The Illinois economic development plan
The Illinois Department of Commerce and Economic Opportunity aims to raise the state’s profile as a premier global business destination, and to provide a foundation for the economic prosperity of all Illinoisans, through coordination of business recruitment and retention, provision of essential capital to small businesses, investment in infrastructure, and job training for a 21st-century economy.
Greetings from Governor Pat Quinn

Illinois is in the midst of a resurgence. Over the past five years, the state has battled back from the worst financial crisis in seven decades to put the economy on a positive trajectory. At the same time, we have reformed the pension system and restored ethics and oversight to state government. Today, we are poised to expand the economy and continue this revitalization.

To make Illinois one of the top destinations for business in the country, we must invest in our people, institutions, and infrastructure to create an ideal environment for business. We are already administering a range of successful programs that assist businesses and individuals across the state. Our efforts have paid off: Site Selection magazine ranked Illinois third in corporate expansions in 2013, and in 2014, CNBC recognized Illinois among the top five states in technology & innovation as well as infrastructure.

We’ve made good progress, but we need to do more. That’s why I supported legislation calling for the Department of Commerce and Economic Opportunity (DCEO) to submit a five-year economic development plan. Thanks to the dedication of a committed group of economic developers, civic leaders, and researchers, I’m pleased to release this plan, which offers a clear road map to channel our resources and energy to achieve ambitious goals.

In the formulation of this plan, our goal is that every region in the state is well positioned to serve businesses and sustain a vibrant economy. The nonpartisan plan was developed based on data, analysis, and feedback from hundreds of local economic developers and businesses from around the state. Here are a few overarching values that guided its development:

1. A commitment to strengthening the middle class. This plan offers strategies and tactics to ensure that the Land of Lincoln is the Land of Opportunity for businesses and residents. Specific initiatives will give all individuals—no matter the challenges they face—an opportunity to better their economic position.

2. A regional focus. Illinois’ economy isn’t just one economy, but several regional economies. This plan encourages regional partnerships and regional focuses that capitalize on the diverse strengths of communities throughout Illinois.

3. A reliance on data and metrics to track progress. The seven initiatives outlined in the plan all include targets and growth targets so that we can monitor the impact of our work, identify the measures that are effective, and adapt to changing needs and opportunities.

Over the past several years, we have taken concrete steps to create a more welcoming environment for businesses, including getting the state’s fiscal house in order through pension and workers’ compensation reform. This plan is an important step in securing and enhancing the state’s economic viability in the years to come.

Now is the time to embrace a comprehensive vision for what we can accomplish by working together.

Sincerely,

Pat Quinn
Governor, State of Illinois
Executive summary

The 21st-century business environment has brought increased competition, a rapid pace of innovation, and new access to global markets. The good news is that Illinois’ resilient economy is well positioned to build on its strengths as a major hub for commerce. With 33 Fortune 500 companies, a highly educated workforce, a robust R&D community, a unique, central location, and highly developed transportation infrastructure, Illinois is already a national and global business leader.

To realize our full potential, the state must nurture the competitive advantages of its economy, offer more support to existing businesses, and ensure that all of our residents benefit. This economic development plan lays out a clear vision to enable Illinois to continue to be a force in the global economy by driving broad-based growth for all businesses, tackling regional economic challenges, and supporting high-potential industry clusters.
Illinois’ economic performance
For decades, Illinois has been the economic engine of the Midwest region and a national hub for global commerce. Since the trough of the Great Recession in 2009,1 Illinois’ economy has shown improvement across key indicators—notably, the past five years have seen major reforms of our pension, Medicaid, workers’ compensation, and unemployment insurance systems. These hard-won achievements have increased stability, which is crucial to building the certainty our business environment needs to better serve existing business as well as attract new companies.

The hard work of Illinois’ government, businesses, and residents has begun to pay off, and the state’s improving performance serves as a foundation to pursue further growth. Still, significant challenges remain and are magnified by the lingering fallout across the United States. As a result, Illinois’ ever-evolving economy needs a coordinated, strategic plan for economic development.

A vision for economic development
One of the key challenges over the past five years has been returning our economy to a state of greater certainty. A state embroiled in volatility, crisis, and instability cannot effectively maintain or build economic vitality; such obstacles undermine the foundation of a strong ecosystem, discourage business investment, and significantly limit job creation. Having worked over the past five years to stabilize the state through major fiscal reforms and honest accounting, today Illinois is positioned to nurture promising industries, be more responsive to businesses, and help individuals prepare themselves for positions in the new economy.

The success of this strategic plan depends on commitment and cooperation of a wide range of stakeholders—state government, elected officials, regional representatives, educational institutions, and the private sector—to mobilize resources and sustain a vibrant business ecosystem. Accordingly, the plan provides guidance for agencies and organizations to make an impact on the regional and community levels.

How clusters can help drive economic development
An essential element of this strategic plan is its focus on the promotion of a broad-based, bottom-up approach that enables individual regions to identify the industries that they are well positioned to attract and support. As a way to capitalize on existing assets and opportunities, many areas around the country are incorporating a cluster-based strategy into economic development practices. By building on these foundational components of a dynamic economy and nurturing clusters, states can not only help existing businesses grow but also attract more business to the state.

Our team’s analysis identified an initial set of seven high-potential clusters that have the ability to make an outsized impact on the state’s economy. As exhibit A illustrates, all regions in the state

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1 According to the US Bureau of Labor Statistics, the Great Recession began in December 2007 and ended in June 2009. During this time, national unemployment rose to 10 percent.
### Exhibit A: Current specialization of industry clusters, by DCEO region

<table>
<thead>
<tr>
<th>State region</th>
<th>Location quotient (LQ)*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Far above average (above 2.0)</td>
</tr>
<tr>
<td>Northwest</td>
<td>0.96</td>
</tr>
<tr>
<td>Northern Stateline</td>
<td>1.38</td>
</tr>
<tr>
<td>Northeast</td>
<td>1.44</td>
</tr>
<tr>
<td>North Central</td>
<td>0.59</td>
</tr>
<tr>
<td>West Central</td>
<td>2.43</td>
</tr>
<tr>
<td>Central</td>
<td>2.50</td>
</tr>
<tr>
<td>Central</td>
<td>2.09</td>
</tr>
<tr>
<td>East Central</td>
<td>2.09</td>
</tr>
<tr>
<td>Southeast</td>
<td>2.09</td>
</tr>
<tr>
<td>Southwest</td>
<td>2.09</td>
</tr>
<tr>
<td>South</td>
<td>2.09</td>
</tr>
<tr>
<td>State of Illinois**</td>
<td>2.09</td>
</tr>
</tbody>
</table>

*Location quotient (LQ) quantifies the concentration of a cluster in a given area as compared with the US average. For example, an LQ of 1.0 denotes a concentration matching the US average, while an LQ of 2.0 denotes a specialization of double the US average.

** The statewide LQ and regional LQs are compared separately to the US average, so the statewide LQ does not reflect the average of the regions.

Note: Given the difficulty in defining the clean energy cluster, the regional LQ data is unreliable and has been excluded from this exhibit. See sidebar, “The importance of the clean energy cluster to Illinois’ economy.”


have unique strengths and attributes that make them attractive to companies in the seven selected clusters. Each of the ten DCEO regions demonstrates an above-average or far-above-average specialization in at least one high-potential cluster. Furthermore, the analysis shows that these clusters employ a large number of Illinois residents and jobs in these clusters typically pay salaries above the regional average.

These seven clusters are the first to be identified for high-level targeting. As the economy continues to grow and new clusters are identified, the state’s economic development strategies will be adjusted accordingly so that no opportunities for targeted development are left unchecked.
Seven initiatives to spur economic development in Illinois

Using Illinois’ strengths as a starting point, this plan seeks to build on the state’s momentum by identifying basic strategies and tools that will accelerate economic development on a statewide level. To this end, the plan highlights seven initiatives that will provide a better ecosystem for growth in Illinois (see exhibit B). These measures will drive business development, job creation, and higher incomes—all of which will strengthen communities across Illinois.

Exhibit B Strengthening Illinois’ business ecosystem to expand economic development and opportunity

1. Strengthen the state’s ongoing business attraction, retention, and support initiatives
2. Promote economic development on a regional level
3. Develop an increasingly competitive workforce
4. Increase fairness and opportunity
5. Make Illinois a top destination for entrepreneurs
6. Implement a comprehensive, statewide strategy to drive innovation
7. Modernize and revitalize our infrastructure

A better ecosystem for growth

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing. Each seeks to address both statewide and region-specific assets and opportunities.
### Initiative 1: Strengthen the state’s ongoing business attraction, retention, and support initiatives

**Strategies**
- Expand Illinois’ marketing efforts
- Pursue a comprehensive certification program for Illinois’ industrial sites
- Reform EDGE
- Enhance business retention and expansion efforts
- Streamline the state’s business regulations

**Related strategies**
- Leverage growth in key industry clusters (Initiative 2)
- Establish a revenue-neutral job training tax credit (Initiative 3)
- Reduce the limited liability company (LLC) fee for small businesses (Initiative 5)
- Increase access to broadband (Initiative 7)

### Initiative 2: Promote economic development on a regional level

**Strategies**
- Prioritize bottom-up planning and action
- Leverage growth in key industry clusters
- Pursue a low-cost, sustainable energy and natural resource economy
- Streamline the transfer of state surplus properties
- Incentivize regions to secure federal funds

**Related strategies**
- Enhance business retention and expansion efforts (Initiative 1)
- Reform EDGE (Initiative 1)
- Extend the Illinois Pathways program (Initiative 3)
- Promote export growth among small and midsize enterprises (SMEs) (Initiative 5)
- Establish regional business plan competitions (Initiative 5)

### Initiative 3: Develop an increasingly competitive workforce

**Strategies**
- Establish a revenue-neutral job training tax credit
- Launch a year-round youth job training program
- Support skilled trades apprenticeships
- Expand the Job Training for Economic Development (JTED) program
- Increase support for youth scholarship and conservation corps programs
- Extend the Illinois Pathways program

**Related strategies**
- Leverage growth in key industry clusters (Initiative 2)
- Continue and expand veteran job training and placement (Initiative 4)
- Promote entrepreneurship as a life skill (Initiative 5)
- Keep our best and brightest talent in Illinois (Initiative 5)

### Initiative 4: Increase fairness and opportunity

**Strategies**
- Focus more resources on the state’s most distressed communities
- Double the state’s Earned Income Tax Credit
- Increase the minimum wage to $10 an hour
- Continue and expand veteran job training and placement

**Related strategies**
- Reform EDGE (Initiative 1)
- Prioritize bottom-up planning and action (Initiative 2)
- Expand the JTED program (Initiative 3)
- Support skilled trades apprenticeships (Initiative 5)
- Increase access to broadband (Initiative 7)
**Initiative 5: Make Illinois a top destination for entrepreneurs**

With input from partners throughout the state, Illinois will pursue a unified, strategic approach to entrepreneurship to ensure that small and midsize businesses have the capital and talent to grow.

**Strategies**
- Reduce the limited liability company (LLC) fee for small businesses
- Promote export growth among small and midsize enterprises (SMEs)
- Establish regional business plan competitions
- Focus more state resources on second-stage small businesses
- Promote entrepreneurship as a life skill
- Keep our best and brightest talent in Illinois

**Related strategies**
- Reform EDGE (Initiative 1)
- Streamline the state’s business regulations (Initiative 1)
- Leverage growth in key industry clusters (Initiative 2)
- Reduce costs for university-based tech start-ups (Initiative 6)
- Increase access to broadband (Initiative 7)

**Initiative 6: Implement a comprehensive, statewide strategy to drive innovation**

Since innovation is a key driver of job creation and economic development, Illinois will implement targeted programming to create connections among innovation partners, pave the path for business modernization, and facilitate the establishment of sector-specific initiatives.

**Strategies**
- Establish a technology transfer fund
- Reduce costs for university-based tech start-ups
- Increase state and industry collaboration with research institutions
- Support clean tech companies through the Illinois Clean Energy Revolving Fund
- Build the infrastructure for innovation

**Related strategies**
- Leverage growth in key industry clusters (Initiative 2)
- Extend the Illinois Pathways program (Initiative 3)
- Keep our best and brightest talent in Illinois (Initiative 5)

**Initiative 7: Modernize and revitalize our infrastructure**

Illinois’ geographic location and history as a commercial hub have endowed it with a robust network of intermodal transport infrastructure. By pursuing targeted strategies, Illinois can optimize its infrastructure for economic development and innovation.

**Strategies**
- Secure full funding for the CREATE program
- Perform regular maintenance on key transportation infrastructure
- Expand the Illinois Clean Water Initiative (ICWI)
- Undertake large-scale, next-generation infrastructure projects
- Modernize Illinois’ aging locks and dams
- Implement a statewide Smart City program
- Increase access to broadband

**Related strategies**
- Pursue a comprehensive certification program for Illinois’ industrial sites (Initiative 1)
- Build the infrastructure for innovation (Initiative 6)
Outcomes and measures for success

The plan’s seven initiatives and their supporting strategies have been developed to jump-start economic development in Illinois over the next five years. Progress will be measured against a set of ambitious targets that, if achieved, will have a significant impact on residents and businesses throughout Illinois (see exhibit C).

Exhibit C Five-year economic growth targets

<table>
<thead>
<tr>
<th>Initiative 1: Strengthen the state’s ongoing business attraction, retention, and support initiatives</th>
<th>Initiative 2: Promote economic development on a regional level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attract 75,000 new jobs to Illinois over the next five years</td>
<td>Record 90 percent satisfaction rate with DCEO efforts among regional stakeholders</td>
</tr>
<tr>
<td>Within these new jobs, achieve an average wage of $57,200, 10 percent higher than the state average</td>
<td>Increase business starts in each region by 10 percent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Initiative 3: Develop an increasingly competitive workforce</th>
<th>Initiative 4: Increase fairness and opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand the number of total participants in workforce training programs by 25 percent</td>
<td>Create 10,000 new jobs in areas with the highest unemployment</td>
</tr>
<tr>
<td>Increase the percentage of the population with a degree or certificate to 51 percent by 2019</td>
<td>Decrease poverty to 2009 levels, a reduction of 9.4 percent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Initiative 5: Make Illinois a top destination for entrepreneurs</th>
<th>Initiative 6: Implement a comprehensive, statewide strategy to drive innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch 360,000 new businesses over the next five years</td>
<td>Enable Illinois universities to launch 1,500 new start-ups over the next five years</td>
</tr>
<tr>
<td></td>
<td>Align the growth in licensing of patented technologies from Illinois universities with the national rate</td>
</tr>
</tbody>
</table>

Since multiple agencies beyond DCEO are responsible for maintaining and enhancing the state’s infrastructure, the plan does not include targets for Initiative 7.

State government has a critical role to play in economic development, serving as a catalyst for ambitious projects, coordinating the actions of multiple stakeholders, and connecting companies and individuals to support business growth. Over the next five years, DCEO will work to implement this plan—but it can’t do it alone. The plan won’t be fully realized without the support and cooperation of other organizations across our state. Through innovative ideas developed as a result of collaboration, research, and careful study of best practices, this plan offers a clear path to tackling tough challenges and realizing a vision of success for all of Illinois.
A strong foundation for economic growth in Illinois
A vision for economic development in Illinois

An effective road map for Illinois’ economy must begin with two basic but crucial ideas: first, the state government’s role is not to create jobs but rather to create an ecosystem that is conducive to job growth; and second, the cornerstone of economic development is providing economic stability. It bears repeating: above all else, the state’s jobs ecosystem depends on stability and certainty. A state embroiled in volatility, crisis, and instability cannot effectively maintain or build economic vitality; regression in the form of severe cuts to education funding, an explosion in unpaid bills, or a poor credit outlook would—more than any other policy choices—undermine the foundation of a strong ecosystem, stymie business investment, and significantly limit job creation.

One of the key challenges over the past five years has been returning our economy to a state of greater stability. To get there, Illinois’ administration has enacted major reforms of our pension, Medicaid, workers’ compensation, and unemployment insurance systems. Today, our economy is growing; Illinois’ GDP has nearly reached its prerecession level, we lead the Midwest in net business starts, and unemployment is the lowest its been since 2008.

Having worked to reintroduce certainty through major fiscal reforms and honest accounting, Illinois is now positioned to aggressively accelerate revitalization and mobilize key economic development tools to drive broad-based growth for all businesses, tackle regional economic challenges, and support high-potential industry clusters.

