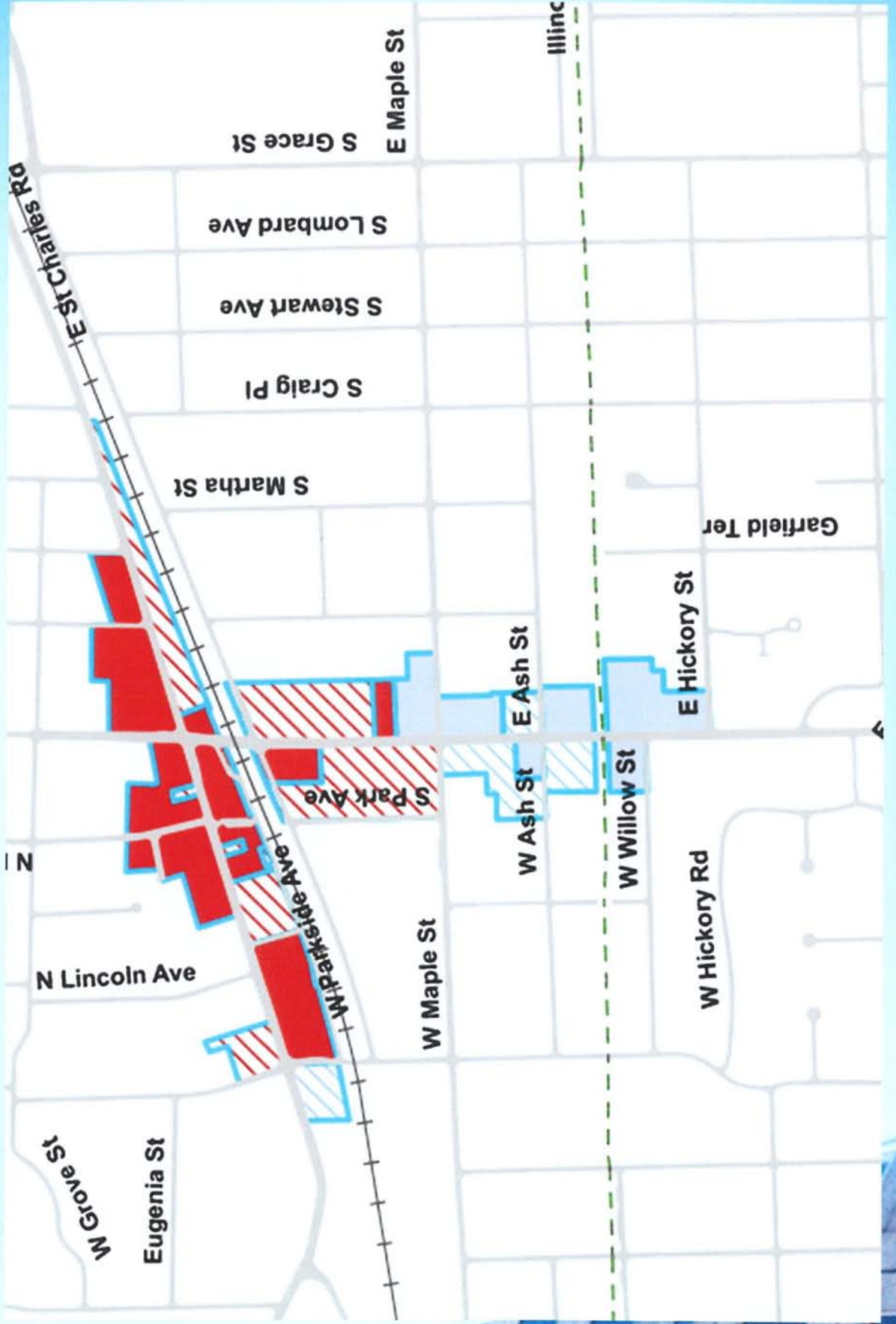




# B5 and B5A – Downtown and Downtown Perimeter Districts

- The B5 Central Business district constitutes the "downtown" core area of the Village of Lombard. It is intended to accommodate all retail, service and specialty shops and necessary civic services characteristic of the traditional central area. (Purpose statement)
- The B5A Downtown Perimeter District is intended to be a transition between the downtown and other commercial areas that accommodates all retail, service, and specialty shops and necessary civic services characteristic of the traditional central area in a pedestrian environment while also recognizing compatible automotive land uses. (Purpose statement)

# Map of B5 and B5A Districts

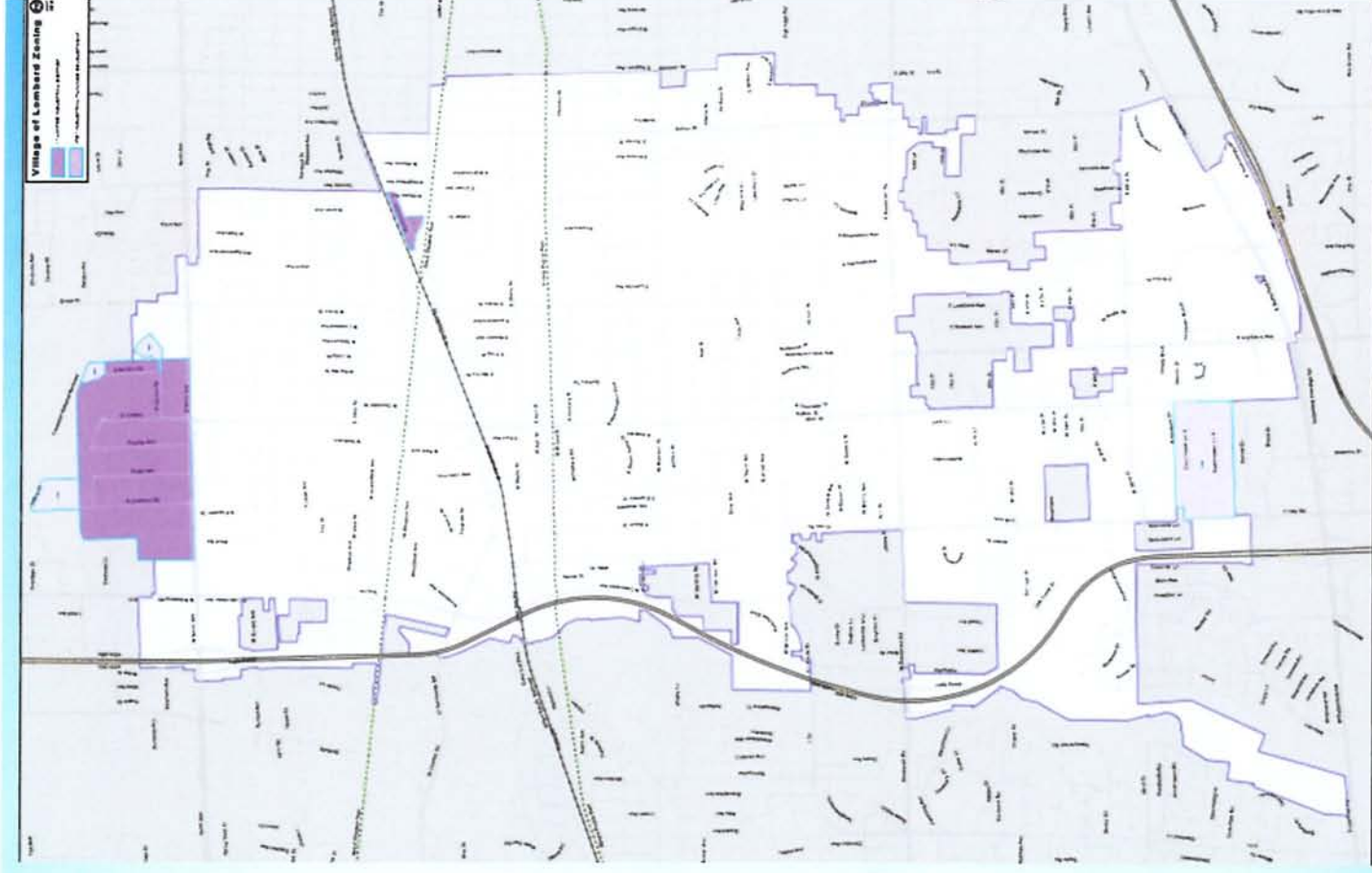


# Industrial District

- One industrial district in the Village
- Allows for businesses that are manufacturers, warehouses, offices, and the like, as a permitted use
- Allows for indoor athletic training centers (learning centers), banks, schools, medical offices, etc. with a conditional use permit
- Not a retail area

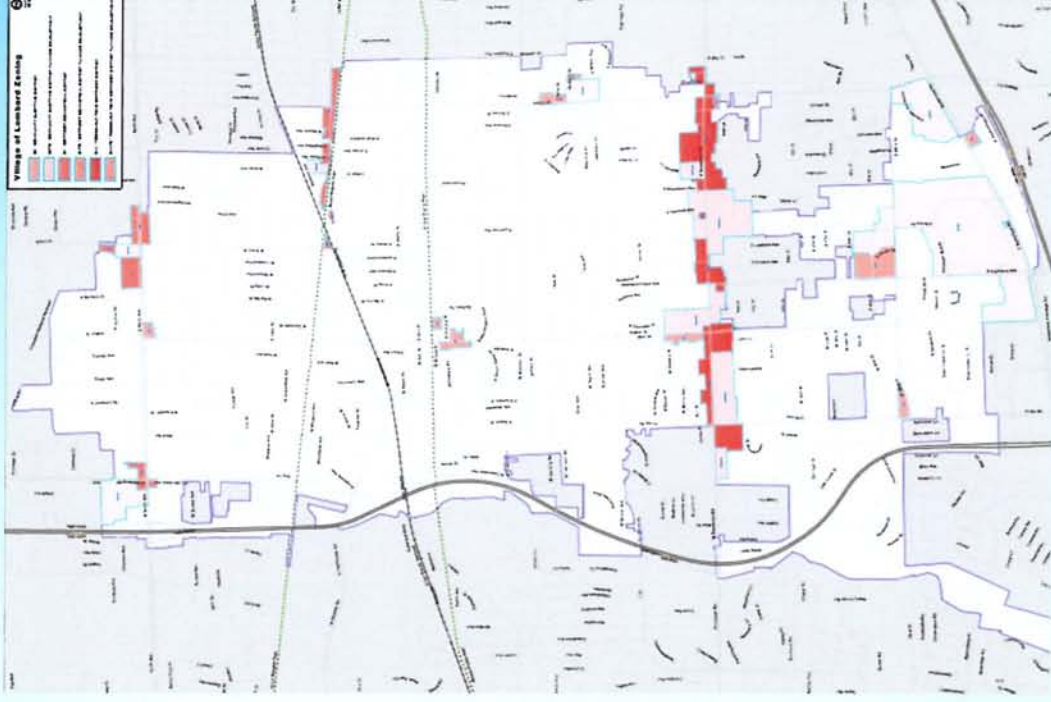
# Map of the Industrial District

- Key Areas:
  - Properties north of North Avenue
  - Western Avenue and St. Charles Road
  - Yorkbrook Business Park on Eisenhower Lane and Finley Road



## Map: B3, B4, and B4A

- Zoning Districts staff would suggest if the Village Board was considering to allow it
- Key Areas:
  - North Avenue
  - Roosevelt Road
  - East St. Charles Road
  - Yorktown Mall
  - Highland Avenue



