



# Illinois Department of Commerce & Economic Opportunity

JB Pritzker, Governor

## REPORT TO THE 101<sup>ST</sup> GENERAL ASSEMBLY

CANNABIS SOCIAL EQUITY PROGRAM

JANUARY 1, 2021

STATE OF ILLINOIS-DCEO

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# BACKGROUND

The Department of Commerce and Economic Opportunity's ("DCEO" or "Department") mission under the Cannabis Regulation and Tax Act (CRTA) is to develop accessible opportunities for technical assistance and access to capital for persons seeking to participate in the Illinois cannabis business industry. DCEO is especially focused on connecting persons and communities that have been historically impacted by arrests and imprisonment for cannabis offenses to have opportunities to participate in the legal cannabis industry.

Pursuant to Section 410 ILCS 705/715 of the [CRTA](#), beginning January 1, 2021 and each year thereafter, the Department shall annually report to the Governor and the General Assembly on the outcomes and effectiveness of the following:

- (1) the number of persons or businesses receiving financial assistance under this Section;
- (2) the amount in financial assistance awarded in the aggregate, in addition to the amount of loans made that are outstanding and the amount of grants awarded;
- (3) the location of the project engaged in by the person or business; and
- (4) if applicable, the number of new jobs and other forms of economic output created as a result of the financial assistance.

(f) The Department of Commerce and Economic Opportunity shall include engagement with individuals with limited English proficiency as part of its outreach provided or targeted to attract and support Social Equity Applicants.

This report provides information on the outcome and effectiveness of DCEO's programs created under the CRTA, which are focused on providing financial assistance, loans, grants, and technical assistance to social equity applicants. The COVID-19 pandemic and the filing of legal challenges have delayed the timelines for evaluating and issuing cannabis business licenses under the CRTA. Due to the fact that the CRTA only allows for DCEO to provide loans to social equity applicants that have received a cannabis business license, the Department's focus has been on offering technical assistance and putting into place the infrastructure needed to support a loan program for social equity applicants that are awarded cannabis business licenses.

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This report provides an overview on the following:

- **SOCIAL EQUITY LOAN PROGRAM**
- **CANNABIS BUSINESS DEVELOPMENT FUND**
- **RESOURCES AND CAPACITY BUILDING FOR SOCIAL EQUITY PROGRAMMING**

## SOCIAL EQUITY LOAN PROGRAM

Pursuant to Section 410 ILCS 705/7-15 of the CRTA, DCEO shall establish grant and loan programs, subject to appropriations from the Cannabis Business Development Fund, for the purposes of providing financial assistance, loans, grants, and technical assistance to social equity applicants.<sup>1</sup> When a social equity applicant has been awarded a conditional license under the Act to operate a cannabis business establishment they are considered a “qualified social equity applicant.”<sup>2</sup> Only *qualified* social equity applicants are eligible for social equity loans and grants from appropriations from the cannabis business development fund. With conditional license awards currently delayed due to challenges noted in this report<sup>3</sup>, the Department is effectively barred from awarding loans and grants to help cover the expenses of operating a cannabis business establishment until the awards are finalized and thus this report contains no data on recipients of financial assistance or the resulting economic impact. While legal and statutory constraints are currently delaying any grant and loan awards to social equity applicants, DCEO continues to lay the groundwork for financial assistance programs to be in place for their ultimate success in the cannabis marketplace.

*“DCEO is committed to promoting the success of small businesses from communities devastated by the War on Drugs and ensure they have the resources needed to thrive in this emerging industry. DCEO is committed to working alongside all state and community partners to ensure equity in participation in the cannabis industry in Illinois.”*

DCEO has been preparing to administer social equity program loans once licenses are awarded. All complete loan requests submitted to the Department are currently evaluated and scored by members of our Loan Review Committee, which are comprised of a Merit Review Team and a Financial Review Team. As part of the review, the following criteria are evaluated:

- Business plan
- Experience of your business team
- Social equity applicant narrative
- Project readiness
- Project timeline, and
- Demonstration of financial need

As of early December, the Department has received a total of 109 loan applications, as follows:

- Adult Use Dispensing – 37 loan applications received
- Craft Grower - 46 loan applications received
- Infuser - 8 loan applications received
- Transporter - 18 loan applications received

This total includes 26 loan applications that have been preliminary approved to receive at least \$20,000 to meet the liquid asset eligibility criteria required by the Illinois Department of Agriculture (IDOA) to be eligible for

<sup>1</sup> Section 410 ILCS 705/1-7 of the CRTA defines, “social equity applicant.”

