

# Des Moines Register

## NEWS

# With marijuana still largely illegal in Iowa, residents flock to Illinois, where legal sales are breaking records

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*First in an occasional series about the nation's growing legal marijuana industry — and Iowa's choices.*

EAST DUBUQUE, Illinois — David Bowie, Neil Young and Led Zeppelin waft from outdoor speakers as the business day begins on a bright June morning at The Dispensary, one of Illinois' newest legal pot shops near the Iowa and Wisconsin borders.

A sign on the door of the small business, flanked by an antiques store and a video gaming parlor, reads: “1 purchase a day!!! You will be turned away your second trip in!”

Tim Ostwinkle of Des Moines is among the first to hand over his driver's license before entering a room full of colorful video display menus. A handful of masked workers stand ready to help the 58-year-old and other early comers choose among types of marijuana flower, vapes, tinctures, edibles, candies and other novelty products infused with THC and cannabidiol, known as CBD.

A retired factory worker on his way home from a family visit in Wisconsin, Ostwinkle buys two 10-packs of sativa gummies and two tonic drinks infused with THC. Combined, they contain as many milligrams of the active ingredient in marijuana as he is legally allowed as an out-of-state buyer.

The total price comes to \$110 — including a hefty \$16.45 excise tax and another \$11.29 for the city, county and state.

Illinois' taxes are among the highest imposed by states where medical or recreational cannabis products are legal, according to the nonprofit Tax Foundation. As a

result, most pot bought and sold in the state is still on the black market, law enforcement officials have said.

But Ostwinkle, a regular visitor since recreational cannabis became legal in Illinois in January 2020, says Iowans are willing to pay the price.

“I think the state of Iowa is pretty hypocritical when it comes to (recreational) marijuana not being legal,” he said. “We all know how many people use it, and that alcohol is much more harmful. But in Iowa, decisions are being made based on politics, not what the people want.”

## **Pot tourism thrives on Iowa's eastern border**

What’s happening in East Dubuque and other Illinois cities with dispensaries portends a growing challenge for other Midwest states such as Iowa, Nebraska, Wisconsin and Kansas.

Republican leaders this year have fought off a mix of measures that would further expand cannabis sales in those states. But as the industry expands, states such as Illinois are seeing more pot tourists.

And as commerce and travel open up across the country, Americans are buying even more legal cannabis than they did last year during the COVID-19 pandemic, which was a record-breaker for the industry.

Nationally, sales are expected to reach \$92 billion, up more than 30% from 2020, according to a new analysis by MJBiz Daily, a news source for the cannabis industry in the U.S. and Canada.

In Iowa, the projected \$21 million in annual economic benefit from the state’s tiny low-THC medical marijuana program — with about 5,100 cardholders — is expected to be the smallest anywhere in the country, according to MJBiz Daily.

In Illinois, home to a budding industry that is breaking records monthly, industry experts predict purveyors will sell anywhere from \$1.2 billion to \$1.9 billion in cannabis products by year’s end.

**More:** Iowa's funding for Merle Hay Mall hockey arena, Des Moines soccer stadium came up short. What will the projects' backers do now?

The state budgeted \$155 million in new revenue from its adult-use cannabis excise and cultivators' taxes alone. From January through May, revenue from those taxes reached \$278.4 million from recreational sales, as well as \$21.3 million from medical.

In East Dubuque, a town of about 1,700 cradled high above the Mississippi River, The Dispensary opened in May on the tri-state border, close to three private universities.

Another location in nearby Fulton offered free swag, 1-cent pre-rolled joints and free glass pipes this month to those who attended a ribbon cutting.

The company also has rented billboards along Illinois' border with Iowa, and managers are trying to lure new customers with pop-up booths at area events,

Jeff Soenksen, director of retail operations, said Illinois doesn't allow dispensaries to track buyers by state of residence, so he doesn't have an exact breakdown of his clientele.

But employees check licenses to determine whether customers are from Illinois, in part so they know how much they can legally buy.

