

# **THE ECONOMIC IMPACT OF THE UNIVERSITY OF TENNESSEE, MARTIN ON THE STATE OF TENNESSEE**

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Academic Year 2007-2008

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## Executive Summary

This study summarizes the estimated impacts of the University of Tennessee at Martin (UTM) on the Tennessee economy for Fiscal Year 2008 (FY08).<sup>1</sup> The economic impacts estimated in this study include income and jobs created by spending of the university and its employees and students.

Tennessee's economy benefits from the presence of UTM in several ways. First, the university provides 2,152 faculty, staff, and student employees with salaries. UTM's payroll for FY08, both salary and benefits, was \$53.9 million. Our estimate indicates that payroll spending impacts the state economy in the amount of \$107.8 million and helps create about 762 additional jobs.

Second, the university spends money on goods and services in the state, which creates jobs and income. UTM made \$16.3 million in non-payroll expenditures in FY08, which generated \$10.5 million in income and created 256 jobs.

Lastly, spending by students generates significant economic activity in the state. We estimate student expenditures for FY08 to be approximately \$47.7 million, creating \$20.2 million in income and creating 674 jobs.

Combining the effects of payroll (\$107.8), non-payroll (\$10.5), and student spending (\$20.2), we find that UTM generates a total of \$138.5 million in income and creates 3,844 jobs for the state of Tennessee, including those currently on university payroll. In addition, we estimate that \$15.1 million is generated in state and local tax revenue from the presence of the university.

## I. Introduction

### *Background*

Founded in 1900, then Hall-Moody Institute, the college merged with the University of Tennessee system in 1967, and became UTM. Located in the northwestern portion of Tennessee, UTM serves as an extension of the university for its western most residents. Due to its rural location within the state, much of UTM's focus is on education and agriculture, both of which serve the state in good fashion. With current enrollment of more than 8,000 undergraduate and graduate students, UTM offers five colleges (disciplines) for students to choose from.

The Campus sits on roughly 930 acres. The university is also noteworthy for being home to the University of Tennessee Botanical Gardens. UTM was recently ranked as one of the best southeastern universities, by the Princeton Review.<sup>2</sup>

### *Summary of Results*

This study uses data from various administrative sources to estimate the statewide economic impact of UTM. Table 1 summarizes the general findings. We estimate that the university generates

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<sup>1</sup> Fiscal Year 2008 begins on July 1, 2007 and ends on June 30, 2008.

<sup>2</sup> See <http://www.princetonreview.com/UniversityofTennesseeatMartin.aspx> for more information.

about 3,844 jobs and \$138.5 million in economic impacts to the state. In addition, the university creates approximately \$15.1 million in state and local tax revenue.

**TABLE 1**  
**Summary of Economic Benefits of UTM, FY08**

	<b>Amount</b>
Income Generated	\$138,493,265
Tax Revenue Generated	\$15,081,322
Employment Generated	3,844

Although our estimation of the economic impact of the university on the state is significant, it is safe to assume that we are providing a conservative estimate since we do not include any economic impacts from visitor spending. Presumably, a significant amount of economic activity is generated through lodging and food expenses from visitors associated with UTM conferences and athletic events.

The study is organized as follows: in the second section, we introduce university spending for FY08 and estimate the direct income associated with those expenses. In section three, we combine the indirect effects associated with spending by UTM with the direct effects and estimate the total economic impacts from both income and employment. In section four, we estimate tax revenue created by the university in FY08. Section five describes some qualitative benefits from UTM. Section six highlights university enrollment trends.

