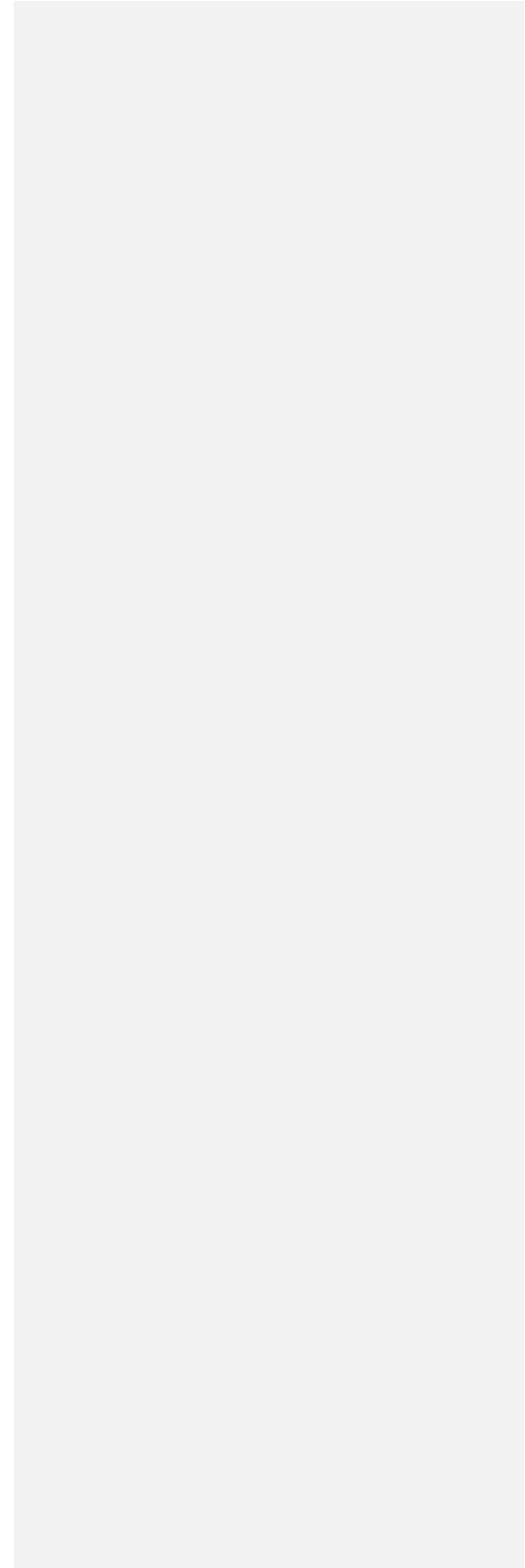


Report to the 103rd General Assembly
2023 Business Development Relocation Survey
July 2024



State of Illinois

Department of Commerce and Economic Opportunity (DCEO)

BACKGROUND

Pursuant to 20 ILCS 605/605-456, the Illinois Department of Commerce and Economic Opportunity (“DCEO” or “Department”) conducted a Business Development Relocation Survey in June and July of 2024 regarding business relocations from Illinois during calendar year 2023. The statute mandates that a report be prepared annually compiling responses from businesses who have been surveyed by the Department as to why the businesses left the state, where the businesses relocated, and what, if anything, could have been done to keep them in Illinois, including offering incentives to stay.

ABOUT DCEO’S ROLE IN PROMOTING A POSITIVE BUSINESS CLIMATE

Illinois is a national leader in key industries such as manufacturing, technology, agriculture, energy, transportation, and life sciences, boasting an annual gross domestic product over \$1 trillion. As the state’s lead economic development agency, DCEO endeavors to provide employers with what they need to succeed here: strategic sites, a skilled workforce, and high-quality customer service from the State.

METHODOLOGY

The Department developed a preliminary list of businesses that relocated establishments from Illinois to a different state or country in 2023 using Dun & Bradstreet’s Market Insight business intelligence tool. This tool includes information on more than 1.4 million Illinois business establishments, including data on business moves both in and out of Illinois based on U.S. Postal Service change of address data. This search identified 235 establishments potentially relevant to the study.

Dun & Bradstreet provided email contacts for 77 of these establishments. Email addresses for the remaining establishments on the list were not available in the database. DCEO attempted to identify appropriate email contacts for the remaining establishments through internet searches and phone calls. Through this same due diligence, the Department was able to determine that a significant number of “moves” identified by the database did not represent business relocations relevant to this report. Ultimately, the Department identified 81 additional email contacts (for a total of 158) associated with establishments that potentially relocated from Illinois during 2023.

Each business with an identified email address received an email explaining the purpose of the study and a link to the survey instrument. Of these, 28 were “bounced back” as undeliverable. One week later, each address received a reminder. Ten recipients provided a response, for a response rate of approximately 7.7% percent. Of these 10, only 6 had relocated establishments out of Illinois during 2023. One respondent had closed an Illinois establishment without transferring any staff or responsibilities out of state. Three had not relocated an establishment from Illinois to another state and were therefore not relevant to this analysis. Given the small number of respondents, it is difficult to draw any statistical or qualitative conclusions or notable trends on business exits based on this data alone.

