



Erin Johnson
Cannabis Regulation Oversight Officer
555 West Monroe Street
Chicago, IL 60661

July 11, 2024

Dear Governor JB Pritzker, President Don Harmon, Republican Leader John Curran, Speaker Emanuel “Chris” Welch, and Minority Leader Tony McCombie:

It is my privilege to submit the attached Disparity and Availability Study for the Illinois Adult Use Cannabis market, conducted upon my commission by the Nerevu Group (pronounced *nay-RAY-vo*). This Disparity Study conforms with Section 5-45(e) of the Cannabis Regulation and Tax Act (CRTA), which directed the Cannabis Regulation Oversight Officer to commission such a study to evaluate whether there exists discrimination in the State’s cannabis industry and, if so, evaluate the impact of such discrimination on the State and includes recommendations for reducing or eliminating any identified barriers to entry in the cannabis market. This Disparity Study evaluates the issuance of licenses for adult use dispensaries, craft growers, infusers, transporters, and cultivation centers, and finds that implementation of the CRTA significantly increased diversity in ownership for each license type as compared to the medical cannabis market that existed prior to legalization of adult use cannabis.

The Disparity Study found that the number of minority- or women-owned dispensaries increased to 59% compared to less than 21% for the medical market. Additionally, for the new license types of craft growers, infusers, and transporters, 63%, 61%, and 74%, respectively, were held by minority- or women-owned businesses. These demographics make Illinois the most diverse cannabis industry in the nation.

Our work to increase diversity of ownership in the cannabis industry is not over. Due to the timing of the report, the Disparity Study only examines those licenses issued prior to January 31, 2023. During that time, the State issued 559 adult use cannabis licenses to more than 400 businesses and provided nearly \$22 million in loans. Since then, the Department of Financial and Professional Regulation began another round of dispensary licenses which is not covered by this report. Future disparity studies will be able to address the diversity of ownership of those businesses as well.

Future disparity studies will also be better able to evaluate the comparative success of these new licensees. For example, this Disparity Study provides comparisons of sales during the study period by new Social Equity Licensees and the Early Approval Licensees that were already operational in the medical use market. But since the Early Approval Licensees began adult use sales in January 2020, much sooner than the Social Equity Dispensary Licensees which did not begin to become operational until after November 2022, it is difficult to draw conclusions from this limited data. Although this data is provided for informational purposes, future disparity studies will be better positioned to draw conclusions from sales-weighted data.



Erin Johnson
Cannabis Regulation Oversight Officer
555 West Monroe Street
Chicago, IL 60661

The Disparity Study also provides recommendations for reform to help further promote and ensure diversity in the Illinois cannabis market. These recommendations are based Nerevu's review of data and stakeholder feedback from surveys, interviews and focus groups. Nerevu found that minority-owned, women-owned, and small businesses have consistent concerns about the ability to enter and compete in the cannabis industry, particularly due to a lack of access to capital and a complex regulatory landscape. Nerevu suggests several race- and gender-neutral reforms to improve equity and fairness in our growing cannabis market. One of those recommendations is to conduct another disparity study in 3-5 years, when more licensees have had an opportunity to open their doors.

In sum, I am encouraged by the great strides that the Cannabis Regulation and Tax Act made to create a diverse cannabis market in Illinois. I look forward to discussing this report and its recommendations for increasing diversity and ensuring the success of our new licensees with all of you.

Sincerely,

/s/ Erin Johnson

Erin Johnson
Cannabis Regulation Oversight Officer

Attached:

Illinois Adult Use Cannabis Industry Disparity Study Report 2024_07_11.pdf

CC:

Secretary Mario Treto, Jr., Illinois Department of Financial and Professional Regulation

Director Jerry Costello II, Illinois Department of Agriculture

Director Kristin A. Richards, Illinois Department of Commerce and Economic Opportunity