

2023 ANNUAL CANNABIS REPORT

Illinois Department of Financial
and Professional Regulation



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SUMMARY

In Fiscal Year 2023, the Illinois Department of Financial and Professional Regulation (“IDFPR”) worked diligently to open as many social equity dispensaries as possible, while also creating opportunities for new licensees to enter the market. To date, IDFPR has issued 48 social equity dispensary licenses; conducted the Social Equity Criteria Lottery (“SECL”) for 55 more conditional licenses that included almost 2,700 entrants; and attended numerous public events to speak about opportunities in cannabis. IDFPR anticipates issuing these next 55 conditional licenses in late 2023.

IDFPR strives to put social equity at the forefront of our regulatory practices. To this end, IDFPR works with legislators and advocacy groups in hosting townhalls on opportunities in cannabis, including for the SECL. Additionally, in August of 2023, IDFPR submitted comprehensive adult use rules to the Joint Committee on Administrative Rules (“JCAR”) to provide more consistent and thorough regulation for the Adult Use Cannabis program. These rules are expansive in scope and contain numerous provisions designed to promote both safe and consistent regulation equally with social equity goals. Finally, IDFPR drafted and submitted legislation to give all conditional dispensary license holders an additional year to build out and become operational. This was an important step to ensure as many licensees as possible have access to the necessary resources and time to open a dispensary.

Fiscal Year 2023 saw unprecedented growth in the cannabis market not seen since the start of the medical program in 2015 and adult use cannabis was legalized in 2020. 28 new dispensaries opened for business in the State of Illinois in FY23. these new licensees entering the market are ownership groups that are not connected to the existing medical cannabis and same site dispensaries. With this comes increased diversity at all levels of dispensary ownership, employment, and products offered, as explained further in this report.

Looking towards the future and Fiscal Year 2024, IDFPR anticipates continued growth of the regulated market based on the number of both full and conditional dispensary licenses we will be issuing. Further, IDFPR accepted Responsible Vendor Training applications from August 1, 2023 to August 15, 2023, with the hope that this part of the industry will continue to grow. IDFPR stands ready to continue issuing dispensary licenses and is committed to promoting social equity, safety, and growth into the regulated cannabis market.

FY2023 ACCOMPLISHMENTS

JULY 2022

IDFPR issues 177 conditional dispensary licenses. Throughout the rest of FY23, IDFPR issued an additional 13 conditional licenses for a total of 200.

AUGUST 2022

IDFPR publishes Consumer's Guide to Identifying a Licensed Dispensary, available [here](#). This guide depicts common elements of what all dispensaries should have.

SEPTEMBER 2022

IDFPR publishes first quarterly newsletter for the cannabis industry, available [here](#).

OCTOBER 2022

IDFPR hires new inspector for adult use dispensaries to assist with new licensees entering the market.

NOVEMBER 2022

IDFPR issues first fully operational adult use dispensary licenses to sell to consumers. This is just the start of social equity dispensaries opening for business in Illinois.

DECEMBER 2022

The rules for the Social Equity Criteria Lottery for 55 new conditional licenses are made permanent; IDFPR announces online application and submission guides.

JANUARY 2023

IDFPR announces record-breaking cannabis sales for calendar year 2022, totaling more than \$1.5 billion worth of product sold in the State.

FEBRUARY 2023

IDFPR attends legislative townhall with members of the Latinx community.

MARCH 2023

IDFPR inspects 32 adult use dispensaries this month.

APRIL 2023

SECL application window closes with more than 2,700 applicants for the 55 new dispensary licenses. IDFPR conducts the lottery in July 2023.

MAY 2023

IDFPR conducts interviews for more inspectors and a new position of the Assistant Deputy Director of the Cannabis Financial Unit.

JUNE 2023

IDFPR supports legislation for \$40 million into the Cannabis Business Loan Development Fund, as well as a year-long extension for new licensees to become operational.

FY2024 GOALS

Summary

In Fiscal Year 2024, IDFPR plans to implement the comprehensive adult use rules submitted to JCAR in August of 2024. These rules cover the entirety of the CRTA's provisions on the regulation of adult use cannabis. IDFPR drafted these social equity-focused rules in coordination with the Cannabis Regulation Oversight Office team and anticipates permanent rules bringing stability, consistency, and equity to the forefront of the maturing Illinois cannabis market. Additionally, as a result of the SECL conducted in July 2023, over the course of the fall of 2023, IDFPR plans to issue these additional 55 conditional licenses. Finally, IDFPR is committed to supporting all conditional license-holders as they work towards becoming fully operational. As always, IDFPR will continue to engage in public outreach to help better connect our team with the existing industry, to welcome newcomers to cannabis, and to build stronger ties with community leaders and advocacy groups.

IDFPR FY2024 Goals

1. Issue 55 conditional licenses to the top participants from the SECL
2. Hire and onboard 8 new inspectors and processors to decrease the time to license individuals and businesses
3. Increase public outreach with the industry, newcomers to cannabis, advocacy groups, and the general public

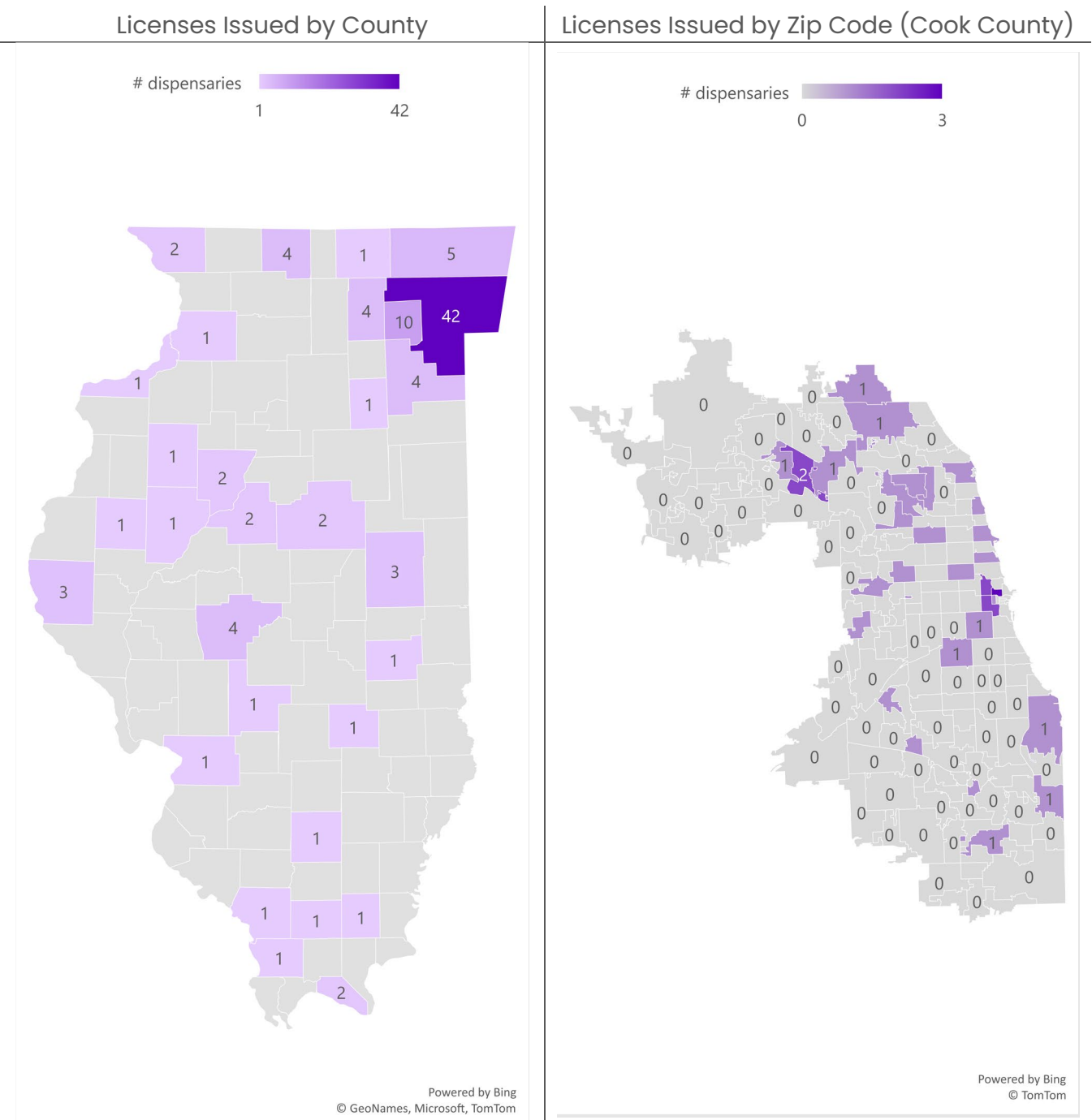
IDFPR FY2024 Essential Projects

1. Implement a new Seed-to-Sale System
2. Implement the comprehensive rules under the CRTA filed in August of 2024
3. Implement a public education outreach initiative to help facilitate market growth and public knowledge of Illinois cannabis and Illinois dispensaries

KEY DATA POINTS

Dispensing Organizations by County/Zip Code

In the charts below, find the number of licenses issued to dispensing organizations by county, or, in counties with greater than 3,000,000 residents, by zip code, as required by Section 55-80(a)(1) of the CRTA.