## II. Total In-State Expenditures for UTM

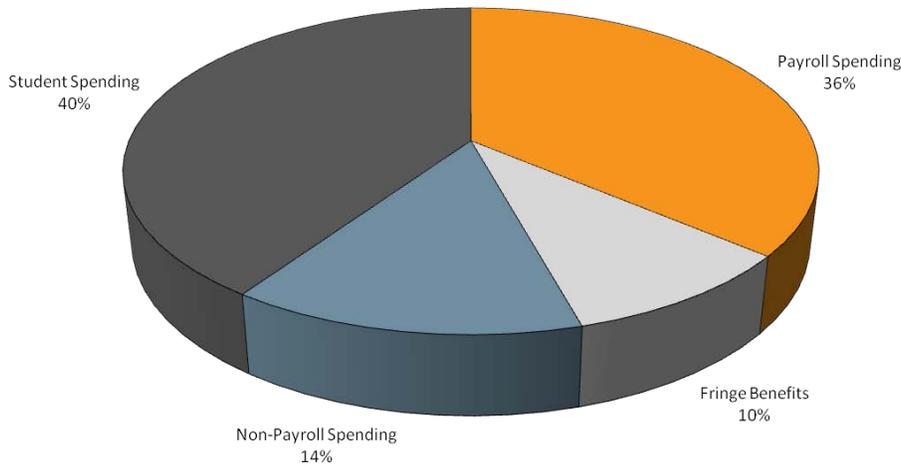
UTM provides the state with economic benefits in several ways. The direct economic benefits are 2,152 people who are hired by UTM and the associated income. Table 2 summarizes UTM expenditures for FY08, including spending on payroll, employee benefits, non-payroll spending in-state, and student spending in-state. Combining these four components, the university was responsible for about \$118.0 million in spending in FY08.

**TABLE 2**  
**UTM Related In-State Expenditures, FY08**

	<b>Amount</b>
Payroll Spending	\$42,676,452
Fringe Benefits	\$11,241,893
Non-Payroll Spending	\$16,344,594
Student Spending	\$47,701,625
<b>Total FY08 In-State Expenditures</b>	<b>\$117,964,564</b>

The university generates income through payment of \$42.7 million in faculty, staff, and student salaries. Employee fringe benefits, such as retirement and health insurance, cost the university \$11.2 million in FY08. Together, salaries and benefits make up about 46 percent of all UTM-related spending, as shown by Figure 1. Salaries and benefits are analyzed together in the estimates provided below.

**FIGURE 1**  
**UTM Related In-State Expenditures, FY08**



Non-payroll expenditures made within the state on items like construction, utilities, maintenance services, and equipment also made up a significant portion of UTM expenditures. In FY08, \$16.3 million was spent in-state on non-payroll goods and services, representing approximately 14 percent of all in-state university spending.

Finally, there are impacts associated with off-campus student spending. In FY08, 7,171 students were enrolled at UTM. We estimate that students spend \$47.7 million annually on transportation, off-campus living, and miscellaneous expenditures, which makes up about 40 percent of in-state, university-related spending.

### **III. Total Economic Impact on Tennessee from UTM**

#### *Estimated Income Impacts*

In addition to the income created through direct payroll spending, the university also indirectly creates income for the state. These university-related purchases of goods and services from vendors within the state are responsible for more jobs and income. Jobs and income are also created through the multiplier process - where money is spent and re-spent such that each dollar in expenditures can generate more than one dollar in economic activity.

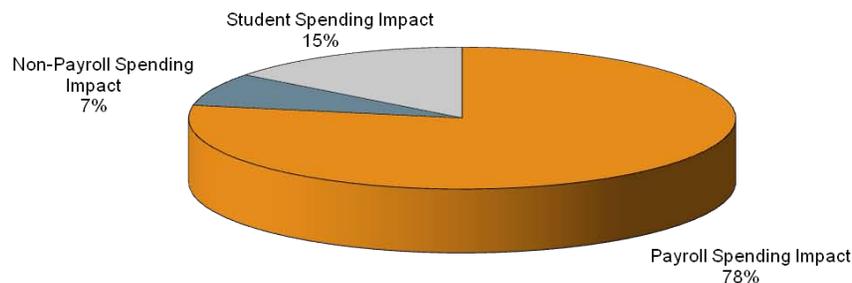
Table 3 outlines the economic impact from the three main sources of spending described above. University expenditures on payroll and benefits, non-payroll goods and services in-state, and student spending in-state generates a significant economic impact. In FY08, payroll generated \$107.8 million in income, while \$10.5 million was generated by non-payroll income, and \$20.2 million from student spending. Combining all three impacts, we estimate the overall economic impact of the university to be \$138.5 million.

