



**U.S. Department of Justice
National Drug Intelligence Center**



Chicago High Intensity Drug Trafficking Area



Drug Market Analysis 2010

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**U.S. Department of Justice
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This assessment is an outgrowth of a partnership between the NDIC and HIDTA Program for preparation of annual assessments depicting drug trafficking trends and developments in HIDTA Program areas. The report has been coordinated with the HIDTA, is limited in scope to HIDTA jurisdictional boundaries, and draws upon a wide variety of sources within those boundaries.

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Strategic Drug Threat Developments

The Chicago High Intensity Drug Trafficking Area (HIDTA) is one of the nation's largest drug markets. It is a national-level distribution center for multiton quantities of cocaine and marijuana and for lesser quantities of heroin and methamphetamine supplied to the Midwest and the eastern United States. Mexican drug trafficking organizations (DTOs) represent the single greatest drug trafficking threat and dominate the wholesale distribution of cocaine, heroin, and marijuana in the region. Some of the cocaine, heroin, and marijuana and most of the ice methamphetamine transported to the Chicago area are destined for other drug markets, primarily in the Midwest. Street gangs are the principal retail-level distributors in the region. They pose a major public safety concern to law enforcement because they engage in violent criminal activities to protect their drug supplies, distribution territories, and illicit drug proceeds. According to the Chicago Police Department, nearly 60 percent of the murders in that city in 2009 were gang-involved.^a

The distribution and abuse of cocaine, followed by heroin and marijuana, are the primary drug threats in the Chicago HIDTA region. MDMA (3,4-methylenedioxymethamphetamine, also known as ecstasy) and controlled prescription drugs are abused but pose much lesser threats. Hundreds of millions of dollars in drug proceeds are generated each year, and bulk cash smuggling is the primary method used by traffickers to move these proceeds from Chicago to locations along the Southwest Border and into Mexico.

The following are significant strategic drug threat developments in the Chicago HIDTA region:

- Street gang drug distribution and related violence are expanding from urban areas to surrounding suburban communities as a result of the breakdown of traditional hierarchical gang structures, the razing of some large inner-city public housing projects, and the expectation of high profits.
- Wholesale cocaine availability in Chicago stabilized somewhat in 2009. The chronic cocaine shortages experienced in the HIDTA region during 2007 and 2008 have abated to some extent, but availability is still lower than in 2006. Traffickers are cutting cocaine to stretch supplies and increase profits, as indicated by higher prices and lower purity levels. Cocaine availability is expected to continue to fluctuate in the coming year but should remain at levels sufficient to support market demand.
- Heroin availability and abuse are high in the Chicago HIDTA region. In 2009, heroin seizures increased in the region, and law enforcement reported that some street gangs in Chicago were distributing several thousand \$10 bags of heroin each day. It is expected that the high availability of heroin coupled with the growing number of heroin abusers from suburban areas who travel to the region to purchase the drug will result in a rising number of abusers and heroin-related overdoses in Chicago and surrounding communities.
- The availability and abuse of high-potency marijuana are high and expected to increase in the near term. Law enforcement officials report increased importation of high-potency marijuana from Canada and the West Coast to the HIDTA region, as well as increased local production.
- MDMA availability is rising in the Chicago HIDTA region, particularly in African American and Hispanic communities, where street gangs have increased their distribution of the drug. Law enforcement officials report increased seizures of BZP (N-benzylpiperazine, a controlled prescription stimulant), which is often sold as MDMA or promoted as an alternative to MDMA.

a. The Chicago Police Department defines a gang-involved murder as either a murder involving a victim or offender with known gang association or a murder that was gang-related.