This economic development plan draws explicitly on these themes by laying out seven major initiatives the administration will pursue to sharpen and expand our key economic development tools and drive sustained job creation in the 21st century. Each initiative is complementary, mutually reinforcing, and tied to clear metrics for success. While the state’s current priorities are emphasized, this is a living document with the expectation that the initiatives, strategies, key clusters, and metrics will be refined over time with extensive engagement from the private sector and other key stakeholders.

Ultimately, these seven initiatives support an economic vision and core value proposition for Illinois: to be a state with accelerating growth in GDP, jobs, and wages that competes for—and wins—business investment on the basis of the quality of its workforce, transportation infrastructure, culture of innovation, and stable business environment.
Identifying opportunities in a changing landscape

Every state is addressing similar challenges: how best to invest in infrastructure, support workforce development and training, expand opportunity, and drive innovation. As Illinois has focused on rebuilding its economy, several factors have added complexity to our pursuit of economic development:

**Increasing competition among states.** With a finite number of business development opportunities to pursue, states have become more aggressive in marketing themselves to companies and site selection firms. Incentives remain a necessary tool to stay competitive, but successful states will differentiate themselves by highlighting other qualities such as the talent of the workforce, access to key markets, the capabilities of the infrastructure, and residents’ quality of life.

**The globalization of the economy.** Markets and supply chains increasingly extend beyond neighboring states and regions to include countries around the world—a new frontier for many small and midsize businesses. While globalization offers the opportunity to reach new markets, businesses must also develop new capabilities to respond to heightened competition and global macroeconomic trends in labor, transportation, and commodity costs.

**Technology as a fundamental element of commerce.** Technology is not only the backbone of business operations but also a driver of emerging industries. Marrying technological innovation to a well-trained workforce and a world-class transportation infrastructure creates a value-added economy—one that competes through innovation and improved productivity, not through a race to the bottom. Therefore, a robust technology infrastructure and digitally literate population can have a material impact on business attraction, retention, and workforce development.

**The vital role of talent.** In the 21st-century economy, companies can succeed or fail based on their ability to hire skilled individuals. States that can develop their workforce by focusing on the specific needs of businesses will therefore have an advantage. In the pursuit of the nation’s top minds, intangibles such as quality of life, arts and culture, and the tolerance and acceptance of people from all backgrounds can attract younger workers and distinguish Illinois from its neighbors.

**The changing mix of industries in Illinois.** Long a center of manufacturing and agriculture, Illinois’ economy has become increasingly diversified during the past several decades. While manufacturing still represents nearly 10 percent of the state’s total employment, with 575,000 jobs, industries such as transportation and logistics (1.16 million jobs), financial services (370,000 jobs) and professional services (905,000 jobs) have helped to redefine the state’s economy.²

Illinois’ current economic performance

For decades, Illinois has been the economic engine of the Midwest region and a national hub for global commerce. As the fifth-most populous state in the nation, Illinois has a robust economy built on a diverse set of industries.

A snapshot of Illinois’ current economic performance highlights both our progress and the significant challenges that remain. This is not an exhaustive list, but it does bring together several areas where state and local government can make an impact. To address these challenges, this plan charts a clear course to address critical needs such as maintaining and modernizing our transportation infrastructure, reducing the persistent unemployment in certain areas of the state, investing in our workforce to stay ahead of global economic trends, and providing small businesses and entrepreneurs with the resources they need to start and expand companies in our state.
A strong foundation for economic growth in Illinois

Building stability

At the highest level, the Illinois economy is growing. While the trajectory of Illinois’ GDP drives home the impact of the Great Recession, the state has nearly matched its prerecession level, reaching $696 billion in 2013 (see exhibit 1). Over the past five years, the state has reduced its unpaid bills by more than $5 billion and cut government costs by $5.7 billion. Furthermore, the state has enacted major reforms of our pension, Medicaid, workers’ compensation, and unemployment insurance systems. These hard-won achievements have increased stability and are crucial to building the certainty our business environment needs to better serve existing business as well as attract new businesses. By 2025, Illinois’ GDP is forecast to exceed $870 billion, an increase of 25 percent over the 2013 level.3

Exhibit 1 Illinois gross domestic product, 2000–2013

US dollars, billions*

*Figures are in constant (2012) dollars.
Source: Woods & Poole Economics, Inc., 2014; currency conversion by NIU Center for Governmental Studies

3Illinois Office of Management and Budget.
Fostering business growth

Contrary to several narratives about our state, Illinois is a top place to do business. Illinois’ business tax burden of 9.6 percent is below the US state average of 10.2 percent (see exhibit 2). Illinois’ commercial and industrial energy rates are among the lowest in the country (see exhibit 3). Thanks to these and many other factors, businesses are making significant investments in the state; in 2013, Illinois was ranked as the third-best state in the country for new corporate facilities and expansion; among metropolitan statistical areas (MSAs), Chicago ranked first.4

While some states believe that the best way to grow is to attract new business, we believe that the best way to grow is to nurture our existing business. Over the past decade, annual net changes in Illinois employment due to company relocation (companies moving into and out of the state) on average account for less than 0.1 percent of the total annual employment base.5 That means that the vast majority of the state’s economic growth has come from existing businesses or businesses that were started here. Working to improve the environment for those businesses will bring a greater return to the state—and it will also make Illinois more attractive to out-of-state businesses looking to relocate.

Of course, there’s much that can be done to support existing businesses. To help more local businesses reach new markets, Illinois has expanded its programs to provide businesses with financial resources and assistance with export requirements. The state’s exports increased from $41.6 billion in 2009 to $66.1 billion in 2013 (see exhibit 4)—a 59 percent increase during Governor Quinn’s tenure—led by petroleum, heavy machinery, and agriculture.6 In 2013, Illinois ranked fifth among US states by total exports, accounting for 4.2 percent of the country’s exports.7 Still, given the many contrary narratives, there is a clear need for additional marketing for Illinois. Fostering competition and boosting economic development will require the state to focus on a more strategic approach to communicating our value proposition.

Exhibit 2 Combined state and local taxes, Midwest states, 2013

<table>
<thead>
<tr>
<th>State</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa</td>
<td>8.5%</td>
</tr>
<tr>
<td>Missouri</td>
<td>9.2%</td>
</tr>
<tr>
<td>Illinois</td>
<td>9.6%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>10.0%</td>
</tr>
<tr>
<td>Indiana</td>
<td>10.6%</td>
</tr>
<tr>
<td>Ohio</td>
<td>11.1%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>11.3%</td>
</tr>
<tr>
<td>Michigan</td>
<td>13.3%</td>
</tr>
</tbody>
</table>


4Site Selection magazine, March 2014.
Exhibit 3  **Average electricity rates, Midwest states, April 2014**

<table>
<thead>
<tr>
<th>State</th>
<th>Commercial prices, ¢/kWh</th>
<th>Industrial prices, ¢/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>8.60</td>
<td>6.08</td>
</tr>
<tr>
<td>Iowa</td>
<td>8.74</td>
<td>5.79</td>
</tr>
<tr>
<td>Minnesota</td>
<td>9.43</td>
<td>9.43</td>
</tr>
<tr>
<td>Indiana</td>
<td>9.88</td>
<td>6.70</td>
</tr>
<tr>
<td>Ohio</td>
<td>9.79</td>
<td>9.79</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>10.82</td>
<td>10.82</td>
</tr>
<tr>
<td>Michigan</td>
<td>11.02</td>
<td>5.40</td>
</tr>
</tbody>
</table>

Source: *Electric power monthly with data for April 2014*, US Energy Information Administration, June 2014

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Exhibit 4  **Illinois exports, 2000–2013**

<table>
<thead>
<tr>
<th>Year</th>
<th>US dollars, billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>31.4</td>
</tr>
<tr>
<td>2001</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td></td>
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<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>66.1</td>
</tr>
</tbody>
</table>

Note: Figures not adjusted for inflation.

Source: WISERTrade, state North American Industry Classification System (NAICS) database
Encouraging entrepreneurship

Of Illinois’ 842,516 establishments in 2012, 98.8 percent had fewer than 100 employees; in fact, the largest percentage of the state’s businesses (59 percent) employ 2 to 9 people. Therefore, efforts to facilitate the growth of small businesses can make a significant impact on the state’s economy.

The establishment of new businesses relies on a number of elements, including access to capital, the business ecosystem, and the state’s ability to support innovation and entrepreneurship. Recent data highlight Illinois’ success in creating a business ecosystem that supports entrepreneurship. Since 2000, annual new business starts in Illinois have increased more than 50 percent. The Great Recession resulted in nearly 204,000 new businesses in 2010, an outlier year, with start-ups accounting for more than 20 percent of all establishments (see exhibit 5). Furthermore, from 2000 to 2013, Illinois led the Midwest in percentage of net establishment growth (24.8 percent) and net business starts per 10,000 residents (64.2) (see exhibit 6). By contrast, several neighboring states saw less than 2 percent growth in total numbers of businesses during this period.

Exhibit 5 Illinois new business starts, 2000–2012

<table>
<thead>
<tr>
<th>Number of start-ups, thousands</th>
<th>Start-ups, % of all businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>250</td>
<td></td>
</tr>
<tr>
<td>200</td>
<td>25</td>
</tr>
<tr>
<td>150</td>
<td>20</td>
</tr>
<tr>
<td>100</td>
<td>15</td>
</tr>
<tr>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>2000 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12</td>
<td>Recession</td>
</tr>
<tr>
<td>7.8</td>
<td></td>
</tr>
<tr>
<td>44.2</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>8.1</td>
</tr>
<tr>
<td>150</td>
<td>68.6</td>
</tr>
</tbody>
</table>
| Source: National Establishment Time Series (NETS), YourEconomy.org, 2014

8 National Establishment Time Series (NETS), YourEconomy.org, 2014.
However, more must be done to encourage entrepreneurship. In particular, a renewed push to streamline business regulations will aid small business owners struggling to comply with regulatory burdens across the state. In addition, access to capital remains a critical issue; a 2012 nationwide survey of business owners found that 53 percent of respondents were unable to expand their business due to lack of capital, and 32 percent said they reduced the number of employees. Furthermore, Illinois has one of the highest fee structures in the nation to both start and renew a limited liability company (LLC), which has become the preferred structure for small businesses across the country thanks to its flexibility and tax benefits. Meanwhile, Illinois’ neighboring states charge fees as low as $40, putting our state at a disadvantage in terms of attracting and encouraging the creation of small businesses.

Exhibit 6  **Net business starts, Midwest states, 2000–2012**

<table>
<thead>
<tr>
<th>State</th>
<th>Net establishment growth since 2000</th>
<th>Net business starts per 10,000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>24.8%</td>
<td>64.2</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>12.3%</td>
<td>33.2</td>
</tr>
<tr>
<td>Missouri</td>
<td>12.2%</td>
<td>35.0</td>
</tr>
<tr>
<td>Minnesota</td>
<td>7.0%</td>
<td>21.9</td>
</tr>
<tr>
<td>Indiana</td>
<td>4.6%</td>
<td>11.5</td>
</tr>
<tr>
<td>Ohio</td>
<td>1.8%</td>
<td>4.5</td>
</tr>
<tr>
<td>Iowa</td>
<td>1.3%</td>
<td>4.2</td>
</tr>
<tr>
<td>Michigan</td>
<td>-8.8%</td>
<td>-23.1</td>
</tr>
</tbody>
</table>

Note: A negative number indicates a state with fewer businesses in 2013 than in 2000.

10Small Business Advocacy Council (SBAC), www.smallbusinessadvocacycouncil.org/lowering-llc-filing-fees.
Taking a regional focus

The strength of Chicago in helping drive Illinois forward is undeniable. Unsurprisingly, the Northeast leads the ten DCEO regions in GDP, accounting for a substantial majority of the state’s total GDP in 2012 (see exhibit 7). In almost every ranking of global cities, Chicago is listed near the top; in 2014, the city ranked seventh in the world on A.T. Kearney’s Global Cities Index.

Also undeniable is the fact that each region of Illinois exhibits its own attributes, strengths, and opportunities as well as unique challenges. From battling unemployment to encouraging cluster growth, the Illinois economic development plan is designed to spur bottom-up, broad-based growth by providing stakeholders at the grassroots level with the tools, resources, and programs they need to make real progress.

Exhibit 7  Illinois regional performance by GDP and unemployment

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP, 2012, billions</th>
<th>Unemployment rate, April 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Central</td>
<td>$15.7</td>
<td>6.9%</td>
</tr>
<tr>
<td>Central</td>
<td>$27.0</td>
<td>7.1%</td>
</tr>
<tr>
<td>North Central</td>
<td>$40.5</td>
<td>6.9%</td>
</tr>
<tr>
<td>Northeast</td>
<td>$531.9</td>
<td>7.2%</td>
</tr>
<tr>
<td>Northern Staline</td>
<td>$20.1</td>
<td>8.7%</td>
</tr>
<tr>
<td>Northwest</td>
<td>$23.3</td>
<td>7.4%</td>
</tr>
<tr>
<td>Southeast</td>
<td>$11.9</td>
<td>7.2%</td>
</tr>
<tr>
<td>South</td>
<td>$13.7</td>
<td>7.5%</td>
</tr>
<tr>
<td>Southwest</td>
<td>$26.6</td>
<td>6.6%</td>
</tr>
<tr>
<td>West Central</td>
<td>$9.1</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Note: GDP figures are stated in 2012 dollars. Unemployment rates are not seasonally adjusted.
Investing in our workforce

With 31.8 percent of Illinoisans over age 25 with a bachelor’s degree or higher, Illinois’ population is better educated than our neighbors and the United States as a whole (see exhibit 8). Every year, institutions of higher education and vocational tech programs help thousands of residents build vital skills in key industries—but it’s not enough. By 2020, 67 percent of Illinois jobs will require a career certificate or college degree.\(^\text{i}\)

To ensure our workforce is prepared, Illinois recently endorsed the Complete College America goal of ensuring 60 percent of all Illinois adults (ages 25–64) earn a college degree or certificate by 2025. Given churn and the size of the working-age population, this means we need to produce 187,046 graduates per year by 2025 (see exhibit 9). We are already well on our way to reaching this goal—in fact, we are ahead of schedule. The five-year scope of this plan means that our goal is to ensure 51 percent of the population has a certificate or degree by 2019.

Exhibit 8 Population age 25+ with bachelor’s degree or higher

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>31.0%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Indiana</td>
<td>22.9%</td>
<td>23.4%</td>
</tr>
<tr>
<td>Iowa</td>
<td>25.2%</td>
<td>25.8%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>20.8%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Missouri</td>
<td>25.6%</td>
<td>26.2%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>26.2%</td>
<td>26.6%</td>
</tr>
<tr>
<td>United States</td>
<td>28.5%</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

Source: EASI Analytics, Inc., 2013; US Census Bureau, 2014

Exhibit 9 Illinois certification rate progress, 2008–2025

- Current degree production
- Degrees needed to reach 60%

The overall program goal is to have 60% of the working-age population with a certificate or degree by 2025.

By 2019, Illinois’ goal is to have 51% of the working-age population with a certificate or degree.

Number of certifications earned per year, thousands

Source: IBHE and Complete College America, 2013

Expanding opportunity for all residents

Our residents are reaping the benefits of a growing economy: employment is at its highest level in more than five years, and the seasonally adjusted unemployment rate has fallen from a high of 11.4 percent in January 2010 to 7.5 percent in May 2014—the lowest it’s been since 2008 (see exhibit 10). Furthermore, at $52,588 per year, the average wage of Illinois residents is higher than the national average of $49,804.12

Despite the state’s growing economy, our residents have not always benefited equally. From 1979 to 2011, the top 1 percent of earners in Illinois saw their income rise 124 percent while the remaining 99 percent saw their income fall by 3.6 percent.13 Indeed, from 2000 to 2012, the poverty rate increased 4.7 percent in Illinois and 4.6 percent in the nation overall, due in large part to the impact of the Great Recession.14

Each of the initiatives in this plan is designed to be inclusive of all segments of the population. However, in recognition of the deep-rooted nature of the problems faced by those who are struggling, this plan includes an initiative, “Increase fairness and opportunity,” that is designed to combat the obstacles faced by these groups head on.