# Additional Zoning Considerations

- Law allows for cannabis smoking establishments
  - Amend zoning ordinance definition for smoking establishments to exclude cannabis
  - Smoking establishments are allowed with a conditional use permit in the B4A District (Roosevelt Road)
  - Staff has presumed that, if permitted, zoning would exclude on-site use (like package liquor sales)
- Cannabis cultivation
  - Staff has not received any inquiries on cannabis growers
  - Not currently considering zoning regarding cultivation operations

# Recreational Cannabis Revenue & Financial Considerations

- Sales of cannabis will be taxed by the State
- Existing state and local taxes will apply
- State of Illinois will distribute 8% of state taxes to local jurisdictions to LGDF for local law enforcement crime prevention, training and interdiction efforts.
- Municipalities may opt to add a special tax of up to an additional 3%

## Text Amendment Process

- If the Village of Lombard were to amend zoning to permit recreational cannabis dispensaries within the Village, a text amendment to the Zoning Ordinance would need to be approved
  - Public hearing before the Plan Commission
  - Addition of definitions
  - Modifications to the zoning provisions
  - Use identified as permitted or conditional use in specifically identified zoning districts
  - Possible local conditions/restrictions
  - Requires Village Board approval by Ordinance



# Potential Revenue

- **Estimates** assume a 2% share of local sales tax (1% regular tax and 1% non-home rule) and a 3% additional local tax
- **Methodology A**
  - Applying Colorado consumption rates to authorized number of Illinois dispensaries (limited to 185)
  - Estimate of \$669,000 total revenue per location
- **Methodology B**
  - Applying IEPI estimate of statewide sales to authorized number of Illinois dispensaries
  - Estimate of \$436,000 revenue per location
- **All Estimates**
  - Conservative and based on initial year of operation

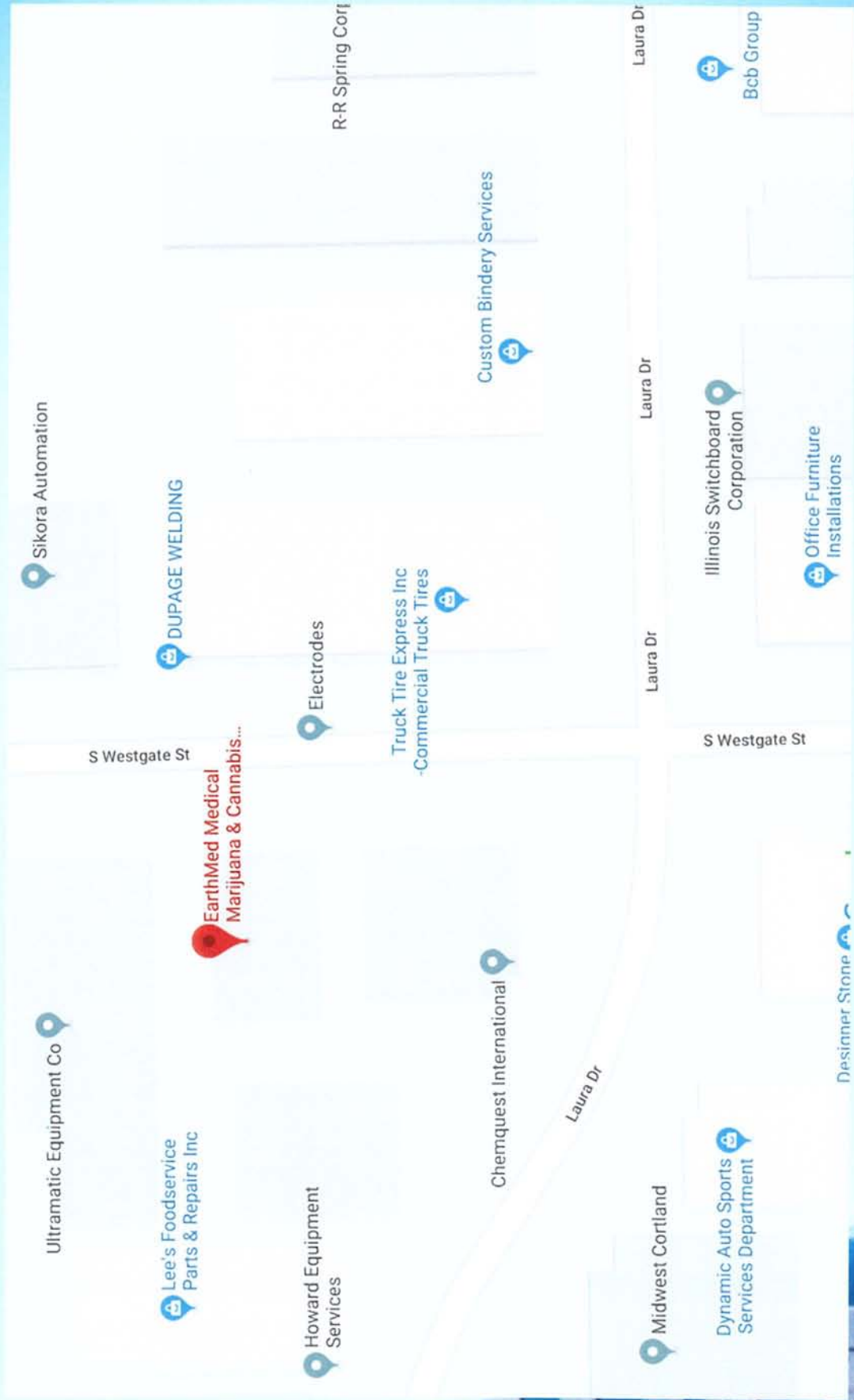
# Next steps

- Public comments
- Board discussion
- Directions
- Next steps

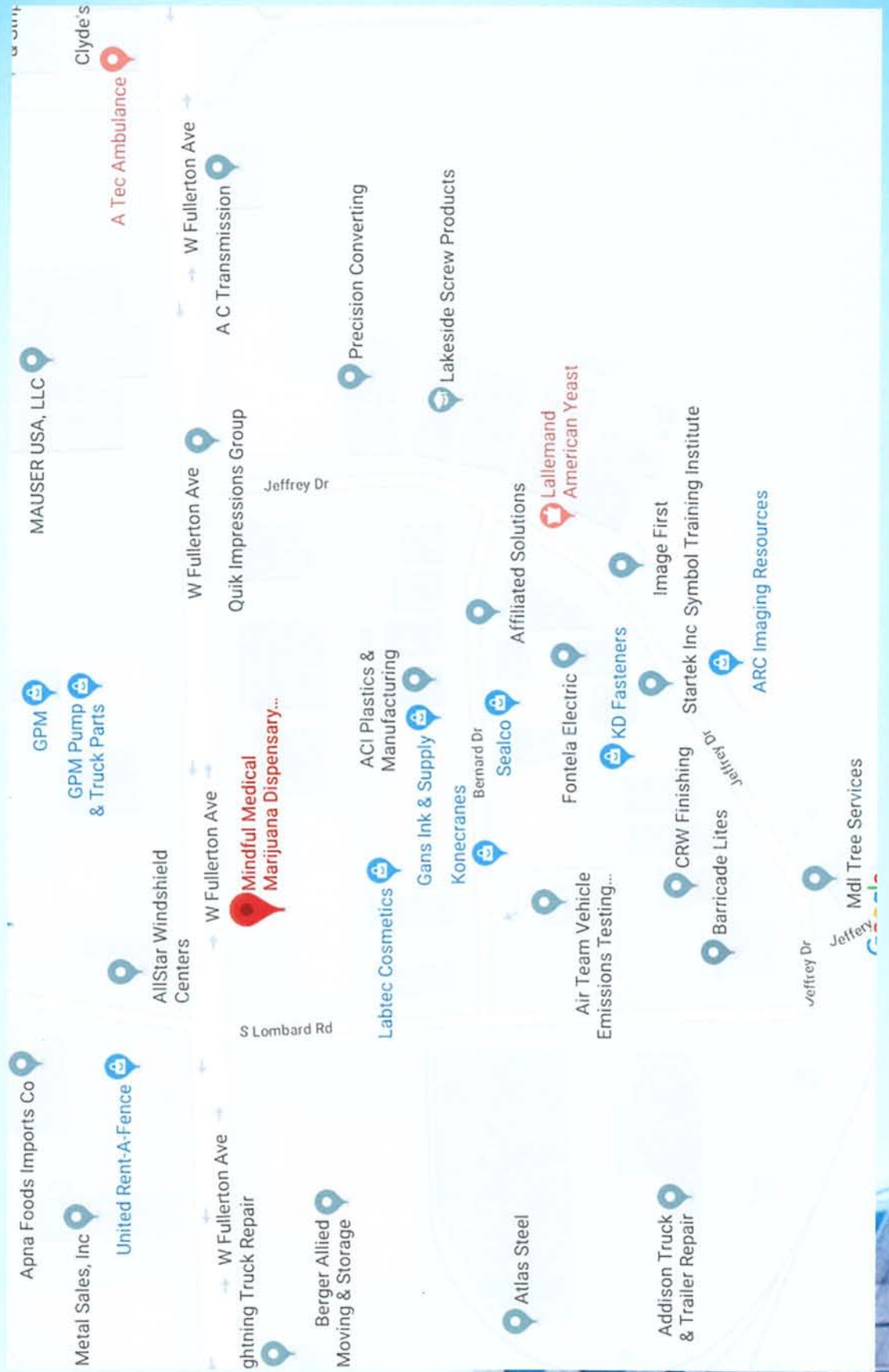
# **Current Medicinal Cannabis Locations**