Social Equity Applicant- or MBE-Owned Dispensing Organizations

Below find the total number of dispensing organization owners that are Social Equity Applicants or minority persons, women, or persons with disabilities as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, as required by Section 55-80(a)(2) of the CRTA, below.

47 licenses majority owned by Social Equity Applicants	9 licenses majority owned by women	15 licenses majority owned by people of color	0 licenses majority owned by persons with disabilities
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Additionally, those dispensaries added in FY 2023 brought more diversity to the table. Data specific to those groups is below, with all 28 being majority owned by veterans. This information is gathered through self-reporting, so the totals may be higher.

28 licenses majority owned by Social Equity Applicants	5 licenses majority owned by women	15 licenses majority owned by people of color
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With this new group of dispensaries, over 50% are majority owned by people of color and almost 20% are majority owned by women. As more dispensaries continue to open,

Changes in Dispensing Organization License Ownership and Location

In addition to issuing and renewing licenses, the Department also approves changes in ownership and location for all dispensing organizations. The number of licenses issued, transferred, and approved for a change in location in FY2023, FY2022 and FY2021 can be found below.

28 licenses issued in FY2023	5 licenses transferred in FY2023	4 licenses changed location in FY2023
17 licenses issued in FY2022	17 licenses transferred in FY2022	7 licenses changed location in FY2022
110 licenses issued in FY2021	15 licenses transferred in FY2021	0 licenses changed location in FY2021

While IDFPR issued 28 licenses in FY2023, as of the date of this report it has issued 48 licenses. Additionally, IDFPR reviewed and approved Conditional Management Service Agreements (“CMSA”) for 21 conditional licenses. A CMSA allows a more experienced operator or a group with more experience in a specific sector to assist a conditional licensee in preparing a dispensary for opening.

Adult Use Dispensary Licensing Process and Timeline

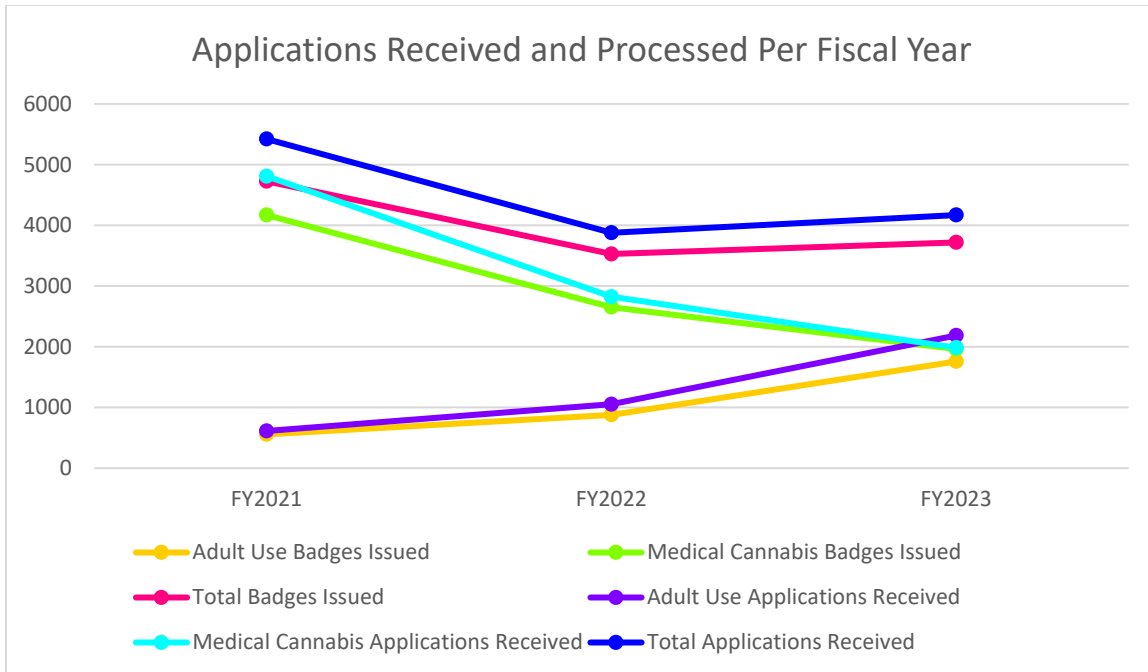
For Adult Use Dispensing Organizations, IDFPR recently held the SECL with applications opening in January and closing in April. After a contest period, IDFPR published the list of lottery participants and the lottery itself was held on July 17, 2023. From a pool of 2,676 participants, 55 top participants were selected through a process set by the Illinois State lottery. IDFPR is now evaluating those applicants to determine if they qualify under the SECL Criteria. Those that do will be issued a conditional license, giving them two years to build out a dispensary and become fully operational.

2,676 entrants Into the Social Equity Criteria Lottery held July 17, 2023	55 applicants selected across all 17 BLS Regions in the Social Equity Criteria Lottery		
200 awardees majority owned by Social Equity Applicants	26 awardees majority owned by women	59 awardees majority owned by people of color	0 awardees majority owned by persons with disabilities

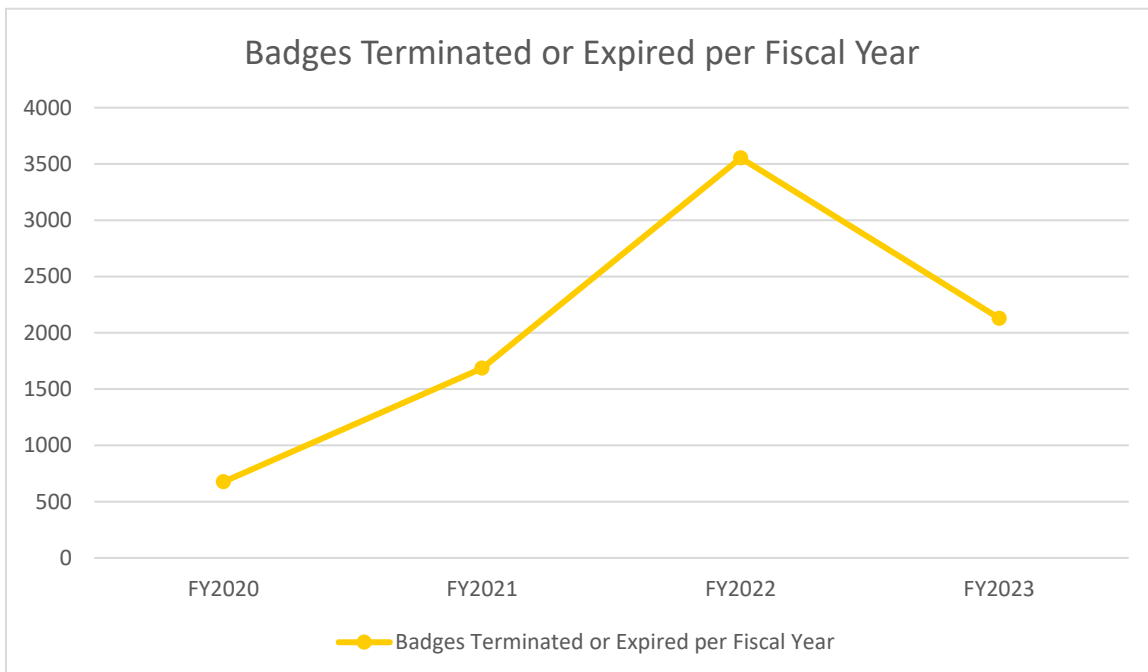
Dispensing Organization Agent, Agent-in-Charge, and Principal Officer Badging

Below, please find summary-level figures on Department action taken on agent, agent-in-charge, and principal officer badges in FY2023.