**TABLE 3**  
**UTM Economic Impact by Source, FY08**

	<b>Amount</b>
Payroll Spending Impact	\$107,836,691
Non-Payroll Spending Impact	\$10,459,706
Student Spending Impact	\$20,196,868
<b>Total FY08 Income Benefit</b>	<b>\$138,493,265</b>

As illustrated by Figure 2, 78 percent of all income was created through payroll spending. Non-payroll spending and student spending generated approximately 7 percent and 15 percent of income, respectively.

**FIGURE 2**  
**UTM Income Benefit, by Source, FY08**



*Estimated Employment Impacts*

When UTM spends money on goods and services, many jobs are created in addition to the 2,152 employed by the university in FY08. We estimate that an additional 1,692 jobs result from UTM-related spending. Combining UTM employment with jobs created, we estimate that the university is responsible for a total of 3,844 jobs in the state.

Table 4 summarizes the employment impacts for FY08. The payroll spending effect combines the 2,152 employees and another 762 jobs that are generated when employees spend income on goods

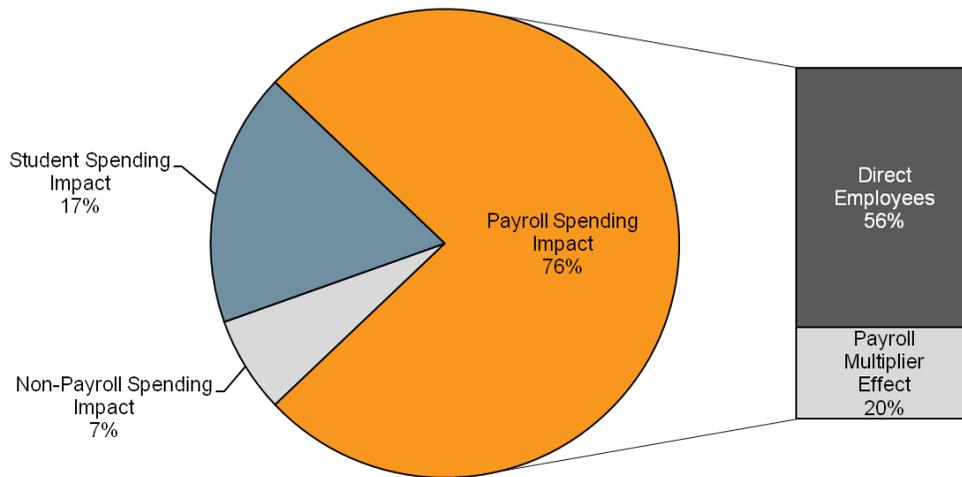
and services. Also, non-payroll expenditures made by the university created 256 jobs in-state. Student spending was responsible for 674 jobs.

**TABLE 4**  
**UTM Employment Impact, by Source, FY08**

	<b>Amount</b>
Payroll Spending Impact	2,914
Direct Employees	2,152
Payroll Multiplier Effect	762
Non-Payroll Spending Impact	256
Student Spending Impact	674
<b>Total FY08 Employment Impact</b>	<b>3,844</b>

Of the total employment impact, 76 percent was due to payroll spending—56 percent UTM employees and 20 percent created by the payroll multiplier effect as shown by Figure 3. Non-payroll spending accounted for about 7 percent. Student spending generated about 17 percent of all UTM-related jobs.

**FIGURE 3**  
**UTM Employment Impacts, by Source, FY08**



#### IV. Tax Effects

UTM also benefits the state through increased tax revenue. We estimate that the university generates a total of \$15.1 million in state and local tax revenue - \$9.3 million in sales tax revenue and \$5.8 million in other tax revenue. Table 5 summarizes these results.

