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METROPOLITAN TENNESSEE

The Role of Metropolitan Areas as the
Economic Engines of the State Economy

the **Ochs Center**
for metropolitan studies

January 2010

Metropolitan Tennessee is a first-ever analysis of the role of the state's ten metropolitan areas in jobs, human capital and state tax revenue. These ten metropolitan areas cut across traditional divisions between rural, suburban and urban and are located in each of the state's grand divisions.

Understanding the importance of metropolitan areas to the state's economy is critical to weighing solutions that promote prosperity. The eight Fortune 500 firms headquartered in Tennessee are all in metropolitan areas—three each in Nashville and Memphis and one each in Kingsport-Bristol and Chattanooga. Some of the most important economic developments announced in the last two years are located in metropolitan areas—Volkswagen in Chattanooga, Wacker Chemie AG in Cleveland and Hemlock Semiconductor in Clarksville.

By providing state policymakers, members of the General Assembly and candidates for Governor with a detailed analysis of the importance of metropolitan areas in Tennessee, this paper constitutes a first step toward a more dynamic debate on how the State can work to build on the competitive advantages of its metropolitan areas as part of an overall strategy for statewide prosperity.

Key findings of the study include:

- Nearly three-quarters (73.3%) of Tennesseans now reside in metropolitan areas and 58.2% live in the four largest metropolitan areas.
- More than eighty percent of net population growth in the state between 2000 and 2008 occurred in metropolitan areas. The Nashville MSA, where population was up by more than eighteen percent, accounted for nearly half of the state's net population gain.
- Tennessee's ten metropolitan areas—home

to 71.4% of all business establishments in the state—account for 92.5% of the State GDP.

- Seventy-nine percent of jobs in the state were in the ten metropolitan areas. The ten metropolitan areas accounted for more than one hundred percent of net job growth in Tennessee between 2000 and 2008. Statewide, the number of jobs increased by 54,520. In the ten metropolitan areas, there was a net increase of 119,409; the rest of the state lost more than 65,000 jobs.
- The ten metropolitan areas account for eighty-two percent of aggregate wages in the state and more than 90% of the growth in wages statewide since 2000.
- The state's ten metropolitan areas are home to more than eighty-five percent of state residents with a college degree. The Nashville MSA is home to one-quarter of all residents in the state, but 31.6% of all college educated adults.
- The ten metropolitan areas are home to forty-nine out of the fifty-eight institutions of higher education that grant baccalaureate, graduate or professional degrees. Colleges and universities in metropolitan areas account for 84.4% of statewide undergraduate enrollment and 86.5% of enrollment in graduate or professional schools.
- The ten metropolitan areas that drive the state economy also produce 77.8% of all tax revenue collected by the State inside of Tennessee. On a per capita basis, metropolitan areas in Tennessee produce 27.9% more revenue for the state than non-metropolitan areas.

When Tennessee's next governor takes office in January 2011, most voters will likely view the economy as the most important issue. Even if the state—along with the rest of the nation—begins to rebound from the recession, jobs and the future prosperity of Tennesseans will top the agenda for Tennessee's next governor and the new General Assembly.

As we approach the 2010 election, candidates from both sides of the aisle will start to outline policies and platforms that detail the role of state government in fostering economic growth. But in the debate and discussion on the future of the state economy, place is more important than partisanship.

When candidates talk about the economy of the State of Tennessee, they are really talking about conditions in those parts of the state that are its economic engines: the ten metropolitan statistical areas—Kingsport-Bristol, Chattanooga, Clarksville, Cleveland, Jackson, Johnson City, Knoxville, Memphis, Morristown and Nashville.¹

These ten metropolitan areas cut across traditional divisions between rural, suburban and

urban—nearly a half of all rural residents in Tennessee live in one of the ten metropolitan areas. There are metropolitan areas in each of the state's grand divisions: with the two largest metropolitan areas in middle and west Tennessee, but with a majority of metropolitan areas in a corridor from the Virginia border to the Georgia line in east Tennessee.

