

# Northeast Alabama Entrepreneurial System (NAES) - Economic Impact Statement

The Economic Impact is estimated for the East Alabama economy. The estimated impact is for a one-year period.

Economic benefits to the local area result from expenditures by the following:

1. Employee expenditures.
2. Non-salary operating expenditures.
3. Capital expenditures.

Benefits resulting from these expenditures include sales and income to local business and individuals, tax benefits to governments and job benefits.

The model employed in calculating the benefits was developed for the National Park Service by the Office of Social Science, Socio-Economic Studies Division, Denver, Colorado.

Total Impacts <sup>1</sup>	
Expenditure Impact	\$50.9 million
Tax Benefits	\$3.6 million
Jobs Benefit	763

Total impact comes from the combined effect of employee and non-salary operating expenditures by graduates, clients and NAES. These figures do not include potential expenditures related to the center including those by individuals and by private business groups.

## TOTAL IMPACT

Annual revenue/expenditure of tenants and graduates of the Northeast Alabama Entrepreneurial system is \$21,000,000. Expenditures of the Entrepreneurial System is \$242,000. The direct impact is \$21,000,000 plus \$242,000 (\$21,242,000). The total impact is generated by applying a 2.4 expenditure multiplier to the \$21,242,000 direct impact. This results in the total impact of \$50,980,800.

## TAX BENEFITS

Tax benefits include taxes generated by sales, income and other business taxes. Local government receives half of the sales tax and other business taxes.

The total impact \$50,980,800 generates additional tax revenues and employment in Northeast Alabama. Additional revenues are calculated for sales and income taxes. Sales tax collection increases by \$2,039,232 and income tax collection increases by \$1,529,424. The total increase in taxes collected is \$3,568,651. Other tax collections probably increase (property tax, other); however, these are not included. There are \$89.00 of tax collected per dollar of public investment ( $\$3,568,651 \div \$40,000 = \$89.00$ ).

## EMPLOYMENT BENEFITS

The impact on employment is the number of jobs generated by total expenditures in the local economy. National studies have found 84 percent of incubator graduates stay in the local area; thus job benefits are largely retained. NAES impacts employment in the Northeast Alabama area. The \$50.9 million total impact increases employment 763 jobs. This represents 15 jobs per million dollars of impact.

## SURVIVAL OF GRADUATE FIRMS

A study by the University of Michigan revealed that approximately 87 percent of graduates from the Nation's incubation were still in business. At the time of the study most had been in business five years or longer.