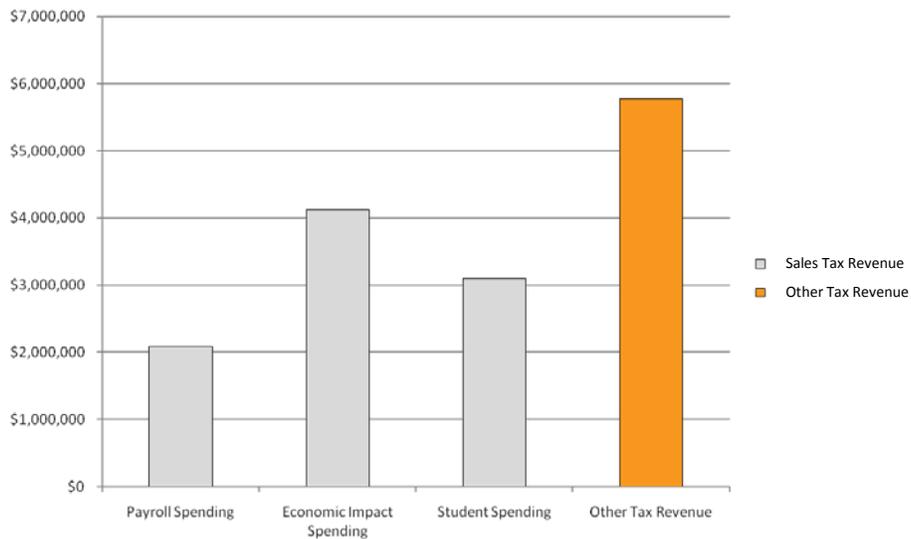
**TABLE 5**  
**State and Local Tax Revenue Generated by UTM, by Source, FY08**

	<b>Amount</b>
Sales Tax Revenue	\$9,304,110
<i>Payroll Spending</i>	\$2,080,477
<i>Economic Impact Spending</i>	\$4,123,027
<i>Student Spending</i>	\$3,100,606
Other Tax Revenue	\$5,777,212
<b>Total FY08 State &amp; Local Tax Revenue Generated</b>	<b>\$15,081,322</b>

About \$2.1 million in state and local sales tax revenue arises from UTM employees spending the income that they earn. Another \$4.1 million in sales taxes arises from spending of income generated by the university. When students purchase goods and services, sales tax revenue rises by about \$3.1 million.

Other tax revenue, which includes all state and local taxes except for the sales tax, was approximately \$5.8 million in FY08. Figure 4 provides a graphical representation of the estimated tax revenue generated.

**FIGURE 4**  
**State and Local Tax Revenue Generated by UTM, FY08**



## V. Qualitative Impacts

There are significant qualitative benefits from UTM that, though difficult to quantify, may be as important as or more important than the quantitative effects described above. These qualitative impacts include benefits from an educated workforce, distinguished research projects, and increased community engagement through an array of activities. A few examples are listed below, but these barely scratch the surface in describing the many qualitative benefits.

The state of Tennessee benefits from an educated workforce, including faculty and students who are currently enrolled at UTM and retired faculty and alumni who reside or work in-state. Describing these impacts in detail would be beyond the scope of this study, but it is well-documented that there are substantial qualitative benefits that arise from an educated population/workforce.<sup>3</sup> Perhaps the most transparent of these benefits comes in the form of higher wages and lower unemployment rates for UTM graduates. Recent research in the Center for Business and Economic Research evidences that more than 69 percent of UTM graduates stay and work in Tennessee after graduation.<sup>4</sup>

Faculty and students enrolled in the university often provide benefits that are fiscally immeasurable to the local community. For example, the faculty and students are involved in churches, schools, charities, and many other off-campus social events that greatly impact the local communities and the state.

In many cases, students and faculty members involved in local community organizations may be perceived as role models for younger Tennesseans. In addition, because the university attracts such a diverse range of students and faculty, Tennesseans can discover a broad variety of cultural and social activities that would not otherwise prevail in the state.