<sup>2</sup> Section 410 ILCS 705/1-10 of the CRTA defines, “qualified social equity applicant.”

<sup>3</sup> For background on disputes surrounding conditional license awards and the current status of application reviews, see the [Supplemental Deficiency Notice Process](#) document issued by the Illinois Department of Financial and Professional Regulation (IDFPR) on September 22.

licensure; final loan amounts will be determined after IDOA licensure decision which has been delayed. The application for the cannabis dispensary license overseen by Illinois Department of Financial and Professional Regulation (IDFPR) did not have a similar liquidity requirement for applicant eligibility.

DCEO has identified a need for more contractual support to provide underwriting services. This investment will improve evaluation of lending and credit risks, enabling the Department to better protect state investments and provide better support to social equity applicants. The Department is currently vetting partners interested in entering into an agreement with DCEO to provide lending services. The Department continues to evaluate the best way to structure its loan program to optimize resources to support social equity participants in the Illinois cannabis industry.

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## CANNABIS BUSINESS DEVELOPMENT FUND

The status of the Cannabis Business Development Fund is as follows:

- **Fund Balance: \$30,619,782**
- Remaining FY 2021 Spend: \$612,016
- Remaining Cash Balance for Social Equity Loans: \$30,007,766

DCEO will continue to manage these funding resources to provide technical assistance and training to support prospective entrepreneurs interested in applying for cannabis business establishment licenses and is prepared to administer social equity program loans once licenses are awarded.

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## RESOURCES AND CAPACITY BUILDING FOR SOCIAL EQUITY PROGRAMMING

Pursuant to Section 410 ILCS 705/715 of the CRTA, DCEO provides technical assistance to social equity applicants. DCEO procured assistance from community-based organizations and education institutions to develop and implement technical assistance programs including virtual events, videos and workshops to assist social equity applicants in their quest to procure and retain a cannabis business license. Interested organizations submitted proposals based on their core capabilities and their assessments of the needs of potential social equity applicants, which produced an array of complementary program options. This technical assistance is critical for ensuring equitable representation of small and diverse businesses and entrepreneurs in the emerging cannabis industry.

The Department has provided grants to several organizations to provide technical assistance, which has resulted in hundreds of prospective business owners/entrepreneurs interested in owning a cannabis business receiving much needed support. This section will provide details on the following organizations that provide technical assistance:

- John Marshall Law School
- Chicago NORML
- Oakton Community College
- Teague International - The Trep School
- Women's Business Development Center
- Cannabis Business Alliance of Illinois

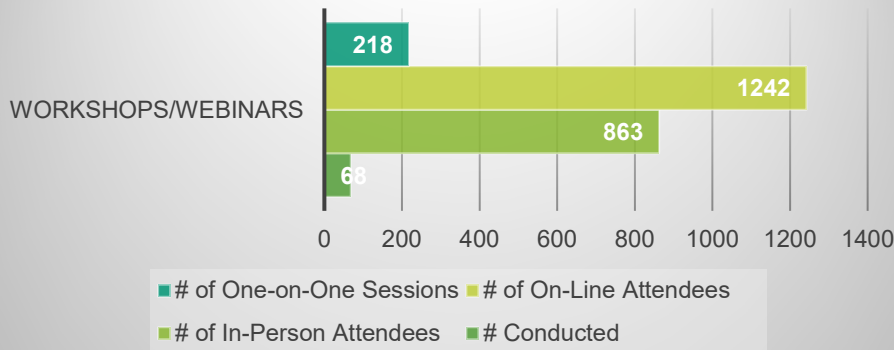
DCEO initially acquired the services of the John Marshall Law School in late 2019 to conduct workshops for social equity applicants interested in applying for an adult-use dispensing license. In February 2020, DCEO procured the services of additional providers who would provide technical assistance to applicants for the Illinois IDOA craft grower, infuser, and transporter licenses and post-license technical assistance to winners of IDOA and IDFPR licenses.

Through late November, all vendors collectively conducted 68 workshops and webinars with composite attendance of 2,105 (863 in-person and 1,242 on-line<sup>4</sup>). In addition, DCEO's technical assistance providers held 218 one-on-one consulting sessions. A summary of the technical assistance programming and outreach metrics from each provider is provided below.

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<sup>4</sup> Due to COVID-19, program delivery shifted on-line by mid-March.

