

Special Issue: Summary of Recent Studies

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In an effort to inform readers about new research efforts at the Business and Economic Research Center, we offer in this issue of *Midstate Economic Indicators* brief summaries of four of our most recent studies. The complete reports of all four are online at www.mtsu.edu/~berc/studies.html.

Potential Rutherford Revenue Sources

David A. Penn, BEREC director

Rutherford County has added more population in the past two years than have four states;¹ school enrollment continues to increase rapidly with future annual increases expected in the range of 4 percent to 5 percent; additional capital expenditures required by schools are large; state-shared taxes were cut this year with more cuts likely in the future; the costs of providing existing levels of service are rising; taxes that grow most rapidly flow to the state instead of to the county; property owners are increasingly unhappy about larger property tax bills; and developers feel that the benefits of growth are underappreciated. You might say Rutherford County is between a rock and a hard place.

This study identifies and evaluates potential sources of new revenue for Rutherford County, providing options in response to the question, "How can we diversify our sources of revenue and at the same time generate funds sufficient to meet the rapidly growing demand for public services?"

The study first briefly outlines the demand for public services in Rutherford County with overviews of expenditure patterns and current sources of revenue. The study then turns to an analysis of several potential sources of new revenue.

The study examines the following revenue options:

- expanding the local option sales tax base,

- a local gasoline tax,
- local realty transfer tax and mortgage tax,
- expanding the business tax,
- raising the development tax,
- an adequate facilities tax, and
- impact fees.

Summary of Findings

- Approximately 63 percent of county government expenditures are for public schools. Spending for debt service and public safety are the next largest spending categories.
- Local taxes constitute about 51 percent of county revenue. The share of revenue provided by the state is falling.
- Property taxes make up 63 percent of local tax revenue, but other taxes (including local option sales tax, wheel tax, and development tax) grew much faster from 1997 to 2002.
- The current stream of revenue is unlikely to keep up with trend spending growth over the next five years.
- Diversity of revenue sources is desirable because sales tax revenues fluctuate, requiring periodic spending cuts, property tax increases, or both.
- Substantial revenues can be generated by many of the options analyzed in the report.
- All of the options will raise costs for businesses and reduce disposable incomes for households.
- Few of the options are easy to implement.

The full report can be accessed online at www.mtsu.edu/~berc/studies.html. ■

¹ Rutherford County added more population than did Vermont, Montana, South Dakota, and Wyoming from 2000 to 2002.

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"How can we diversify our sources of revenue and at the same time generate funds sufficient to meet the rapidly growing demand for public services?"

Study of Northwest Tennessee Workforce

David A. Penn, BERC director; Murat Arik, BERC associate director; Susan Harmon, assistant professor, management and marketing

Important weaknesses include educational attainment of the workforce, apparent lack of regional cooperation, and lack of industrial diversity. The most important strength is the sound work ethic.

This study documents the current economic structure of the northwest Tennessee area, analyzes its preparedness to grow, and reports its strengths and weaknesses. The study relies on a variety of data sources including published data, a survey of employers, a survey of workforce professionals, and focus group interviews.

The northwest Tennessee study area consists of seven counties: Crockett County, Dyer County, Gibson County, Lake County, Lauderdale County, Obion County, and Tipton County. These counties represent 3.8 percent of the state's population and about 3.0 percent of the state's payroll employment. Population and employment growth lag considerably behind Tennessee and the United States.

Local Preparedness to Grow

Developing the region's preparedness to grow has to do with using local resources as effectively as possible. Human resources are a region's most important asset. Education and skills provide the competitive edge for a local workforce, and continuing education helps to keep the competitive edge sharp over time.

Northwest Tennessee, along with many other local economies in the nation, cannot compete effectively with China or the Pacific Rim on the basis of labor cost. The region can compete, however, in terms of productivity, or output per hour worked. If our labor costs more but we produce much more per hour worked, our average production costs can be competitive. Productivity depends on the availability of a well-educated and trained workforce. On this account, the northwest Tennessee workforce is largely unprepared for future growth.

Many of the occupations currently in shortest supply in the study area, such as registered nurses, machinists, tool and die makers, and computer operators, require formal education beyond high school and require workers to master particular occupational skills. On average, only about 13 percent of these jobs are available to

workers with less than a high school education. Since 31 percent of the study area workforce has less than a high school education, many in the workforce do not qualify for jobs that are available today. Demand for employees with less than a high school education will shrink considerably during the next 10 years in favor of employees with technical training, college experience, or a bachelor's degree.