# Addison #1

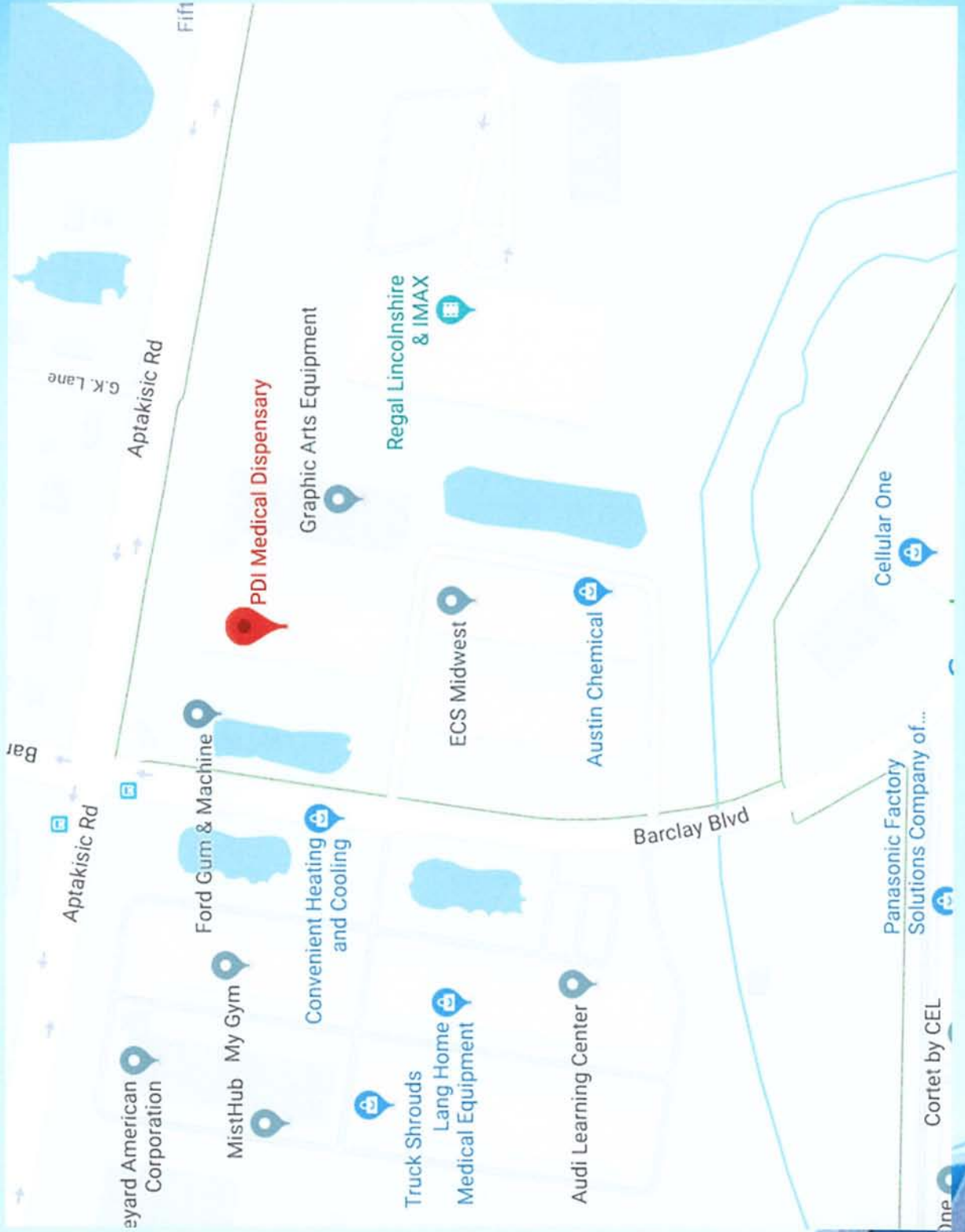


# Addison #2

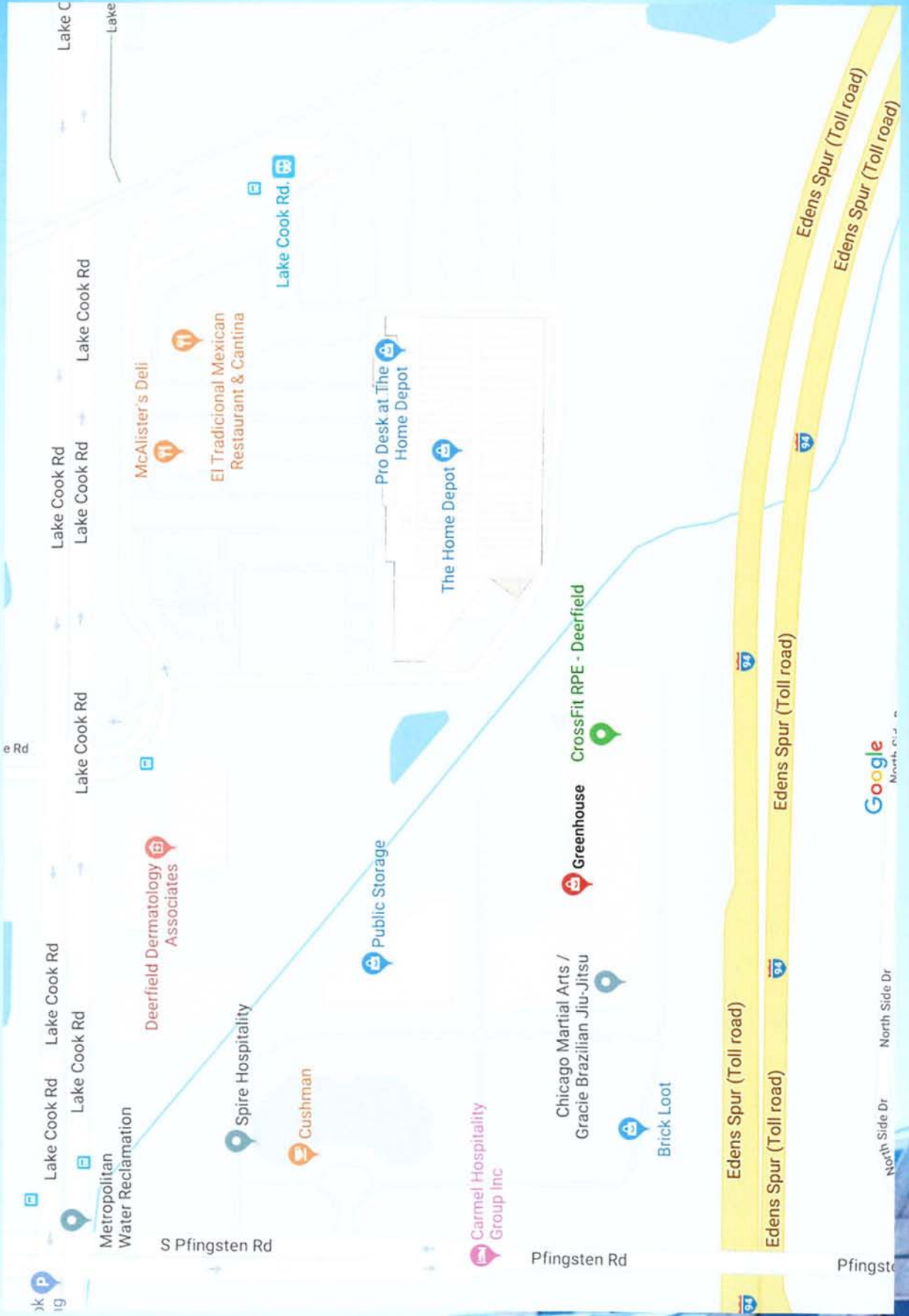




# Buffalo Grove

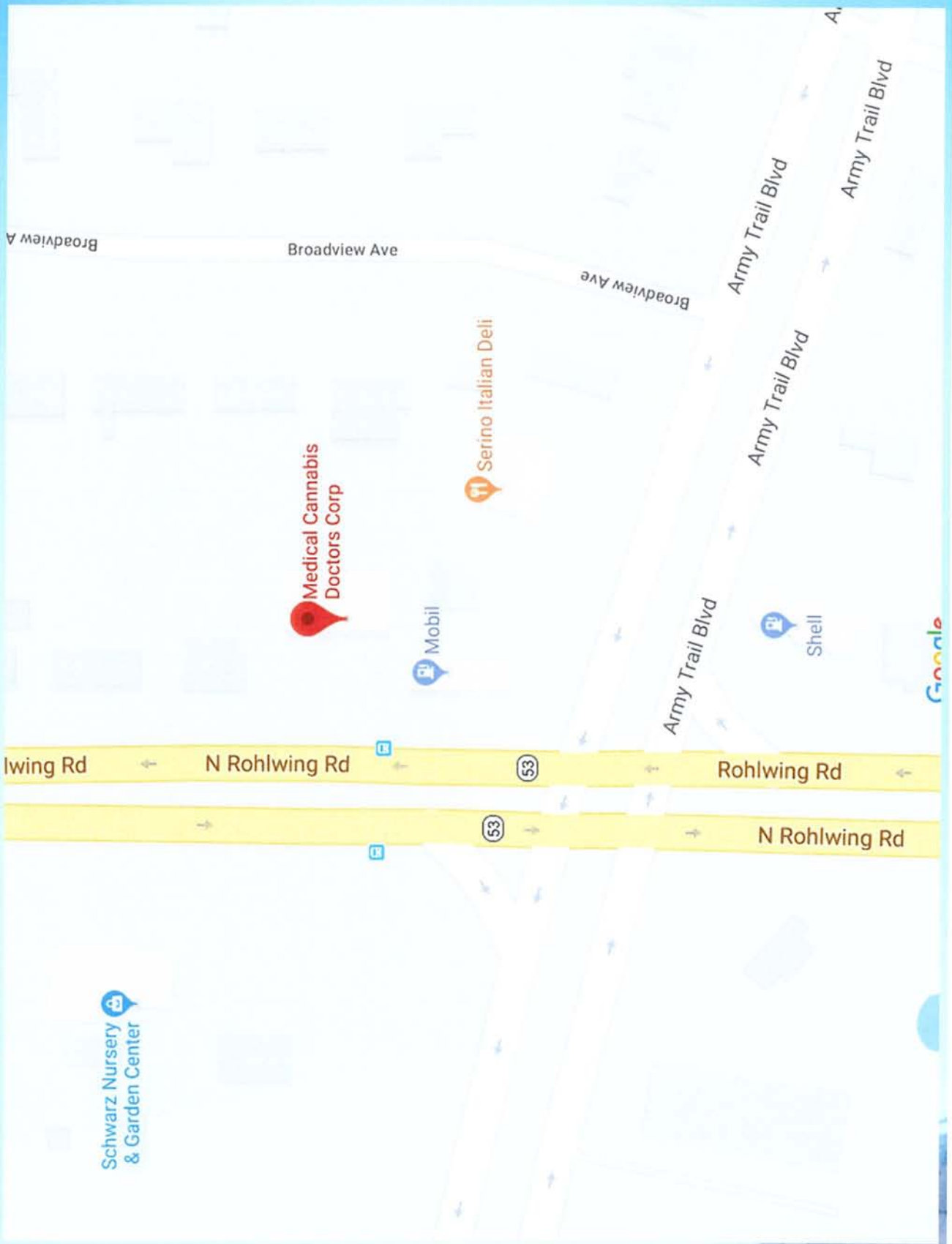