Exhibit 10  Illinois total employment, 2000–2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employed, millions</th>
<th>Unemployment rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>5.94</td>
<td>5.6</td>
</tr>
<tr>
<td>2001</td>
<td>5.8</td>
<td>5.9</td>
</tr>
<tr>
<td>2002</td>
<td>5.6</td>
<td>5.7</td>
</tr>
<tr>
<td>2003</td>
<td>5.4</td>
<td>5.2</td>
</tr>
<tr>
<td>2004</td>
<td>5.2</td>
<td>5.1</td>
</tr>
<tr>
<td>2005</td>
<td>5.0</td>
<td>5.1</td>
</tr>
<tr>
<td>2006</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>2007</td>
<td>4.6</td>
<td>4.8</td>
</tr>
<tr>
<td>2008</td>
<td>4.6</td>
<td>7.8 (Recession)</td>
</tr>
<tr>
<td>2009</td>
<td>5.6</td>
<td>7.8</td>
</tr>
<tr>
<td>2010</td>
<td>5.6</td>
<td>8.2</td>
</tr>
<tr>
<td>2011</td>
<td>5.6</td>
<td>7.5</td>
</tr>
<tr>
<td>2012</td>
<td>5.6</td>
<td>7.5</td>
</tr>
<tr>
<td>2013</td>
<td>5.6</td>
<td>N/A (N/A)</td>
</tr>
<tr>
<td>2014</td>
<td>5.69</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Note: US Bureau of Economic Analysis (BEA) and US Bureau of Labor Statistics (BLS) employment data differ in coverage. For more information, visit: www.bea.gov/faq/index.cfm?faq_id=104.


Fostering innovation

During the past few years, Illinois has made progress in establishing the programs and facilities that have made the state a magnet for top talent, entrepreneurs, and start-ups; in 2012, a new digital company was launched in Chicago every 24 hours. Illinois’ network of research-intensive companies and institutions represents a significant advantage for the state. In particular, Illinois companies play a critical role in fostering innovation through R&D. Of the $12 billion spent on R&D in 2011, almost 90 percent came from the private sector.

In terms of academic R&D, the Illinois Innovation Index reported that Illinois universities receive more R&D investment dollars than other Midwest states. Furthermore, growth in Illinois’ university patent activity was nearly triple the US average from 2003 to 2012 (see exhibit 11). This outstanding growth suggests that Illinois universities have increasingly made technology transfer—the process of commercializing research—a priority. However, Illinois falls short at the licensing phase, which often requires expensive investments in marketing and outreach to industry. By continuing to build the state’s innovation ecosystem, Illinois can connect innovators with commercialization opportunities and increase employment in high-potential clusters.

### Exhibit 11  Growth in technology transfer in Illinois* and the United States, 2003–2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Invention disclosures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States**</td>
<td>57,596</td>
<td>69,007</td>
<td>126,603</td>
<td><strong>19.8%</strong></td>
</tr>
<tr>
<td>Illinois</td>
<td>2,775</td>
<td>3,212</td>
<td>5,987</td>
<td><strong>15.7%</strong></td>
</tr>
<tr>
<td><strong>Patents issued</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States**</td>
<td>11,895</td>
<td>13,859</td>
<td>25,754</td>
<td><strong>16.5%</strong></td>
</tr>
<tr>
<td>Illinois</td>
<td>519</td>
<td>763</td>
<td>1,282</td>
<td><strong>47.0%</strong></td>
</tr>
<tr>
<td><strong>Licenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States**</td>
<td>14,307</td>
<td>15,495</td>
<td>29,802</td>
<td><strong>8.3%</strong></td>
</tr>
<tr>
<td>Illinois</td>
<td>515</td>
<td>536</td>
<td>1,051</td>
<td><strong>4.1%</strong></td>
</tr>
</tbody>
</table>

*In this dataset, the University of Illinois, the University of Chicago, and Northwestern University account for almost all academic technology transfer output in the state.

**Excluding Illinois.

Source: Association of University Technology Managers (AUTM), Illinois Science & Technology Coalition

Reprinted with permission from the Illinois Innovation Index.

Investing in our infrastructure

Superior infrastructure is a widely recognized component of Illinois’ suite of advantages; a quarter of US freight traffic passes through the tri-state region, and CNBC’s 2014 “Top States for Business” rankings placed Illinois among the top five states for infrastructure and technology. Recently, job-creating programs such as Illinois Jobs Now! helped cushion the blow of the Great Recession while positioning the state for growth by upgrading infrastructure.

However, congestion, aging structures, and incomplete networks are causing mounting challenges for businesses and residents. While traffic increased by 25 percent from 1990 to 2012, the number of lanes only increased 11 percent (see exhibit 12). In 2010, Chicago had the highest truck delay of any urban area and the highest added congestion cost. From 1982 to 2011, Chicago-area commuters experienced the third-worst increase in hours wasted per commuter, jumping to 51 hours per year, from 13. Furthermore, 42 percent of roads are in poor or mediocre condition, meaning Illinois drivers pay more per year in repairs than the national average (see exhibit 12). In addition to our roads, the Illinois waterways system—which contributes $6.4 billion to the Illinois economy each year—is also in dire need of repair.

Moreover, in the 21st-century economy, infrastructure has extended beyond traditional built assets to include broadband as well as technologies that support emerging clusters. To this end, the State of Illinois, through the Illinois Jobs Now! program, is in the process of constructing more than 4,100 miles of new fiber optic cable. This represents an aggregate investment of more than $300 million in state, federal, and private funding. As an example of this commitment, the Illinois Broadband Opportunity Partnership-East Central (IBOP-EC) is in the process of laying and upgrading new fiber; in the past five years, more than 1,000 miles of broadband fiber have been laid in the Northern Stateline and Northwest regions. But more work is needed to keep Illinois among the top global cities in terms of infrastructure development.

While this plan outlines the recommendations for development of the state’s infrastructure, all strategies require the commitment and cooperation of other agencies and stakeholders.
Pursuing targeted growth

Through innovative ideas developed as a result of collaboration, research, and careful study of best practices, the Illinois economic development plan offers a clear path to tackling these challenges and realizing a vision of success. A key element of this plan relies on targeted investments into industry clusters (see exhibit 13)—a geographic concentration of related companies, organizations, and institutions in a specific field or industry. By building on these assets and nurturing clusters, states can not only help existing businesses grow but also attract more business to the state. Seven of Illinois’ high-potential clusters are described further in this report (see “A framework for growth in high-potential industry clusters” on page 66).

### Exhibit 13 Illinois’ potential industry clusters

<table>
<thead>
<tr>
<th>Location quotient (LQ)* change, 2001–2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment change, 2001–2012</strong></td>
</tr>
<tr>
<td>Gain &gt;10%</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Location quotient (LQ) change, 2001–2012</td>
</tr>
</tbody>
</table>

- **Business and financial service**
- **Transportation and logistics**
- **Chemicals and chemical-based products**
- **Education and knowledge creation**
- **Machinery and fabricated metal products mfg.**
- **Printing and publishing**
- **Advanced materials**
- **IT and telecommunications**
- **Energy (fossil and renewable)**
- **Agribusiness and food processing**
- **Biomedical & biotechnical**
- **Arts, entertainment, recreation, and visitor industries**
- **Defense and security**

*Location quotient (LQ) quantifies the concentration of a cluster in a given area as compared with the US average. For example, an LQ of 1.0 denotes a concentration matching the US average, while an LQ of 2.0 denotes a specialization of double the US average.

Developing the plan

This plan seeks to build on the state’s evolving business environment in urban centers and across all of Illinois’ regions by strategically allocating resources to areas with the greatest potential. The development of a five-year economic plan for Illinois was guided by the following key themes:

**Growth through investment.** Exceptional economic expansion requires investments in the business ecosystem to drive job creation and higher incomes. While some of the proposals in this plan can be pursued by reallocating existing resources, additional funding and other resources will be needed to expand successful existing programs and implement new initiatives.

**Inclusiveness of opportunity.** An effective plan must address the needs of specific population segments, giving those on the lower rungs of the ladder the opportunity to climb into the middle class.

**Building on strengths and certainty.** The state has made huge strides over the past five years—but more must be done. This plan aims to define strategies that build on our existing strengths and propel momentum now and many years into the future.

**A blueprint for action.** In addition to articulating priorities and strategies, the plan provides concrete steps for implementation, including measures that would have an immediate impact and build momentum for sustained progress as well as metrics to track that progress.

**Coordinated, bottom-up growth.** Greater coordination between DCEO and each region will lead to more growth for the state. To that end, this plan seeks to provide stakeholders at the grassroots level with the tools, resources, and programs they need to make real progress.

**The innovation ecosystem.** From the first cell phone to the first Web browser, Illinois has a long record of game-changing innovation. This plan builds on that legacy by encouraging more support for innovation from early development through commercialization, fostering jobs in industries that will define our future. Indeed, industries that are nascent today could hold the key to a sustainable advantage in the years to come.
To develop a comprehensive economic development plan, DCEO assembled a team of researchers, analysts, and subject matter experts. The process consisted of three stages:

Stage 1
**Identify strengths and opportunities**
As a first step, DCEO held planning workshops with local economic developers, businesses, and elected officials in every region of the state. In all, approximately 400 community thought leaders and economic development specialists provided input on priorities and opportunities. Next, DCEO partnered with a research team at the Center for Governmental Studies at Northern Illinois University to gather research and analysis from federal and state government as well as leading data sources, compiling a deep fact base. The development team also examined best practices in other states and the latest models for economic development to put Illinois’ performance in context with fellow economic leaders and identify areas where the state could improve. Recent reports such as World Business Chicago’s *Plan for Economic Growth and Jobs*, the Chicago Metropolitan Agency for Planning’s *GO TO 2040*, the *Illinois Innovation Index*, and various regional comprehensive economic development strategies (CEDS) provided valuable points of reference. This information helped to identify the state’s strengths and challenges and suggest areas for further exploration.

Stage 2
**Develop initiatives and strategies**
The team’s analysis resulted in the identification of seven high-level initiatives aligned with Illinois’ unique strengths and challenges; these initiatives served as the framework for the development of strategies, benchmarks, and metrics to gauge progress. To ensure the initiatives would take advantage of the state’s current successes and economic opportunities, the team met with DCEO leaders to learn more about existing programs across its full range of responsibilities. This collaboration and attention to existing resources helped ensure that, in accordance with Public Act 098-0397, the strategies are specific, measurable, attainable, relevant, and able to be implemented in a time-sensitive manner.

Stage 3
**Manage implementation and execution**
DCEO will manage the implementation of the plan’s strategies and work with stakeholders across Illinois—including state agencies, elected officials, and regional leaders—to coordinate and administer initiatives. In accordance with the legislation, DCEO will publish details and figures on the state’s progress on an annual basis. Since this plan is meant to serve as a five-year framework, DCEO will adapt and augment its strategies to address new or emerging opportunities as necessary.

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Seven initiatives to expand the Illinois economy
An economic development plan for Illinois

Strengthen the state’s ongoing business attraction, retention, and support initiatives

Promote economic development on a regional level

Develop an increasingly competitive workforce

Increase fairness and opportunity

Make Illinois a top destination for entrepreneurs

Implement a comprehensive, statewide strategy to drive innovation

Modernize and revitalize our infrastructure

Estimated strategy costs
An economic development plan for Illinois

On a macroeconomic level, Illinois has gained momentum in the years since the Great Recession, with major indicators moving in a positive direction. Using the state’s strengths as a starting point, this report seeks to identify basic strategies and tools that will support and accelerate economic development on a statewide level. By facilitating all areas of the state’s economy while also offering the opportunity for tailoring to specific high-growth industry clusters, these measures will drive business development, job creation, and higher incomes—all of which will strengthen communities across Illinois.
To this end, the report highlights seven initiatives that will provide a solid foundation for sustained economic development in Illinois (see exhibit 14). Investments in infrastructure, workforce development, and better access to capital, for example, will put Illinois regions in a stronger position to pursue economic growth. The report’s tools and strategies can also be tailored to pursue specific opportunities, such as facilitating growth and innovation in high-potential clusters. In addition, regions will have the programs and resources to increase innovation and entrepreneurship in their communities and address issues such as persistent high unemployment.

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing. Each seeks to address both statewide and region-specific assets and opportunities.

The following pages provide an in-depth look at each initiative, including the strategies and tools that the state will pursue to continue making progress. To drive the conversation further, a cost estimates table, broken down by strategy, is included on pages 64–65.
Initiative #1

Strengthen the state’s ongoing business attraction, retention, and support initiatives

As the economic engine of the Midwest, Illinois is a leader in job creation and growth. At 9.6 percent, Illinois’ business tax burden is below the US state average of 10.2 percent. And at $52,588 per year, the average Illinois salary is above the US average of $49,804. The state’s diverse economy and distinctive attributes provide a solid foundation to attract and retain companies across a range of industries. Enhancing Illinois’ ability to communicate these strengths to businesses—and cooperating with other states throughout the Midwest—will be a critical component of boosting economic development.

Tools and strategies

- Expand Illinois’ marketing efforts in foreign and local markets
- Pursue a comprehensive certification program for Illinois’ industrial sites
- Reform access to EDGE
- Enhance business retention and expansion efforts
- Streamline the state’s business regulations

Five-year economic growth targets

- Attract 75,000 new jobs to Illinois over the next five years
- Within these new jobs, achieve an average wage of $57,800, 10 percent higher than the state average

Related strategies

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing.

- Leverage growth in key industry clusters (Initiative 2)
- Establish a revenue-neutral job training tax credit (Initiative 3)
- Reduce the limited liability company (LLC) fee for small businesses (Initiative 5)
- Increase access to broadband (Initiative 7)

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In 2012, Illinois Enterprise Zones created 11,194 jobs and retained 16,496 jobs. That year, while the state issued $103.1 million in tax credits to Enterprise Zone companies, those companies attracted $2.46 billion in capital investment—a 1:31 ratio.27

**Fast facts**

**Existing programs**

**Office of Business Development:** As part of DCEO, the Office of Business Development leads the state’s business attraction and retention efforts, developing relationships with business owners and executives to make them aware of state tax incentives, assistance, and other programs.

**Office of Regional Economic Development:** Through the Regional Economic Development (RED) team, DCEO offers personalized, region-specific support to existing companies seeking to expand as well as businesses looking to relocate to Illinois.

**Small Business Development Centers (SBDCs):** The Illinois SBDC network provides advocacy, business assistance, training, information, access to critical resources, and guidance to help entrepreneurs and existing small companies expand their businesses.

**Illinois Enterprise Zone Program (EZP):** Illinois has 89 enterprise zones, which offer customized state and local tax incentives, regulatory relief, and improved governmental services to encourage companies to locate or expand within a given zone.

**Grants/tax assistance**

**Economic Development for a Growing Economy (EDGE) Tax Credit Program:** For qualifying companies, the EDGE program provides corporate income tax credits equal to the amount of state income taxes withheld from the salaries of employees in the newly created jobs.

**Illinois High Impact Business (HIB) Program:** This program provides tax incentives to companies that propose to make a substantial capital investment in operations and will create or retain an above-average number of jobs.

**Large Business Development Program (LBDP):** The state supports economic development by awarding grants to businesses undertaking a major expansion or relocation project or making a substantial private investment that will create or retain a large number of Illinois jobs.

**Stakeholder perspectives**

DCEO solicited feedback on Illinois’ priorities and opportunities through economic development planning workshops with economic developers, businesses, and elected officials in every region of the state.

“We have to change the perception of Illinois.”

“What good is having a competitive advantage if nobody knows about it?”

27“River Edge Redevelopment Zone and High Impact Business Tax Incentives, Calendar Year 2012 Annual Report,” DCEO.
Tools and strategies

To obtain the highest return on finite resources for business attraction and retention, a state must have a well-defined marketing strategy as well as a deliberate, sustained effort to provide businesses with the necessary assistance and support. With increased competition to attract companies, states must be proactive in their efforts, with a particular focus on high-potential clusters and fostering organic growth. Recent data from the National Establishment Time Series (NETS) show that the bulk of job growth in Illinois comes from the expansion of businesses already located in Illinois, underscoring the importance of regular outreach.

The following strategies are designed to build on strengths and address opportunities for improvement. Illinois will enhance its capabilities to market the state’s strengths and make a strong case for Illinois as a top destination for growth and expansion. The state will also upgrade and promote its industrial sites to businesses seeking to relocate and streamline regulations to reduce the cost of doing business.

Expand Illinois’ marketing efforts in foreign and local markets

Illinois will launch a new, proactive marketing campaign in conjunction with the formation of the Business Development Council (BDC) to bring new companies to the state. This effort, in particular, will include specific campaigns—coordinated with local economic development officials—in overseas markets to attract foreign direct investment (FDI). These campaigns will leverage the state’s unique value proposition, which is based on accessibility, a high-quality workforce, world-class transportation infrastructure, and proximity to the full North American market.