Local employers are concerned about math skills, writing skills, and soft skills in the local workforce. Employers are also concerned about rising health care insurance costs and worker's compensation costs. More than half of employers cited health care costs as one of the top three constraints to growth as did 70 percent of large employers. Worker's compensation costs were identified as an important constraint on growth for more than 60 percent of large employers and 30 percent of small employers.

Perceptions of Local Strengths and Weaknesses

Important weaknesses include educational attainment of the workforce, apparent lack of regional cooperation, and lack of industrial diversity:

Education. The low educational attainment level of the workforce is a concern for many local employers. Local manufacturing employers desire new hires with at least a high school education.

Regional Cooperation. Employers and other stakeholders argue that cooperation is necessary to prepare a unified plan to attract businesses to the region. They believe that a county-by-county approach is not an effective solution to the regional economic problem. The study area should develop an image as a manufacturing community or a retail community and market itself to recruit more businesses.

Lack of industrial diversity. The study area is heavily dependent on manufacturing, owing to important locational advantages apparent throughout the state.

The most important strength is the sound work ethic. Focus group participants argue that the study area has a workforce with the skills needed for many jobs. A good quality of life, strong work ethic, honest people, and abundant state-sponsored training facilities are major strengths of the region. ■

Nashville MSA Quarterly Payroll Employment Update

Seasonally Adjusted Percent Change*

Sector	% Change	
	Q402-03	03Q3-4
Total Nonfarm	1.0%	0.3%
Goods-Producing	0.6%	0.6%
Service-Producing	1.1%	0.2%
Manufacturing	-0.7%	0.5%
Wholesale Trade	1.0%	0.0%
Retail Trade	1.5%	-0.8%
Transportation and Utilities	4.4%	-0.7%
Information	-6.3%	-2.8%
Financial Activities	2.2%	1.3%
Professional and Business Services	-4.3%	-0.5%
Educational and Health Services	3.9%	0.5%
Leisure and Hospitality	3.3%	1.1%
Other Services	-0.9%	1.6%
Government	2.5%	0.5%

* Complete updated table available at www.mtsu.edu/~berc/publications.html

The full report is available online at www.mtsu.edu/~berc/studies.html.

Economic Impact of MTSU

Murat Arik, BERC associate director; Christian Nsiah, BERC graduate research associate

MTSU is an important part of regional economic life. Directly measurable impacts are MTSU's spending on goods and services, wages, salaries, and supplies and MTSU visitors' and students' spending on food, clothing, transportation, etc. Other impacts are not easily measurable: (1) providing a better-educated workforce, (2) increasing productivity through professional development and lifelong learning courses, (3) serving the public through applied research, (4) providing leadership to the business community, and (5) improving quality of life.

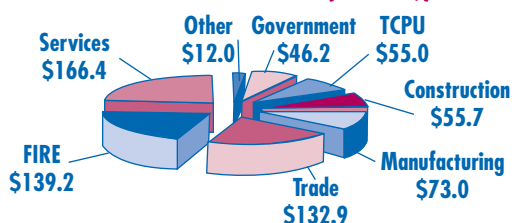
For fiscal 2003, our data show MTSU accounted for 7,273 full-time equivalent (FTE) jobs in the Nashville MSA in addition to its payroll (1,903 FTE jobs). MTSU contributed more than \$680 million (direct, indirect, and induced) to the Nashville MSA economy. Total personal income attributable to MTSU is \$343 million.

In fiscal year 2003, MTSU spent about \$100 million for goods and services for a total contribution of \$152 million to the local economy, \$58 million to personal income, and 1,453 jobs. MTSU employed 1,903 persons, accounting for \$80.7 million after-tax, commuter-adjusted household income. Employment comprises 825 faculty, 470 staff, and 608 clerical and support staff. The combined impact of MTSU payroll on the Nashville MSA economy is \$153 million in business revenues, \$137.4 million personal income, and 1,558 jobs (excluding 1,903 MTSU jobs).

In the 2002-03 academic year, student enrollment was 21,744 (18,735 FTE). We estimated \$182.4 million direct student expenditure (excluding tuition and fees) in the region. Total economic impact of student expenditure was \$338.7 million in business revenues, \$132.3 million in personal income, and 3,769 jobs.

MTSU attracts many visitors from both within and outside the region (to events in Murphy Center and the Tennessee Livestock Center and statewide high school athletic competitions) who stay for an average 2.1 days, greatly benefiting local area lodging and retail establishments. In fiscal 2003, MTSU parking services issued

Benefit from MTSU's Presence (Million \$)



25,000 visitor permits. Campus events generated direct spending of \$16.3 million. The total economic impact of visitor spending is \$36.2 million in business revenues, \$15.2 million in personal income, and 493 jobs.