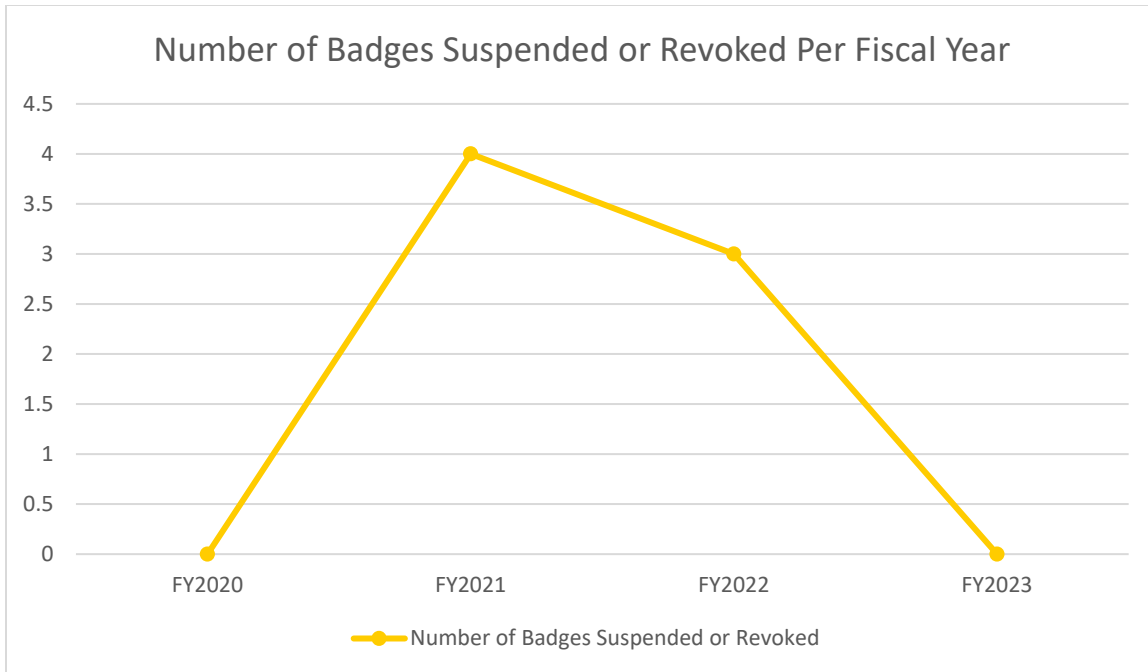
3,718 total applications and renewals processed	2,218 total badges deactivated or expired	0 total applications and renewals denied	0 total badges suspended or revoked
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FY2023 saw a large increase in the number of badges issued under the CRTA rather than for the medical cannabis program, showing increasing parity between the two industries. Additionally, FY2023 saw the first year the number of applications received for Adult Use badges surpassed those received for Medical Cannabis badges, demonstrating a shift in the industry driven by the new social equity dispensaries.



The number of badges terminated or expired for FY2023 also decreased, showing increased stability in the industry and that the increase in applications is not solely tied to individuals moving jobs, but instead new individuals entering the industry.



Badges are typically only suspended or revoked for conduct that threatens public health.

Dispensing Organization Employee Diversity

26% of employees

identified as people of color

48% of employees

identified as women or non-binary

9% of employees

identified as disabled

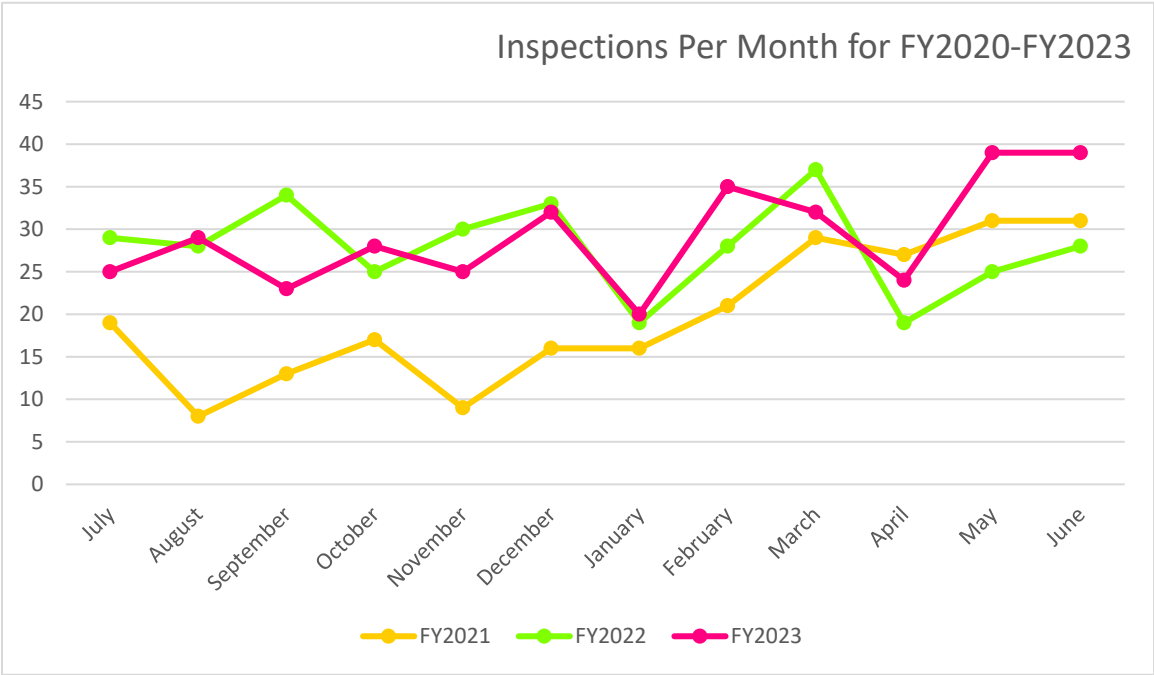
Data above are from the Cannabis Regulation Oversight Officer 2023 Diversity Survey, a voluntary survey of all cannabis employees that collects information about employees and their workplaces. The response rate was approximately 20% of industry-wide employees (2,300 responses) and varied across companies and facilities. Like any survey sample, this data may not be representative of the industry workforce on all dimensions. This analysis is preliminary and further analysis will be ongoing and added to the CROO website, as well as part of the upcoming Disparity Study. Employees could self-identify their racial and gender identities. People are counted as “people of color” or “women or non-binary” if they reported identities as something other than “white” or “male,” respectively. Blank, unknown, or “Prefer Not To Answer” responses are included in the estimates above.

Dispensing Organization Inspections and Disciplinary Action

256 inspections
conducted in FY2021

337 inspections
conducted in FY2022

351 inspections
conducted in FY2023



This chart does not include inspections required for new dispensaries opening.

9 inspectors
in FY2021

10 inspectors
in FY2022

9 inspectors
in FY2023

IDFPR lost one inspector during FY23, however has since hired 3 additional inspectors already in FY2024.

2 appeals
filed in FY2023

This refers to requests for hearings filed with the Department following a citation. No disciplinary cases have gone on administrative review in FY2023.

0
product recalls issued in
FY2021

0
product recalls issued in
FY2022

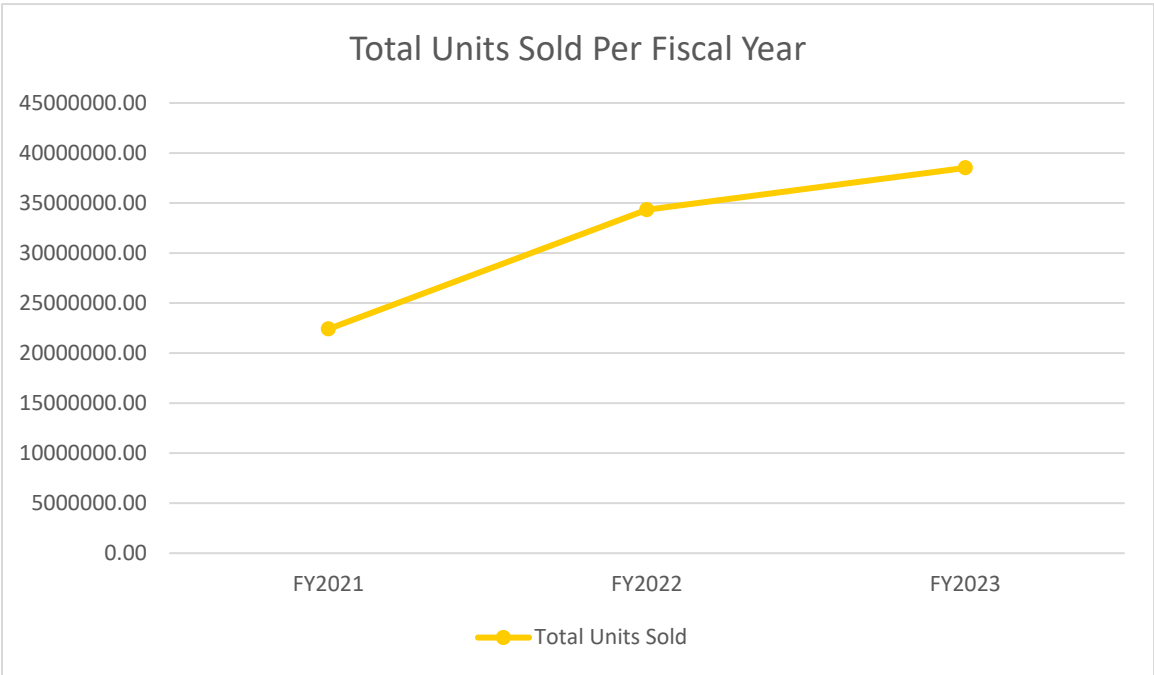
0
product recalls issued in
FY2023

This data only reflects mandatory recalls initiated by IDFPR. Voluntary recalls may have been issued during FY2023 by individual dispensaries.