# Deerfield

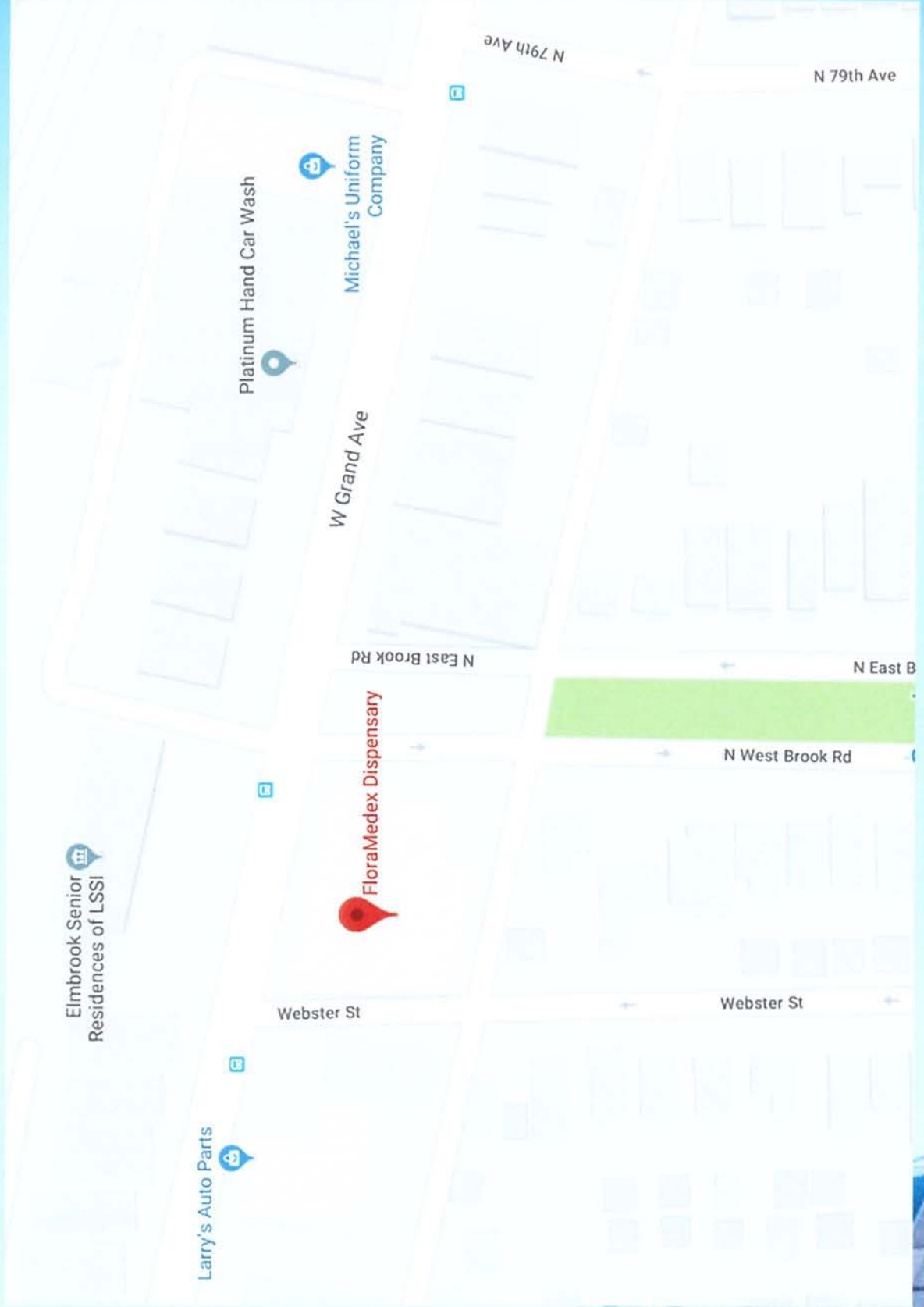




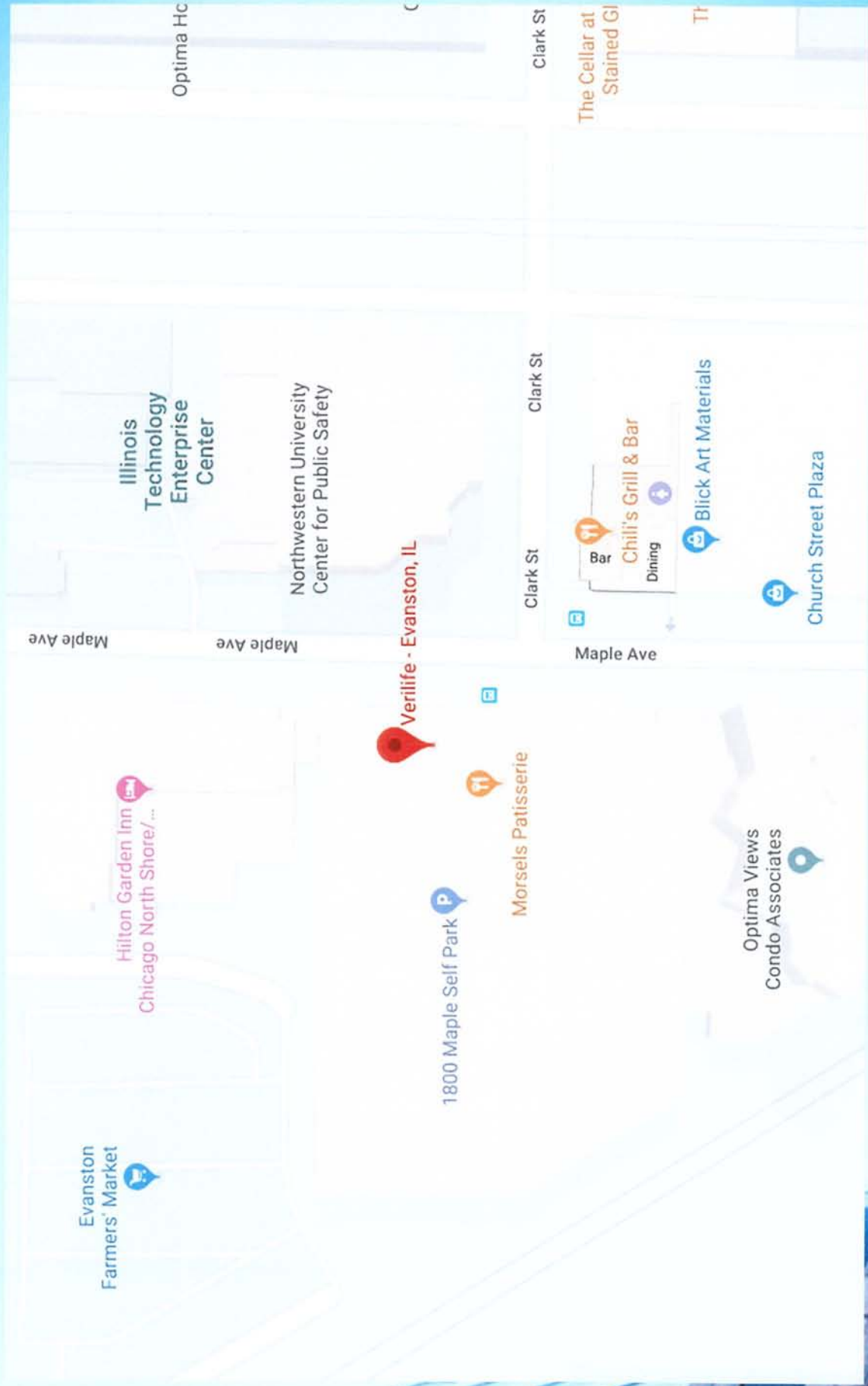
# DuPage County



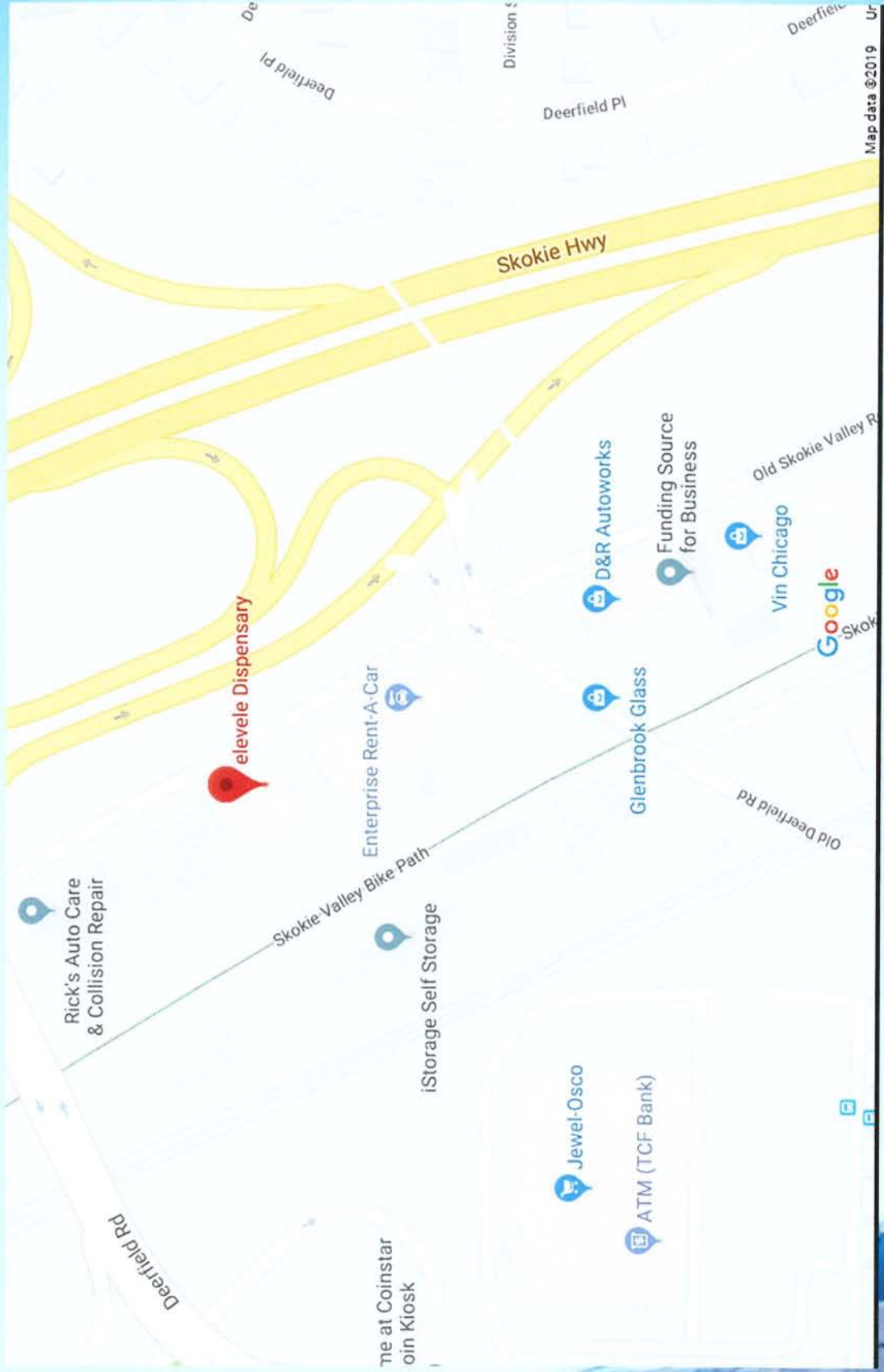
# Elmwood Park