Figure 1. Chicago High Intensity Drug Trafficking Area



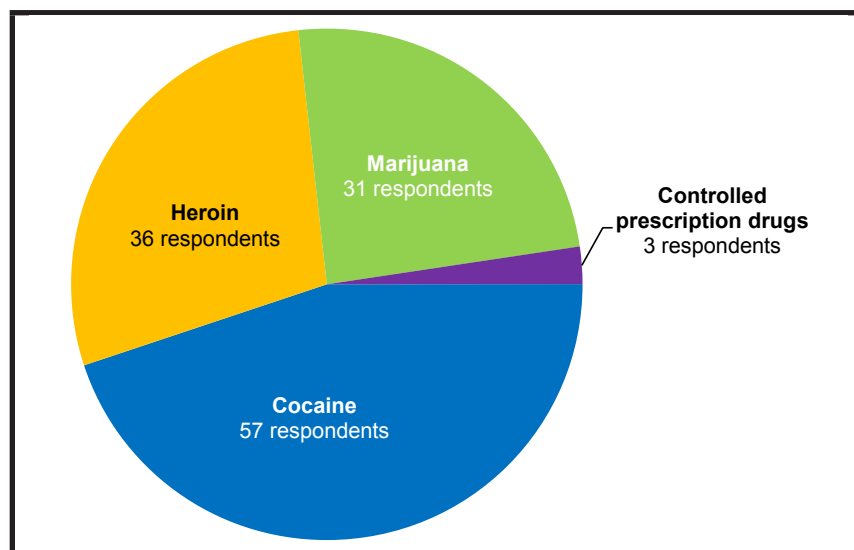
HIDTA Overview

The Chicago HIDTA region, composed of Cook, Grundy, Kendall, and Will Counties, comprises more than 6.1 million residents—nearly half the population of Illinois.^b The Chicago metropolitan area is one of the nation's largest drug markets and a national-level distribution center for cocaine, heroin, and marijuana available in the Midwest and the eastern United States. Cook County, which includes the city of Chicago, is second only to Los Angeles County, California, as the most populated county in the United States. According to U.S. Census estimates, Kendall County and Will County are two of the fastest-growing counties in the United States; their populations grew 92.1 percent and 36.4 percent, respectively, from 2000 through 2009.

The Chicago metropolitan area^c is densely populated and ethnically diverse, enabling DTO members, criminal groups, and street gangs to assimilate within communities and conceal their drug trafficking activities. The Mexican community in Chicago, the second-largest of any metropolitan area in the United States, is experiencing substantial growth as a result of ongoing immigration and higher-than-average birth rates. Chicago also has the fifth-largest immigrant population among U.S. metropolitan areas, with approximately 1.4 million immigrants. The largest immigrant populations in the metropolitan area are from Mexico, Poland, and India, while the fastest-growing populations are from Ghana, Nigeria, Russia, Pakistan, and Vietnam. Although ethnic communities are typically concentrated in Cook County, suburban counties are also experiencing substantial growth in immigrant populations.

The region has a highly developed transportation infrastructure that facilitates the continuous movement of licit and illicit goods to and from the area. Chicago is one of the nation's largest trucking centers, principally because of its proximity to Interstates 55, 57, 80, 88, 90, and 94, which pass through the metropolitan area. (See Figure 1 on page 2.) These major highways are frequently used by traffickers to transport illicit drugs to Chicago from Mexico and locations along the Southwest Border. Two major international airports, O'Hare and Midway, which are located within the HIDTA region, processed approximately 81 million passengers and 1.2 million tons of cargo in 2009 and are frequently used by traffickers to smuggle illicit drugs into the Chicago area. In addition, Chicago's train, bus, mail, and parcel delivery services are exploited by DTOs, criminal groups, and street gangs to transport drugs and drug proceeds to and from the region.

Figure 2. Greatest Drug Threat to the Chicago HIDTA Region, as Reported By Federal, State, and Local Law Enforcement Agencies by Number of Respondents^d



Source: National Drug Threat Survey 2010.

b. U.S. Census estimates indicate that approximately 47 percent of Illinois residents resided in the Chicago HIDTA region as of July 1, 2009, the most recent date for which data are available.

c. The Chicago metropolitan area includes Cook, DuPage, Kane, Lake, McHenry, and Will Counties.

d. NDTs data for 2010 cited in this report are as of March 3, 2010. NDTs data cited are raw, unweighted responses from federal, state, and local law enforcement agencies solicited through either NDIC or the Office of National Drug Control Policy (ONDCP) HIDTA program. Data cited may include responses from agencies that are part of the NDTs 2010 national sample or agencies that are part of HIDTA solicitation lists.

Drug Threat Overview

The distribution and abuse of cocaine (particularly crack), followed by heroin and marijuana, are the primary drug threats in the Chicago HIDTA region. According to the National Drug Intelligence Center (NDIC) National Drug Threat Survey (NDTS) 2010, 57 of the 127 federal, state, and local law enforcement respondents in the Chicago HIDTA and metropolitan area identify cocaine as the drug that poses the greatest threat to their jurisdictions, 36 identify heroin, and 31 identify marijuana. (See Figure 2 on page 3.) In 2009, Chicago HIDTA initiatives reported the seizure of 981 kilograms of cocaine, 143 kilograms of heroin, and 10,679 kilograms of marijuana.