Total Adult Use Revenue from Dispensing Organizations by County

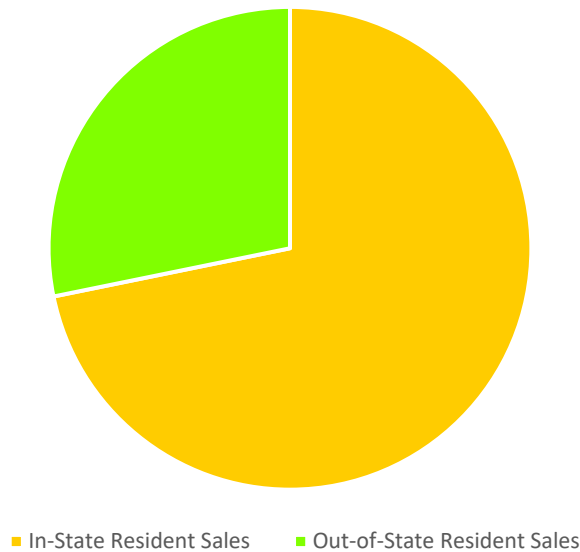
Find the total number of revenues received from dispensing organizations, segregated from revenues received from dispensing organizations under the Compassionate Use of Medical Cannabis Program Act by county, separated by source of revenue, as required by Section 55-80(a)(3) of the CRTA, below.

\$1,196,347,747.49	\$1,504,067,158.95	\$1,586,117,497.82
FY2021 total dispensary sales	FY2022 total dispensary sales	FY2023 total dispensary sales



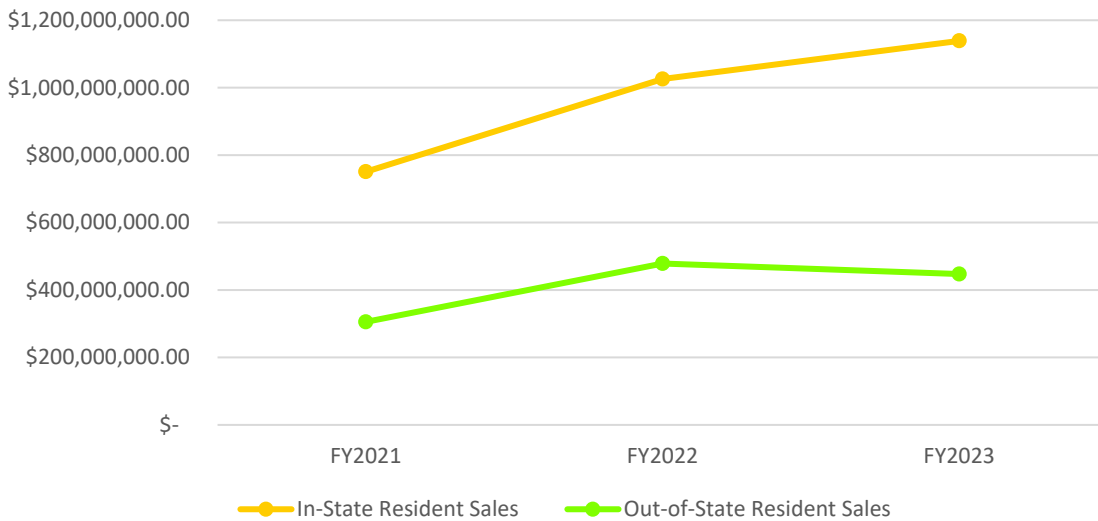
FY2023 saw continued growth in the number of units sold, demonstrating the increased revenue was not due solely to increased prices, but increased market participation.

In-State And Out-of-State Resident Sales for FY2023



FY2023 saw almost 75% of all cannabis sales going to in-state residents. Even with the decrease in out-of-state resident sales of cannabis during FY2023, this is only one piece of the market rather than something the industry must depend upon.

Longitudinal Sales Data for In-State and Out-of-State Residents for FY2021-FY2023



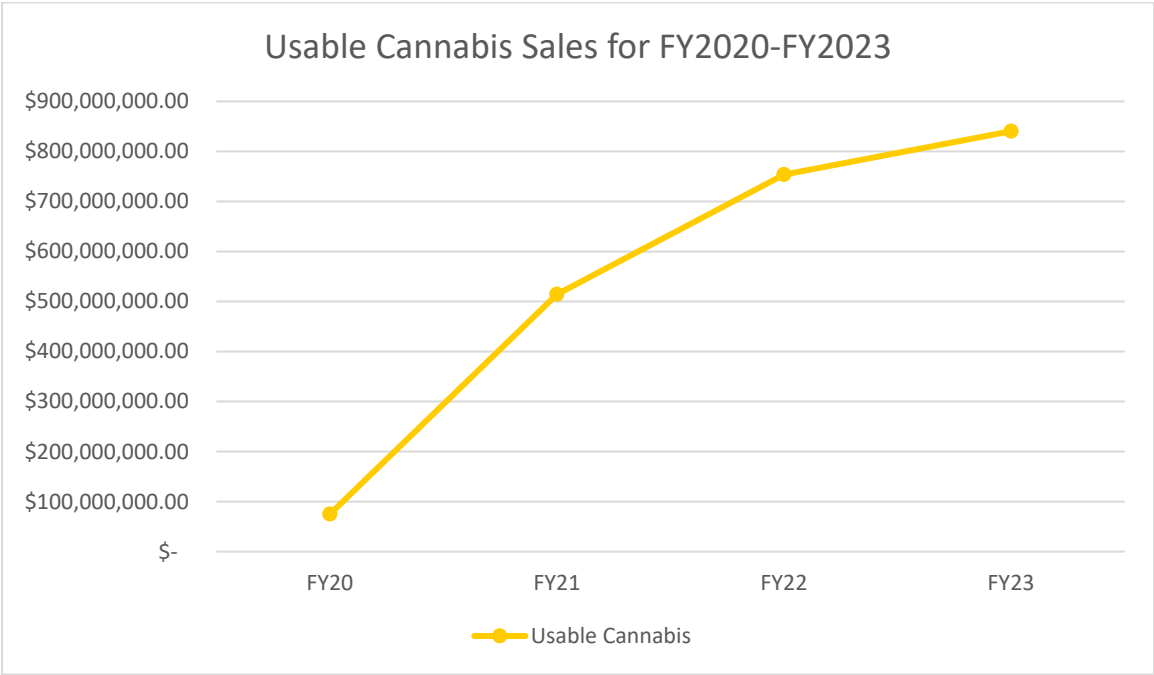
While out-of-state resident sales did fall slightly in FY2023, in-state resident sales continued to grow year-over-year.

Revenue from Social Equity Dispensaries

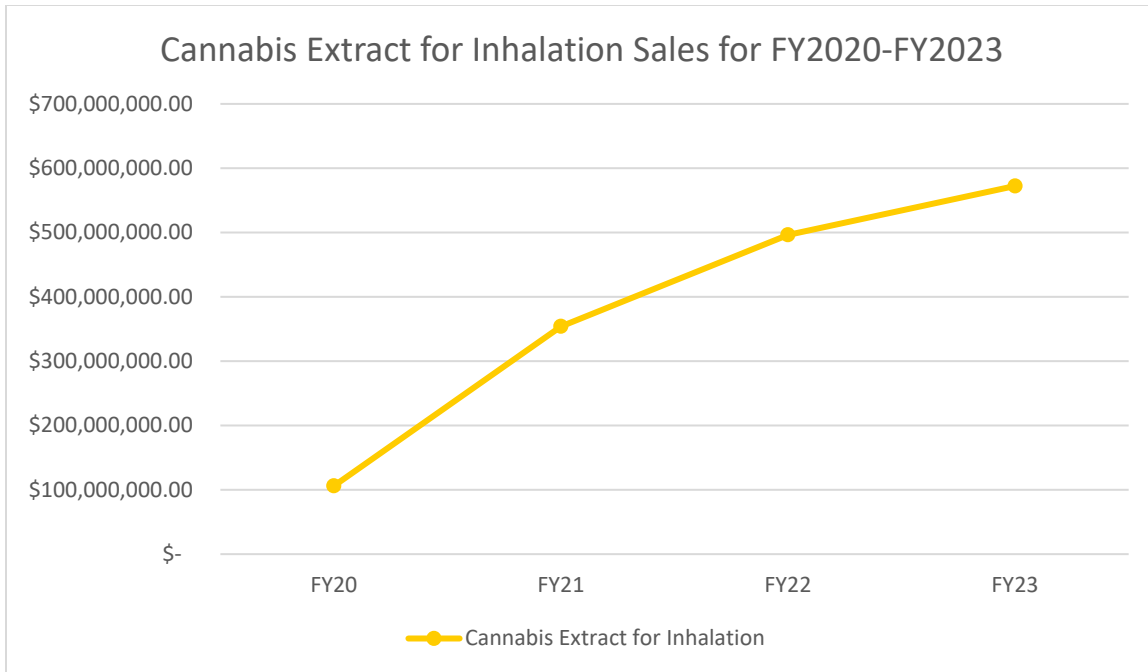
While Social Equity Dispensaries have only been open a fraction of the year, with the first two licenses being issued on November 10, 2022, they still had \$57,647,366.56 in sales during FY2023. IDFPR expects this number to continue growing as the number of social equity dispensaries open increases and these dispensaries establish themselves in the market.