To maximize the impact of its efforts, the state will focus on businesses that could serve as anchor institutions, attracting a network of related companies. In addition, Illinois will seek to attract companies that could drive the development of high-potential clusters. Last, rigorous analysis will help determine the states and foreign countries that represent the most fertile new markets for Illinois. Trade missions provide a solid foundation on which to build expanded attraction efforts.

Shaping the narrative and perception of Illinois will be a key component of this strategy. Working with both a private marketing firm and the BDC, the state will accentuate its distinctive attributes and raise awareness among businesses of the benefits of operating in Illinois. This effort will strive to define and promote a brand identity for the state that focuses on talent, infrastructure, innovation, quality of life, and the existing base of leading companies. Equally important, this effort will provide a platform for engagement and support of local economic development officials, including both provision of collateral materials as well as increased support for attendance at key industry conferences and trade shows.

Pursue a comprehensive certification program for Illinois’ industrial sites

Illinois has an extensive network of industrial sites, but it needs to promote them more effectively to prospective business. While DCEO provides several tools, including the Location One Information System, too many attractive sites are being overlooked. DCEO will develop a more effective online building database that offers a comprehensive, up-to-date list of certified industrial sites with the infrastructure and amenities to accommodate prospective companies. This program will assist businesses in locating available commercial and industrial sites throughout Illinois.
Enhance business retention and expansion efforts

DCEO will step up regular outreach to businesses throughout the state. These efforts don’t just support business retention but also can lead to expansion of existing businesses. Given the size of the state economy, DCEO may partner with other economic development groups to reach more businesses. Particular emphasis will be put on border regions, whose businesses withstand a disproportionate amount of poaching efforts from neighboring states.

To aid in these efforts, DCEO is in the midst of implementing a customer relationship management (CRM) system—a best-practice tool to support engagement, regular outreach, and information sharing. This system will help DCEO to be more responsive and identify new opportunities for growth. With greater visibility into business attraction and retention activities, DCEO will be able to strengthen existing partnerships and engage with more businesses in Illinois.

Reform EDGE

Offering a tax credit for the creation of new jobs, the Economic Development for a Growing Economy (EDGE) program has proven to be one of the state’s most powerful tools for economic development. To improve this tool for more of the state, we will increase access to EDGE incentives for small businesses and distressed communities, while curtailing opportunities for abuse from large corporations.

First, we will lower the capital expenditure/private investment requirement for using EDGE so that more small businesses can take advantage of it. Second, we will increase the value of EDGE in distressed communities. Sometimes distressed communities aren’t considered attractive locations by companies or site selection firms due to a lack of resources to promote themselves. In some cases, available workforce and low cost of living could prove attractive to businesses if they were offered additional incentives. Third, we will increase the value of EDGE in border communities, which are especially vulnerable to competition from other states in the pursuit of business development opportunities. Finally, we would like to substantially limit the use of “special” EDGE—used solely by large corporations—by requiring more disclosure, requiring companies to locate in distressed communities, and only incentivizing job creation. These changes will bring more help to the communities and businesses that need them most and provide for more growth in Illinois.

Streamline state business regulations

DCEO is often the first point of contact with business owners struggling to comply with regulatory requirements. Small- and medium-size businesses lack the legal and accounting resources of their bigger counterparts, so it is important to ensure the regulatory environment is designed to facilitate their development. Governor Quinn has already called for the creation of a Small Business Advocate to spearhead the state’s efforts on behalf of the small business community. Among the Advocate’s first tasks will be to lead an interdepartmental review of state business regulations with the goal of removing or consolidating those that are wasteful, ineffective, and/or unnecessary.
Promote economic development on a regional level

Since Illinois contains several distinct economies, an effective strategy for economic development must focus on understanding economic development priorities at the regional level. The cluster analysis shows that each of the ten DCEO regions exhibits an above-average or far-above-average specialization in at least one of the seven industry clusters identified for targeted development (see “A framework for growth in high-potential industry clusters” on page 66). With a substantial network of stakeholders and agencies, the state will encourage regional leaders to build on local strengths and attributes and respond to the opportunities and challenges in each unique region.

**Tools and strategies**

By tailoring strategies to meet the priorities and assets of individual regions while promoting better coordination among stakeholders, the state will drive accelerated growth in economic activity across regions.

- **Prioritize bottom-up planning and action**
- **Leverage growth in key industry clusters**
- **Pursue a low-cost, sustainable energy and natural resource economy**
- **Streamline the transfer of state surplus properties**
- **Incentivize regions to secure federal funds**

**Related strategies**

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing.

- Enhance business retention and expansion efforts (Initiative 1)
- Reform EDGE (Initiative 1)
- Extend the Illinois Pathways program (Initiative 3)
- Promote export growth among small and midsize enterprises (SMEs) (Initiative 5)
- Establish regional business plan competitions (Initiative 5)

**Five-year economic growth targets**

- Record 90 percent satisfaction rate with DCEO efforts among regional stakeholders
- Increase business starts in each region by 10 percent
Seven initiatives to expand the Illinois economy

Existing programs and grants

Many current programs and initiatives—a sampling of which are described below—lay the foundation for a large-scale implementation of cluster-based, regional economic development strategies.

Existing programs

Small Business Development Centers (SBDCs): Illinois’ network of 35 SBDCs, 10 Procurement Technical Assistance Centers (PTACs), and 12 International Trade Centers (ITCs) provides companies with one-on-one assistance, raises awareness of existing programs, and acts as a conduit to other state agencies.

Regional Economic Development (RED) teams: DCEO offers personalized, region-specific business support through its RED teams, whose economic development managers develop critical feedback on the real needs of Illinois businesses.

Illinois Development Council: The Illinois Development Council, a nonprofit organization, consists of economic development professionals who work to further the development of the economic base of Illinois.

Grants/tax assistance

Business Development Public Infrastructure Program (BDPIP): Local governments can apply for grants to finance public infrastructure projects needed to support economic development and private-sector job creation and retention.

Community Development Assistance Program for Economic Development (CDAP-ED): This federally funded program provides grants to local governments for economic development activities related to business retention and expansion opportunities.

Tax Increment Financing (TIF): Illinois regions can use TIF to enhance their competitive positions in the marketplace, rebuild their aging infrastructure, and upgrade older commercial centers, industrial properties, and residential neighborhoods.

Fast facts

In all, 22 economic development managers across the state’s ten DCEO regions conduct outreach and provide businesses with better access to state services. These individuals are responsible for the attraction and retention of hundreds of Illinois jobs as well as capital expenditures in excess of $95 million over the past three years.²⁸

Stakeholder perspectives

DCEO solicited feedback on Illinois’ priorities and opportunities through economic development planning workshops with economic developers, businesses, and elected officials in every region of the state.

“We’ve got to start thinking regionally.”

“When we work as a region, we do better.”

²⁸DCEO, “Annual performance metrics.”
Tools and strategies

The ten DCEO regions each have unique attributes and strengths that position them to serve specific industries. The challenge is empowering the many stakeholder groups—economic development organizations, local chambers of commerce, elected officials, educational institutions, and business, among others—to coordinate their activities and energy in the pursuit of a unified goal. Strategic programs can promote collaboration and the advancement of regional development strategies.

Illinois will draw on field-tested solutions to provide regions with the incentives, tools, and access to resources needed to increase economic activity. A key tenet of this approach is the recognition that the regions are best placed to identify effective strategies and implement solutions tailored to their respective areas. With the state’s assistance, regions will be able to promote their distinctive attributes to specific industries, support the growth and expansion of existing businesses, and ultimately create more jobs.

Prioritize bottom-up planning and action

The state must prioritize resources for specific objectives identified by regions as critical to their economic development success. These local groups have the knowledge and expertise to drive progress, and recent programs such as the US Department of Education’s Race to the Top initiatives have proved that competition for funding can be a catalyst for innovation.

To promote new and innovative strategies that are aligned with each region’s strengths and needs, Illinois will organize new economic development competitions; the winners will receive partial funding to help implement their strategies. The state will set submission guidelines for prospective initiatives and then administer the disbursement of funds. To ensure that every region has the opportunity to generate increased business activity, Illinois will hold separate competitions for distressed communities.

Leverage growth in key industry clusters

A cluster is a geographic concentration of related companies, organizations, and institutions in a specific field or industry. Many areas around the country are incorporating a cluster-based strategy in economic development as a way to build on existing assets and opportunities. By focusing resources on specific clusters, Illinois can increase economic development and help to create a competitive advantage in emerging industries. Specifically, Illinois will invest in foundational components of clusters, including physical infrastructure (for example, advanced manufacturing hubs, life science start-up accelerators, clean energy and ethanol projects, upgraded locks and dams to support increased agriculture export); a well-trained workforce (for example, nanotechnology curriculum development and vocational training; labs for digital and virtual design skills development for manufacturing; community college partnerships for travel, transportation, and logistics); and access to capital (for example, a proof of concept fund to aid commercialization of university-based innovations, concessionary loans for small- and medium-size manufacturing enterprises to expand production, robust venture capital support for IT start-ups)—all with an eye toward accelerating job growth.

To be clear, the point of highlighting these high-potential clusters is not to pick winners or losers. That is not the role of the state. The goal here is to identify clusters with a significant concentration of activity in Illinois that are already projected to grow, then capture more of that growth for the state.
Pursue a low-cost, sustainable energy and natural resource economy

A distinctive advantage for Illinois’ economy is both its relatively low cost of energy relative to other states as well as the diversity and abundance of its natural resources. The manufacturing sector, in particular, will increasingly gravitate to locations that can assure the provision of low-cost energy and reliable water resources. To capitalize on this trend, and consistent with the approach of positioning Illinois as a manufacturing hub, the state will focus on responsible development of its diverse energy resources (from traditional fossil fuels to nuclear, wind, and solar) and investment in the infrastructure necessary to assure the reliable delivery and provision of these key natural resources (from transmission lines to water main upgrades).

Sustainable, balanced development of resources paired with investment in critical infrastructure will drive job creation in areas of the state with key energy assets, stimulate the economy with immediate job creation benefits for the construction sector, and allow communities across the state to attract new facilities and expand existing manufacturing assets.

Streamline the transfer of state surplus properties

Currently, the process of transferring surplus state real estate to either local governments or private organizations is so cumbersome that it sometimes literally requires an act of the General Assembly. To unlock real estate around Illinois that is presently draining state resources, DCEO recommends amending the Property Control Act to streamline the property transfer process to resemble the federal General Services Administration (GSA) system. To further facilitate the conversion of surplus state real estate into productive, private-sector uses, the state could implement a limited program of tax credits to reduce the costs of rehabilitating structures and real property.

Incentivize regions to secure federal funds

The US Economic Development Administration (EDA) has several programs that allocate funds for regional economic development. However, three obstacles—awareness of these programs, resources to apply, and the application process—can deter stakeholder groups at the regional level from applying for federal funding. Illinois will encourage and help regions apply for federal economic development awards administered through DCEO by contributing matching funds. In this way, the state can offer added incentive for stakeholders to navigate the application process by increasing the amount that regions could receive. This commitment by Illinois will have the added benefit of drawing industry support for specific projects, further extending the impact of federal awards.
Initiative #3

Develop an increasingly competitive workforce

Illinois’ economy is diverse; no one industry claims more than 13 percent of the workforce. Illinois’ population is also better educated than the United States as a whole, with 31.8 percent of Illinoisans over age 25 with a bachelor’s degree or higher. Every year, institutions of higher education and vocational tech programs help thousands of residents build vital skills in key industries. As businesses place greater emphasis on human capital, the state’s deep pool of qualified workers represents an advantage in attracting companies and supporting business expansion. To respond to the rapidly evolving 21st-century economy and the pending retirement of more than 300,000 manufacturing employees in the next decade, the state will work with industry partners to design and expand workforce development programs to train adults and youth for careers in high-potential clusters and other in-demand sectors.

Tools and strategies

The state will partner with business, expand successful existing programs, and augment those with new initiatives to maintain a ready supply of qualified workers.

- Establish a revenue-neutral job training tax credit
- Launch a year-round youth job training program
- Support skilled trades apprenticeships
- Expand the Job Training for Economic Development (JTED) program
- Increase support for youth scholarship and conservation corps programs
- Extend the Illinois Pathways program

Related strategies

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing.

- Leverage growth in key industry clusters (Initiative 2)
- Continue and expand veteran job training and placement (Initiative 4)
- Promote entrepreneurship as a life skill (Initiative 5)
- Keep our best and brightest talent in Illinois (Initiative 5)

Five-year economic growth targets

- Expand the number of total participants in workforce training programs by 25 percent
- Increase the percentage of the population with a degree or certificate to 51 percent by 2019

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30The US average is 29.0 percent. EASI Analytics, Inc., 2013; US Census Bureau, 2014.
31Illinois Manufacturers Association (IMA).
Seven initiatives to expand the Illinois economy

Local Workforce Investment Areas (LWIAs): The state has established 24 LWIAs that provide a framework for the statewide network of community colleges and other local organizations that work directly with communities to provide customized training.

Accelerated Training for Illinois Manufacturing (ATIM): ATIM prepares low-income and dislocated workers for high-demand jobs in machining, mechatronics (equipment service and repair), welding, and logistics/inventory.


Illinois Pathways program and STEM Learning Exchanges: Financed by the US Race to the Top program, this initiative aligns state economic development, workforce development, and education around nine key sectors to help Illinoisans secure industry-recognized credentials.

Illinois Summer Youth Employment Program: In summer 2013, youth aged 14–24 in communities around the state participated in an inaugural program that provided career education and paid work experience.

Existing programs and grants

Illinois workNet® is the centralized information source for many of the state’s programs and resources for workforce and career development, a sampling of which are detailed below.

Existing programs

Employer Training Investment Program (ETIP): The ETIP-Competitive component reimburses manufacturers and service companies up to 50 percent of the cost of training employees to upgrade skills, while the ETIP-Incentive component is available to prequalified businesses that are expanding, relocating, or are in jeopardy of closing.

Job Training and Economic Development (JTED): Through grants to nonprofit organizations, JTED offers curricula and training for low-wage, low-skill, unemployed, and/or disadvantaged workers.

WIA grants: Several other initiatives funded by the federal Workforce Investment Act (WIA) target specific workforce development issues.

Grants/tax assistance

Fast facts

In 2012, 74.6 percent of residents who went through an Illinois Workforce Investment Act (WIA) training program obtained employment; six months later, 84.5 percent were still in that job.32

The WIA establishes performance measures for adult and dislocated worker activities as well as youth activities. In FPY’12/SY’13, Illinois exceeded five of its nine common measure performance goals and met the remaining four goals. In addition, all 24 LWIAs either met or exceeded their performance goals.33

Stakeholder perspectives

DCEO solicited feedback on Illinois’ priorities and opportunities through economic development planning workshops with economic developers, businesses, and elected officials in every region of the state.

“Companies used to take it for granted that they would be providing training. But now they expect the person to come in already trained. There has been a shift in responsibility.”

“We’ve got to get our businesses to work with our schools so the schools don’t train on the wrong things.”

“Mt. Vernon’s workforce program turns out a world-class workforce.”

32–33DCEO.
Tools and strategies

The rapid pace of technological advancement and the emergence of new industries illustrate the need for effective programs that enable workers to enhance their skills; indeed, in the 21st-century economy, education and training must become lifelong pursuits. In addition, the growth of the knowledge economy places higher demand on an adaptable workforce with soft skills. A state’s ability to harness the latency of its workforce and offer experienced workers opportunities to transition to high-growth sectors will be important components in economic development.

It has been estimated that by 2020, 67 percent of jobs in Illinois will require a career certificate or degree. Governor Quinn has sought to build on the state’s above-average educational attainment by pledging that by 2025, 60 percent of our working population will have a degree or certificate. We are already well on our way to reaching this goal (see chart, “Illinois certification rate progress,” on page 21). DCEO will support this initiative by directing training dollars toward programs that result in an in-demand certification. In addition, DCEO will seek to expand training of incumbent workers, because while this instruction may not always result in a degree, it can result in higher wages and upward mobility for a significant portion of Illinois’ workforce. To that end, the state will establish a revenue-neutral training tax credit and expand its on-the-job training programs.

Establish a revenue-neutral job training tax credit

Under this new initiative, the state will pay for 75 percent of training costs for new and incumbent employees. To qualify, a company must submit training expenses and demonstrate that these efforts resulted in hiring a new employee or increasing a current employee’s skill set and compensation. This strategy creates a tax credit that is adaptable to changing market conditions, enables companies to use it strategically, and supports employer-driven training decisions. By awarding the money through a payroll tax credit calculated on the increase of new or upgraded employee compensation, this strategy will effectively be revenue neutral. The tax credit has already been proposed in legislation in the General Assembly.