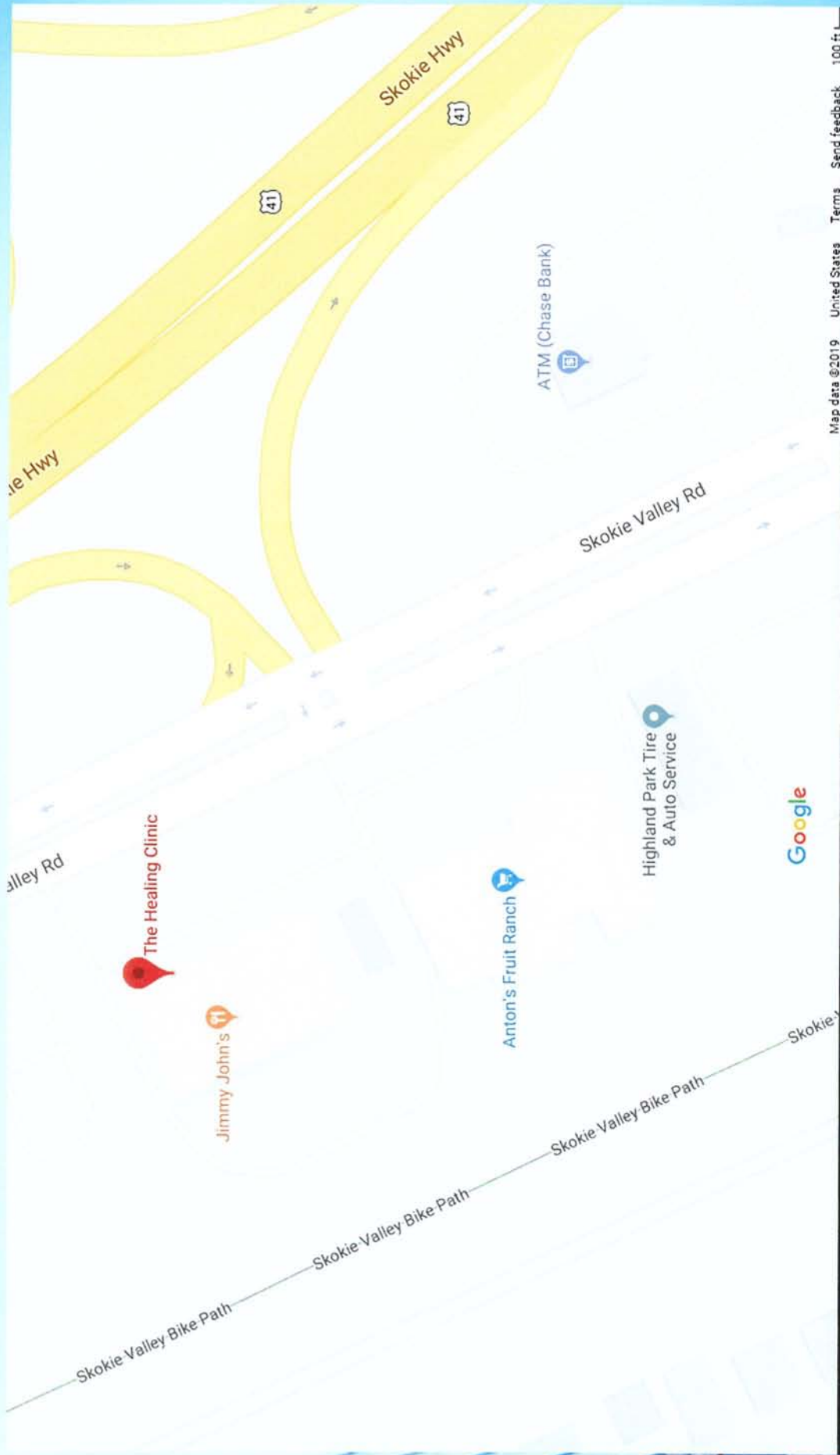
# Evanston



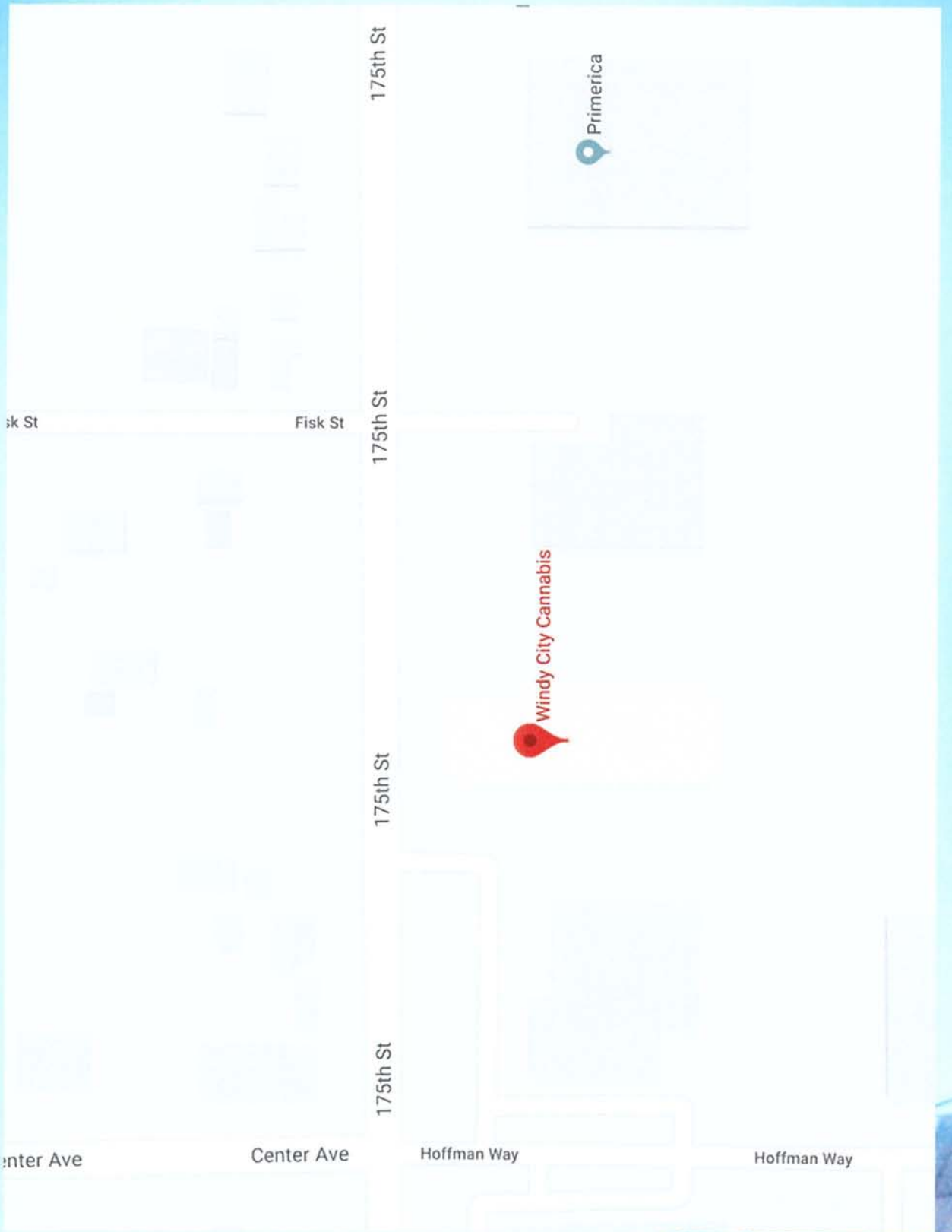
# Highland Park



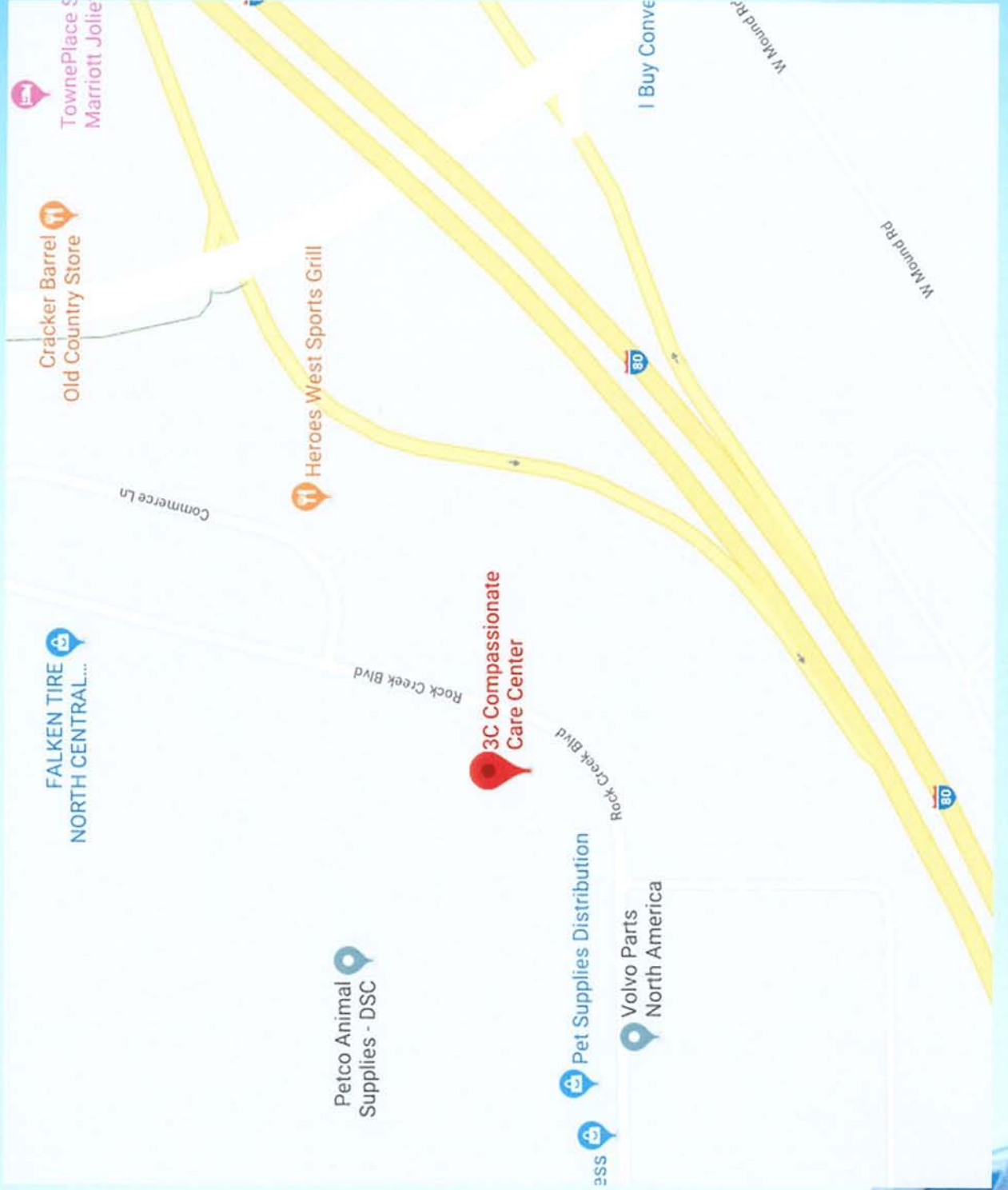
# Highland Park



# Homewood



# Joliet

