

[To be sent to members of President Obama's Administration]

I write to you as \_\_\_\_\_ (title) of \_\_\_\_\_ (name of incubator or other entity) in \_\_\_\_\_ (city, state), and a member of the National Business Incubation Association (NBIA). My purpose is to urge support for recent federal initiatives while also shedding light on matters of great concern to our community.

First, I ask you to support our efforts to preserve the \$50 million for business incubation currently included in President Obama's FY 2010 budget. But these funds must be flexible enough to be used by existing business incubators hard-hit by local and state budget cuts – not reserved only to develop new incubation programs.

We urge the Administration to leverage *the existing network of over 1,000 U.S. business incubators, which include many long-running best-practice programs that have proven track records and are eminently qualified and willing to expand their services to special populations and distressed communities.* With local budget-cutting rampant, and foundation and corporate investments scarce, we need to maintain the existing incubator network. Now – while many out-of-work Americans are starting new companies – is not the time to let these foremost job creators wither away.

Secondly, we urge the Administration to pressure the U.S. Department of Commerce Economic Development Administration to reduce the required local match on \$150 million in stimulus money to a maximum of 25 percent. Unfortunately, EDA is treating federal stimulus dollars designed to promote a rapid economic recovery as they do regular appropriations, requiring up to 50 percent match and looking at reduced match only on a “case by case” basis. However, this is not a time for “business as usual.”

EDA's actions fail to recognize the findings of recent research the agency itself funded that proves business incubators provide communities with significantly more jobs at far less cost than do any other public works infrastructure projects – including roads and bridges, industrial parks, commercial buildings, and sewer and water projects. According to “Construction Grants Program Impact Assessment Report,” business incubators provide up to 20 times more jobs than community infrastructure projects (e.g., water and sewer projects) at a fraction of the cost. For more information on this study, see [www.nbia.org/works](http://www.nbia.org/works).

As the foremost expert on business incubation, NBIA stands ready to support implementation of President Obama's stimulus and budget proposals. Specifically, NBIA can help to:

- Determine how best to leverage existing best-practice incubators
- Create a program aimed at developing new best-practice incubators
- Establish criteria for proposals and metrics for evaluation
- Monitor implementation efforts
- Develop programs to educate incubator managers and disseminate best practices
- Encourage incubators to support other Administration goals, such as working with clean technology and alternative energy start-ups

We wish the new Administration success in its efforts to create new jobs and return the U.S. economy to health – and we stand prepared to assist in that process.

Sincerely,

## **“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**

<b>Project type</b>	<b>Estimated local jobs created (per \$10,000 EDA investment)</b>	<b>Federal cost per job</b>
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.