Launch a year-round youth job training program

Building on the success of the Illinois Summer Youth Employment Program, the enhanced Youth Pathways to Employment Program aims to increase the work readiness of at-risk youth and provide alternatives to violence and crime. Participants will benefit from four key components under the program:

1. Career preparation: Participants will receive training in soft skills like resume writing, financial management, computer literacy, and job search skills.

2. Mentoring: Mentors will work with program participants on communication skills, conflict resolution, team building, and workplace etiquette.

3. Wage subsidy/paid work experience: Out-of-school youth will be placed in part-time jobs for six months at a time (20 hrs/week), while in-school youth will be placed for three months at a time (12 hrs/week).

4. Employment pathways: At the end of the work experience, participants will receive permanent job placement assistance or will be referred to WIA-funded training programs, professional work opportunities, and/or on-the-job training opportunities.

If expanded beyond a summer program to year-round status, this program would serve thousands of at-risk youth around the state.

Support skilled trades apprenticeships

The state should expand the ETIP program to increase grants to US Department of Labor–certified apprenticeship programs. The building and construction trades are historically engaged by multiple employers, with joint apprenticeship programs managed by representatives of both employers and labor organizations. DCEO has had success with individual grants to joint apprenticeship programs, and the state government has invested extensively in higher education directed toward degree-granting college programs. No similar support currently exists to invest in the next generation of skilled trades, despite most apprenticeship programs requiring a substantial, multi-year training period.

Expand the Job Training for Economic Development (JTED) program

The accelerating pace of technological change reinforces the need for ongoing training and education in industry fields. Among Illinois’ workforce development efforts, effective programs will be expanded to ensure that the largest possible number of people have the skills to participate in the workforce. Through grants to nonprofit, community-based organizations (CBOs), the JTED grant program helps low-wage, low-skilled workers to advance in their careers and helps unemployed, disadvantaged people learn skills necessary to secure employment. The CBOs work with small local businesses to develop curricula, train eligible workers, and provide ongoing support.

Fast facts

Illinois workNet® is integrated with the Illinois Workforce Development System (IWDS), which stores information on each customer, from program enrollment through follow-up after job placement. The number of regular user accounts increased steadily from 2010 to 2012. In that period, the number of business accounts on workNet® nearly doubled.35

35DCEO.
Increase support for youth scholarship and conservation corps programs

To provide the best opportunities for Illinois’ future workforce, the state can act as a catalyst to increase motivation and engagement. For young prospective workers, Governor Quinn has proposed doubling the number of Monetary Assistance Program (MAP) scholarships awarded to Illinois residents who attend approved Illinois colleges and demonstrate financial need. Each year, MAP funds help more than 140,000 students pay for college tuition and fees, assisting the next generation in pursuing their academic and vocational aspirations. The number of grants made through this program, as well as the individual dollar amount awarded, are dependent on annual appropriations by the Illinois General Assembly. Funding is typically exhausted early in the year.

Governor Quinn has also proposed expanding the state’s successful youth and young adult conservation corps, which help at-risk young people gain valuable training and experience by working in state and local parks and conservation areas across the state. This effort could be tailored to high-potential clusters in order to expose young workers to the benefits of careers in these fields.

Extend the Illinois Pathways program

One of the consistent themes in talking with economic developers across the state is the desire for better coordination between local employers and local schools. Recently, Illinois was awarded $12 million from the US Department of Labor to expand the Pathways program, an innovative, state-led initiative focused on P-20 science, technology, engineering, and math (STEM) education and workforce training. Through partnerships between DCEO, the Illinois State Board of Education, the Illinois Community College Board, the Illinois Board of Higher Education, the Illinois Student Assistance Commission, and the Illinois Department of Employment Security, Pathways supports local programs that empower students to explore their academic and career interests.

Most important, the Pathways program allows employers and schools to make sure that the skills we teach our students are the same ones that will get them a job with local employers. To this end, the additional grant is also intended to help provide improved and braided services for unemployed and disadvantaged adult workers entering manufacturing. Additional programs are also needed to facilitate training for high-demand IT positions such as coders. To ensure that communities across the state are equipped to participate in the Pathways program, Illinois will provide state capital funds to add labs of excellence in school systems throughout the state.

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For Illinois to excel, all residents must have an equal opportunity to participate in and contribute to the state’s economy. While unemployment and poverty are statewide problems, certain communities are in desperate need of immediate resources. The state is committed to investing in programs designed to extend assistance to struggling communities and segments of the population with high unemployment. This focus on broad-based, bottom-up initiatives will give residents across the economic spectrum the skills and access to participate in their regional economy.

Related strategies
Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing.

- Reform EDGE (Initiative 1)
- Prioritize bottom-up planning and action (Initiative 2)
- Expand the JTED program (Initiative 3)
- Support skilled trades apprenticeships (Initiative 3)
- Increase access to broadband (Initiative 7)
Existing programs and grants

DCEO has expanded programs—some of which are discussed below—to provide the long-term unemployed and distressed communities with resources necessary to reenter the job market.

Existing programs

**Workforce Investment Act (WIA):** Priority use of both adult and youth WIA funds—a program discussed in Initiative 3—is for employment and training services to public assistance recipients, dislocated workers, and individuals with substantial barriers to employment (for example, deficiency in basic reading skills).

**Shifting Gears and Accelerating Opportunity:** Illinois has established bridge programs in more than 50 community colleges and adult education providers to serve as an on-ramp for low-skilled adults to access Illinois Pathways.

**Disabilityworks:** This program provides resources and tools for individuals with disabilities to receive training and pursue employment opportunities.

**Programs for veterans:** The Hometown Heroes program helps veterans locate services, while the Illinois Warrior Assistance program offers free and confidential assistance to veterans in order to ease their transition back into civilian life.

Grants/tax assistance

**Community Services Block Grant (CSBG):** The CSBG program is designed to provide a range of services that help low-income people to attain the skills, knowledge, and motivation necessary to achieve self-sufficiency.

**Illinois Enterprise Zone Program (EZP):** Designed to stimulate economic growth in economically depressed areas of the state, this program offers state and local tax incentives, regulatory relief, and improved governmental services.

**Eliminate the Digital Divide:** Under this program, DCEO awards grants to plan, establish, administer, and expand community technology centers and to support basic computer literacy training programs in disadvantaged communities.

**Employment Opportunities Grant Program (EOGP):** Grants are awarded to increase the number of individuals in historically underrepresented populations that enter and complete building trades apprenticeship programs and achieve journey-level status within unions.

Fast facts

Data indicate that the growing economy has not benefited all segments of the population: while the state’s income per capita rose more than $4,000 from 2000 to 2013, to approximately $40,500, average household income remained flat during this period.³⁷

In 2013, Illinois ranked 25th among all states with a **poverty rate of 14.7 percent**, below the US average of 15.9 percent.³⁸

Often, job seekers lack either the technical training or the soft skills—such as resume writing and networking—to qualify for posted job positions. And **many adults in Illinois simply do not have the reading, writing, and math skills** to qualify for these jobs. Nearly 770,000 working-age Illinois residents lack a high school degree or its equivalent.³⁹

Tools and strategies

On a fundamental level, policies and programs that give all residents, particularly those who are struggling, opportunities to participate in the state’s economy promote inclusiveness and fairness. In 2012, 842,719 Illinoisans lived in extreme poverty—including 9.3 percent of children in the state. Leveling the playing field for these residents could improve lives and strengthen communities. These policies also make economic sense: Illinois businesses could reap substantial benefits from increased consumer spending, and lower unemployment and poverty would reduce reliance on government services.

Illinois will tailor existing programs to certain segments—residents in extreme poverty, the long-term unemployed, and groups with specific needs such as veterans. Through targeted efforts in outreach and programming, the state will provide these individuals with the skills and support needed to rejoin the workforce. By designing these strategies to address employer needs, the state can advance economic development, expand opportunity, and train individuals for jobs in high-potential clusters.

Focus more resources on the state’s most distressed communities

As of May 2014, Illinois’ unemployment rate stands at 7.5 percent—the lowest since 2008 (see chart on page 22). However, some areas of the state are faring worse. The state will partner with local and regional leaders across our state to address high unemployment in hard-hit regions like Danville, Decatur, East St. Louis, Kankakee, Peoria, and Rockford. DCEO’s goal is to bring 10,000 new jobs to distressed communities around the state by 2019.

Clearly, this is no easy task. The unemployment rates in these areas result from the interplay of multiple factors, including global macroeconomic trends and economic policies at the national level. However, progress can and must be made. DCEO looks forward to partnering with organizations large and small to achieve this important goal.

The strategy in Initiative 2, “Prioritize bottom-up regional planning and action,” is strongly tied to this initiative. In the process of organizing new economic development competitions around the state, Illinois will hold separate competitions for distressed communities to ensure that every region has the opportunity to generate increased business activity.
**Double the state’s Earned Income Tax Credit**

The Earned Income Tax Credit (EITC) is a federal program that provides low-income workers with extra income through tax refunds. According to the National Bureau for Economic Research (NBER), the EITC encourages low-income parents to seek employment by lowering their tax rate and providing a financial bonus for that work effort.\(^\text{41}\) And according to the Brookings Institution, the EITC has been especially effective in encouraging single parents, particularly women, to obtain employment.\(^\text{42}\) In 2012, approximately 1 million Illinois families benefited from the EITC, receiving an average of nearly $2,400.\(^\text{43}\) Furthermore, according to NBER researchers, “The cost of the EITC is offset in part . . . by a reduction in the number of single mothers receiving welfare.”\(^\text{44}\)

On January 1, 2013, the Illinois EITC was raised from 7.5 percent of the federal credit to 10 percent. Pending the passage of proposed legislation, over the next five years the state will double the EITC to 20 percent of the federal credit, providing hundreds of thousands of working families with more money for food, clothing, and vital services and further encouraging low-income parents to join the workforce.

**Increase the minimum wage to $10 an hour**

Illinois could help both businesses and residents by boosting the minimum wage. Several recent studies have found that a higher minimum wage can benefit businesses through higher productivity, improved employee retention, and higher demand for goods and services.\(^\text{45}\)

A higher minimum wage would have a significant impact on workers of all ages. The average age of employees who receive the minimum wage is 35 years old. Nearly 88 percent are at least 20 years old, and more than a third (34.5 percent) are 40 or older.\(^\text{46}\) Of affected workers, about 54 percent work full time, 69 percent come from families with household incomes of less than $60,000, and more than a quarter have children.\(^\text{47}\) According to the Federal Reserve, for every dollar increase in the minimum wage, workers spend an additional $2,800 per year in their local communities, providing a boost for Main Street businesses.\(^\text{48}\)

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\(^\text{42}\) For additional Brookings Institution analysis of the anti-poverty impact of the EITC, see www.brookings.edu/blogs/the-avenue/posts/2013/01/11-eitc-anti-poverty-kneebone-williams.


\(^\text{46}\) Cooper, David, “Raising the minimum wage to $10.10 would lift wages for millions and provide a modest economic boost,” briefing paper no. 171, Economic Policy Institute, December 19, 2013.

Continue and expand veteran job training and placement

Of Illinois’ 718,000 veterans, 27,000 between 18 and 64 years of age were unemployed and 51,000 lived in poverty in 2012. The Illinois Department of Veterans’ Affairs provides many programs and services to veterans, from job readiness training and unsubsidized employment opportunities to mortgage assistance for prospective homeowners. The Hires Heroes Consortium is a group of Illinois employers that are committed to implementing a series of military veteran recruitment, training, and retention practices.

Although veterans face specific obstacles in transitioning into the civilian workforce, many also have a range of skills—from leadership training to experience in technical fields—that directly apply to the private sector. Governor Quinn signed an executive order mandating assessment of military training against state licensing requirements. To implement programs at the local level, Illinois will launch a Veteran Bridge program to match individuals with the right training program. For example, military medics could quickly attain licensed practical nursing degrees (LPNs). Several public-private partnerships are underway; DCEO currently partners with the Utility Workers Union, People’s Gas, and Integrys to provide training in the gas utility industry. The state will seek to replicate these types of partnerships in other industries.

Stakeholder perspectives

DCEO solicited feedback on Illinois’ priorities and opportunities through economic development planning workshops with economic developers, businesses, and elected officials in every region of the state.

“We have people who are willing to work, we just need to find them a job that meets their skills.”

“We have people who are willing to work, we just need to find them a job that meets their skills.”

“Walking into our community, you wouldn’t think there is poverty, but there are a lot of parents who are struggling.”

“When someone grows up in poverty, they often don’t understand that another life is possible. Mentoring and coaching is vital for helping them see another life.”

Make Illinois a top destination for entrepreneurs

Entrepreneurship has a major impact on job creation and the economy as a whole, and Illinois has made great strides in fostering a positive climate for entrepreneurs and small businesses. From 2009 to 2012, the state was third in the nation for total net new establishments, with 14.1 new businesses per 10,000 residents.\(^5\) However, a substantial difference exists between start-up rates in metro and non-metro areas. By working with an established network of partners and investing in a business ecosystem that supports entrepreneurship, Illinois can build on its current momentum to increase the number of new companies, facilitate expansion to create jobs, and drive the Illinois economy forward.

### Tools and strategies

With input from partners throughout the state, Illinois will pursue a unified, strategic approach to entrepreneurship to ensure that small and midsize businesses have the capital, talent, and government support to grow.

- **Reduce the limited liability company (LLC) fee for small businesses**
- **Promote export growth among small and midsize enterprises (SMEs)**
- **Establish regional business plan competitions**
- **Focus more state resources on second-stage small businesses:**
  - Provide proprietary research and data access to businesses with high growth potential
  - Expand Advantage Illinois
- **Promote entrepreneurship as a life skill**
- **Keep our best and brightest talent in Illinois**
  - Market local opportunities to recent grads
  - Welcome highly skilled talent to the state
  - Expand the Corporate/Start-Up Challenge

### Five-year economic growth targets

- **Launch 360,000 new businesses over the next five years**

### Related strategies

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing.

- Reform EDGE (Initiative 1)
- Streamline the state’s business regulations (Initiative 1)
- Leverage growth in key industry clusters (Initiative 2)
- Reduce costs for university-based tech start-ups (Initiative 6)
- Increase access to broadband (Initiative 7)

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Seven initiatives to expand the Illinois economy

Existing programs and grants

Illinois’ existing programs and grants—some of which are described below—support small businesses through funding, assistance, and resources to support expansion.

Existing programs

Small Business Development Centers (SBDCs): The state’s network of SBDCs provide direct assistance to entrepreneurs in the form of information, confidential business guidance, and connections to mentorship, facilities, capital, and business services.

Business Information Center: The DCEO-administered business hotline augments the work of the SBDCs and provides entrepreneurs with a direct link to knowledgeable English- and Spanish-speaking DCEO staff.

Advantage Illinois: Advantage Illinois spurs institutional lending by using federal funds to attract private investment and connecting venture capital firms with start-ups and high-growth businesses.

Mission: Veterans 2 Entrepreneurs (MV2E): MV2E provides veterans and returning service members with up-to-date information, resources, and assistance in becoming successful business owners.

Disadvantaged Business Revolving Loan Program: This program gives certified disadvantaged business enterprises (DBEs) low-interest loans to finance state construction projects and has increased state contracts to minority- and women-owned companies by nearly 60 percent.51

Grants/tax assistance

Illinois Angel Investment Credit Program: The Angel program awards $10 million in tax credits each year to attract and encourage investment in early-stage, innovative companies throughout Illinois.

Illinois Small Business Jobs Creation Tax Credit Program: Small business owners who create new, full-time positions can receive a tax credit of $2,500 per job.

Illinois New Markets Development Program: This program supports small and developing businesses by improving access to capital and makes Illinois more attractive to investors.

Fast facts

Illinois SBDCs reported in 2013:

9,095 jobs (created = 3,252; retained = 5,843)

658 new business starts and expansions

$464.3 million in financing assisted

$585.8 million in contracts assisted through Procurement Technical Assistance Centers (PTACs)

$540 million in export sales assisted through International Trade Centers (ITCs)

Clients of Illinois SBDCs generated $18.7 million in state and federal tax revenues.

Illinois SBDC long-term counseling clients generated a $4.19 return for each dollar invested.