Wholesale cocaine availability in Chicago stabilized somewhat in 2009; however, cocaine remains less available than in 2006. Law enforcement officials are no longer reporting the chronic cocaine shortages experienced in the HIDTA region during 2007 and 2008. Wholesale prices for cocaine in Chicago increased slightly from December 2008 (\$25,000 to \$31,000 per kg) to December 2009 (\$28,000 to \$33,000 per kg). Additionally, cocaine purity levels in the region declined from 2007 through 2009, indicating increased cutting of cocaine by traffickers to stretch supplies or increase profits. Law enforcement agencies in the region report an increase in the incidence of “re-rocking” by traffickers in the region. Re-rocking is the process of diluting kilograms of powder cocaine and re-forming the drug into kilogram bricks with a hydraulic press to make it appear authentic and uncut.

Heroin availability is high in the Chicago HIDTA region. Most of the heroin available in the HIDTA region is South American (SA), principally supplied by Mexican traffickers. Mexican brown powder heroin, black tar heroin, and Southwest Asian (SWA) heroin are also available in Chicago, but to a much lesser extent. Law enforcement officials report increased heroin seizures, likely indicating increased heroin availability. Of significant concern to law enforcement and public health officials are the varied street-level heroin purities, which could result in increased heroin-related overdose deaths. Law enforcement officials suspect that street-level purities in the region are highly variable because retail-level distributors are not cutting the heroin consistently. Additionally, a growing number of heroin abusers travel from suburban areas and neighboring states to the region to purchase heroin, further contributing to the heroin problem in surrounding communities. For example, in 2009, several suburban Chicago counties reported an increase in heroin-related overdose deaths. Law enforcement officials report that the source of the heroin is most likely the Chicago HIDTA region.

High-potency marijuana is increasingly available in the region. Law enforcement officials report that increased importation of high-potency marijuana from Canada and the West Coast to the HIDTA region and an increase in local cultivation are contributing to this rising availability. Additionally, various branded types or strains of high-potency marijuana such as “Kush”^e are marketed to create demand and are sold at higher prices to increase profits. Commercial-grade marijuana remains widely available.

The availability of MDMA is increasing in the region, particularly in African American and Hispanic communities, as a result of increased distribution by street gangs. Additionally, law enforcement officials report increased seizures of MDMA and BZP, a controlled prescription stimulant often sold as MDMA or promoted as an alternative to MDMA. According to the Canada Border Services Agency (CBSA), Canada-based DTOs also produce adulterated MDMA tablets, and in some instances, tablets marketed as MDMA contain little, if any, MDMA.

The availability of methamphetamine, controlled prescription drugs (CPDs), and other dangerous drugs (ODDs) varies throughout the region. Even though methamphetamine availability in the region is low, wholesale quantities of ice methamphetamine transit the Chicago HIDTA region en route to other midwestern markets. CPDs and ODDs such as PCP (phencyclidine), LSD (lysergic acid diethylamide), GHB (gamma-hydroxybutyrate), khat, and ketamine are available in the region, but to a much lesser extent than other drugs.

e. High-potency marijuana is commonly marketed with brand names to promote sales of certain types of marijuana that exhibit unique characteristics, such as a particular smell, taste, or appearance.

Drug Trafficking Organizations

Mexican DTOs represent the single greatest drug trafficking threat and are responsible for distributing most wholesale quantities of cocaine, heroin, and marijuana in the Chicago HIDTA region. These highly organized and compartmentalized DTOs often have connections to large organizations in Mexico, which furnish their drug supplies. (See text boxes.) Other Mexican traffickers use familial connections in Mexico to obtain wholesale quantities of illicit drugs for distribution in the region. Mexican DTOs operating in Chicago supply high-ranking, local street gang members with drugs for retail distribution. These DTOs generally store large quantities of cocaine and marijuana and smaller quantities of heroin and ice methamphetamine in stash houses located in Chicago and surrounding suburban communities for subsequent distribution.

La Familia Michoacana Establishes Command-and-Control Group in Chicago

In November 2009, 15 alleged members of the La Familia Michoacana Mexican DTO were indicted in the Northern District of Illinois. The Chicago investigation was part of Project Coronado, a multijurisdictional investigation that targeted the organization's distribution networks in the United States and resulted in charges against more than 300 defendants in 19 states. According to indictments, La Familia established a command-and-control group in Chicago to efficiently distribute thousands of kilograms of cocaine and collect tens of millions of dollars in illicit drug proceeds. The Chicago Office of the Drug Enforcement Administration seized approximately 250 kilograms of cocaine and \$8 million in the Chicago area, primarily from Berwyn, Bolingbrook, Oak Lawn, Hickory Hills, Joliet, and Justice.

