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COMMENTARY

Treasurer: Illinois' secret weapon in job creation is investing in tech companies

By Michael Frerichs

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Kelly Shine buys lunch at a Farmer's Fridge vending machine kiosk in the Merchandise Mart on April 30, 2019.

(Brian Cassella/Chicago Tribune)



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I liked Jim Nowlan's thoughts about the future of Illinois in his [August op-ed](#). I've been saying the same thing for years.

When I became state treasurer, I quickly decided that in addition to delivering strong investment earnings, the office also needed to help grow jobs. Investing in people and ideas creates better jobs and stronger communities.

Nowlan suggests that rather than the state investing \$500 million in sweeteners to attract big employers, it should provide \$50,000 to \$500,000 to 1,000 to 10,000 entrepreneurs to try new ideas. “Then organize the investors — they don’t need much help; they need ideas and concepts — to have capital ready for commercial development,” Nowlan writes.

I agree, and that’s what we have been doing for the last eight years with the Illinois Growth and Innovation Fund, a \$1.5 billion investment fund providing capital to Illinois companies that are innovating and creating well-paying jobs.

We do this by making targeted investments with venture capital firms that are funding technology-enabled businesses based in Illinois or that have a significant Illinois workforce. They're businesses in tech-enabled sectors such as agriculture, logistics, financial technology, food, life sciences, consumer green businesses, manufacturing and health care.

So far, the fund's investments have been a catalyst for creating at least 19,000 jobs, according to 50 South Capital, a Northern Trust subsidiary that administers the program for our office. For every direct job created, another 2.2 jobs are indirectly created through a multiplier effect, according to a study conducted by the Illinois Venture Capital Association. By that group's metric, our investments have resulted in 36,000 indirect jobs through suppliers and service providers.

Our targeted investments represent more than 625 investments in Illinois companies, including small businesses, new startups with a few employees, and companies with thousands of employees. As a result of how we have invested capital, 78 new offices have been opened in Illinois.

Not only is there economic impact, but also, we continue to generate competitive returns for taxpayers. For every dollar we have invested, our dollars are now worth more than 1.4 times what our original investment was worth. This is money we can reinvest in our schools, our universities, and our roads and infrastructure.

These investments have assisted companies such as SpotHero, which helps people find and reserve cheaper parking spots through an app; Farmer's Fridge, which provides healthy foods conveniently; and ShipBob, which helps businesses efficiently ship orders to customers.

We also have emphasized diversity, investing in minority-, women-, veteran- and disabled-owned investment fund managers and founders. More than 42% of capital has been invested with diverse-operated investment managers, with 356 investments in diverse-owned businesses.

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I know from my time in the state Senate representing the University of Illinois that it's so important to keep Illinois entrepreneurs here and help them grow and create jobs in our state instead of watching them move to the coasts. That isn't done with just tax incentives. It also is done with access to capital, access to customers and a strong entrepreneurial support system rowing the boat in the same direction.

Illinois has many advantages over other states when it comes to local startups. In addition to our world-class universities and extensive transportation network that Nowlan notes, we have business incubators, accelerators, local investors and grassroots groups that ensure that founders have the resources, network, expertise and mentorship to solve problems and build a quality product or service. Those catalysts give founders the confidence to take on the daunting task of starting their own businesses in Illinois, and investment from the treasurer's office adds to the equation.

Other states have noticed and are attempting to emulate our approach, including Indiana, North Dakota and Virginia. But I believe in Illinois and its numerous advantages, and I wish other states luck trying to catch up with us.

Illinois is a great state with unparalleled potential. Sure, we have our challenges, but I'm unaware of a successful enterprise that doesn't. Nowlan knows this, and I believe others do too. While I don't always agree with Nowlan's politics, I do agree with his optimism.

Illinois is on the cusp of great things, and I'm proud to be doing my part to help today's companies innovate. We may not be able to solve all of Illinois' problems immediately, but in the treasurer's office, we are part of the solution.

Michael Frerichs is the treasurer of Illinois and oversees \$55 billion in investments.

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