Metro Area and Counties

Chattanooga: Hamilton County, Marion County, Sequatchie County

Clarksville: Montgomery County, Stewart County

Cleveland: Bradley County, Polk County

Jackson: Chester County, Madison County

Johnson City: Carter County, Unicoi County, Washington County

Kingsport-Bristol: Hawkins County, Sullivan County

Knoxville: Anderson County, Blount County, Knox County, Loudon County, Union County

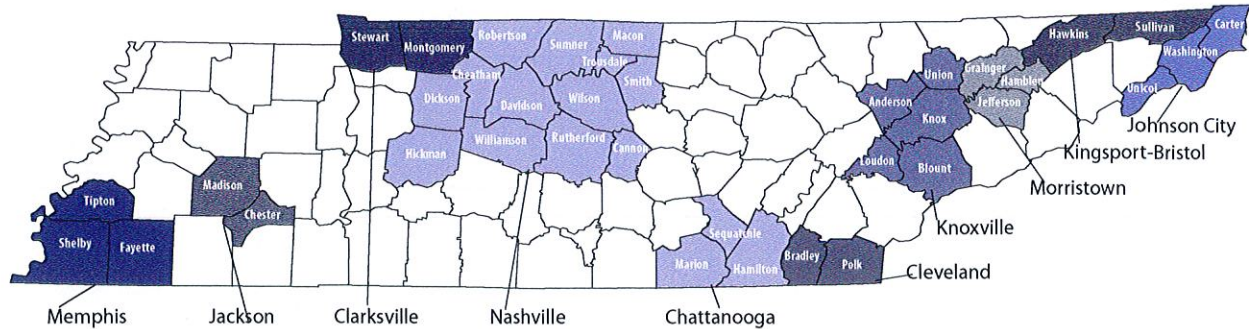
Memphis: Fayette County, Shelby County, Tipton County

Morristown: Grainger County, Hamblen County, Jefferson County

Nashville-Davidson: Cannon County, Cheatham County, Davidson County, Dickson County, Hickman County, Macon County, Robertson County, Rutherford County, Smith County, Sumner County, Trousdale County, Williamson County, Wilson County

¹ Metropolitan statistical areas are defined by the federal government on the basis of a concentration of both population and employment. Metropolitan areas can cross state lines. Kingsport-Bristol, Chattanooga, Clarksville and Memphis are multi-state areas, but for the purposes of this analysis only the Tennessee counties are included.

Metro Areas and Counties in Metro Tennessee



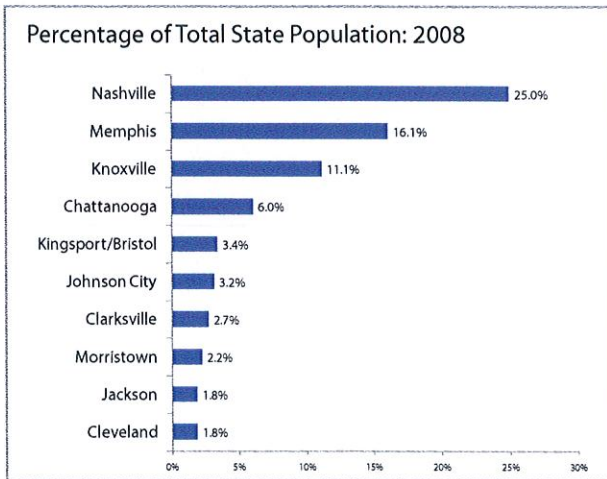
The eight Fortune 500 firms headquartered in Tennessee are all in metropolitan areas—three each in Nashville and Memphis and one each in Kingsport-Bristol and Chattanooga. Some of the most important economic developments announced in the last two years are located in metropolitan areas—Volkswagen in Chattanooga, Wacker Chemie AG in Cleveland and Hemlock Semiconductor in Clarksville.

Understanding the importance of metropolitan areas to the state's economy is critical to weighing solutions that promote prosperity. In discussing the importance of metropolitan areas nationally, Bruce Katz of the Brookings Institution Metropolitan Policy Program has noted that "[M]etropolitan economies are the engines of America's prosper-

ity... this nation's ability to grow and prosper and overcome the adversities of our time is at risk unless they are healthy and vital." The same can be said for the metropolitan areas of Tennessee.

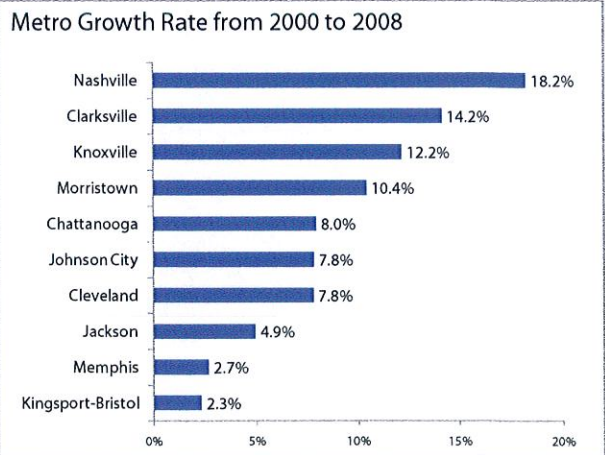
Yet, too often federal and state policies fail to acknowledge and recognize the importance of the metropolitan perspective. By providing state policymakers, members of the General Assembly and candidates for Governor with a detailed analysis of the importance of metropolitan areas in Tennessee, this paper constitutes a first step toward a more dynamic debate on how the state can work to build on the competitive advantages of its metropolitan areas as part of an overall strategy for statewide prosperity.