The Regional Entrepreneurship and Economic Development Center (REED Center) serves existing and prospective entrepreneurs and supports economic development in rural Northwest Tennessee. It offers free and low-cost courses, workshops, and training sessions that respond to the needs of small businesses and support regional economic development. The Center combines UTM resources with those of regional businesses, chambers of commerce, small business development centers in Jackson and Dyersburg, rural development services, lending institutions, and city governments to provide innovative and ongoing training and consulting services.

Through the Office of Extended Campus and Online Studies, UTM offers courses in different distance learning formats and mediums of delivery. Along with the main campus courses in Martin, the university also operates centers in Jackson, Selmer, Parsons, and Ripley. In addition, UTM is the home for UT Online, through which students are able to choose from among a growing number of degree programs as well as access information on all of the University of Tennessee's credit and non-credit online, distance education, and on-site offerings. UT Online enrollment in Martin grew 20.6 percent from 2008 to 2009.

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<sup>3</sup> Murray, M. N. (December 2007). *Education Crossroads*. Knoxville, TN: University of Tennessee, Center for Business and Economic Research.

<sup>4</sup> Fox, W. F., Kiser, B., & Thacker, A. (October 2007). *School-to-Work: Do Tennessee's Higher Education Graduates Work in Tennessee? Part 2. Employment and Earnings Trends by Institutions*. Knoxville, TN: University of Tennessee, Center for Business and Economic Research.

Responding to increased demands in courses available to qualified high school students, UTM strengthened its role as one of the state's leading providers of dual enrollment instruction. The campus served 928 high school students in fall 2009, an increase of 9.6 percent from fall 2008. Successful students can enter college with as much as a year of coursework already completed, thereby enhancing their opportunities to both succeed and graduate more quickly.

After the recent completion of more than \$38 million in capital and maintenance projects, almost \$32 million in additional capital improvement projects are under way or have just been completed at UTM. The university dedicated a new 100,643 square-foot Student Recreation Center in February, 2010, and has now begun a major renovation and addition to the Fine Arts Building, which serves as one of the region's cultural hubs. The facility also hosts a number of choral and band competitions each year that bring thousands of students and their families to the campus.

UTM is home to two Tennessee Governor's Schools: the Tennessee Governor's School for the Humanities and the Tennessee Governor's School for the Agricultural Sciences. Together the two programs bring some 110 gifted and talented high school students from across the state to the campus for four weeks of in-residence, university-credit instruction. It is also home to WestStar, Tennessee's first and largest leadership development program. WestStar boasts 555 living graduates and recently began its 21<sup>st</sup> year of operation.

UTM, which is the only four-year public university in West Tennessee outside of Memphis, plays an important role in providing graduates in such fields as agriculture, nursing, education, business, engineering, and communications. More than 95 percent of UTM's graduates find jobs or are accepted to graduate school within six months of graduation. Nationally known alumni include: Pat Head Summitt (1974), UT Lady Vols head basketball coach; Leonard Hamilton (1971), Florida State Seminoles head basketball coach; Jerry Reese (1987, 1988), senior vice president and general manager of the New York Giants; Dr. Christy Shaffer (1981), president and CEO, Inspire Pharmaceuticals; and William (Bill) Rhodes (1987), president and CEO of AutoZone.

## **VI. Growing Economic Impact**

To help students attending in-state public institutions, Tennessee recently began offering lottery-based scholarships to high school graduates meeting academic requirements. The Tennessee HOPE Scholarship is renewed annually if the student meets academic criterion.<sup>5</sup> As shown in Figure 5, the lottery scholarship program and other factors have resulted in an increase in UTM's enrollment. Since 2003, the university has seen 5.8 percent annual growth. Growing student counts are helping expand the already large effect of UTM.

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<sup>5</sup> See [http://www.tn.gov/CollegePays/mon\\_college/hope\\_scholar.htm](http://www.tn.gov/CollegePays/mon_college/hope_scholar.htm) for more information.

**FIGURE 5**  
**UTM Enrollment Trends**