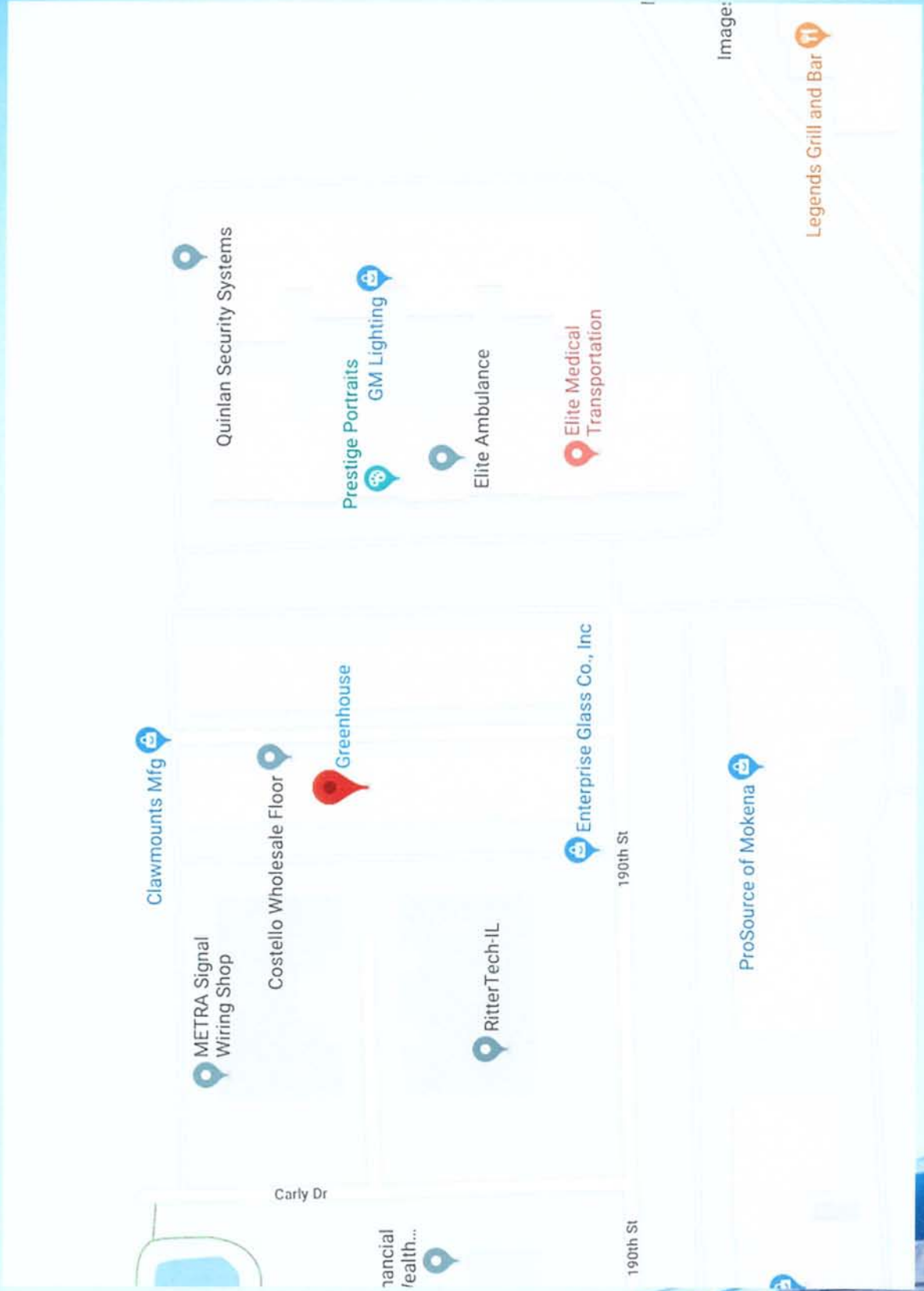


# Justice

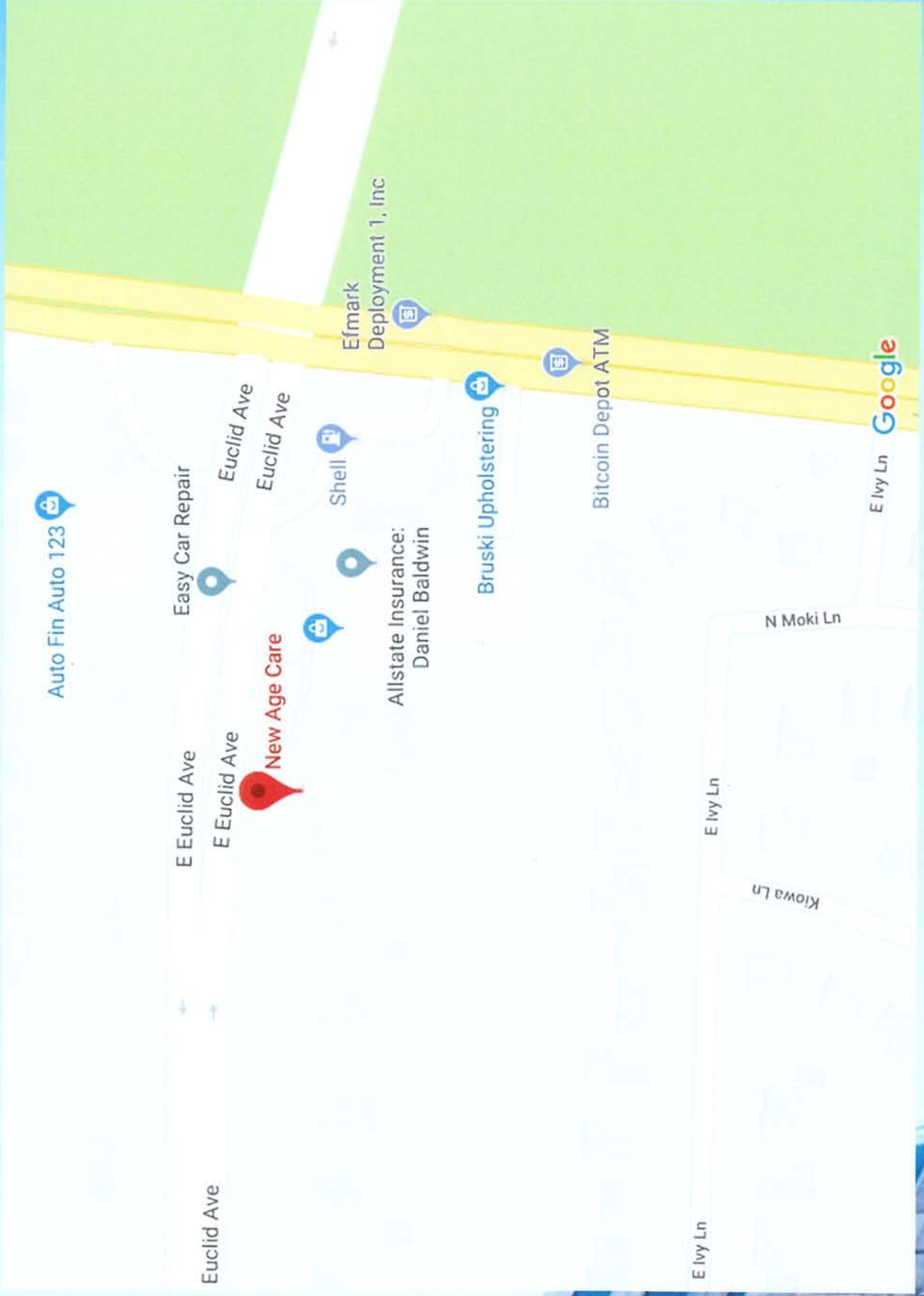




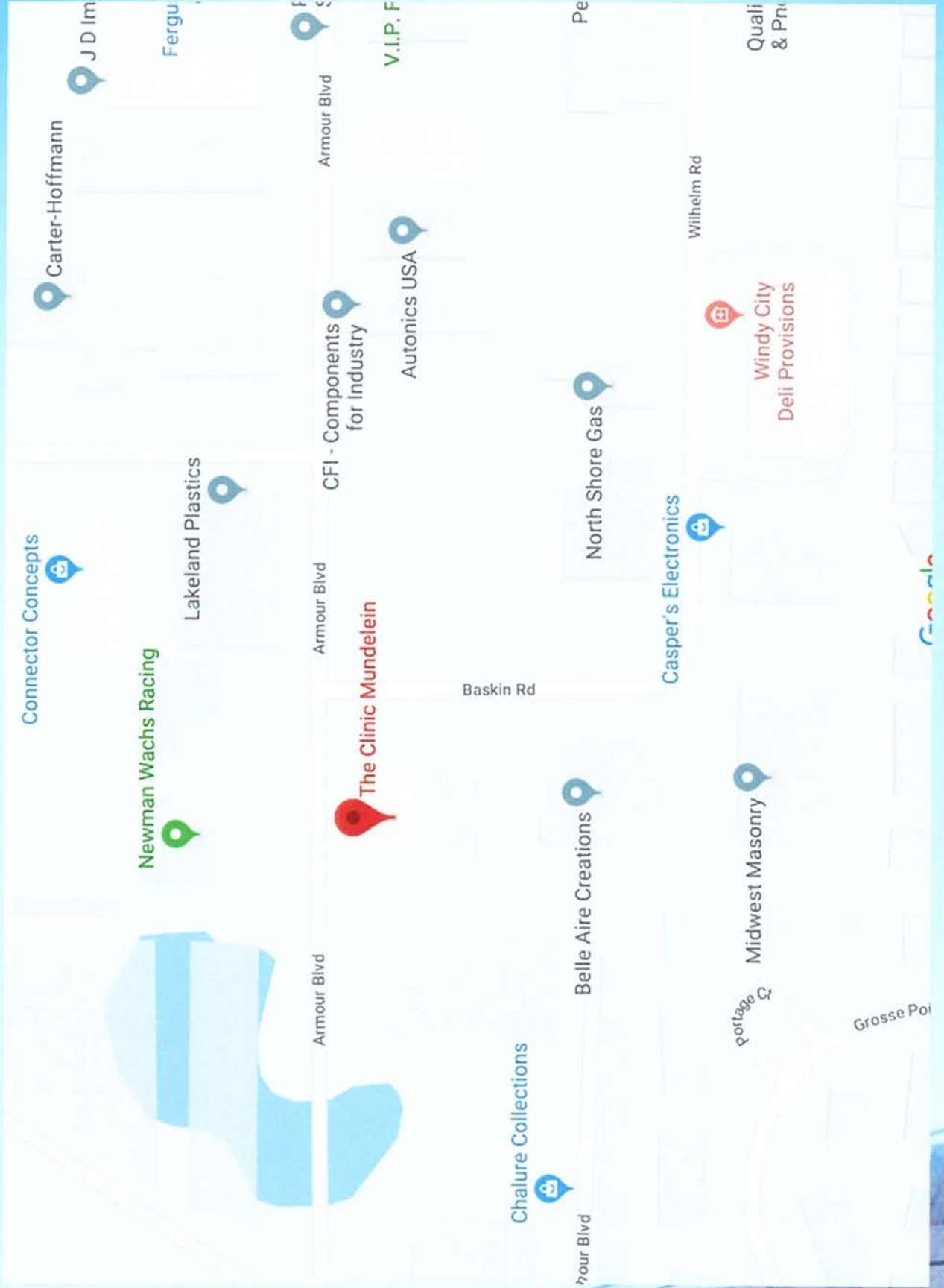
# Mokena



# Mount Prospect