In Tennessee, 6,214,888 people resided in both metro and non-metro areas in 2008. Based on county by county estimates for the thirty-eight Tennessee counties in the state's ten metropolitan areas, nearly three-quarters of Tennesseans now reside in metropolitan areas and 58.2 percent live in one of the four largest metropolitan areas.

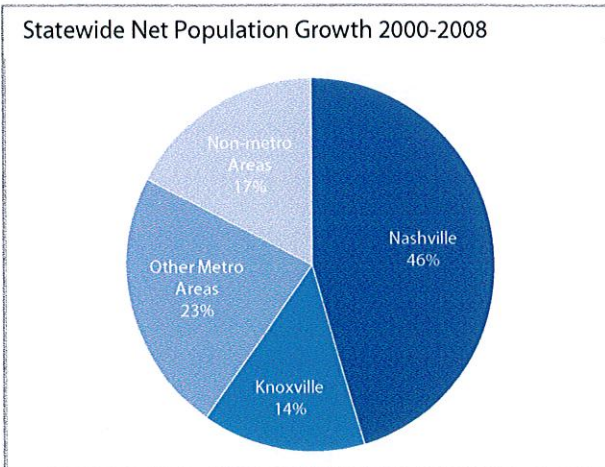


Metropolitan areas are the fastest growing parts of Tennessee. Overall, more than eighty percent of net growth statewide occurred in metropolitan areas. Between 2000 and 2008, Tennessee's population grew by 525,605 residents, an increase of just over nine percent. The Nashville MSA, where population was up by more than eighteen percent, accounted for nearly half of the state's net population gain. Clarksville, Knoxville, and Morristown MSAs also experienced double digit growth in Tennessee metro counties.

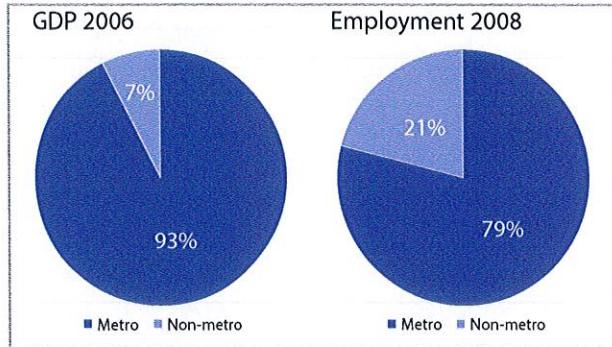
² The U.S. Bureau of the Census classifies areas as either rural or urban. Those areas not designated as either urban areas or urban clusters are defined as rural. The definition of an urban area or cluster is based on both density and population.



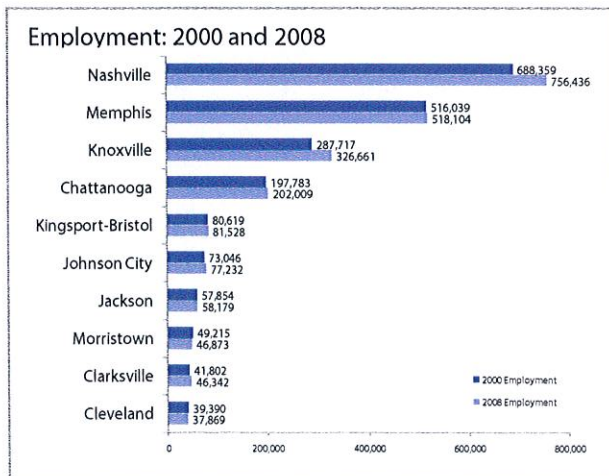
Based on 2000 Census data, there were 2,930,697 rural residents in Tennessee or fifty-two percent of the total population.² Among rural residents, forty-seven percent lived within one of the state's ten metropolitan statistical areas. In some cases, entire counties within an MSA may be rural. For example, all of the residents of Cannon, Cheatham, Fayette, Hickman, Marion, Polk, Sequatchie, Stewart, Trousdale and Union counties are classified as rural and all live in metropolitan areas. But the state's most populous counties also include rural residents. Combined, Davidson, Hamilton, Knox and Shelby counties are home to 239,187 rural residents or eight percent of the total rural population.