Source: Drug Enforcement Administration; U.S. Attorney, Northern District of Illinois.

Three Mexico-Based DTOs Allegedly Supply Chicago-Based Distribution Cell

Indictments released in August 2009 by the U.S. Attorney for the Northern District of Illinois allege that three Mexican DTOs supplied nearly 200 metric tons of cocaine and quantities of heroin to wholesale distributors in Chicago and other U.S. cities and funneled more than \$5.8 billion in bulk cash back to Mexico. The indictments allege that the Joaquín "el Chapo" Guzmán-Loera, Ismael "el Mayo" Zambada-García, and Arturo Beltrán-Leyva DTOs coordinated their trafficking activities to import multiton quantities of cocaine from Central and South American countries to the interior of Mexico using various means of transportation, including Boeing 747 cargo aircraft, private aircraft, semisubmersible vessels, container ships, go-fast boats, fishing vessels, buses, rail cars, tractor-trailers, and automobiles. A single Chicago distribution cell was allegedly supplied with approximately 1,500 to 2,000 kilograms of cocaine per month; the drug was distributed in the Chicago area as well as in Cincinnati and Columbus, Ohio; Detroit, Michigan; Milwaukee, Wisconsin; New York, New York; Philadelphia, Pennsylvania; Washington, D.C.; and Vancouver, British Columbia.

Source: Drug Enforcement Administration; U.S. Attorney, Northern District of Illinois.

Other drug trafficking groups also distribute illicit drugs in the Chicago HIDTA region. Colombian DTOs distribute cocaine and SA heroin in Chicago; however, their role in drug trafficking in Chicago is decreasing as Mexican DTOs are increasing their dominance of the cocaine and heroin markets. Asian, Albanian, and Caucasian traffickers transport and distribute wholesale quantities of high-potency Canadian marijuana and MDMA. Nigerian and other West African traffickers are the primary transporters and distributors of SWA heroin; they smuggle multiounce quantities of heroin using package delivery services and couriers on commercial airlines.

The Chicago HIDTA region has a high concentration of nationally affiliated African American and Hispanic street gangs such as Gangster Disciples, Latin Kings, and Vice Lords, which control retail drug distribution in the region. According to the Chicago Police Department Gang Investigations Section, approximately 75 street gangs are active in Chicago, with an estimated membership of 100,000. Street gangs are typically supplied with wholesale quantities of illicit drugs by local Mexican DTOs. Some Hispanic gangs have established sources of supply in Mexico or along the Southwest Border. For example, in January 2009, a high-ranking Chicago-based Latin King who was charged with federal drug trafficking offenses in Chicago was arrested in Mexico. Additionally, the Chicago-based Latin Kings street gang has members in Midland, Texas, who purchase cocaine from Mexican traffickers for \$16,000 to \$18,000 per kilogram compared with \$25,000 to \$35,000 per kilogram from wholesale traffickers in Chicago. This cost savings allows gangs with sources of supply closer to the Southwest Border to gain a distinct business advantage and to serve as suppliers to other street gangs in the region.

Many law enforcement agencies in the region report an increasing presence of Chicago gang members in their suburban jurisdictions, many of whom distribute drugs. Officials attribute the movement of gang members from Chicago to suburban areas to several factors: the breakdown of traditional hierarchical gang structures resulting from law enforcement targeting of gang leaders, the razing of some large inner-city public housing projects, and the expectation of high profits from new suburban drug operations. Gang migration from Chicago to suburban areas is a heightened concern for law enforcement. Many of these communities lack sufficient law enforcement resources to effectively suppress the influx of street gangs.

Production

Cannabis cultivation at indoor and outdoor sites is the principal illicit drug production issue in the Chicago HIDTA region. Indoor cannabis cultivation is conducted primarily by independent dealers, who use elaborate lighting and ventilation at sites that typically yield 20 to 200 plants. In addition, outdoor cannabis grow sites on public lands and farmlands in the region are periodically seized. For example, in August 2009, law enforcement dismantled a grow operation in a Cook County Forest Preserve consisting of approximately 7,000 cannabis plants.

Methamphetamine typically is not produced in the region. In fact, according to National Seizure System (NSS) data, no methamphetamine laboratories were seized in the region in 2008 or 2009.

