



May 24, 2019

Dear Senators and Representatives,

On behalf of our respective organizations, we believe that **Senate Bill 7 carries important opportunities that can benefit Illinois. However, we also believe that the legislation should also be improved with needed reforms in order to best achieve its goals.**

Senate Bill 7 would allow for the legal cultivation, sale, and possession of cannabis in regulated amounts statewide. In addition to the new jobs and additional tax revenue legal cannabis markets can provide, the legislation could end the harms that criminal enforcement against marijuana has done to Illinois communities. This legislation represents an important opportunity to end the harms associated with the criminal enforcement of cannabis.

One of SB 7's most important features is its expungement program for past low-level marijuana possession offenses—conduct that the bill would make legal. A criminal record can function as a black mark, limiting an individual's educational, employment, and housing opportunities. These consequences are particularly unjust when citizens continue to suffer them for actions that are no longer crimes. We urge the legislature to protect SB 7's expungement program, a crucial part of any marijuana legalization plan, and to keep its streamlined structure in place for maximum effectiveness.

In order to best achieve SB 7's goals of replacing the black market and its associated harms, we support a regulatory framework that will leave the legal market as viable as possible. To accomplish this, **SB 7 should be improved through the following reforms**, discussed in greater detail in the Reason Foundation's full draft analysis.

- **Improve the licensing process:**
 - SB 7 caps the licenses available for growing, processing, and selling cannabis and places geographical restrictions on where licenses can be granted. Later increases in licenses issued are set by the Department of Financial and Professional Regulation's assessment of market demand—a process that can never accurately capture market conditions that change faster than any assessment interval used.
 - On top of these restrictions on the legal market size, SB 7 sets licensing fees and capitalization requirements that span six figures, which will prevent otherwise qualified people from taking advantage of the opportunities of the legal market.
 - Finally, the legislation requires all employees of cannabis businesses to be licensed, as opposed to just owners—this presents a needlessly complicated process that has resulted in administrative backlogs in other states and proven unnecessary in the majority of jurisdictions with legal cannabis.
- **Improve the regulatory approach:**

- SB 7 would split legal cannabis regulation and enforcement across eight different agencies instead of one, which will inevitably create higher-than-necessary costs and severe coordination problems for implementation. Additionally, the bill only allows 180 days to set regulations for the legal marketplace and should allow more time for public feedback.
- The legal marketplace faces several numerous restrictions that do little to promote with public safety. SB 7 places price controls on cultivators, craft growers, and processors, who can't charge different rates to dispensaries, even though these signals essential for creating a stable supply across the state and limiting black market alternatives. Licensees are also required to undergo daily inventory reconciliation, a needlessly costly approach to diversion control. Finally, dispensaries are prohibited from delivering to customers' homes, even though this would help reduce black market competition and likely keep more cannabis-impaired drivers off the road.
- **Impose lower, more uniform taxes:**
 - While SB 7 would tax cannabis flowers containing less than 35 percent THC at 10 percent, it would tax cannabis-infused products (such as edibles) at 20 percent, and much rarer cannabis flowers containing above 35 percent THC at 25 percent. These differential rates will steer consumers away from edibles and other cannabis-infused products, which is a healthier method of consumption than cannabis alone. A better approach is a uniform tax-rate on all cannabis products to avoid distortions in the legal market.
 - Additionally, SB 7 requires paying all taxes electronically, even though cannabis business have limited access to these platforms. Further, the bill requires licenses to pay their taxes four times per month based on a prorated estimate of what they owe rather than a more simple monthly payment, which would be easier to both comply with and collect.

Senate Bill 7 represents an important chance to end the harms of criminal marijuana enforcement and address the historical damage of the War on Drugs in Illinois while realizing the opportunities of a legal marketplace. However, in order to ensure that Illinois' new legal marketplace is viable and able to supplant the black market, we urge you to consider significant changes to SB 7's licensing, regulatory, and taxation frameworks all need significant changes. For a more in-depth look at the reforms discussed above, we recommend the Reason Foundation's comprehensive analysis of Senate Bill 7.

Sincerely,

Brian Costin

Deputy State Director

Americans for Prosperity – Illinois

Adrian Moore

Vice President of Policy

Reason Foundation