Statewide Sales by Product Type

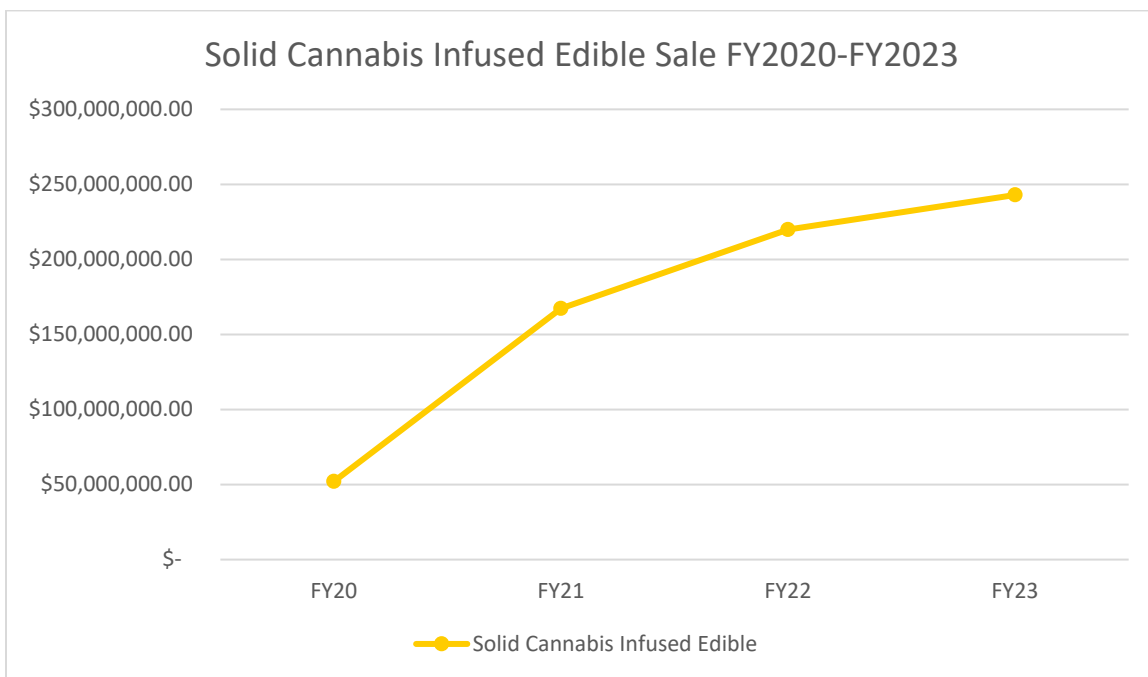
Find annual adult use dispensary sales by product type for FY2020, FY2021, FY2022 and FY2023 below.



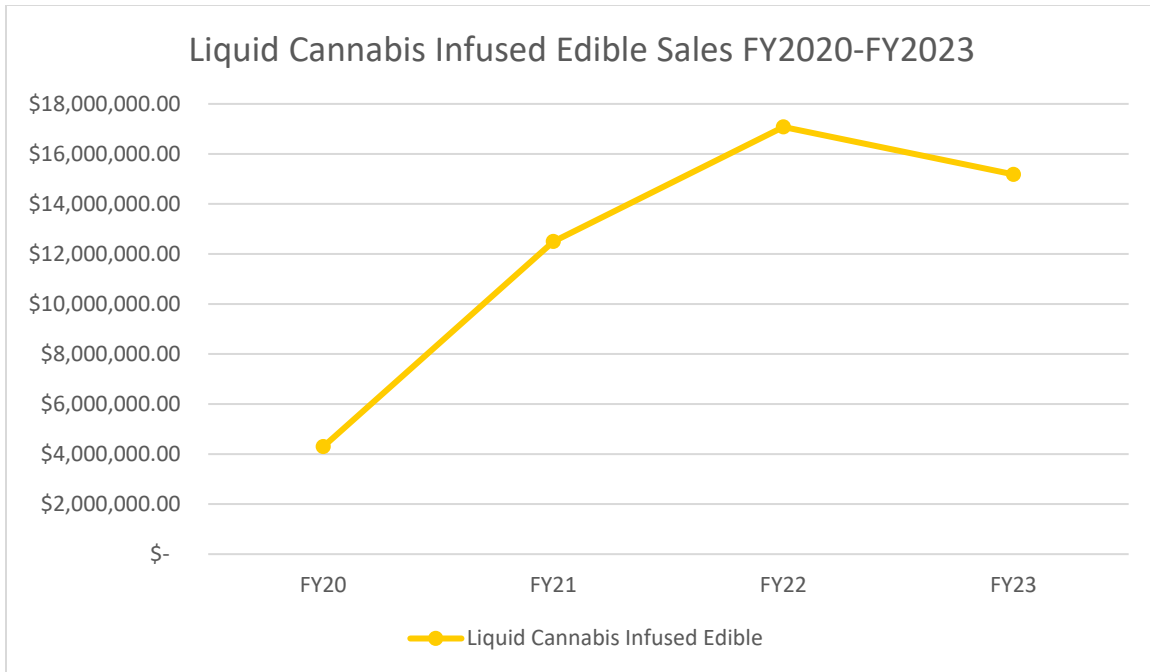
“Usable Cannabis” includes re-packaged buds, dry smokable flower, hash, and Kief. Packaged flower or equivalent of flower, bud, stems, etc. (meaning not a concentrate or extracted/ processed/mixed with other products).



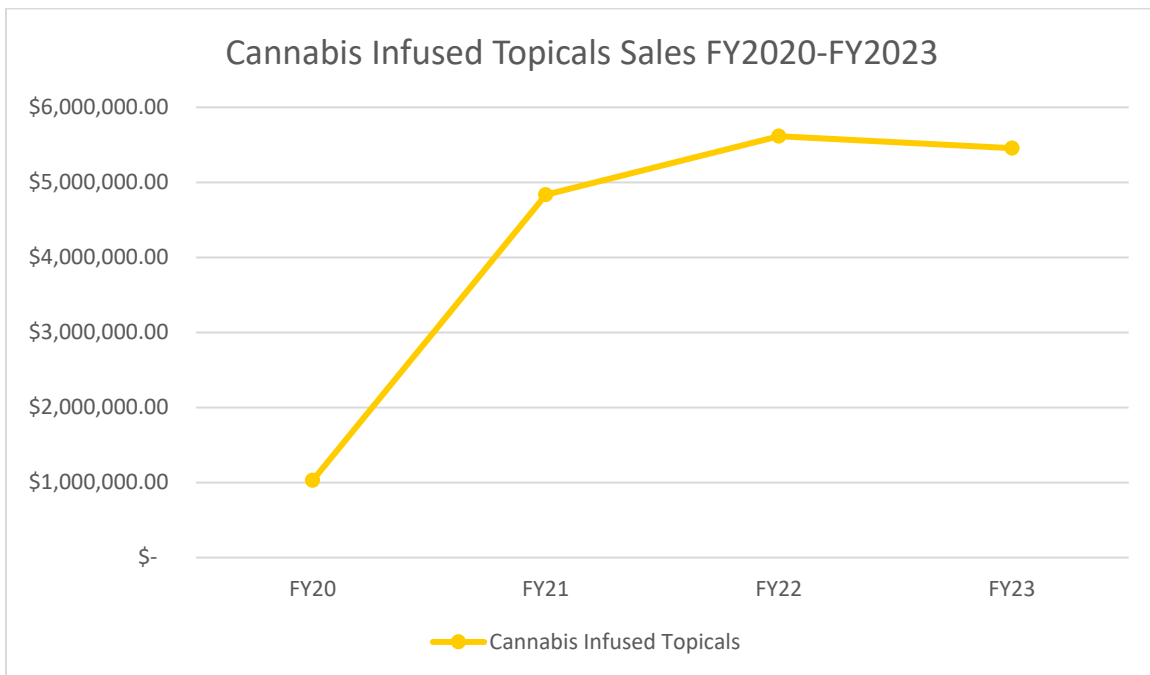
“Cannabis Extract for Inhalation” includes vape pens, cartridges, and smokable concentrate.