Transportation

Chicago is a major national transportation hub and distribution center that is routinely exploited by traffickers to transport wholesale quantities of illicit drugs into the region from locations along the Southwest Border, the West Coast, and Canada, using a variety of modes and methods. Analysis of national seizure data identifying the destination of drug shipments shows that the Chicago area ranks first or second as the most common destination for three of the four major drugs of abuse and the fifth most common destination for methamphetamine, despite very low levels of distribution and abuse in the Chicago HIDTA region. (See Table 1.)

Table 1. Metropolitan Areas Most Often Identified as Origination and Destination Points for Seized Drug Shipments, 2008–2009*

	Cannabis	Cocaine	Heroin	Methamphetamine
Origination	McAllen Phoenix Tucson Rio Grande City Laredo	McAllen Los Angeles Phoenix Houston Laredo	Denver Phoenix Miami Chicago Orlando	Phoenix Los Angeles McAllen San Bernardino Seattle
Destination	Houston Chicago Atlanta Tucson Detroit	Atlanta Chicago New York Miami Houston	Chicago New York Miami Newark Tacoma	Atlanta Sacramento Las Vegas Denver Chicago

Source: National Seizure System.

*Data for 2009 as of June 30, 2009.

Traffickers typically transport illicit drugs in private and commercial vehicles, often commingling the drugs with legitimate freight and increasingly concealing them in elaborate hidden compartments. Law enforcement officials in the region report that traffickers are transporting smaller loads of illicit drugs to minimize loss from potential law enforcement interdiction. Mexican DTOs generally store drugs in local stash houses for subsequent distribution in the region and for later transportation to other drug markets in the Midwest and the eastern United States. Caucasian traffickers from the region increasingly transport high-potency marijuana from California and Washington to the region in private vehicles. Albanian, Caucasian, Chinese, and Vietnamese traffickers also use commercial and private vehicles to transport significant quantities of MDMA and high-potency marijuana from Canada into the region.

Colombian as well as Nigerian and other West African DTOs and criminal groups use major international airports to transport illicit drugs, particularly heroin, into the Chicago HIDTA region. Colombian traffickers sometimes employ couriers to smuggle small quantities of SA heroin by commercial air into the region. Nigerian and other West African DTOs use couriers on commercial aircraft to transport small quantities of SWA heroin from Europe and Canada to Chicago. Couriers transporting illicit drugs on commercial airlines typically conceal the drugs by stashing them in their clothing or inside false compartments in their luggage, or by swallowing them.

Traffickers also use other methods to transport drugs into and throughout the region, including mail, package delivery services, and couriers on buses and trains. The Chicago HIDTA Package Interdiction Initiative regularly intercepts parcels containing various illicit drugs, particularly marijuana, from California, Texas, and Washington. Officials report that seizures of parcel delivery packages containing high-potency marijuana from California have increased in Chicago. The Package Interdiction Initiative also seizes parcels containing cocaine, heroin, and methamphetamine from Arizona, California, and Texas. Traffickers also use couriers on buses and trains to transport illicit drugs and bulk cash into, through, and from the Chicago HIDTA region. Nationwide bus and train companies have terminals in Chicago and offer transportation to other parts of the country, including the Southwest Border and neighboring drug markets. In addition, several bus companies offer direct connections between Chicago and Southwest Border cities with travel times of less than 24 hours.

Distribution

The Chicago HIDTA region serves as a national-level distribution center for illicit drugs available throughout the Midwest and the eastern United States. Some of the cocaine, heroin, and marijuana and most of the ice methamphetamine transported to the Chicago area are destined for other drug markets, including those in Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Ohio, and Wisconsin. Distributors and abusers in other states routinely travel to the region to purchase drugs and return to their home locations to abuse them or distribute them for profit. For example, heroin abusers from northern Indiana and southern Wisconsin often travel to the Chicago HIDTA region to purchase heroin. Mexican DTOs transport ice methamphetamine into and through Chicago for eventual distribution in other markets in the Midwest, where demand for the drug is high.

Wholesale illicit drug distribution in and from the Chicago HIDTA region is controlled by Mexican DTOs and criminal groups; their domination is not expected to be challenged by other groups in the near term. Mexican traffickers are increasingly expanding their distribution operations to suburban communities in the region, where they also store large drug shipments. The growing Mexican population in suburban areas enables these organizations to conceal their trafficking activities by blending into expanding Hispanic communities. Colombian DTOs also distribute cocaine and SA heroin in the region. Wholesale quantities of MDMA and high-potency Canadian marijuana are commonly distributed in the region by Albanian, Caucasian, Chinese, and Vietnamese traffickers.

