

504 ECONOMIC IMPACT STUDY

Based on the data sources used for the economic impact study, the SBA 504 loan program very clearly provides a cost effective means to generate new business activity for the national economy.

As a source for business expansion capital, the 504 loan program allows businesses to operate at a higher level of capacity, increasing revenue and productivity, and adding jobs and income. In particular, the 504 loan program allows businesses to expand that would not qualify for conventional financing, thus stimulating economic growth that could not otherwise occur.

Moreover, the study demonstrates that this increased business activity has a corresponding increase in tax revenues for the federal government that is many times greater than the funding required to administer the SBA 504 program. In short, the SBA 504 loan program represents an investment that creates positive returns many times over.

Study Highlights

- 77% of the businesses reported increasing revenues within two years of their 504 loans. For the average firm, revenue grew from \$3.2 million to \$4.8 million annually.
- About 62 % of the businesses reported job growth, in the two years following the loan. For the average business, their workforce grew from 24 jobs before the loan to 28 jobs after.¹ Three quarters of the businesses reported increasing payroll.
- Applying the survey results to the more than 15,000 businesses who received 504 loans nationally during the two year study period (2003-2005), the program supported the net growth of 54,000 jobs and about \$4.6 billion in added labor income. In addition, the businesses themselves increased revenues by about \$24.4 billion.
- Economic multiplier effects from the increase in direct economic activity contributed to the addition of another 66,000 jobs and \$4.5 billion in wages and salaries. Total business output (revenues) grew by an additional \$23.6 billion.
- The total increased business activity and employment also generated an increase in federal taxes and other revenue of \$1.75 billion per year, and state and local taxes and revenues of \$2.2 billion. For the federal revenue alone, this business activity and employment represents a 23% return for every dollar of loan funds in the program.
- The SBA spent an estimated \$46.6 million operating the 504 program during the 2003-2005 study period. The increased federal revenue represents of return of \$37.50 for every \$1.00 spent on program costs. State and local revenues add about \$57.00, increasing this **return on investment to about \$94.00 per dollar of program cost.**

¹ Businesses with job growth, not counting business start-ups, averaged nearly 12 new jobs per business and about \$41,600 in 504 loan dollars per new job.