

“Construction Grants Program Impact Assessment Report”

Grant Thornton conducted a study for the U.S. Department of Commerce Economic Development Administration examining the economic impacts and federal costs of EDA construction program investments. In that study, researchers found that business incubators are the most effective means of creating jobs – more effective than roads and bridges, industrial parks, commercial buildings, and sewer and water projects. The study was announced earlier this month in an EDA newsletter. Below are some detailed findings from the report.

- In a recurring theme throughout the study, the authors note that “EDA’s strategic focus on innovation and entrepreneurship makes sense, in that investments in business incubators generate significantly greater impacts in the communities in which they are made than do other project types.”
- According to the study, EDA investments, on average, produce between 2.2 and 5.0 jobs per \$10,000 in federal spending, for a federal cost per job of between \$2,001 and \$4,611.
- The results of the investments vary greatly, depending on the type of project (see table below). Business incubators produce the greatest number of jobs per \$10,000 in EDA investment (between 46.3 and 69.4), while community infrastructure projects (e.g., sewer and water projects) create the least number of jobs (between 1.5 and 3.4 per \$10,000 in federal investment).
- As a result, business incubators create jobs at far less cost than do other EDA investments. Incubators have a federal cost per job of between \$144 and \$216, compared with \$744-\$1,008 for commercial structures, \$1,291-\$2,293 for roads and other transportation projects, \$1,377-\$1,999 for industrial park infrastructure, and \$2,920-\$6,972 for community infrastructure.
- The report notes that, by dollar invested and by number of projects funded, business incubation programs have historically been the least well-funded of EDA’s public infrastructure projects.

Local Jobs Generated Per \$10,000 EDA Investment and Federal Cost Per Job

Project type	Estimated local jobs created (per \$10,000 EDA investment)	Federal cost per job
Business incubators	46.3-69.4	\$144-\$216
Commercial structures	9.6-13.4	\$744-\$1,008
Roads & other transportation	4.4-7.8	\$1,291-\$2,293
Industrial park infrastructure	5.0-7.3	\$1,377-\$1,999
Community infrastructure	1.5-3.4	\$2,920-\$6,872

Source: “Construction Grants Program Impact Assessment Report,” prepared by Grant Thornton for the U.S. Department of Commerce Economic Development Administration and announced in a January 2009 EDA newsletter.