Retail drug distribution in the region is largely controlled by street gangs. High-ranking street gang members have access to multiple sources of supply, ensuring a steady supply of drugs for retail distribution. Street corner drug sales in urban areas are the principal means by which retail-level dealers distribute drugs in Chicago. For example, law enforcement officials report that some street gangs in Chicago distribute several thousand \$10 bags of heroin per day. Law enforcement targeting of street corner drug distribution has been successful in reducing the number of open-air markets in Chicago. As a result, retail-level dealers are increasingly using covert distribution techniques that often employ electronic communication devices to conduct drug sales and prearrange meetings with customers.

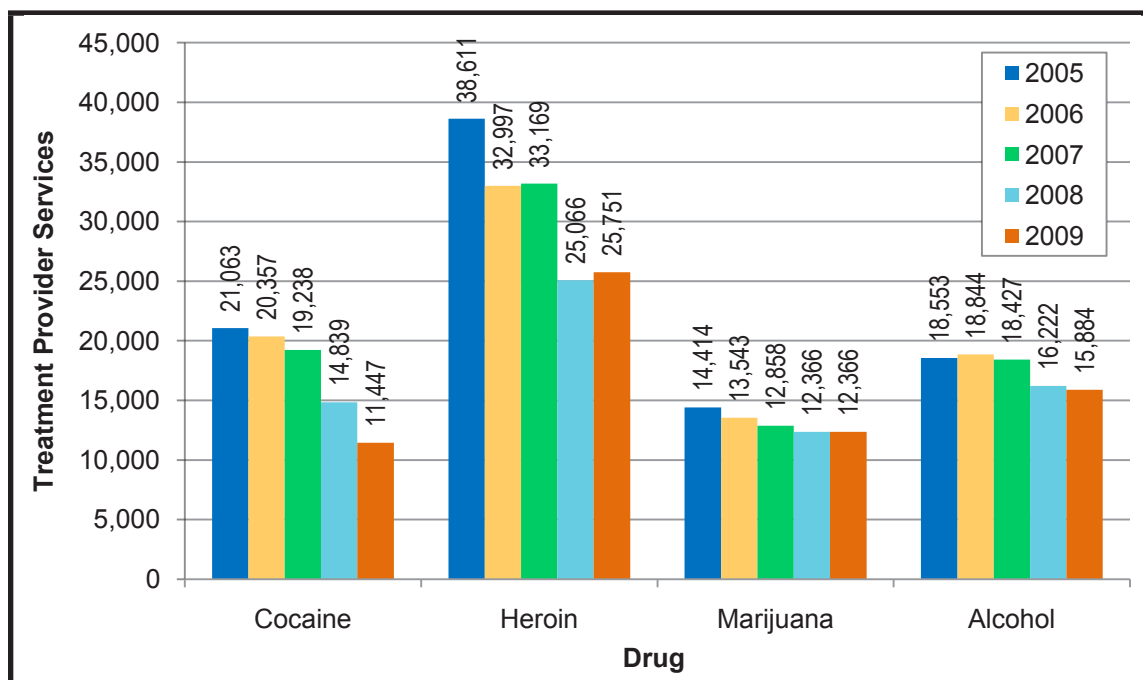
Drug-Related Crime

Drug-related violence involving street gangs is one of the principal public safety concerns for law enforcement officials in the Chicago HIDTA region. This violence often results from disputes among street gang members vying for control of drug distribution territories or drug and money rip-offs by dealers or buyers. When violence occurs, retaliation typically follows, leading to increased hostilities and often homicides. According to the Chicago Police Department, 58.1 percent of the murders in Chicago in 2009 were gang-involved. The overall threat of gang violence is elevated by the availability of firearms supplied to Chicago street gang members from associates in states with less stringent gun control laws. The top out-of-state source for firearms recovered in Illinois is Indiana. Mississippi, Wisconsin, Ohio, and Kentucky are also significant source states for firearms recovered in Illinois. Of the 458 murders investigated by the Chicago Police Department in 2009, 81.4 percent involved firearms. According to the Bureau of Alcohol, Tobacco, Firearms and Explosives Firearms Tracing System, 55.4 percent of the 11,366 firearms recovered and traced in Illinois in 2008 were recovered in Chicago.