"We know most of our out-state buyers are from Iowa, Wisconsin and Minnesota," he said.

Information collected by the Illinois Department of Revenue shows almost a third of Illinois' record-breaking sales so far this year have come from out-of-staters, a higher proportion than last year,

In May, the state's 110 dispensaries tallied sales of more than \$116 million, a record, and out-of-state customers accounted for nearly \$37 million.

Among the most common buyers from Iowa at The Dispensary, Soenksen said, are adults over 50 who are looking for cannabis and CBD products to provide relief from a mix of medical ailments.

"Some want to buy it here and try it before they go through the hassle of trying to get it in Iowa," he said.

## **Emboldened tourists, frustrated cops**

In the first quarter of 2021, the state of Illinois took in more in taxes from adult-use marijuana purchases than it did from sales of alcohol — around \$86.5 million compared to

\$72.3 million, according to the Illinois Department of Revenue.

About 35% of that new revenue will go into the state's general revenue fund, while about 25% will fund grants for the Restore, Reinvest and Renew Program, helping those most disproportionately affected by the drug war.

Twenty percent of proceeds will go to substance abuse prevention and mental health needs, while 10% will go to a budget stabilization fund and 8% to local governments for crime prevention programs, training and interdiction of illegal cannabis.

Another 2% will fund public education campaigns, data collection and analysis of the public health impacts of legalizing recreational use.

This year, populous states such as Arizona, New Jersey, New York and Virginia have swelled to 18 the ranks of those that have given a thumbs-up to recreational sales. That means the vast majority of Americans will have access to legally purchased medical or recreational cannabis in the next few years, industry experts say.

As legal weed becomes more widely available, prices are expected to drop, and more people who currently buy on the black market will become legal buyers. That, in turn, is expected to lead to even more people traveling from states where recreational marijuana is still illegal to states where it isn't.

Michael Mayes, chief executive officer of the Chicago-based cannabis industry consulting firm Quantum 9, said residents of states that continue to ban a substance so widely available will only help the market grow somewhere else.

He likened the situation to times when cities and towns banned liquor sales on Sundays, only to discover customers went elsewhere.

But in the case of cannabis, which is still a schedule 1 controlled substance in the eyes of the federal government, some of those buyers risk getting arrested on their way home.

Top law enforcement officials in eastern Iowa say that expanded legalization in the U.S. has already emboldened pot tourists.

Dubuque Police Chief Mark Dalsing said his officers don't have the time or energy to go out of their way to tail the Iowans who drive over the Julien Dubuque Bridge with dispensary purchases.

But people do get pulled over if problems such as impaired driving are evident.

“People think it’s a get-out-of-jail-free card,” Dalsing said. “They say, 'It’s legal in my home state' or 'it’s legal where I got it.' But it didn’t stay legal once you got across that bridge.”

## **Prospect of consumption lounges causes concern**

In Illinois, signs posted in some dispensaries warn buyers from other states to consult their attorneys before making purchases and note that possession and use of marijuana remains illegal under federal law.

Under state law, Illinoisans can legally possess 30 grams, or about an ounce, of cannabis flower. The legal limit for cannabis concentrate is 5 grams. And the limit for cannabis-infused products, such as edibles or tinctures, is 500 milligrams of THC.

Visitors to the state are allowed to possess half those amounts. Yet most dispensaries have no place for customers to consume or use what they’ve purchased, so it’s a foregone conclusion that most customers will drive home with purchases. Many break the law when they cross into other states.

Dalsing said police generally don’t have a problem with people using pot in their own homes, but they do care about those “driving down the street with blunt smoke blowing out the window.”

He worries about road safety and the gateway drug potential for some young users.

“I’d really love to see our state Legislature get together with our federal legislators and come to some common understanding,” Dalsing said.

“But people just dig in their heels politically. It really puts law enforcement in a bad situation.”

In Dubuque, fewer people were arrested in 2020 for pot possession than in 2019 — 190 versus 228, police said.