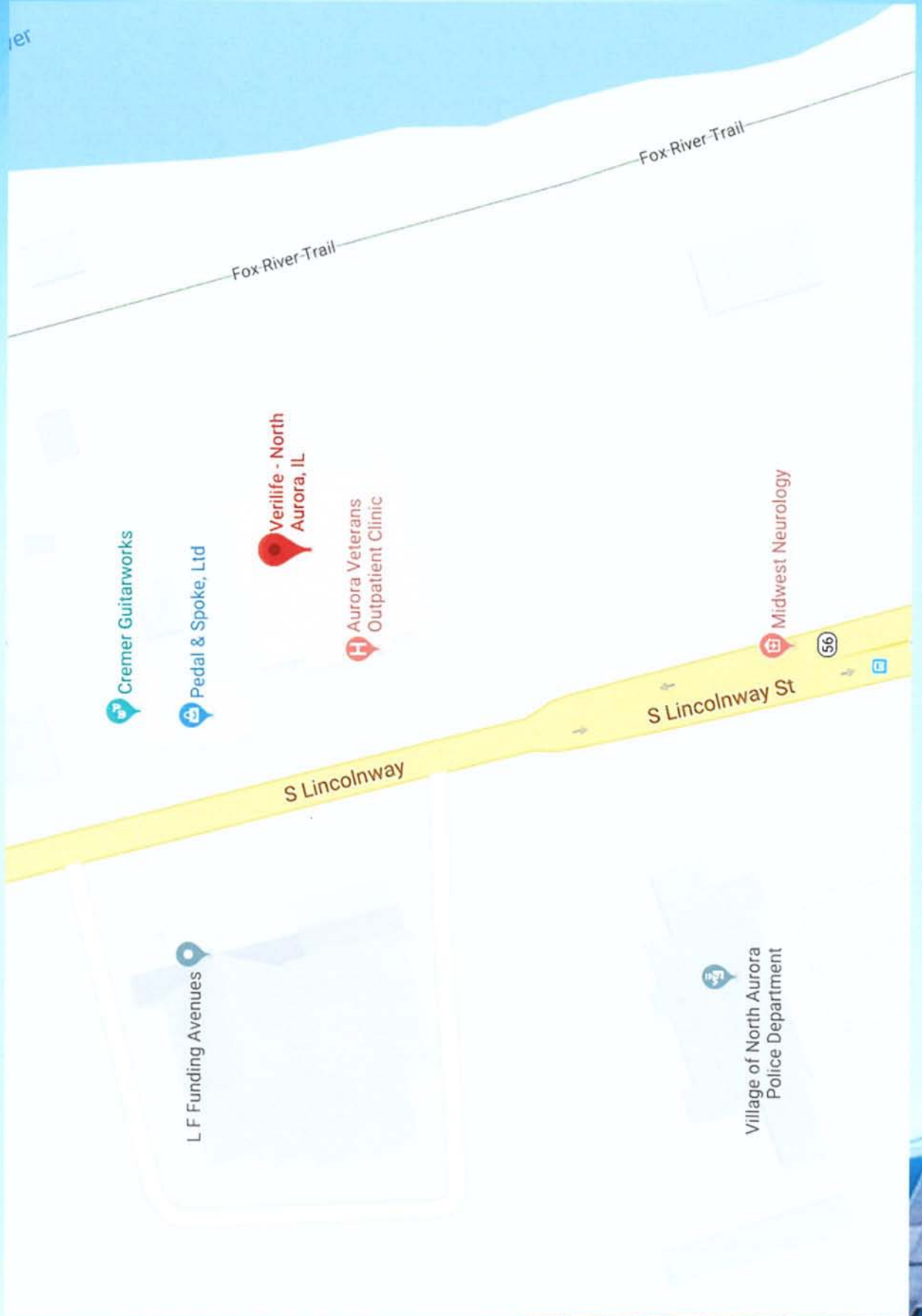


# Mundelein

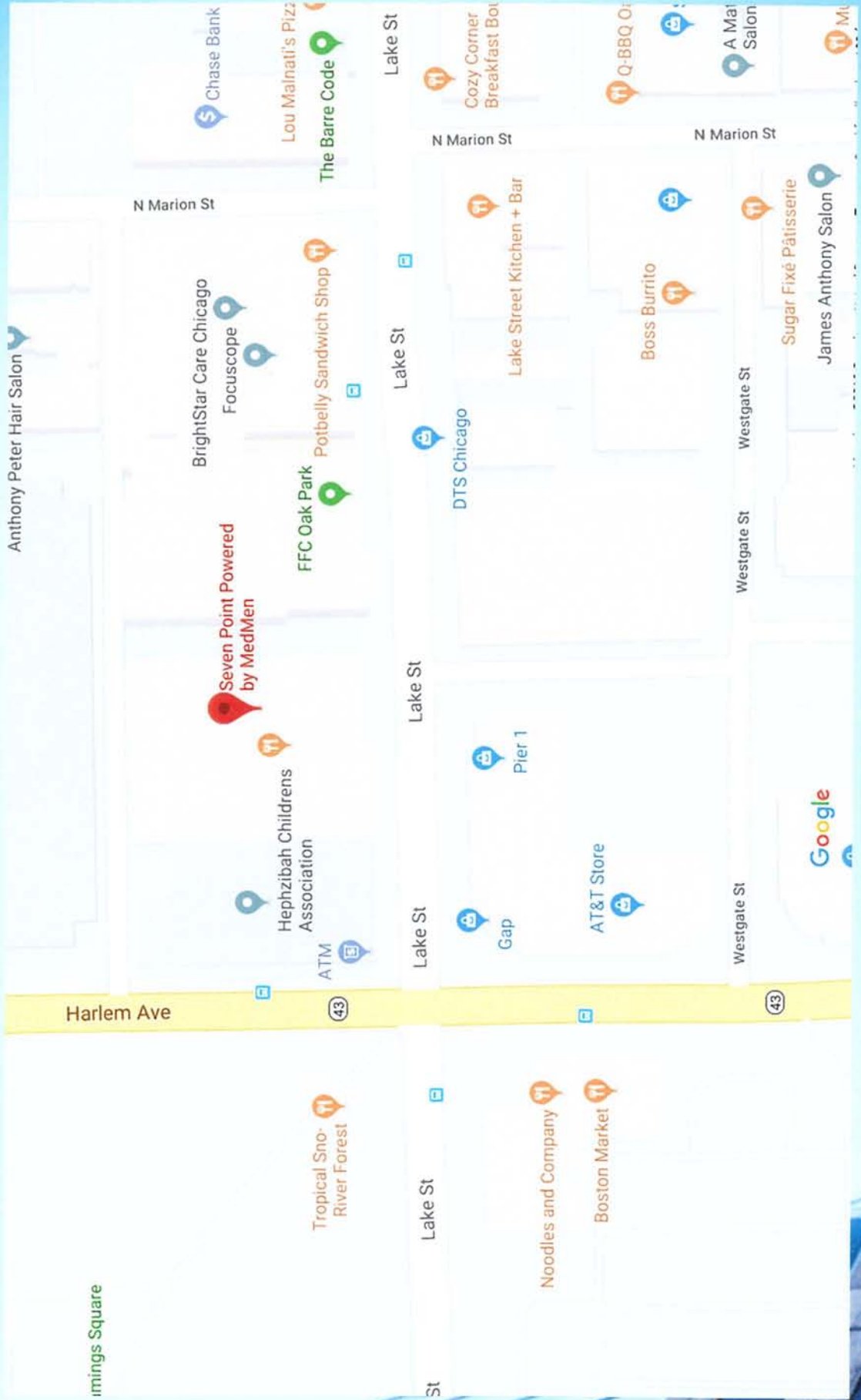




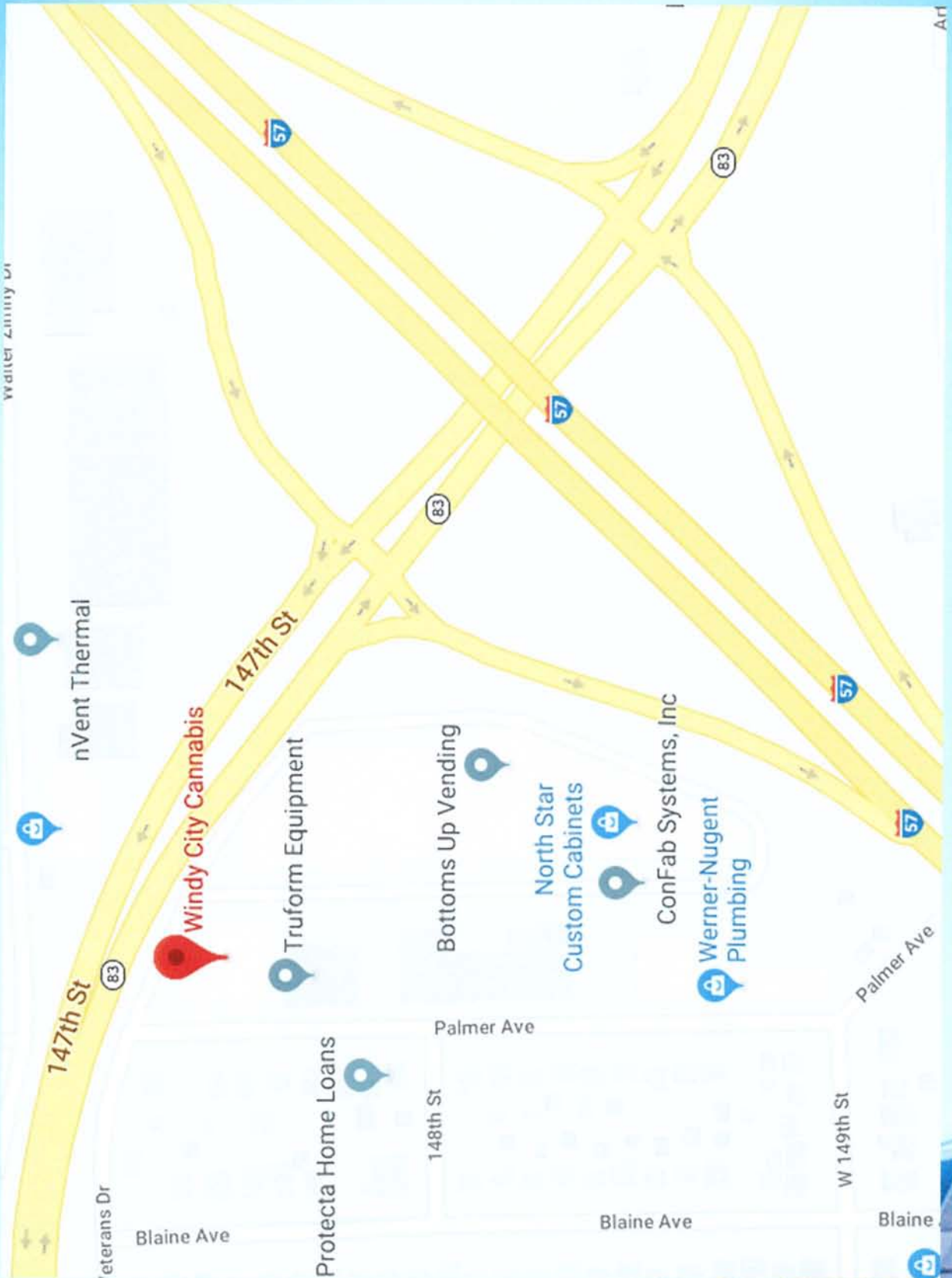
# North Aurora



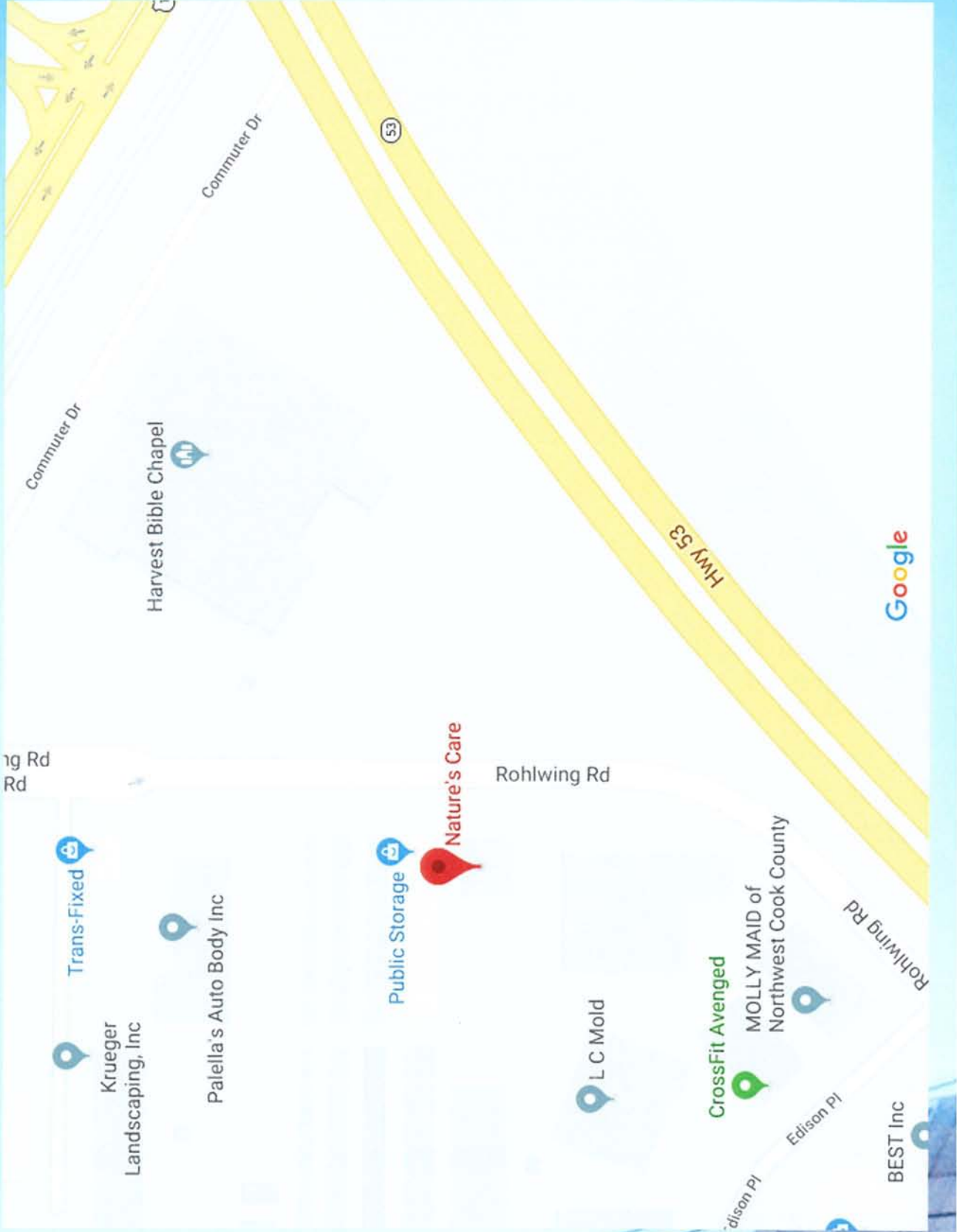