Abuse

The Chicago HIDTA region has one of the largest illicit drug user populations in the United States. According to the Illinois Department of Human Services Division of Alcoholism and Substance Abuse (DASA), the Chicago HIDTA region accounted for 53.6 percent of all treatment provider services rendered in Illinois in state fiscal year (SFY)^f 2009. The consequences associated with the abuse of heroin and cocaine (both powder and crack) in the HIDTA region are considerably more severe than those associated with the abuse of any other drug. More treatment provider services were rendered for heroin (25,751) in the Chicago HIDTA region in SFY2009 than for any other substance of abuse, including cocaine (11,447), alcohol (15,884), and marijuana (12,366). These figures represent 79.9 percent of all heroin treatment provider services and 57.4 percent of all cocaine treatment provider services for the entire state that year. According to DASA, a reduction in treatment services rendered in SFY2009 was largely due to state funding cuts (which were restored after approximately 6 months) and not to significantly decreased drug abuse. These funding cuts limited the availability of publicly funded treatment services during this period, but the degree to which such services were requested and not provided is unknown. (See Figure 3.)

Figure 3. Treatment Provider Services in the Chicago HIDTA Region by Substance, SFY2005–2009



Source: Illinois Department of Human Services, Division of Alcoholism and Substance Abuse.

f. The Illinois state fiscal year begins July 1 and ends June 30.

According to the Office of National Drug Control Policy (ONDCP) 2008 Arrestee Drug Abuse Monitoring (ADAM II) program, 87 percent of recently arrested adult males in Chicago (Cook County) tested positive for at least one drug, and 40 percent tested positive for multiple drugs—the highest percentages of all 10 test sites in the country. (See Table 2.) Of the arrestees in Chicago, marijuana (48.6 %) was the drug most commonly detected in urinalysis. A higher percentage of arrestees tested positive for cocaine (43.8%) and opiates, including heroin (28.6%), in Chicago than at any other test site in the country. Moreover, the percentage of arrestees who tested positive for opiates in Chicago increased from 2007 (20.2%) to 2008 (28.6%).

Table 2. Drug Use Among Adult Male Arrestees, Urinalysis Results, 2008

Primary City	Percent of Arrestees Testing Positive for:			
	Marijuana	Cocaine	Opiates	Methamphetamine
Atlanta, GA	31.8	40.5	1.6	0.4
Charlotte, NC	50.8	30.0	1.1	0.5
Chicago, IL	48.6	43.8	28.6	0.4
Denver, CO	41.6	32.7	4.0	3.1
Indianapolis, IN	45.8	21.3	5.0	1.6
Minneapolis, MN	47.8	22.5	6.1	2.4
New York, NY	41.9	29.7	6.8	0.3
Portland, OR	41.3	20.6	7.6	14.6
Sacramento, CA	46.7	17.2	4.3	34.5
Washington, D.C.	30.8	26.6	11.5	1.8

Source: Office of National Drug Control Policy, Arrestee Drug Abuse Monitoring Program.

Illicit Finance

Hundreds of millions of dollars in drug proceeds are generated in the Chicago HIDTA region each year. Traffickers use bulk cash movement or laundering through various techniques such as money transmissions, structured deposits in traditional depository institutions, the Black Market Peso Exchange (BMPE), front companies, and real estate transactions to transport or conceal these funds.

Bulk cash smuggling is the primary method used by traffickers to move drug proceeds from Chicago. Bulk cash derived from illicit drug sales in the HIDTA region and in surrounding drug markets is typically transported to Chicago, where it is consolidated by Mexican DTOs for shipment to locations along the Southwest Border or to Mexico. In 2009, Chicago HIDTA initiatives reported the seizure of \$18,335,000 in cash. Currency is usually concealed in hidden compartments in private vehicles or commercial tractor-trailers and, to a lesser extent, transported by couriers on trains and buses.

Traffickers in the HIDTA region often use money services businesses (MSBs) and bank services such as wire remittances, automated teller machines (ATMs), and Internet banking to move and launder drug money. Traditional bank accounts are also used by drug traffickers to launder illicit funds; traffickers typically deposit drug proceeds in Chicago HIDTA region banks and have associates in other states or countries withdraw the funds from the account using ATMs. For example, some Mexican traffickers structure cash deposits into bank accounts in Chicago and withdraw the money from ATMs and banks in California, later smuggling it into Mexico. Various MSBs also offer traveler's checks, money orders, and stored value cards, which traffickers use to launder money. Money order purchases under \$3,000 do not require identification, a circumstance that is exploited by traffickers who purchase money orders at multiple locations in amounts under the reporting threshold. The money orders are then sent by courier or package delivery service to other locations (domestic and foreign) for deposit in financial institutions.

