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Frerichs Seeks Clarity and Commonsense to Protect Medical Marijuana Patients

Trump Administration: “Greater Enforcement” Against Marijuana Expected

SPRINGFIELD – President Donald Trump’s administration needs to plainly say if it intends to crack down on the medical marijuana industry in Illinois, State Treasurer Michael Frerichs said today.

The administration’s comment of “greater enforcement” of laws that could close banks that have a relationship with the legal medical marijuana trade needlessly injects uncertainty into the industry. The ambiguous “greater enforcement” also could be used to shutter legal cultivators, wholesalers and retailers in Illinois. Finally, it is unclear what enforcement action could be taken against doctors who prescribe medical marijuana for patients, especially Veterans and children who struggle with seizures.

“Medical marijuana is not for everyone. If the Trump administration seeks greater enforcement, then it should clearly define what this means so hard-working people in Illinois can make informed decisions,” Frerichs said. “Vague statements undermining medical marijuana violate commonsense and only serve to hurt the people who have pursued this treatment as a last resort.”

White House spokesman Sean Spicer said Feb. 23 that he expects states to be subject to “greater enforcement” of federal laws against marijuana use. He was unclear what that would mean for states that legalized medical marijuana. There has been no clarity since.

Current federal law prohibits banks from processing money used in the legal marijuana industry, even state-licensed medical marijuana in Illinois. Previously, the legal marijuana industry operated with limited confidence that it would not face criminal prosecution after President Barack Obama’s Justice Department stated it would not prioritize the enforcement of federal marijuana laws knowing that many states have legalized some marijuana use.

Today, Frerichs sent President Trump a letter requesting clarification of his administration’s stance toward the medical marijuana industry. Illinois first began selling medical marijuana in November, 2015.

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The letter is the second Frerichs sent seeking the new administration’s position. Illinois is one of 23 states that permit the use of medical marijuana for the treatment of pre-approved medical conditions.

The first letter was sent in January after U.S. Attorney General nominee Jeff Sessions called marijuana “dangerous.” Previously, as a U.S. Senator from Alabama, Sessions criticized President Obama for not being tough enough on marijuana. Now confirmed as Attorney General, Sessions has the authority to change President Obama’s directive and instead prioritize marijuana-related inquiries.

No response to the initial letter was received. Spicer’s statement to media prompted Frerichs to submit the second request. As treasurer of Illinois, Frerichs collects and invests tax money associated with the medical marijuana industry in Illinois.

Medical marijuana taxes and fees are remitted to Frerichs’ office for investment. Consumer sales are taxed at the 1 percent pharmaceutical rate. Additionally, there is a 7 percent privilege tax imposed on cultivation centers and dispensaries. Ordinary payroll and income taxes also are paid.

According to the Illinois Department of Public Health, it approved approximately 16,990 applications to use medical marijuana since the Medical Cannabis Registry opened on Sept. 2, 2014. There are 51 licensed dispensaries in Illinois. Total retail sales since the first sale is $47.4 million. Total wholesale sales since the first sale is $28.9 million. Illinois has collected more than $17.5 million in licenses, taxes and fees.

Few Illinois residents realize that Illinois’ Medical Cannabis Pilot Program is in a testing stage and authorization sunsets in 2020. The Trump administration’s approach to banking services plays a critical role in the future availability of medical marijuana in Illinois and will be a strong consideration when lawmakers decide to expand or kill the pilot program.

About the Illinois Treasurer

The Illinois Treasurer is the state’s chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state’s Chief Investment Officer, he actively manages approximately $25 billion. The portfolio includes $13 billion in state funds, $7 billion in college savings plans and $5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns $28 to the state for every $1 spent in operations. The Treasurer’s Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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March 6, 2017

The President of the United States
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500

RE: Banking Services for Medical Cannabis Programs (Second Attempt)

President Donald J. Trump,

I am following up on my letter dated January 23, 2017, requesting your assistance clarifying how the federal government intends to treat the deposit and remittance of funds related to medical cannabis.

The State of Illinois is one of 23 states that permit the use of medical cannabis for the treatment of pre-approved medical conditions. While the medical cannabis industry continues to expand, state governments and medical cannabis firms face significant banking challenges relating to the deposit and remittance of these monies. This includes monies received for licensing, fees, and tax payments.

As State Treasurer, I am responsible for receiving the revenues and all other public monies of the state. Accordingly, we contract with financial institutions to provide services such as the acceptance of cash, checks, and electronic deposits on behalf of the state's multiple agencies. The most significant challenge we face is the disparate interpretation of the legality of these monies deposited by government agencies and businesses with state and nationally chartered financial institutions.

Furthermore, there is a growing lack of clarity surrounding this issue; with White House press secretary Sean Spicer stating on February 23rd that states should expect to see "greater enforcement" of federal regulations.

At this time, I request your administration provide substantive clarification and guidance on the receipt and remittance of such funds, whether cash, checks, or electronic payments deposited by state governments and medical cannabis firms in a financial institution. Not only will this guidance foster economic development in a fledgling industry, it also will ensure continued medical treatment for constituents in pain and suffering.

Please let me know if there is additional information my office can provide to advance this effort. Contact me at (312) 814-3575 with any questions.

Sincerely,

Michael Frerichs
Illinois State Treasurer

cc: Illinois Department of Revenue