51DCEO.
Tools and strategies

Small businesses are a critical driver of economic development throughout the state. Of Illinois’ 842,516 establishments in 2012, 98.8 percent had fewer than 100 employees; in fact, the largest percentage of the state’s businesses (59 percent) employ 2 to 9 people. Therefore, efforts to facilitate the growth of small businesses can make a significant impact on the state’s economy and enhance the vibrancy of regions, especially rural communities, across the state.

To ensure that all small and midsize enterprises (SMEs) have the resources needed to thrive, the state will work with economic development organizations, community colleges, and other partners to complement successful existing programs with new strategies. Since the obstacles to growth can change significantly as a company matures, the state will pursue programs that connect entrepreneurs with the funding, facilities, and mentorship they need at each stage of their organization’s development. In addition, seizing opportunities in high-potential clusters will require a new mind-set. The following strategies will bolster small business growth and create a new wave of entrepreneurs in Illinois.

Reduce the limited liability company (LLC) fee for small businesses

DCEO’s network of SBDCs is an important resource to entrepreneurs around the state. As discussed in Initiative 1, a sustainable marketing campaign—with programming that targets entrepreneurs—will increase the number of businesses that know about and can therefore take advantage of available programs and assistance. And in partnership with the newly appointed Illinois Small Business Advocate, DCEO will work to reduce regulations for all businesses in Illinois.

To this end, DCEO will advocate for small business in the passage of House Bill 65, which would lower both the initial and the renewal LLC fee for small businesses. LLCs have become the preferred structure for small businesses across the country thanks to its flexibility and tax benefits. In his 2014 State of the State address, Governor Quinn proposed lowering the LLC fee for small businesses from $500 (one of the highest in the nation) to $39 (the lowest in the nation), a proposal supported by many business organizations within the state. House Bill 65 is pending in the Illinois General Assembly as of June 2014.

Promote export growth among small and midsize enterprises (SMEs)

Growth of small businesses into midsize and large businesses represents the primary engine of economic growth and job creation in our economy. This expansion often depends on whether businesses capture greater global market share through entry into new foreign markets. Illinois’ Office of Trade and Investment and the state’s SBDC International Trade Center (ITC) network already provide general expertise, links to resources, and one-on-one support and mentoring to companies across the state. In 2013, the state’s 12 ITCs reported assisting in export sales exceeding $540 million, and overall, exports grew to $66.1 billion in 2013.

However, many Illinois companies still do not have the resources or expertise to effectively develop an export strategy. To help close this gap, Illinois will launch a state-funded trade and export promotion program modeled on a federal pilot awarded to the state in 2011. This program will subsidize costs to perform market research, attend trade shows, and participate in direct sales missions in an effort to connect local companies with suitable global market opportunities. RED teams will work with regional partners to identify companies with the highest potential to successfully enter new foreign markets.

\[52^{\text{National Establishment Time Series (NETS), YourEconomy.org, 2014.}}\]

\[53^{\text{DCEO; WISERTrade, state North American Industry Classification System (NAICS) database.}}\]
Focus more state resources on second-stage small businesses

A 2012 survey of business owners found that 53 percent of respondents were unable to expand their business due to lack of capital, and 32 percent said they reduced the number of employees. In fact, just half of all new establishments survive five years or more, and about one-third survive ten years or more. Access to capital for growth and expansion remains one of the major obstacles to small business growth. The state will therefore place greater focus on supporting second-stage businesses.

Provide proprietary research and data access to businesses with high growth potential

The state will offer promising businesses access to the industry-leading technical expertise, data access, and competitive information typically available only to big companies. With this information, small-business owners will be able to make better strategic decisions, refine business models, and enter new markets. Several US cities have implemented this strategy, including Decatur and Springfield, which partnered with the National Center for Economic Gardening (NCEG) to set up countywide networks to provide virtual access to research teams.

Expand Advantage Illinois

DCEO’s Advantage Illinois program, a federally funded initiative, provides Illinois entrepreneurs with access to capital to fuel business expansion. As of January 2014, the state had awarded $58 million in funds to attract more than $399 million in private investment for 130 projects—a return of $7 per dollar invested since its launch in 2011. The state anticipates that, over the life of the fund, Illinois will invest $78 million in the program, with an expected return on investment of 10:1. An additional injection of state funds beyond the original $78 million allotment of federal funds will allow the program to reach even more businesses for an extended period of time. DCEO will also work with Illinois’ Congressional delegation to encourage a second round of federal funding, included in President Obama’s budget proposal, for this successful program.

Stakeholder perspectives

DCEO solicited feedback on Illinois’ priorities and opportunities through economic development planning workshops with economic developers, businesses, and elected officials in every region of the state.

“We need to merge our scientific community with our entrepreneurial community.”

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57 DCEO.
Promote entrepreneurship as a life skill

New entrepreneurs can derive significant benefits from programs that introduce them to the advantages and challenges of entrepreneurship and business operations. The state will support programs that give students and budding entrepreneurs the tools to pursue their own business ideas.

For post-secondary entrepreneurship education, the University of Chicago’s Polsky Center offers a model for other higher-education institutions. On a broader scale, several universities, community colleges, and nonprofit organizations support entrepreneurship through outreach and education services. The state will explore opportunities to link those efforts more strongly with the SBDC network and other initiatives aimed at young entrepreneurs.

In the realm of secondary school curriculum, several programs are already in place and offer a model for wider adoption in secondary schools across the state. For example, the Creating Entrepreneurial Opportunities (CEO) program in Effingham County, Illinois, is in its sixth year of providing entrepreneurship classes to high-school students. Since its founding in 2009, the county’s CEO program has produced 132 graduates who have created 125 businesses, approximately 20 percent of which are still active. In fall of 2014, CEO programs will be offered in seven counties and two cities in Illinois. Linking the DCEO network to these types of programs can help encourage new generations of Illinois residents to start businesses.

In addition, DCEO will explore the possibility of embedding entrepreneurship as a component of the Illinois Pathways program in an effort to encourage students to convert their STEM knowledge into viable businesses, particularly in high-growth clusters.

Keep our best and brightest talent in Illinois

The combination of innovation and talent is an essential element of a healthy, vibrant economy. With more than 200 research and development institutions, Illinois continues to produce an exceptional level of ideas and human capital. An equally important pursuit, however, is to retain that talent so they start, stay, and cultivate their ideas and businesses right here in Illinois.

Market local opportunities to recent grads
Illinois is turning out thousands of highly skilled graduates each year—but many are lured away by jobs with top tech companies on the West Coast. DCEO will coordinate a structured program of “road shows” at Illinois and other regional universities, bringing leaders of the state’s tech and start-up ecosystem together to promote job opportunities in Illinois to upcoming graduates.

Welcome highly skilled talent to the state
Illinois will pursue a program to link highly skilled international students with employment opportunities at university-based start-ups. Institutions of higher education can qualify for H-1B visas that do not count against the overall cap. Those institutions can sponsor H-1B visa applications as employers for students who are also looking to start and grow their own businesses in Illinois.

Expand the Corporate/Start-Up Challenge
The Illinois Innovation Council’s Corporate/Start-Up Challenge program was founded to give large companies access to innovative technologies that solve important problems in exchange for providing small companies with mentorship and potential customers. The program’s start-up participants have the potential to build new capacity for Illinois industries—but only if their work can be connected to real-world applications and companies. The state will develop the initiative beyond its pilot phase, which last year saw five corporate partners (Allstate, John Deere, Molex, Motorola Mobility, and Walgreens) host more than 50 small companies for demo days.

Effingham County CEO.
Implement a comprehensive statewide strategy to drive innovation

Innovation is a critical component of a thriving economy, and government can serve as a catalyst to encourage collaboration among industry, colleges and universities, research institutions, and entrepreneurs. During the past few years, Illinois has made progress in establishing the programs and facilities that have made the state a magnet for top talent, entrepreneurs, and startups—in 2012, a new digital company was launched in Chicago every 24 hours. In addition, Illinois universities receive more R&D investment dollars than other Midwest states. By continuing to build the state’s innovation ecosystem, Illinois can connect innovators with commercialization opportunities and increase employment in high-potential clusters.

Since innovation is a key driver of job creation and economic development, Illinois will implement targeted programming to create connections among innovation partners, pave the path for business modernization, and facilitate the establishment of sector-specific initiatives.

**Tools and strategies**

- Establish a technology transfer fund
- Reduce costs for university-based tech start-ups
- Increase state and industry collaboration with research institutions
- Support clean tech companies through the Illinois Clean Energy Revolving Fund
- Build the infrastructure for innovation

**Five-year economic growth targets**

- Enable Illinois universities to launch 1,500 new start-ups over the next five years
- Align the growth in licensing of patented technologies from Illinois universities with the national rate

**Related strategies**

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing.

- Leverage growth in key industry clusters (Initiative 2)
- Extend the Illinois Pathways program (Initiative 3)
- Keep our best and brightest talent in Illinois (Initiative 5)

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The state’s existing programs—a few of which are described below—play a crucial role in supporting basic and early-stage research, fostering partnerships, and bringing promising innovations to market. Chicago continues to reinforce its reputation as a center for innovation.

### Existing programs

**Illinois Innovation Network:** The Illinois Innovation Network helps to build the state’s innovation community by connecting start-ups, innovation-driven enterprises, service providers, research and academic institutions, and community leaders.

**1871 Digital Tech Incubator:** Thanks in part to a state investment of $2.3 million, in just two years 1871 has helped more than 200 start-ups grow and create more than 1,000 jobs. The incubator is emblematic of the state’s robust network of technology incubators, workspaces, and tech parks.

**MATTER:** With a state investment of $4 million, the biohub under development will house start-ups and individual entrepreneurs working on new businesses related to medical technology and biotech.

**Illinois Manufacturing Lab (IML):** The IML seeks to make small and midsize manufacturers more competitive by lowering financial and human capital barriers to incorporating technology into their design and production processes.

**Digital Manufacturing and Design Innovation (DMDI) Institute:** The DMDI Institute will bring together 73 companies, universities, nonprofits, and research labs to address the life cycle of digital data exchanged among myriad design, engineering, manufacturing and maintenance systems, and flowing across a networked supply chain.

### Grants/tax assistance

**Emerging Technological Enterprises:** This program provides grants, loans, and other investments to support and encourage R&D, technology transfer, and commercialization projects.

### In the works

**Existing programs and grants**

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### Fast facts

“Illinois is home to 20,000 manufacturers who employ nearly 600,000 people and generate more than 13.5 percent of the GDP in Illinois.”

Chicago digital start-ups raised over $1 billion in venture funding in 2013, a 169 percent increase more than 2012. A total of 78 raised $1 million or more.

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Tools and strategies

Innovation doesn’t happen in a vacuum; it requires a vibrant ecosystem, with facilities and capital to attract creative minds and nurture promising ideas. The state currently supports programs focused on emerging technologies: at its major universities and national labs, more than 20 departments or divisions conduct nanotechnology research. In addition to Chicago’s 1871, Rockford’s EIGERlab and Galesburg’s Sustainable Business Center both offer a blueprint for public-private partnerships to spur innovation. However, more facilities and funding are needed to create a robust innovation ecosystem throughout the state.

To respond to the challenges of fostering economic growth and jobs, Illinois will expand programs to attract the companies, talent, and resources necessary to develop innovation clusters. Each of the seven high-potential clusters highlighted in this report was chosen in part for its innovation component as well as its potential impact on economic activity. Illinois will take steps to maximize state dollars for R&D, devise co-investment strategies to best utilize private and federal dollars, and establish innovation incentives to encourage entrepreneurship and high-tech development. Several of these strategies, by design, are closely related to the strategies laid out in Initiative 5.

In fall 2014, the Illinois Science and Technology Coalition (ISTC) will release a strategic roadmap to identify specific development opportunities in high-tech clusters. Based on the framework provided by this economic development plan, the roadmap will elaborate on technology-based strategies and highlight Illinois’ R&D strengths and emerging technology markets.

Establish a technology transfer fund

The federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs provide approximately $2 billion annually in R&D grants and contracts to qualified small businesses across the nation. These funds help to reduce the risks associated with developing new technologies, fueling innovation, and supporting the development of innovative products and processes. The state will (pending funds allocation) establish a fund that can support an SBIR/STTR match and otherwise accelerate the transfer of technology from our universities and into new businesses.

In 2012, Illinois small businesses received 126 awards amounting to $41 million, just 1.4 percent of the nationwide total despite having 4.2 percent of the US population as well as strong research universities, national laboratories, and industry partners. The proposed state fund would build capacity by collaborating with businesses, higher education, and other agencies to provide matching funds to support research facilities and skills, specialized training, and commercialization of products. Those with highest priority for funding would include substantiated private-public partnerships with designated outcomes.

The currently dormant Technology Challenge Grant program, part of the Technology Advancement and Development Act, was designed to provide initial grant funding to help secure federal research and development projects. For many businesses, it functioned as an SBIR match program. The program offered a 2:1 match of federal dollars with state funds ($6 million in federal funds along with $3.2 million disbursed by the state). Illinois will work to secure funding to revive this program.

65For more information on SBIR/STTR awards, read the November 2013 Illinois Innovation Index: www.illinoisinnovation.com/innovation-index/illinois-sbir/.
66Illinois Science and Technology Coalition.
Reduce costs for university-based tech start-ups

Illinois has some of the best research universities in the world, and they have been key to many of the innovations we now take for granted. Engaging these engines for economic growth and innovation requires an easy path to commercializing ideas and moving from the lab to the market. To explicitly encourage this relationship between our universities and the economic potential of innovative new technologies, the state proposes eliminating state corporate income taxes for new or expanding businesses that occupy property or land affiliated with a university and using a university-developed technology. This benefit will last for up to ten years. The goal is to incentivize the launch of companies that can commercialize our innovations as well as draw existing companies to the area that want to make use of the innovation.

Increase state and industry collaboration with research institutions

Overall, Illinois institutions produce high-quality patents but falter when it comes to licensing these technologies to businesses for commercialization. According to the Illinois Innovation Index, technology licensing for the country as a whole grew by 8 percent in 2008–2012 compared with 2003–2007, while Illinois’ licensing grew at just 4 percent (see chart on page 23). Several factors, including a lack of visibility into tech transfer and differing policies and procedures among organizations, could contribute to the state’s slower growth rate. In addition, companies often aren’t aware of the technologies being pursued at academic institutions.

An enhanced marketing effort by Illinois universities—including hosting events and participating in industry forums—would elevate the profile of these institutions among businesses and investors. DCEO will work with research institutions to forge connections with industry and increase transparency into the tech pipelines coming out of Illinois universities to drive tech transfer. For example, DCEO supports a Regional Proof-of-Concept (POC) program managed by IllinoisVENTURES. This program assists in translating cutting-edge research occurring at Illinois research institutions into commercial opportunities for new products and start-up companies. POC programs have been shown to have a significant impact on a number of critical commercialization and economic development metrics. Participating institutions could include several of the state’s top research institutions such as the University of Illinois, University of Chicago, Northwestern University, Southern Illinois University, Northern Illinois University, Argonne, and others.67

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67 For more information on the role of universities in driving new business starts, read the Q4 2013 Illinois Innovation Index: www.illinoisinnovation.com/innovation-index/university-startups/.
Build the infrastructure for innovation

Capital funding from DCEO and the State of Illinois has helped seed a network of research infrastructure and innovation hubs around the state. These hubs foster new discoveries and then translate these ideas into start-up companies that solve important challenges faced by Illinois industries. These investments have leveraged billions of dollars of federal and private sector investment and sparked the formation of more jobs and companies, creating economic opportunities for Illinois residents.

Ongoing, dedicated capital funding is necessary to ensure Illinois’ continued leadership in innovation, R&D, and commercialization. This funding should focus on two elements:

1. **Place-based innovation spaces**—for example, incubators and co-working spaces such as 1871, MATTER, EIGERlab, and university technology parks; and

2. **R&D infrastructure**, which will support academic institutions and federal research labs in attracting top talent and industry investments; the latter can be used to fund technology created in these labs and to maintain top-tier facilities.

Support clean tech companies through the Illinois Clean Energy Revolving Fund

As the state’s rising employment in the clean energy cluster suggests (see chart on page 69), several Illinois companies are leading the charge in making the state a national hub for clean energy innovation. Administered through the Clean Energy Trust, which is supported by contributions from more than 70 corporations, foundations, universities, venture firms, and government agencies, the Illinois Clean Energy Revolving Fund will fund early-stage clean technology companies. Half of the revolving fund will be invested in Illinois-based companies that have raised at least $1.5 million in funding, offer a commercially available product or service, and generate revenues with demonstrated customer validation. The remaining funds will be invested in earlier-stage companies. All returns will be recycled into the fund to support future investments.