Colombian traffickers in the HIDTA region use the BMPE to launder millions of dollars in drug proceeds annually. In this system, Colombian traffickers receive Colombian pesos in Colombia in exchange for U.S. drug dollars located in the United States. Brokers then sell the U.S. dollars located in the United States at a discount to Colombian merchants, who use the funds to purchase U.S. goods.

Retail-level distributors, primarily gang members, operate businesses and engage in mortgage fraud schemes to launder drug proceeds. They often use cash-based businesses such as beauty salons, car washes, and used car lots to commingle drug proceeds with legitimate business revenue. Local distributors also employ mortgage fraud schemes that involve straw purchasers and unscrupulous mortgage brokers and appraisers to purchase property at a minimal cost and sell it at a higher value to a third party. Additionally, some distributors purchase and refurbish properties to seemingly legitimize their illicit drug proceeds. Local distributors also use drug proceeds to purchase luxury vehicles and jewelry.

Outlook

NDIC analysts expect Mexican DTOs to continue their dominance over most wholesale cocaine, heroin, and marijuana distribution in the Chicago HIDTA region. African American and Hispanic street gangs will maintain control over retail-level illicit drug distribution in urban areas and will continue the expansion of their criminal activities into surrounding suburban communities. Furthermore, high-ranking street gang members in Chicago will develop closer working relationships with Mexican DTOs to ensure a steady supply of illicit drugs for distribution in Chicago. Wholesale cocaine availability in the Chicago HIDTA region is expected to fluctuate but remain at levels sufficient to support market demand. It is expected that the high availability of heroin coupled with the growing number of heroin abusers from suburban areas who travel to the region to purchase the drug will result in a rising number of abusers and heroin-related overdoses in Chicago and surrounding communities. The trafficking of high-potency marijuana from Canada and the West Coast is expected to increase, as is local indoor production, leading to increased availability and abuse of high-potency marijuana in the region.

Sources

Local, State, and Regional

Chicago Police Department
 Gang Investigations Section
 Research & Development Division
 Cook County Department of Community Supervision and Intervention
 Cook County Sheriff's Police Department
 Illinois Department of Human Services
 Division of Alcoholism and Substance Abuse
 Bureau of Planning and Performance Management
 Illinois State Police

Federal

Executive Office of the President
 Office of National Drug Control Policy
 Arrestee Drug Abuse Monitoring Program
 Chicago High Intensity Drug Trafficking Area
 Consolidated Priority Organization Targets Initiative
 Inner City Street Gang Source of Supply Initiative
 Investigative Support Center
 Management and Coordination Initiative
 Money Laundering and Financial Crimes Initiative
 Multi-Jurisdictional Financial Enforcement Group
 Narcotics and Currency Interdiction Initiative/Domestic Highway Enforcement Initiative
 Package Interdiction Initiative
 Regional Drug Trafficking Organizations/Violent Crimes Initiative
 Suburban Narcotics and Gangs/Jail Intelligence/Technical Unit Initiative
 Training Initiative
 Tri-County Multi-Jurisdictional Counter Drug Enforcement Initiative
 Violent Gang Conspiracy Group Initiative
 U.S. Census Bureau
 U.S. Department of Homeland Security
 U.S. Immigration and Customs Enforcement
 Chicago Division

U.S. Department of Housing and Urban Development
 U.S. Department of Justice
 Bureau of Alcohol, Tobacco, Firearms and Explosives
 Criminal Division
 Organized Crime Drug Enforcement Task Force
 Drug Enforcement Administration
 Chicago Division
 El Paso Intelligence Center
 National Seizure System
 Heroin Domestic Monitor Program
 Federal Bureau of Investigation
 Chicago Field Division
 U.S. Attorneys Office
 Northern District of Illinois
 U.S. Department of State
 Office of Inspector General
 U.S. Department of the Treasury
 Financial Crimes Enforcement Network
 Internal Revenue Service
 Criminal Investigation
 U.S. Department of Veteran Affairs
 Police Service
 U.S. Postal Service
 U.S. Postal Inspection Service

Other

Canada Border Services Agency
 Chicago Crime Commission
 Roosevelt University
 Institute for Metropolitan Affairs
 University of Notre Dame
 Institute for Latino Studies

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