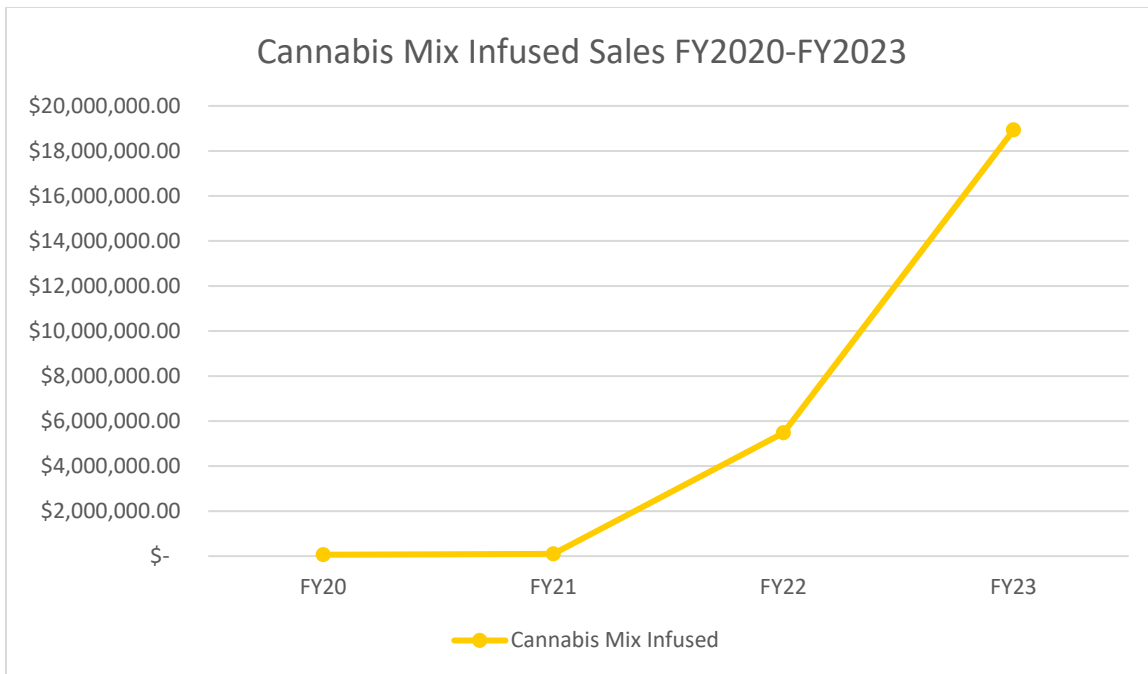
“Solid Cannabis Infused Edible” includes any type of product that is in solid form for oral consumption.



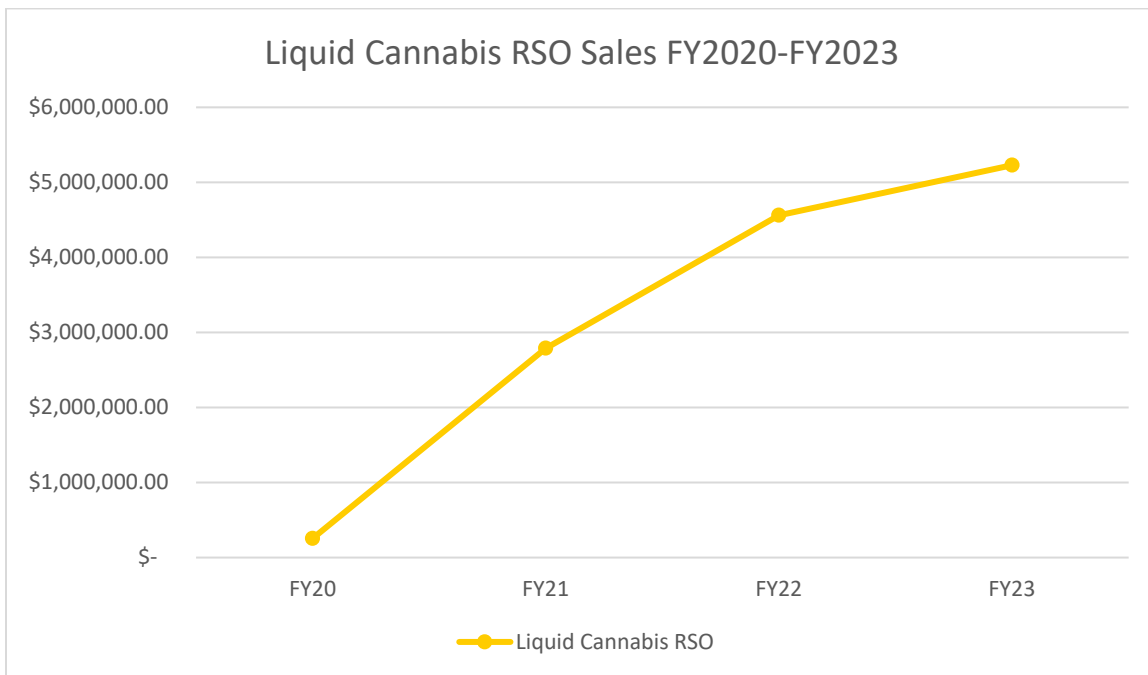
“Liquid Cannabis Infused Edible” includes any type of product that is in liquid form for oral consumption.



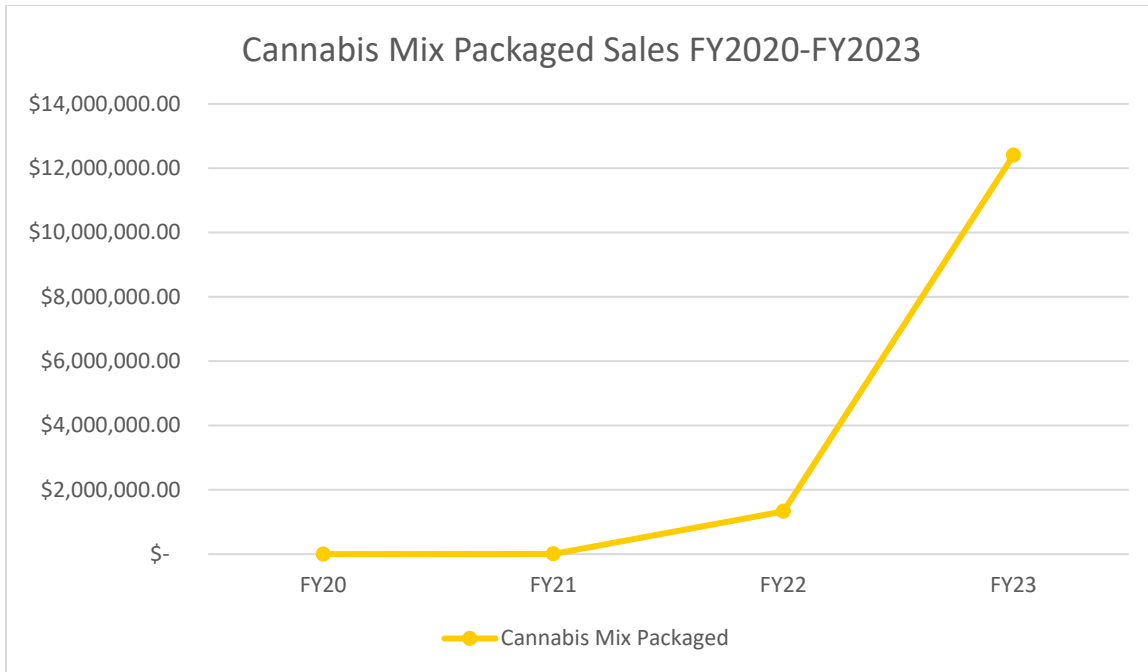
“Cannabis Infused Topicals” includes topicals and creams applied to parts of the body.



“Cannabis Mix Infused” includes a mix of different strains and is a type of concentrate. It does not include dry, smokable flower.



“Liquid Cannabis RSO” includes extracted cannabis oil that has an oral or topical method of consumption. These products typically have a high threshold of THC concentrate.



“Cannabis Mix Packaged” includes a mix of different strains of dry, smokable flower contained in one package.

Total Revenue from Dispensing Organizations Sharing Premises or Ownership with a Craft Grower

During FY23 no craft grower shared a premises with a dispensing organization.