Stakeholder perspectives

DCEO solicited feedback on Illinois’ priorities and opportunities through economic development planning workshops with economic developers, businesses, and elected officials in every region of the state.

“We need to figure out how to get more funding for incubating small tech businesses in Southwest Illinois.”

“Small businesses are the heart and soul of our area.”
Modernize and revitalize our infrastructure

In the 21st-century economy, infrastructure has extended beyond traditional built assets—roads, bridges, waterways, and power-delivery networks—to include broadband as well as technologies that support emerging clusters. Each year, the Illinois Department of Transportation (IDOT) and its partners work to improve and enhance the state’s transportation system and infrastructure. Illinois’ infrastructure can be a competitive advantage in spurring business development in key clusters such as transport and logistics, advanced materials, and agribusiness, as well as connecting more Illinois businesses with the global market.

Tools and strategies

Illinois’ geographic location and history as a commercial hub have endowed it with a robust network of intermodal transport infrastructure. By pursuing targeted strategies, Illinois can optimize its infrastructure for economic development and innovation.

- Secure full funding for the CREATE program
- Perform regular maintenance of key transportation infrastructure
- Expand the Illinois Clean Water Initiative (ICWI)
- Undertake large-scale, next-generation infrastructure projects:
  - Build the South Suburban Airport in Peotone, Illinois
  - Expand high-speed rail service
- Modernize Illinois’ aging locks and dams
- Implement a statewide Smart City program
- Increase access to broadband

Related strategies

Given the many components that contribute to economic development, these initiatives are complementary and mutually reinforcing.

- Pursue a comprehensive certification program for Illinois’ industrial sites (Initiative 1)
- Build the infrastructure for innovation (Initiative 6)

Existing programs and grants

Each year, IDOT and its transportation partners work with Illinois communities to improve and enhance the state’s transportation system. Notably, the state recently completed Governor Quinn’s $31 billion capital plan, providing a solid foundation on which to build.

- Illinois Jobs Now!: The first major investment in the state’s infrastructure in a decade, Illinois Jobs Now! has supported more than 180,000 direct construction jobs through the construction or repair of 7,500 miles of road, 1,300 bridges, 360 airport improvements, and other transit and rail improvements. In addition, the state has begun construction on more than 1,100 miles of new fiber optic cable to connect nearly 5,000 community anchor institutions to high-speed networks.


Grants/tax assistance

- Illinois Communities Gigabit Challenge: Illinois has leveraged more than $70 million in funds to lay more than 1,000 miles of fiber optic cable across the state.

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Seven initiatives to expand the Illinois economy

Tools and strategies

A high priority for companies when evaluating potential locations is infrastructure: not just roads and waterways to move goods to US and international markets, but also access to energy and natural resources. With globalization and the rise of the knowledge economy, technology has become the backbone of business activity, elevating the importance of high-speed broadband. In these respects, a modernized infrastructure represents a foundational element of commerce and a competitive advantage for states that make sufficient, strategic investments.

During the past several years, Illinois’ capital plan has upgraded infrastructure assets, putting the state in a stronger position to support economic development. Additional targeted investments will provide businesses with improved access to markets and facilitate the establishment and expansion of high-potential clusters. While this plan outlines the recommendations for development of the state’s infrastructure, all strategies require the commitment and cooperation of other agencies and stakeholders.

Secure full funding for the CREATE program

Despite the fact that Illinois is a major intermodal transport hub, congestion—particularly in the Chicago area—slows the movement of goods. According to a 2008 report by the Metropolitan Planning Commission, “Eliminating excess road congestion in the region would create an estimated 87,000 jobs that today are lost due to labor and transportation costs.”

The Chicago Region Environmental and Transportation Efficiency (CREATE) program is a groundbreaking partnership between the State of Illinois, City of Chicago, Metra, Amtrak, Association of American Railroads, and US Department of Transportation designed to address the speed of the movement of freight and people through the region. As of June 2014, the CREATE program has completed 21 of 70 projects, generated 10,000 jobs, and caused a 30 percent improvement in passenger freight reliability.

While approximately $1.2 billion has been invested to date, the state will prioritize the petition for the remaining $2.6 billion in federal funding required to complete the outstanding projects.

Perform regular maintenance on key transportation infrastructure

Decaying infrastructure is first and foremost a public safety issue. But beyond that, it is also an economic one. The American Society of Civil Engineers (ASCE) reports that decaying infrastructure costs our economy billions of dollars each year as people and products take longer to reach their destinations. In the long run, it is less expensive to maintain our infrastructure than it is to let our infrastructure fall into disrepair. For that reason, this plan supports the passage of a regular capital bill for the state to maintain our critical infrastructure.

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69 Metropolitan Planning Council, Moving at the Speed of Congestion, August 2008.
Expand the Illinois Clean Water Initiative (ICWI)

By one estimate, Illinois must invest $32 billion—$17 billion in waste water projects and $15 billion in drinking water projects—over the next 20 years to upgrade its aging water infrastructure. Governor Quinn announced an expansion of the Illinois Clean Water Initiative (ICWI) that would double funding to a total of $2 billion. In addition, bond proceeds from a leveraged program can be used to meet the state match requirement, eliminating the need for additional state appropriations. This approach will free up Illinois tax dollars for other vital state programs. The program has also been extended to include storm water and flood control projects, which are critical initiatives to combat the effects of climate change on drinking water and property. The state should continue to prioritize this project, which has been commended by the Environmental Law & Policy Center, among other organizations. In the process of modernizing the Illinois water infrastructure, the ICWI has created employment opportunities for welders, cement masons, truck drivers, operating engineers, pipefitters, painters, and carpenters—as of 2012, 28,000 jobs and growing.

Undertake large-scale, next-generation infrastructure projects

To meet the needs of the 21st-century economy and workforce, Illinois must invest to create next-generation infrastructure. Two projects in particular warrant prioritization for development in the coming years.

Build the South Suburban Airport in Peotone, Illinois

To complement Chicago’s two existing airports, O’Hare and Midway, Illinois should construct a third airport in Peotone. This new airport—dubbed the South Suburban Airport by IDOT—would serve as a major cargo hub; have a significant economic impact for this growing region of Will, Kankakee, and south Cook counties; and ease congestion in the region. The project is forecast to create approximately 11,000 construction jobs and as many as 14,000 permanent jobs. The state has committed the funding needed for land acquisition and is pursuing public-private partnerships to secure the additional funding needed for construction.

Expand high-speed rail service

Illinois has developed a plan to create a high-speed rail line from Chicago to St. Louis to better serve commuters. Currently, more than 35 million trips are made between the two cities annually. The first phase of the project, financed with $1.6 billion in federal and state funds, is scheduled to be completed (Dwight to Alton) by 2015. Once the track is completed, trains will be able to travel at 110 miles per hour, increasing passenger volumes and boosting economic activity in cities along the route. Led by IDOT, the state should explore opportunities to introduce high-speed rail to other locations.

Fast facts

Chicago is home to the largest rail hub in the nation; nearly a quarter of US rail freight passes through the region each year. 

*Site Selection* magazine ranked Illinois #3 among states with the most capital investment projects in 2013.

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72 Illinois Environmental Protection Agency.
74 Illinois Environmental Protection Agency.
75 Governor Quinn signs law to clear south suburban airport for takeoff,” South Suburban Airport website, July 25, 2013.
76 American Society of Civil Engineers (ASCE), ‘Report card for Illinois’ infrastructure,” 2014.
77 *Site Selection* magazine, March 2014.
Modernize Illinois’ aging locks and dams

As a key component of intermodal transport, the state’s network of rivers, waterways, and ports contributes $6.4 billion to the Illinois economy each year while supporting 48,195 jobs. In all, Illinois’ waterways transport $81 billion in manufactured goods, $37 billion in commodities, and $18 billion in chemicals each year.

Primary responsibility for the modernization and maintenance of Illinois’ locks and dams lies with the United States Army Corps of Engineers. However, funding to support these projects has been lacking. The American Society of Civil Engineers (ASCE) 2014 Infrastructure Report Card gave Illinois’ navigable waterways a grade of D–. This grade reflects the condition of the locks and dams system, which is closely linked to the commercial interests of a variety of diverse stakeholders along the Illinois waterway system. According to the ASCE report, most of Illinois’ locks and dams are more than 50 years old and in desperate need of repair. In addition to safety concerns, Illinois’ outdated system of locks and dams have resulted in backups that have caused average tonnage carried on the state’s locks to decline by 20 percent.

In order to address these capital investment needs, the state will work with the Illinois congressional delegation as well as with the Army Corps of Engineers to secure funding for key projects.

Implement a statewide Smart City program

DCEO will pull together leading private sector technology companies (such as Google, Microsoft, IBM, and Motorola) to contribute expertise and knowledge to cities throughout Illinois. By convening private companies with local units of government and economic development entities, DCEO will help put teams on the ground in each community to review their processes, strengths, and challenges and make recommendations for improvement. The working groups will focus on ways to make cities more open and efficient, or “smarter,” by better utilizing existing assets and identifying gaps to fill. This civic innovation effort could include analyzing locally significant sectors, deploying data analytics, and investing in infrastructure to better manage resources, among other strategies. An example would be IBM’s Smarter Cities Challenge (Chicago, Milwaukee, and St. Louis).

Increase access to broadband

Today, more than 80 percent of Illinois households have access to high-speed broadband. Despite impressive progress in broadband penetration across the state, some communities—especially in the state’s poor or rural areas—still lack access to high-speed Internet, defined as connection speed greater than or equal to one gigabyte per second. Businesses increasingly rely on technology for operations and expansion, making broadband a requirement for communities seeking to attract new companies. The State of Illinois, through the Illinois Jobs Now! program, is in the process of constructing more than 4,100 miles of new fiber optic cable—but this is only the beginning. The state should increase its investment in technology infrastructure to enable connections that support research institutions and businesses.

81To learn more about the IBM program, visit smartercitieschallenge.org/city_chicago_il.html.
Estimated strategy costs

Several of these estimates are contingent on budget availability, federal funding, or the participation of fellow state agencies or local governments. Furthermore, given the range of potential considerations that influence program design, those strategies that require legislation do not include a cost estimate. All estimates should be considered preliminary and subject to change.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Strategy</th>
<th>Requires legislation?</th>
<th>Cost estimate</th>
<th>Requires cooperation from other agencies or local governments</th>
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<tbody>
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<tr>
<td></td>
<td>Incentivize regions to secure federal funds</td>
<td>No</td>
<td>$$</td>
<td>F</td>
</tr>
<tr>
<td>3. Develop an increasingly competitive workforce</td>
<td>Establish a revenue-neutral job training tax credit</td>
<td>Yes</td>
<td></td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Launch a year-round youth job training program</td>
<td>No</td>
<td>$$ $$ $$ $$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support skilled trades apprenticeships</td>
<td>No</td>
<td>$$ $$ $$ $$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expand the Job Training for Economic Development (JTED) program</td>
<td>No</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase support for youth scholarship and conservation corps programs</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extend the Illinois Pathways program</td>
<td>No</td>
<td>$$ $$ $$ $$</td>
<td>F, L</td>
</tr>
<tr>
<td>Initiative</td>
<td>Strategy</td>
<td>Requires legislation?</td>
<td>Cost estimate</td>
<td>Requires cooperation from other agencies or local governments</td>
</tr>
<tr>
<td>------------</td>
<td>----------</td>
<td>-----------------------</td>
<td>---------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td>4. Increase fairness and opportunity</td>
<td>Focus more resources on the state’s most distressed communities</td>
<td>No</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Double the state’s Earned Income Tax Credit</td>
<td>Yes</td>
<td>$</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Increase the minimum wage to $10 an hour</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Continue and expand veteran job training and placement</td>
<td>No</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>5. Make Illinois a top destination for entrepreneurs</td>
<td>Reduce the limited liability company (LLC) fee for small businesses</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote export growth among small and midsize enterprises (SMEs)</td>
<td>No</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establish regional business plan competitions</td>
<td>No</td>
<td>$–$$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focus more state resources on second-stage small businesses</td>
<td>No</td>
<td>$$$$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promote entrepreneurship as a life skill</td>
<td>No</td>
<td>$–$$</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Keep our best and brightest talent in Illinois</td>
<td>No</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td>6. Implement a comprehensive statewide strategy to drive innovation</td>
<td>Establish a technology transfer fund</td>
<td>No</td>
<td>$$$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduce costs for university-based tech startups</td>
<td>Yes</td>
<td>$</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Increase state and industry collaboration with research institutions</td>
<td>No</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support clean tech companies through the Illinois Clean Energy Revolving Fund</td>
<td>No</td>
<td>$$$$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Build the infrastructure for innovation</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Modernize and revitalize our infrastructure</td>
<td>Secure full funding for the CREATE program</td>
<td>Yes</td>
<td>A, F</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perform regular maintenance on key transportation infrastructure</td>
<td>Yes</td>
<td>A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expand the Illinois Clean Water Initiative (ICWI)</td>
<td>Yes</td>
<td>A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Undertake large-scale, next-generation infrastructure projects:</td>
<td>Yes</td>
<td>A, F</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Modernize Illinois’ aging locks and dams</td>
<td>Yes</td>
<td>A, F</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implement a statewide Smart City program</td>
<td>No</td>
<td>$</td>
<td>L</td>
</tr>
<tr>
<td></td>
<td>Increase access to broadband</td>
<td>No</td>
<td>$$$$</td>
<td>A, F</td>
</tr>
</tbody>
</table>
A framework for growth in high-potential industry clusters
An underlying strategic approach to economic development in Illinois

The state isn’t a monolithic economy but rather a number of diverse regional economies. Therefore, an effective strategic plan must promote a broad-based, bottom-up approach to economic development that enables individual regions to identify the industries that they are well positioned to attract and support. DCEO is committed to pursuing a locally driven economic development strategy and will continue to work with developers in each region to help them maximize returns on strategic investments.

As a statewide approach, many areas around the country are incorporating a cluster-based strategy into economic development practices as a way to build on existing assets and opportunities. By focusing resources on specific clusters, the state can spur economic development more effectively and help to create a competitive advantage in emerging industries. What’s more, concentrations in high-potential clusters can create a virtuous circle where leading companies act as a magnet for talent, related businesses, and innovation. Investing in the foundational components of a dynamic economy—a robust infrastructure, well-trained workforce, favorable regulatory environment, and coordinated plan—not only supports cluster growth, but also encourages that growth across more of the state. One recent example of this strategy is New York’s efforts to support its dairy industry by attracting yogurt makers. Due to the state’s efforts, the number of yogurt companies in New York rose from 14 in 2000 to 29 in 2012.83

This cluster-based strategy will be continually monitored, evaluated, and updated by DCEO, ensuring that no opportunities for targeted development are left unchecked.

Stakeholder perspectives

DCEO solicited feedback on Illinois’ priorities and opportunities through economic development planning workshops with economic developers, businesses, and elected officials in every region of the state.

“One economic development, workforce development, community development—all of those have to be there if we’re going to succeed.”

“We need business to take a bigger role in economic development.”

“We need to know which clusters are growing so that we can invest where we are strong.”

How clusters support strategic economic development

A cluster is a geographic concentration of related companies, organizations, and institutions in a specific field or industry. For example, a machinery manufacturer might act as a magnet to attract parts suppliers, transport and logistics companies, and IT firms with expertise in manufacturing and supply-chain management. The proximity of these related industries helps to drive productivity, collaboration, competition, and business development.

A business or industry can be part of several clusters. For this reason, clusters offer a comprehensive approach to evaluate a geographic area’s dynamism and potential for economic development in certain industries.

Identifying high-potential clusters

High-potential clusters offer a crucial opportunity to build on Illinois’ strengths, attract new businesses, and support expansion of existing ones. Led by the Center for Governmental Studies at Northern Illinois University, the team performed a rigorous analysis using multiple data sources to identify clusters that met the following criteria:

- Exhibits high projected employment growth or location quotient (LQ).
- Operates with an innovation component, meaning the development of new products or processes that enhance the long-term growth prospects of component industries.
- Shows potential for statewide growth (not just concentrated in one region).
- Complements the state’s existing advantages.
- Presents an opportunity where state government can make a significant, measurable impact.