## SEA Attendee Breakdown



### ▪ JOHN MARSHAL LAW SCHOOL (THREE-YEAR INTERGOVERNMENTAL AGREEMENT NOT TO EXCEED \$370,975<sup>5</sup>)

#### PROJECT SUMMARY:

In December 2019, DCEO engaged John Marshall Law School (JMLS) to host dispensary workshops to social equity applicants interested in submitting an Adult-Use Dispensing license application to the Illinois Department of Financial and Professional Regulation (IDFPR). JMLS delivered workshops and public education to social equity cannabis applicants and presented legal information to underinvested Chicago neighborhoods, suburban communities, and participants from disproportionately impacted areas. Programming encouraged business cooperatives to create and strengthen existing economic development in underinvested Chicago neighborhoods. Additional services will be offered to social equity applicants who successfully obtain cannabis business licenses. Post-license training services will be geared toward cannabis industry educational materials including the development of a Social Equity Cannabis Legal Manual, workshops for large groups across the state on topics including the legal basics of starting a cannabis business, methods to structure start-up capital or investment agreements, legal steps for startup and licensing, marketing regulations, and other post-license operational topics. JMLS will also provide brief advice (contract review/drafting, counsel on regulations, zoning issues, review governance documents, investment agreements, etc.) to social equity applicants as needed.

JMLS has participated in 11 events, with a total of 729 in-person workshop attendees and 327 on-line attendees. These events were organized as follows:

- Eight workshops, conducted in December 2019 and led by DCEO personnel, helped participants to prepare for the IDFPR adult use dispensing license application deadline.
- Two February 2020 workshops helped participants to prepare for the Illinois Department of Agriculture (IDOA) craft grower, infuser, transporter license application deadline.
- An October 2020 workshop assisted applicants to better understand the IDFPR dispensary supplemental dispensary notice process.

In addition, JMLS conducted 16 one-on-one counseling sessions.

JMLS's agreement resource status is as follows:

<sup>5</sup> Expenditures over the 3-year term of the agreement cannot exceed these costs per fiscal year:

- FY 2020: \$123,348 (General Revenue Fund)
- FY 2021: \$121,561 (Cannabis Business Development Fund)
- FY 2022: \$126,066 (Cannabis Business Development Fund)



FY 20 Spend:	FY 21 Remaining Spend	FY 22 Budget
\$42,501	\$121,561	\$126,066

Housed at the University of Illinois-Chicago, JMLS is the only public law school in Chicago. The Law School prioritizes engagement with the community, promoting excellence, inspiring innovation, and producing the next generation of talented lawyers and leaders.

- **CHICAGO NORML (\$64,244 GRANT)**

**PROJECT SUMMARY:**

Chicago NORML created a series of online webinars focused on five topics: staffing and employment practices, legal compliance, tax planning and compliance, cannabis industry best practices, and diversity planning and community engagement. Their post-license training plan is geared toward creating new videos and podcasts that address post licensure activities such as finding capital, creating banking relationships, build out, and vendor selection.

Chicago NORML reported that 65 users registered for their five-part on-line course. 94% of the users identified as social equity applicants.

Chicago NORML’s current grant resource status is as follows:

FY 2020 Spend:	FY 2021 Spend	FY 2021 Remaining Spend
\$39,161	\$11,674	\$13,409

In existence since 1970, the NORML Foundation sponsors public advertising campaigns to better educate the public about marijuana and alternatives to current marijuana policy. The organization also provides legal assistance and support to victims of current laws and conducts relevant research.

- **OAKTON COMMUNITY COLLEGE (\$97,402 GRANT)**

**PROJECT SUMMARY:**

Oakton’s proposal built upon its current cannabis education program by partnering with the Cannabis Business Alliance of Illinois to offer a series of forum-style presentations, small group workshops, and one-on-one counseling virtually and at its campuses in Des Plaines and Skokie (pre-COVID). They offered for-credit courses with the opportunity for social equity applicants to earn certificates in cannabis industry specialties. Their post-license training plan builds upon the current cannabis education program by preparing social equity applicants for the next round of dispensary license applications, dispensary law, creating business plans and operational agreements, in addition to conducting one-on-one consulting.

Oakton Community College hosted 19 events, including in-person workshops and webinars, beginning in February and running through October. Some sessions addressed specific subjects while other provided the opportunity to receive one-on-one counseling. These sessions received a total of 67 in-person attendees and 137 on-line attendees.

