

The Impact of Middle Tennessee State University on the Local Economy

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If MTSU were removed from Middle Tennessee, what would be the effect on the county's economy?

- The population would shrink by the number of resident employees and students, leading to a drop in local retail spending and tax revenues.
- In addition, firms selling goods and services to the university would see their sales fall, causing employment and earnings to decline, and the economy to contract further.

The Business and Economic Research Center has estimated the short-run impact on the area economy.

With over 19,000 students and 1,800 full-time employees for a total of nearly 21,000 people, Middle Tennessee State University would rank as the 24th largest city in the state of Tennessee, larger than Lebanon, LaVergne or Tullahoma. Our population ranks us ahead of 35 of Tennessee's 95 counties. The full-time employees plus 1,610 part-time employees for a total of 3,436 people on its payrolls makes MTSU the twelfth largest employer in the middle Tennessee area, larger than Bridgestone/Firestone, Ingram Book, or Textron Aerostructures.

The analysis is based on an input-output model, which divides the economy into industry sectors, defined by the goods or services produced. The expression "input-output" derives from the idea that the outputs of one industry sector are inputs to another sector.

MTSU will affect the local economy through purchases of locally produced goods and services. For the purposes of this study, the "local economy" will be defined as 11 Middle Tennessee counties Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, and Wilson plus Bedford, Cannon, and Coffee counties.

Two measures of economic impact are reported, the impact on earnings and the impact on employment. MTSU's impact on the county is determined by considering:

- 1) The effects of local purchases of goods and services by the university.

- 2) The effects of local purchases by the university's employees.
- 3) The effects of local purchases by students.

MTSU's operating budget includes outlays for, among others, new office equipment, printing, telecommunication services, books for the library and the cost of goods that are later resold like concessions at sporting events and school supplies. In the past fiscal year, MTSU did business with 15,478 vendors. The university's operating budget totaled \$51 million in 2000, an increase of 7 percent from the previous year. Those expenditures generated additional income for the local economy of almost \$66 million and created over 1,350 jobs in addition to the university's own employment.

After-tax salaries of the 1,826 full-time employees and 1,610 part time employees, pensions, and scholarships originating outside the University but administered by the University totaled over \$102 million in 2000. Another group located in the area are MTSU retirees. These people with their pensions and social security benefits would likely not locate here without the presence of the university.

The question of how much the more than 19,000 students at MTSU spend outside of tuition and fees is a very difficult one to answer. Using very conservative estimates provided by the student financial aid office, students spend roughly \$9,993 per year on living expenses, including: food, rent (more than 16,000 students live off-campus), books and supplies, automobile expenses (22,400 cars are registered with the parking authority), medical expenses, insurance, telephone, and entertainment. The total of all these expenditures amounts to over \$190 million. The impact of these expenditures on the incomes of local residents is over \$71 million and creates 4,400 jobs in the area. Those jobs created include the jobs that MTSU students actually fill as a very high percentage of students have some full-time or part-time work.

Table 1 on page 3 summarizes the direct and induced effects of MTSU on Rutherford and Davidson Counties and provides an estimate of the local taxes (such as sales taxes, property taxes, and beer taxes) generated by economic activity related to MTSU.

Table 1. Summary of Impacts

Local Impacts	Income	Full-time equivalent Employment	Average wage
Direct effects of salaries and benefits	\$102,100,872	2,537	\$41,270
Effects generated by MTSU	\$137,210,524	5,783	\$23,727
Total effects	\$239,311,396	8,320	
Local taxes generated by total effects	\$8,341,116		
State and local taxes generated	\$ 17,880,682		