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SURVEY RESULTS

DCEO's survey instrument was brief, limited to 14 questions. This brevity was intended to encourage as high a response rate as possible. The survey questions can be broken into four sections:

- Nature and destination of relocation
- Characteristics of the company
- Communications with economic development representatives
- Reasons for relocation

Responses for each section are discussed in turn below.

As noted above, the survey responses represent only a small sample of relocating companies. The following results represent only the experiences of those companies and may not reflect the typical company.

Nature and Destination of Relocation

Respondents to this portion of the survey provided the following information:

- Seven companies indicated that they ceased operations at one or more Illinois locations during 2023.
- Of the seven companies that did cease operations, two transferred responsibilities and some staff to another state, four transferred responsibilities but not staff, and one closed with their functions discontinued.

The three remaining respondents did not relocate operations to another state and are not relevant to this study. These respondents were asked no further questions.

- The six companies who relocated staff or transferred responsibilities shifted to five different states. The destination states included Florida, Iowa, California, North Carolina (two), and Texas.
- The facility types that were relocated (some respondents selected multiple options) were varied. The leading facility types were "Headquarters" (five) and "Office" (five) locations. "Manufacturing" (two), "R&D Laboratory" (one), and "Warehouse/Distribution Center" (one) location types were also noted.

Characteristics of the Company

Respondents who relocated were mostly small companies, and all discharged or relocated fewer than 25 Illinois employees.

- Of the six respondents who moved operations, five have global employment of fewer than 50 people. The remaining respondent has employment of more than 500.
- Five of the companies discharged or relocated fewer than 10 employees and one discharged or relocated between 10 and 24. The survey did not ask companies to distinguish between employees who were discharged and those who were transferred to another state.
- None of the relocating companies continue to maintain other business establishments in Illinois.

Communication with Economic Development Representatives

The survey posed two questions regarding the extent of each company’s communication with economic development representatives in Illinois. Companies were asked if they had communications with economic development officials prior to their move, and whether they had been offered incentives to stay. The questions did not require companies to distinguish between state and local officials.

- Five respondents indicated that they had not communicated with economic development officials prior to their move. Only one indicated that they had.
- The one respondent who had such discussions indicated they were not offered incentives to remain in Illinois.

Reasons for Relocation

Respondents were provided a list of 14 potential reasons (including “Other”) for leaving Illinois and were asked to select up to three. As noted above, it is not possible to draw valid statistical or qualitative conclusions or capture trends using a small sample such as this one.

- The most common responses were “Other,” and “Company restructuring” with three responses each.
- The next leading reason selected by multiple respondents was “Workforce availability/quality,” (two).
- Other reasons cited were “state/local taxes,” and “Insufficient infrastructure,” (one each).

Respondents were asked about how state incentives might have encouraged them to stay in Illinois. Respondents were provided a list of nine possible answers (including “Other” and “No Realistic Incentives Would Have Induced My Company to Stay”) and could select as many options as appropriate. It bears repeating that only one respondent indicated that they had communicated with economic development officials prior to their move – thereby making it unlikely that they were aware of the full suite of potential incentives available to them.

- Two respondents indicated that no realistic incentive would have induced their company to maintain these operations in Illinois.
- The top incentive that would have influenced their company to maintain these operations in Illinois was income tax incentives, which was noted by three respondents.
- Respondents also indicated that sales tax incentives, enhanced access to capital, and “other” were all a reason they might have been incentivized to remain in Illinois. Each was noted by two respondents.
- Property tax incentives and infrastructure improvements were both noted by a single respondent.

Given the importance of state economic development competitiveness in Illinois’ border areas, the survey also asked respondents if their former Illinois location was near the border of the state they relocated to. One of six who moved indicated that this was the case.

Respondents were also offered the opportunity to comment on the circumstances surrounding their company’s decision to relocate. Three of the six provided feedback. Respondents indicated

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dissatisfaction with the taxes and crime rate, lack of supervision to support a Chicago/Illinois HQ office, and difficulty attracting talent in Illinois, respectively.

CONCLUSIONS

The survey’s low response does not permit the Department to draw any conclusions regarding the motivations of companies relocating from Illinois or of the potential for incentives to retain their operations.

Illinois offers an array of economic development incentives, such as the long-standing Economic Development for a Growing Economy (EDGE) program. The state has recently expanded incentives for manufacturers in the electric vehicle/clean energy sector and implemented changes to EDGE to ease administrative processes for companies. Illinois has also made significant investments in workforce development and apprenticeship programming in recent years and there has been an increase in funding for capital investments and job training opportunities at community colleges to ensure Illinois remains a key place for top talent.