Oakton Community College’s current grant resource status is as follows:

<b>FY 2020 Spend:</b>	<b>FY 2021 Spend</b>	<b>FY 2021 Remaining Spend</b>
\$3,158	\$15,272	\$78,613

Oakton Community College provides a wealth of educational options in Chicago’s northern suburbs, offering an array of degree programs and noncredit career enhancement and personal enrichment courses. More than 2,500 courses are available each term.

▪ **TEAGUE INTERNATIONAL - THE TREP SCHOOL (\$199,185 GRANT)**

**PROJECT SUMMARY:**

The Trep School offered courses and workshops in entrepreneurship and personal development, assistance with business planning and development, and a host of other services tailored to the needs of small businesses. The program hosted seminars (pre-COVID) and webinars with follow-up one-on-one sessions to develop the skills of Social Equity Applicants applying for craft grower, infuser, transporter, and dispensary cannabis licenses in Illinois. To give social equity applicants the best service possible, the Trep School partnered with multiple specialists, including Higher Yields Consulting, a cannabis industry consulting firm from Colorado with experience assisting licensees in multiple states and globally. Their training plan for social equity applicants that successfully obtain cannabis licenses is geared toward offering 280E/Accounting, Biotrack (seed-to-sale cannabis tracking software to streamline and optimize inventory management at each phase of the operation), employee and cultivation training, and one-on-one consulting.

Through early November, the Trep School conducted 25 workshops, with a total of 67 in-person attendees and 373 on-line attendees. They also provided 72 one-on-one training sessions through October.

The Trep School’s current grant resource status is as follows:

<b>FY 2020 Spend:</b>	<b>FY 2021 Spend</b>	<b>FY 2021 Remaining Spend</b>
\$53,046	\$32,231	\$113,908

The Trep School is a Danville-based institution providing entrepreneurship courses, seminars, coaching, and consulting. Its mission is helping individuals, business-owners, managers, employees, and CEOs increase their entrepreneurial IQ.

▪ **WOMEN’S BUSINESS DEVELOPMENT CENTER (\$250,000 GRANT)**

**PROJECT SUMMARY:**

The WBDC program was selected to focus on supporting social equity applicants that have earned licenses. Since no licenses have been awarded, WBDC has instead conducted an 8-week Cannabis Essential series where applicants learn about launching a cannabis or cannabis-related business in Illinois. This is in addition to offering webinars dedicated to banking in the cannabis industry, recognizing transferrable skills for the cannabis industry, and recruiting top tier talent, as well as one-on-one consulting.

The WBDC conducted 13 workshops with a total of 340 attendees, all on-line. In addition, WBDC conducted one-on-one training for 130 participants.

The WBDC's current grant resource status is as follows:

FY 2020 Spend:	FY 2021 Spend	FY 2021 Remaining Spend
\$19,054	\$81,148	\$149,348

Founded in 1986, the WBDC provides programs and services to support women's business ownership. Its mission is to support and accelerate business development and growth, targeting women and serving all diverse business owners, in order to strengthen their participation in, and impact on, the economy.

▪ **CANNABIS BUSINESS ALLIANCE OF ILLINOIS (\$7,500 CONTRACT)**

**PROJECT SUMMARY:**

The Cannabis Business Alliance of Illinois (CBAI) proposed to host a series of workshops describing the opportunities and requirements of participating in the legalized cannabis market in Illinois, including navigating the Illinois Department of Agriculture application process, which was comprised of the craft grower, infuser, and transporter licenses. CBAI ultimately hosted five events in April, which were conducted on-line due to the COVID-19 crisis. An estimated 117 individuals participated in the sessions. **CBAI's contract term has ended. The alliance spent \$6,000 in contractual funding during FY 2020.**

CBAI was originally founded in 2015 as the Medical Cannabis Alliance of Illinois. It advocates for Illinois' cannabis industry, promoting patient well-being, consumer safety, greater equity and inclusion, job creation, community investment, and the responsible use of cannabis.

**CONCLUSION**

DCEO anticipates that Oakton Community College, the Trep School, the Women's Business Development Center, and the John Marshall Law School will continue to provide post-license services for qualified social equity applicants. Grant agreements will be extended as necessary to accommodate the revised schedule.

This effort is intended to promote the success of small businesses from communities devastated by the war on drugs and ensure that they have the resources needed to thrive in this emerging industry. DCEO is committed to working alongside all state and community partners to ensure equity in participation in the cannabis industry in Illinois.