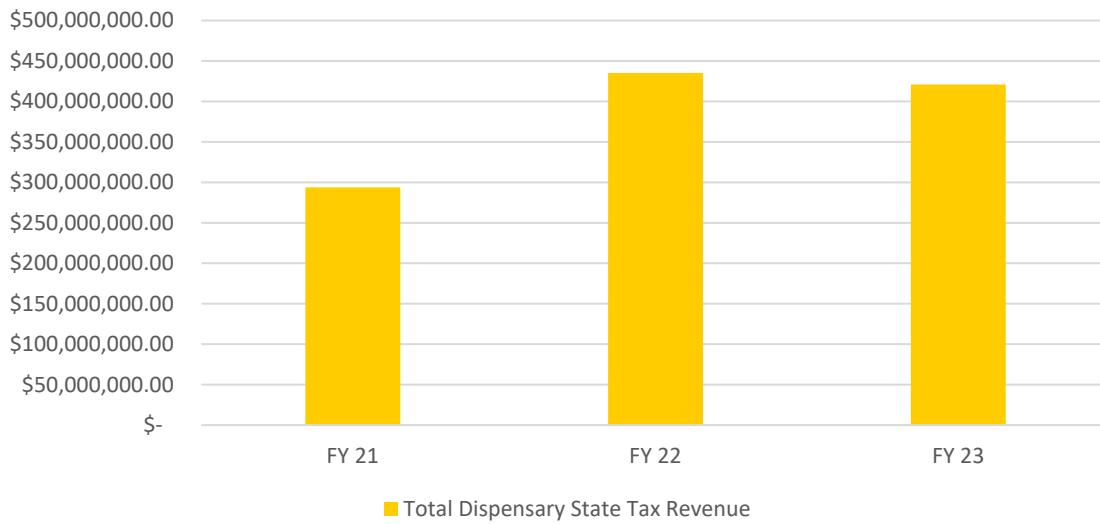
Total Revenue from Dispensing Organizations Sharing Premises or Ownership with an Infuser

During FY23 no infuser shared a premises with a dispensing organization.

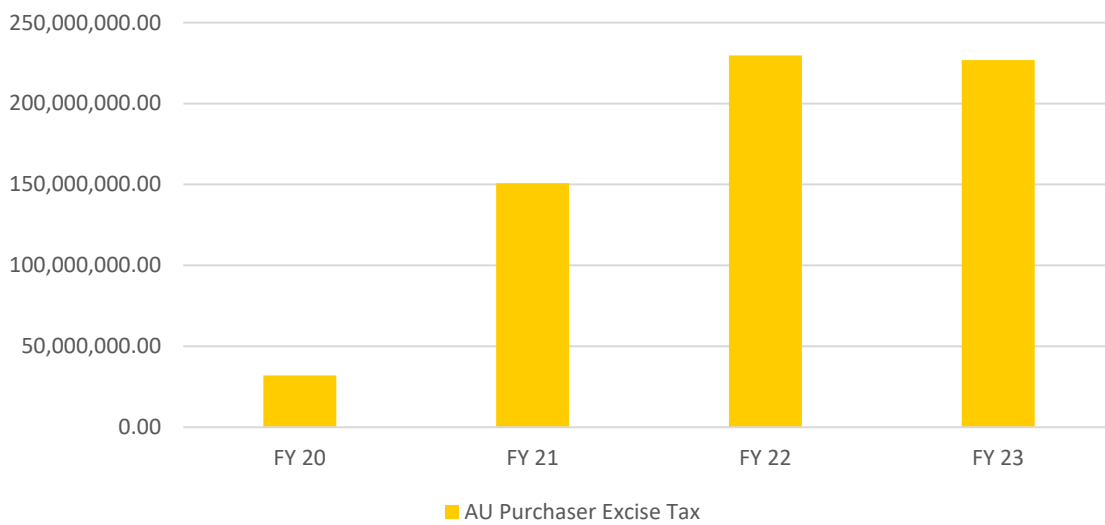
Total Revenue from Taxation, Licensing, and Other Fees

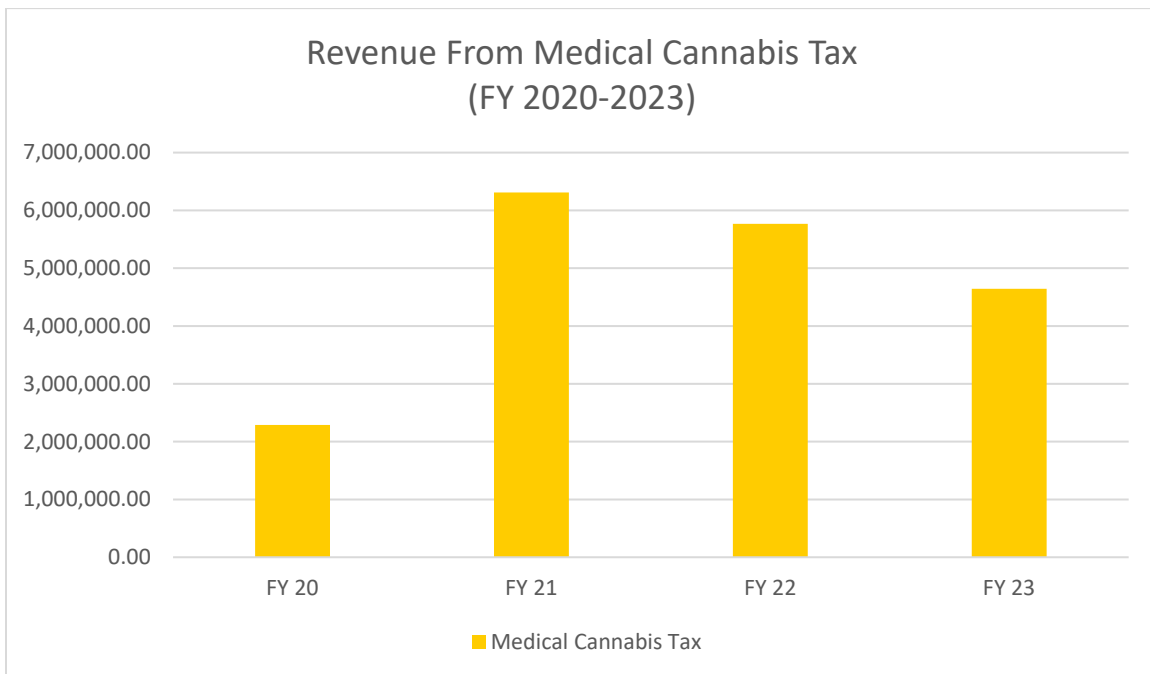
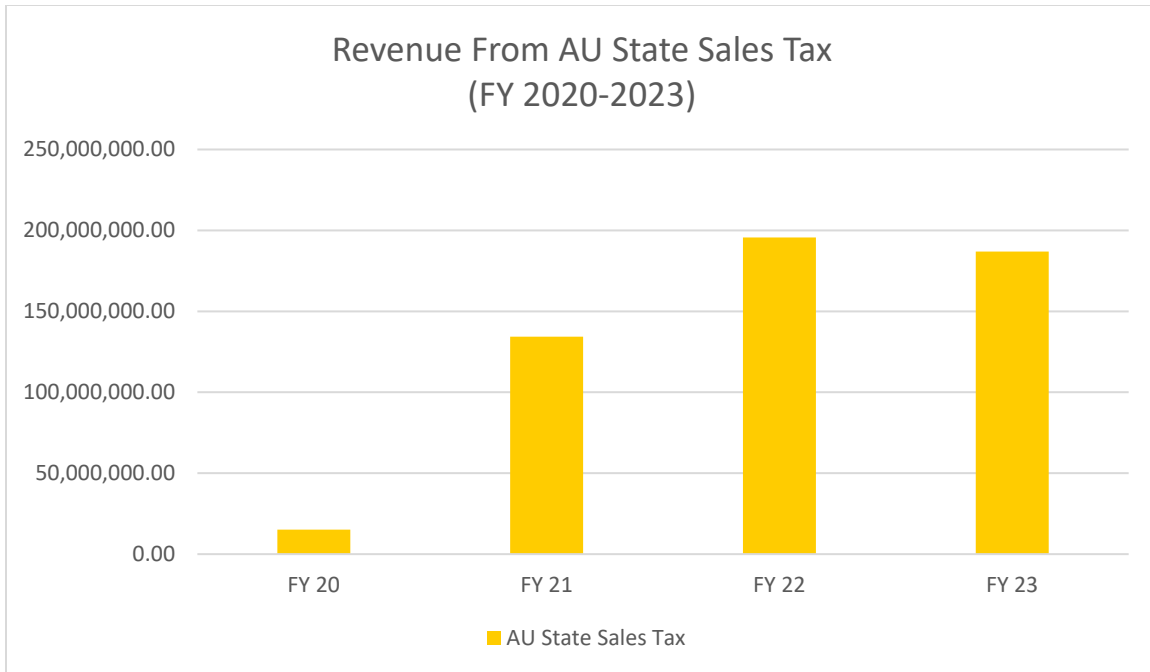
Find an analysis of revenue generated from taxation, licensing, and other fees for the State, as required by Section 55-80(a)(6) of the CRTA, below.