# Oak Park



# Posen

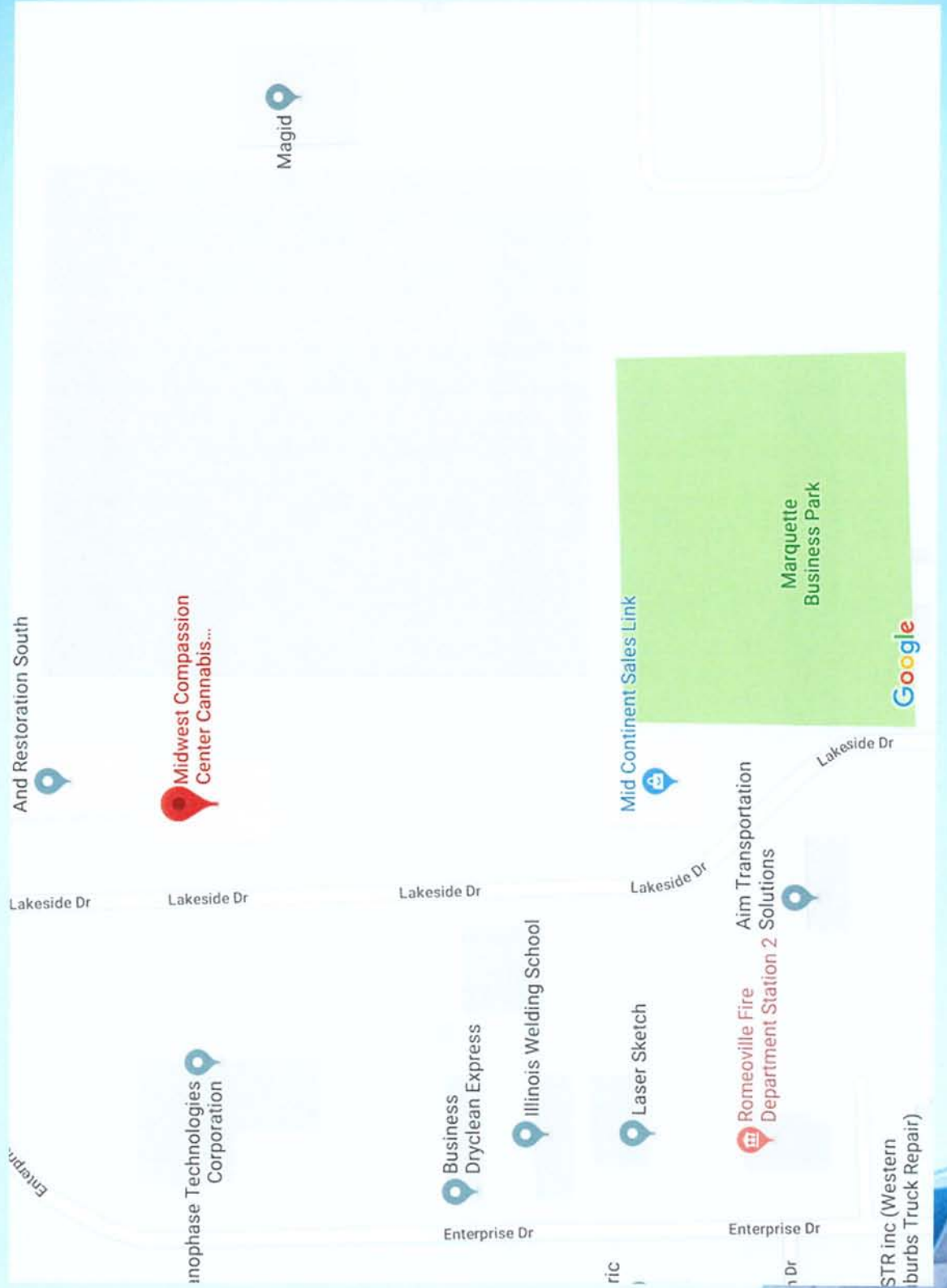


# Rolling Meadows

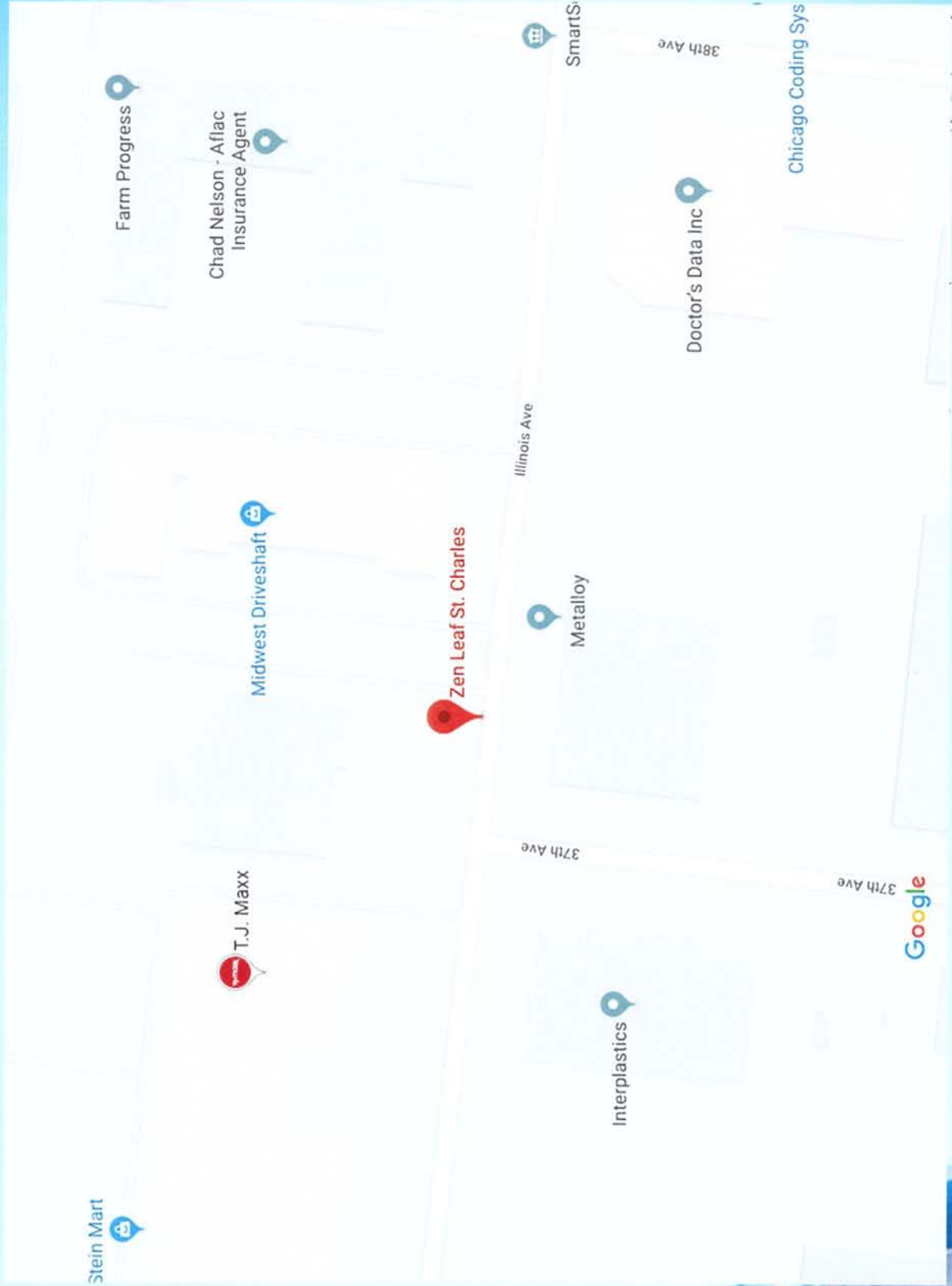




# Romeoville



# St. Charles



# Worth