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In Moline, Illinois, in the border-straddling Quad Cities, Police Chief Darren Gault said it’s too soon to tell how Illinois’ nascent industry will affect arrests for possession and

impairment because fewer people were traveling last year during the COVID-19 pandemic, and arrests overall were down.

“I consider it a throwaway year,” he said.

Gault said he’s not currently concerned about the level of pot tourism taking place, but that could change as Illinois begins to introduce cannabis bars and lounges.

“I don’t know if this country is ready for cannabis bars and clubs, which are regulated by the municipality,” he said. “But we’re not necessarily making the laws; we’re enforcing them.”

Gault said he's also concerned about higher levels of THC content in cannabis products that are being widely commercialized, and what effect that will have on young people.

“It’s a multibillion-dollar industry: And I think it’s worthy of more research to help guide us,” he said. “We need to do a cost-benefit analysis. If the war on drugs wasn’t good for society, is this? We’re way past (accepting) medical marijuana, and we’re headed toward something much different.”

Gault said law enforcement officials in Illinois also haven’t been given much training to deal with the state’s changed reality, though it appears sales of both black market and legal cannabis have grown.

“Because it’s more accepted and it’s become more widespread, there are more opportunities for people — even the criminal element — to be involved,” he said. “It’s made it almost a free-for-all. And that’s become a challenge. “

## **Using pot revenues to build a police headquarters**

Illinois sets its level of taxes on cannabis products based on THC content: Those with 35% or less are taxed at 10% of the retail price, and those with more are taxed at 25%. All marijuana-infused products, such as edibles, are taxed at 20%.

Dispensaries pay a 7% tax on their gross receipts. Marijuana purchases also are subject to a 6.25% state sales tax and local sales taxes.

For those in government, the financial benefits, even if they may dwindle over time, are hard to resist.

In East Dubuque, city officials are expected this month to give approval to a plan by The Dispensary to open a consumption lounge in the same strip mall.

“That way, if someone from Iowa wants to be totally legal, they can use the product at the consumption lounge and hopefully have a designated driver and head home,” City Manager Loras Herrig said.

Herrig said the owner of The Dispensary is working closely with local police to ensure people who ingest too much cannabis will be looked after.

“It’s just like alcohol. We want people to do it responsibly,” he said. “They’ve had discussions to help customers make arrangement to get home safely.”

East Dubuque city officials are counting on enough revenue from the 3% local sales tax to build a new fire station and police headquarters in the next year.

They are estimating they will get \$300,000 in local sales tax in The Dispensary’s first year, enough to finance the project and begin construction in the fall.

“It’s ironic that a marijuana tax would pay for a police department,” Herrig said.

He said some people in town still don’t condone pot use. But he said he and others have come to the conclusion that people are going to use marijuana regardless, so customers might as well know what they’re buying, and at least the community will benefit.

“Would you rather buy pharmacy drugs in an alley or from a pharmacy?” he asked.

**More:** Millions of people with felonies, including in Iowa, can now vote after widespread reform. Most don’t know it.

Over the next few years, city officials anticipate local sales tax from cannabis sales will reach \$500,000 to \$600,000, he said.

Those taxes, along with those on alcohol and video gambling, promise to be the small city’s biggest sources of revenue, he said.

Herrig, who lives in Iowa but works in Illinois, said he’s been told by industry experts that recreational marijuana will become legal nationally in the next four to five years.

“They liken it to gambling,” he said. “It will become so common that it will just happen. Just a political reality.”

Even if it does, Ostwinkle says he'll continue to stop at Illinois dispensaries every few months.

He said he and his wife like to enjoy edibles at home in Des Moines around a fire, sometimes with a cocktail.

“It’s a happier feeling, and it’s less heavy than alcohol,” he said. “I also think it’s less destructive physically than alcohol. There’s no hangover.”

He's a father, and he thinks marijuana sales should be restricted to adults — but at this point, he said, each adult should be able to choose without being labeled a criminal.

Quoting Thomas Jefferson on religion, he said, ‘If it neither picks my pocket nor breaks my leg, what do I care what my neighbor is doing?’“

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