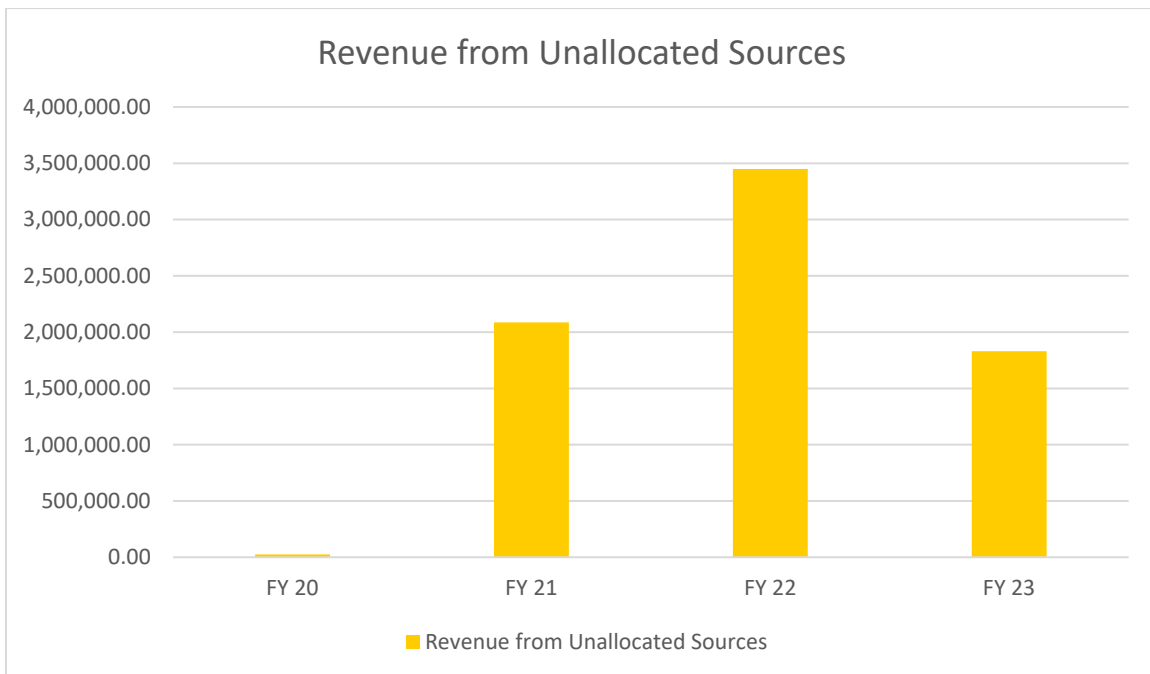
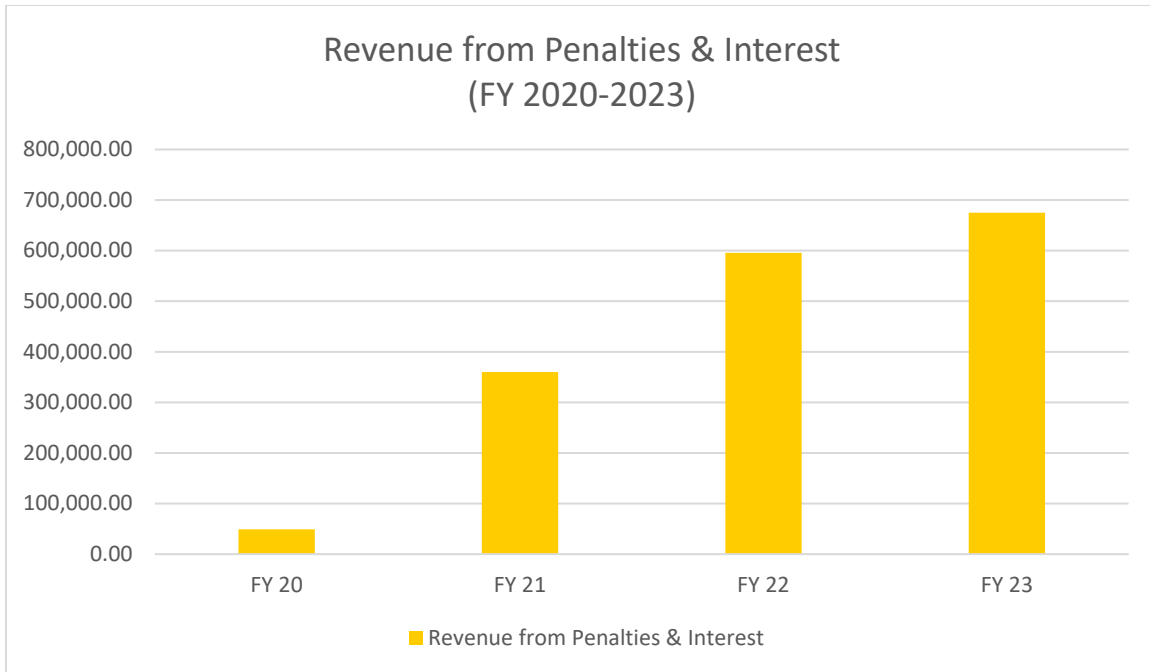
Total Dispensary State Tax Revenue (FY 2021-2023)



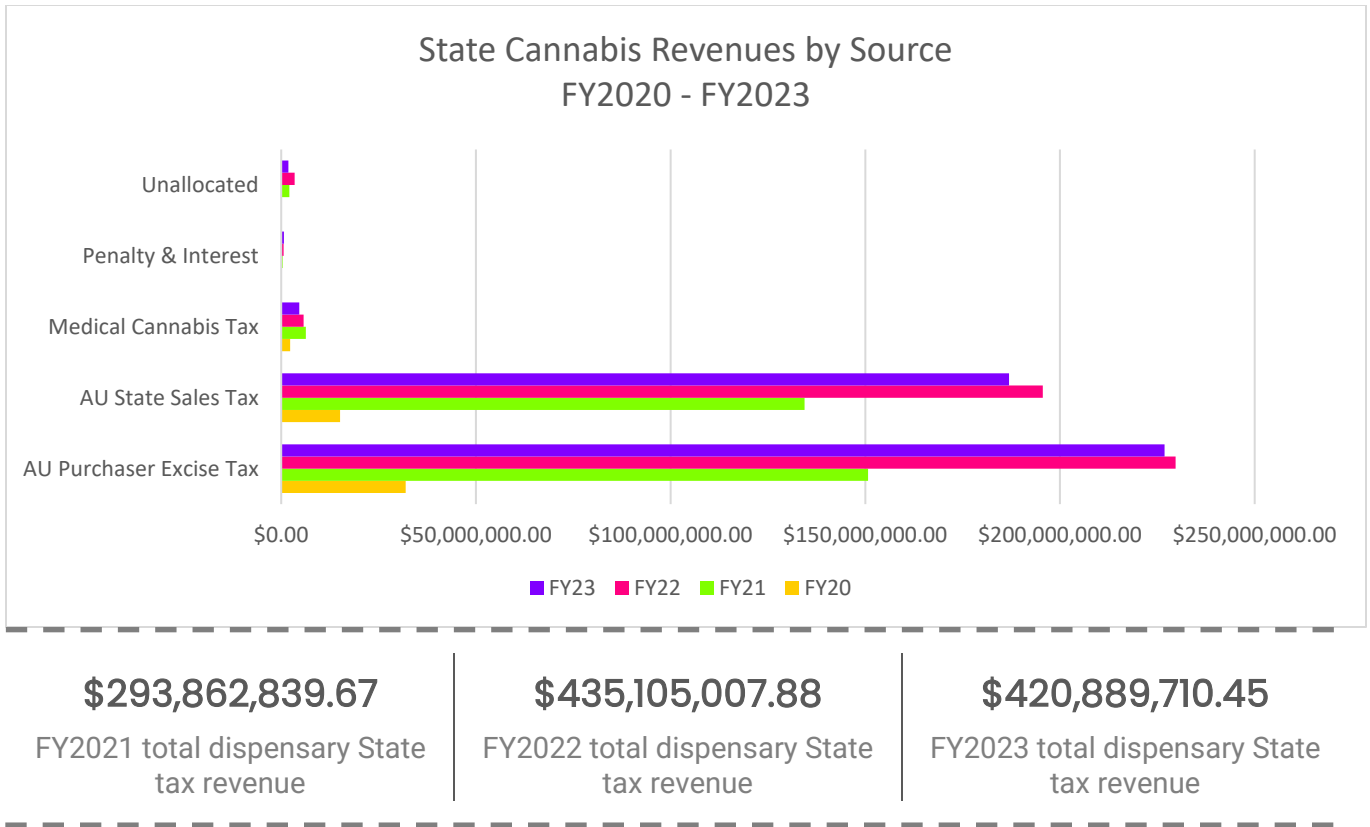
Revenue From AU Purchaser Excise Tax (FY 2020-2023)







Unallocated sources include overpayments or credits not allocated to another type of tax liability



IDFPR Tax Rate Recommendations

Under Section 55-80(a)(6) the Department is required to include any recommendations for changing the tax rate applied to sales of adult use cannabis in its annual report. At this point in time, the Department believes the program is still too young to make meaningful tax rate recommendations..