Excluding university employees, MTSU accounts for 2,527 jobs in services, 2,066 in trade, 712 in financial activities, and 675 in government. The largest business revenue impacts are in services (\$166 million), financial activities (\$139 million), and trade (\$133 million).

MTSU has experienced phenomenal growth in enrollment. In the 2002-03 academic year, 3,361 students graduated from MTSU, of whom 91 percent chose to work in Tennessee and 60 percent in the Nashville MSA. MTSU is a major source of the region's occupational supply, attracting many businesses to the area.

Technological advances and global competitiveness require the workforce to continuously improve its skills. In 2002-03, 5,879 people enrolled in MTSU's lifelong learning and professional development courses, and enrollment has been increasing since 1997.

The public services MTSU provides at no or low cost improve quality of life. Faculty and staff research, educational opportunities, cultural activities, and university facilities (library, recreation center) attract businesses and people to the area.

Students add to the local consumer base, attract new businesses, and are important sources of labor for part- or full-time openings. Because of their earnings, MTSU employees improve the local tax base and provide stability in local government finances. The full report is available at www.mtsu.edu/~berc/studies.html. ■

Economic Impact of MTSU (Nashville MSA)

Expenditure Categories	Total Business Revenue	Total Employment (FTE)	Total Personal Income
University Operation	\$152,148,451	1,453	\$57,621,895
University Employees	\$153,296,027	3,461	\$137,397,720
Visitor Expenditure	\$36,231,650	493	\$15,146,120
Student Expenditure	\$338,654,689	3,769	\$132,303,409
Total Impact	\$680,330,817	9,176	\$342,469,144

The services, FIRE (finance, insurance, and real estate), and trade sectors benefit most from MTSU's presence.

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Business and Economic
Research Center, Jennings A.
Jones College of Business,
Middle Tennessee State
University

BERC Director: David A. Penn
Associate BERC Director:
Murat Arik
Dean, Jennings A. Jones
College of Business:
E. James Burton
Publications Editor/Designer:
Sally Ham Govan
Graduate Research Assistant:
Xiaojuan Wang
Phone: 615-898-2610
E-mail: kkulp@mtsu.edu
www.mtsu.edu/~berc

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Business and Economic Research Center

Middle Tennessee State University
P.O. Box 102
Murfreesboro, TN 37132

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notion that *all* manufacturing
jobs are going overseas and
highlight the importance of
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manufacturing jobs.

Where Did Tennessee Jobs Relocate?

Murat Arik, BERC associate director

The year 2004 has not so far generated a vigorous recovery for the U.S. economy on the job front. The decline in manufacturing jobs has been an increasing concern for states with large manufacturing sectors. Since mid-1998, Tennessee has lost 88,000 manufacturing jobs, a decline of 18 percent.

The first and most important reason for job losses in Tennessee is the impact of economic crisis and increasing global competitive pressure. Second is company restructuring, including consolidation, mergers, and domestic and international outsourcing. Third is relocation of companies overseas or to other states where production cost is lower and they receive substantial relocation incentives.

Between 1997 and 2004, plans were announced to eliminate about 10,000 jobs in Tennessee through consolidation and relocation (71 percent or 7,008 jobs in manufacturing, primarily due to relocation).

Among job losses, an estimated 25 percent (2,466 jobs) were due to company relocation overseas, 22 percent to relocation to Texas, 22 percent to mergers and restructuring in Tennessee, and 13 percent to relocation to North Carolina. Oklahoma, Arkansas, and Colorado also lured a significant number of Tennessee companies.

Manufacturing jobs were relocated primarily overseas or to Texas and North Carolina. All jobs relocated overseas were in the manufacturing sector.

Direct, indirect, and induced job losses totaled 26,787 (21,024 in manufacturing).

We tracked 35 companies that went through relocation, consolidation, merger, or restructuring. The locus of activities was in the manufacturing sector. Our analysis indicates that domestic players are as important as overseas players in job losses.

These findings dispel the notion that *all* manufacturing jobs are going overseas and highlight the importance of increasing regional competition for manufacturing jobs. A recent announcement that Vought Aircraft Industries will relocate to Texas is a stark reminder of interstate competition for manufacturing jobs. The full report is online at www.mtsu.edu/~berc/studies.html. ■