To evaluate clusters on these criteria, the analysis focused on five metrics using the most recent available data:

1. Size and change in LQ
2. Industry employment in 2012 and change in employment from 2001 to 2012
3. Employment projections
4. Wages paid by industry in 2012
5. Value added per employee by industry in 2012

This analysis revealed seven high-potential clusters—biomedical/biotechnical; advanced materials; transportation and logistics; information technology and telecommunications; clean energy (see sidebar); machinery and fabricated metals manufacturing; and agribusiness, food processing, and technology—that have the potential to make an outsized impact on the state’s economy. All employ more than 100,000 Illinois residents and are projected to grow significantly through 2025 (see exhibit 15). In addition, each demonstrates additional virtues—high current employment, higher-than-average salary, and/or exceptional LQ—that help to drive the economy forward and bolster a vibrant middle class.

To be clear, the point of highlighting these high-potential clusters is not to pick winners or losers. That is not the role of the state. The goal here is to identify clusters with a significant concentration of activity in Illinois that are already projected to grow, then capture more of that growth for the state. Furthermore, these seven clusters are the first to be identified for high-level targeting. As the economy continues to grow and new clusters are identified, the state’s economic development strategies will be adjusted accordingly.

The importance of the clean energy cluster to Illinois’ economy

Clean energy is an undeniably crucial industry to the future of the economy, both in Illinois and in the US as a whole. However, clean energy jobs often straddle multiple categories; for example, HVAC contractors install both green and traditional units. Since the components of clean energy are difficult to define, the clean energy cluster was assembled using industries identified in a survey by the Clean Energy Trust as having at least 90 percent of activities related to clean energy.

Location quotient (LQ) definition

Location quotient (LQ) quantifies the concentration of a cluster in a given area as compared with the US average. For example, an LQ of 1.0 denotes a concentration matching the US average, while an LQ of 2.0 denotes a specialization of double the US average.

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84 The analysis drew from the work of Michael Porter and the Purdue Center, both of whom were supported by the US Economic Development Administration. The analysis also incorporated data from Regional Economic Models, Inc. (REMI).

85 According to the US Bureau of Labor Statistics, in 2013 the average Illinois salary was $52,588. In comparison, the average US salary that year was $49,804.
### Exhibit 15 High-potential clusters in Illinois

<table>
<thead>
<tr>
<th>Industry cluster</th>
<th>Total employment, 2012</th>
<th>Average wage per job, 2012</th>
<th>Employment location quotient (LQ), 2012</th>
<th>Total projected job creation, 2012–2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomedical/biotechnical</td>
<td>591,904</td>
<td>$51,787</td>
<td>1.0</td>
<td>+157,137</td>
</tr>
<tr>
<td>Advanced materials</td>
<td>222,891</td>
<td>$75,145</td>
<td>1.2</td>
<td>+53,283</td>
</tr>
<tr>
<td>Transportation and logistics</td>
<td>216,596</td>
<td>$51,371</td>
<td>1.3</td>
<td>+72,806</td>
</tr>
<tr>
<td>Information technology and telecommunications</td>
<td>195,699</td>
<td>$91,925</td>
<td>0.9</td>
<td>+68,767</td>
</tr>
<tr>
<td>Clean energy</td>
<td>128,239</td>
<td>$68,555</td>
<td>0.8</td>
<td>+47,202</td>
</tr>
<tr>
<td>Machinery and fabricated metal products manufacturing</td>
<td>147,675</td>
<td>$66,353</td>
<td>1.6</td>
<td>+16,983</td>
</tr>
<tr>
<td>Agribusiness, food processing, and technology</td>
<td>116,509</td>
<td>$51,474</td>
<td>0.9</td>
<td>+15,152</td>
</tr>
</tbody>
</table>

* In 2013, the average salary in Illinois was $52,588 and the average US salary was $49,804.

** An LQ above 1.0 indicates a higher cluster concentration in that region compared with the national average; conversely, an LQ below 1.0 indicates a lower cluster concentration than the national average.


The intent of this plan is to highlight the clusters in which proactive strategies can foster and accelerate above-average growth, particularly in those focused on technology, innovation, and manufacturing. Indeed, Illinois has other vibrant clusters such as business and financial services, defense and security, tourism, and traditional forms of energy. Many are poised to thrive in the coming years, and the state can best support them by creating a positive business environment. In addition, specific regions may be well suited to serve companies in different clusters, so they should have the flexibility to identify and pursue promising opportunities beyond this list.
Cluster component industries

The seven high-potential clusters are made up of component industries that highlight their interconnection with the statewide economy and the importance of manufacturing in driving growth. Furthermore, they are all well established in Illinois: they include hundreds of companies, some of which are Fortune 500 corporations, providing a strong foundation on which to build.

### Biomedical/biotechnical

<table>
<thead>
<tr>
<th>Component industries</th>
<th>Number of companies*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical preparation manufacturing</td>
<td>224</td>
</tr>
<tr>
<td>Medical equipment merchant wholesalers</td>
<td></td>
</tr>
<tr>
<td>Surgical and medical instrument manufacturing</td>
<td></td>
</tr>
<tr>
<td>Hazardous waste treatment and disposal</td>
<td></td>
</tr>
<tr>
<td>Dental equipment and supplies manufacturing</td>
<td></td>
</tr>
<tr>
<td>Ophthalmic goods merchant wholesalers</td>
<td></td>
</tr>
</tbody>
</table>

Leading companies:
- Abbott Laboratories
- Baxter International
- CIBA Vision Corp.
- Medline Industries, Inc.
- Pfizer, Inc.

*Companies with at least 50 employees in Illinois.

### Advanced materials

<table>
<thead>
<tr>
<th>Component industries</th>
<th>Number of companies*</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other plastics product manufacturing</td>
<td>1,156</td>
</tr>
<tr>
<td>Machine shops</td>
<td></td>
</tr>
<tr>
<td>Pharmaceutical preparation manufacturing</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous fabricated metal product manufacturing</td>
<td></td>
</tr>
<tr>
<td>Surgical and medical instrument manufacturing</td>
<td></td>
</tr>
<tr>
<td>Special tool, die, jig, and fixture manufacturing</td>
<td></td>
</tr>
<tr>
<td>Electroplating, anodizing, and coloring metal</td>
<td></td>
</tr>
<tr>
<td>Automatic environmental control manufacturing</td>
<td></td>
</tr>
<tr>
<td>Paint and coating manufacturing</td>
<td></td>
</tr>
</tbody>
</table>

Leading companies:
- Abbott Laboratories
- Baxter International
- Illinois Tool Works Inc.
- Solo Cup Company
- Valspar Corporation

### Transportation and logistics

<table>
<thead>
<tr>
<th>Component industries</th>
<th>Number of companies*</th>
</tr>
</thead>
<tbody>
<tr>
<td>General warehousing and storage</td>
<td>670</td>
</tr>
<tr>
<td>Scheduled passenger air transportation</td>
<td></td>
</tr>
<tr>
<td>General freight trucking, long-distance truckload</td>
<td></td>
</tr>
<tr>
<td>General freight trucking, local</td>
<td></td>
</tr>
<tr>
<td>Freight transportation arrangement</td>
<td></td>
</tr>
<tr>
<td>Packaging and labeling services</td>
<td></td>
</tr>
<tr>
<td>Process and logistics consulting services</td>
<td></td>
</tr>
<tr>
<td>Other warehousing and storage</td>
<td></td>
</tr>
<tr>
<td>Support activities for rail transportation</td>
<td></td>
</tr>
<tr>
<td>Refrigerated warehousing and storage</td>
<td></td>
</tr>
</tbody>
</table>

Leading companies:
- United Airlines, Inc.
- United Parcel Service
- FedEx
- Allied Forwarding
- Con-way Inc.
<table>
<thead>
<tr>
<th>Category</th>
<th>Number of companies*</th>
<th>Leading companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information technology and telecommunications</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component industries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other computer related services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automatic environmental control manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other electronic component manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relay and industrial control manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switchgear and switchboard apparatus manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncurrent-carrying wiring device manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printed circuit assembly manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current-carrying wiring device manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bare printed circuit board manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of companies</strong></td>
<td>692</td>
<td></td>
</tr>
<tr>
<td><strong>Clean energy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component industries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plumbing and HVAC contractors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical and wiring contractors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential remodelers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drywall and insulation contractors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finish carpentry contractors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power and communication system construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automatic environmental control manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plumbing equipment merchant wholesalers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HVAC equipment merchant wholesalers</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of companies</strong></td>
<td>500</td>
<td></td>
</tr>
<tr>
<td><strong>Machinery and fabricated metal products manufacturing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component industries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction machinery manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine shops</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other fabricated metal product manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forging and stamping</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coating, engraving, and heat treating metals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other general purpose machinery manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turned product and screw, nut, and bolt manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural implement manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ornamental and architectural metal products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous fabricated metal product manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of companies</strong></td>
<td>885</td>
<td></td>
</tr>
<tr>
<td><strong>Agribusiness, food processing, and technology</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component industries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial bakeries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat processed from carcasses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Animal, except poultry, slaughtering</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farm and garden equipment merchant wholesalers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farm machinery and equipment manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wet corn milling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grain and field bean merchant wholesalers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pasta, dough, and mixes from purchased flour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corn farming</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confectionery manufacturing from purchased chocolate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of companies</strong></td>
<td>323</td>
<td></td>
</tr>
</tbody>
</table>

**Food processing**

<table>
<thead>
<tr>
<th>Number of companies*</th>
<th>Leading companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>Archer Daniels Midland Company</td>
</tr>
<tr>
<td></td>
<td>Kraft Foods</td>
</tr>
<tr>
<td></td>
<td>Mondelez International</td>
</tr>
<tr>
<td></td>
<td>Nestlé USA</td>
</tr>
<tr>
<td></td>
<td>William Wrigley Jr. Company</td>
</tr>
</tbody>
</table>

**Agribusiness**

<table>
<thead>
<tr>
<th>Number of companies*</th>
<th>Leading companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>Monsanto Company</td>
</tr>
<tr>
<td></td>
<td>Deere &amp; Company</td>
</tr>
</tbody>
</table>
Companies often look to locate operations in cities or regions with an existing industry cluster, which offer a geographic concentration of strengths relevant to that industry’s business needs. By building on these assets and nurturing clusters, Illinois can not only help existing businesses grow but also attract more business to every region in the state. As exhibit 16 illustrates, all regions in the state have unique strengths and attributes that make them attractive to companies in the seven selected clusters; each of the ten DCEO regions demonstrates an above-average or far-above-average specialization in at least one high-potential cluster.

Furthermore, the analysis shows that jobs in these clusters typically pay salaries above the regional average and/or the cluster employs a large number of Illinois residents (see exhibit 17).

### Exhibit 16 Current specialization of industry clusters, by DCEO region

<table>
<thead>
<tr>
<th>Industry cluster</th>
<th>Location quotient (LQ)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomedical/biotechnical</td>
<td></td>
</tr>
<tr>
<td>North Central</td>
<td>0.96</td>
</tr>
<tr>
<td>West Central</td>
<td>0.98</td>
</tr>
<tr>
<td>Central</td>
<td>0.95</td>
</tr>
<tr>
<td>East Central</td>
<td>1.19</td>
</tr>
<tr>
<td>South</td>
<td>1.18</td>
</tr>
<tr>
<td>State of Illinois</td>
<td>1.02</td>
</tr>
<tr>
<td>Southeast</td>
<td>0.83</td>
</tr>
<tr>
<td>Northeast</td>
<td>0.98</td>
</tr>
<tr>
<td>Northwest</td>
<td>0.98</td>
</tr>
<tr>
<td>Center</td>
<td>1.16</td>
</tr>
<tr>
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</table>

*Location quotient (LQ) quantifies the concentration of a cluster in a given area as compared with the US average. For example, an LQ of 1.0 denotes a concentration matching the US average, while an LQ of 2.0 denotes a specialization of double the US average.

**The statewide LQ and regional LQs are compared separately to the US average, so the statewide LQ does not reflect the average of the regions.

Note: Given the difficulty in defining the clean energy cluster, the regional LQ data is unreliable and has been excluded from this exhibit. See sidebar, "The importance of the clean energy cluster to Illinois' economy."

Exhibit 17 Cluster employment and wages, by DCEO region

Employment, jobs per 10,000 people

<table>
<thead>
<tr>
<th>Region</th>
<th>Biomedical/ biotechnical</th>
<th>Advanced materials</th>
<th>Transportation and logistics</th>
<th>Information technology and telecommunications</th>
<th>Clean energy*</th>
<th>Machinery and fabricated metal products manufacturing</th>
<th>Agribusiness, food processing, and technology</th>
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<td>4.2%</td>
<td>4.4%</td>
<td>2.1%</td>
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<tr>
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<td>3.8%</td>
<td>1.4%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Percent of total employment in region

Average annual wage, percent of regional average

*Data was not available for detailed industries at the sub-state level for the clean energy cluster, so the employment and average wage numbers reflect industries defined more broadly than companies working exclusively on clean-energy projects.

# Five-year economic growth targets

The plan’s seven initiatives and their supporting strategies have been developed to jump-start economic development in Illinois over the next five years. Progress will be measured against a set of ambitious targets that, if achieved, will have a significant impact on residents and businesses throughout Illinois.

## 1. Strengthen the state’s ongoing business attraction, retention, and support initiatives
- Attract **75,000 new jobs** to Illinois over the next five years
- Within these new jobs, achieve an **average wage of $57,800**, 10 percent higher than the state average

## 2. Promote economic development on a regional level
- Record **90 percent satisfaction rate** with DCEO efforts among regional stakeholders
- Increase business starts in each region by **10 percent**

## 3. Develop an increasingly competitive workforce
- Expand the number of total **participants** in workforce training programs by **25 percent**
- Increase the percentage of the population with a degree or certificate to **51 percent** by 2019

## 4. Increase fairness and opportunity
- Create **10,000 new jobs** in areas with the highest unemployment
- Decrease poverty to 2009 levels, a reduction of **9.4 percent**

## 5. Make Illinois a top destination for entrepreneurs
- Launch **360,000 new businesses** over the next five years

## 6. Implement a comprehensive, statewide strategy to drive innovation
- Enable Illinois universities to launch **1,500 new start-ups** over the next five years
- Align the growth in licensing of **patented technologies** from Illinois universities with the national rate

Note: Since multiple agencies beyond DCEO are responsible for maintaining and enhancing the state’s infrastructure, the plan does not include targets for Initiative 7.
Next steps

Economic development is a marathon, not a sprint; it requires the sustained coordination of stakeholders throughout the state as well as a commitment of sufficient funds. If either component is absent, the state’s efforts won’t succeed. Furthermore, clear leadership is essential. DCEO will lead the strategic implementation of the five-year plan as well as regularly monitor its progress and report findings on a yearly basis.

In the first year of the plan’s rollout, DCEO will focus on laying a solid foundation that can support the rollout and execution of the plan’s strategies.

Within 180 days, DCEO will announce interdepartmental, interdisciplinary task forces assigned to each of the plan’s seven initiatives. These statewide task forces will:

→ Meet with key economic thought leaders both inside and outside DCEO.
→ Examine and report on the adequacy of existing programs with recommendations for adjustments or ways to better coordinate efforts.
→ Focus their efforts on high-potential clusters.

For strategies that require the passage of legislation, DCEO will create a separate task force.

By July 1, 2015, DCEO will release a one-year update on the economic development plan that reflects the findings and progress of the task forces.

The economic development plan will be a living document. DCEO invites the careful consideration of government, civic, labor, corporate, and metropolitan area leaders as well as Illinoisans to review this first draft, provide feedback, and offer suggestions.
Acknowledgments

This report was developed under the direction of DCEO Director Adam Pollet and led by Assistant Director Dan Seals. The research, policy advisory, and strategic planning team included Andrew Moyer, Terry Weldin-Frisch, Brian Selinger, and Allen Mayer from DCEO as well as Norman Walzer, Brian Harger, and Andy Blanke from the Northern Illinois University Center for Governmental Studies. Writing, exhibit design, and layout were handled by the staff at Leff Communications, including Scott Leff, Brittany Petersen, and Delilah Zak.

The team was greatly assisted by invaluable input from DCEO deputy directors and staff, including Susan Campbell, John Casey, Holly Copeland, Kevin Harrison, Scott Harry, Therese McMahon, Mel Nickerson, Dan Goff, and Mark Petrilli. We offer special thanks to the industry experts we interviewed during the development of this report, including Lyu Uzunov, Jeff Margolis, and Mark Harris at the Illinois Science and Technology Coalition, as well as DCEO’s Regional Economic Development team for bringing together diverse groups of experts across the state for the department’s economic development workshops. Finally, we would like to thank the hundreds of economic developers, business owners, and civic leaders for sharing their ideas and passion with us. This report would not have been possible without them.