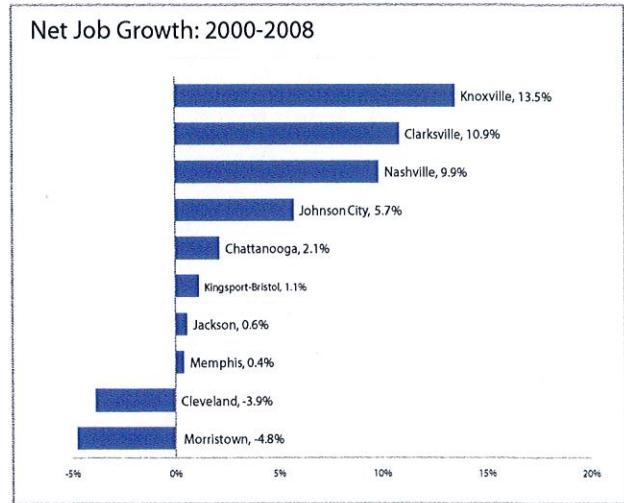
Based on 2006 data, the state's ten metropolitan areas—home to 73.3 percent of the population and 71.4 percent of all business establishments in the state—account for 92.5 percent of the state GDP.



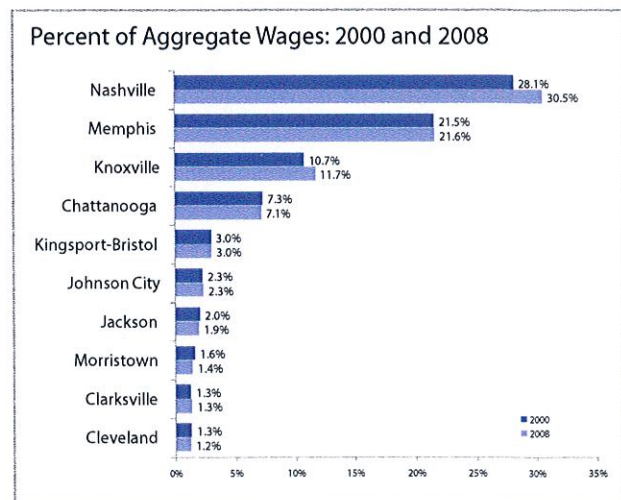
Based on employment data from 2008, seventy-nine percent of jobs in the state were in the ten metropolitan areas. But, perhaps more importantly, the ten metropolitan areas accounted for more than one hundred percent of net job growth in Tennessee between 2000 and 2008. Statewide, the number of jobs increased by 54,520. In the ten metropolitan areas, there was a net increase of 119,409—the rest of the state lost more than 65,000 jobs.



Three metropolitan areas, Knoxville, Clarksville and Nashville, each had near or more than ten percent job growth. Two MSAs, Cleveland and Morristown, lost jobs. The Nashville MSA actually had a greater net job increase than the state overall.

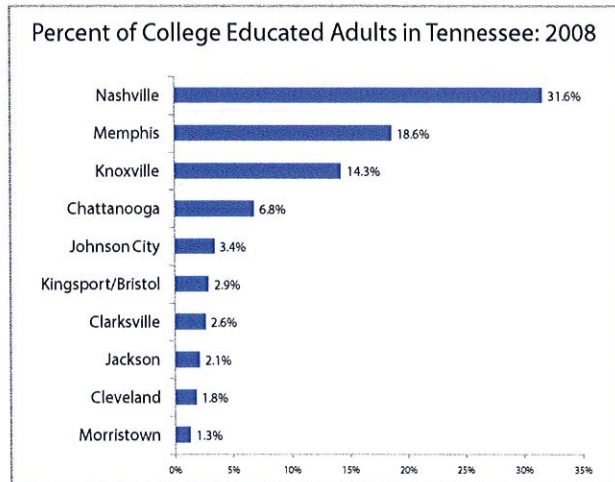


The ten metropolitan areas account for eighty-two percent of aggregate wages in the state and more than ninety percent of the growth in wages statewide since 2000.



In Tennessee, the average income for adults with a college education is \$42,112, compared to \$24,937 for high school graduates and \$18,328 for individuals who lack a college degree.³

The state's ten metropolitan areas are home to more than eighty-five percent of state residents with a college degree—compared to 73.3 percent of the overall population. The Nashville MSA is home to one-quarter of all residents in the state but 31.6 percent of all college educated adults.

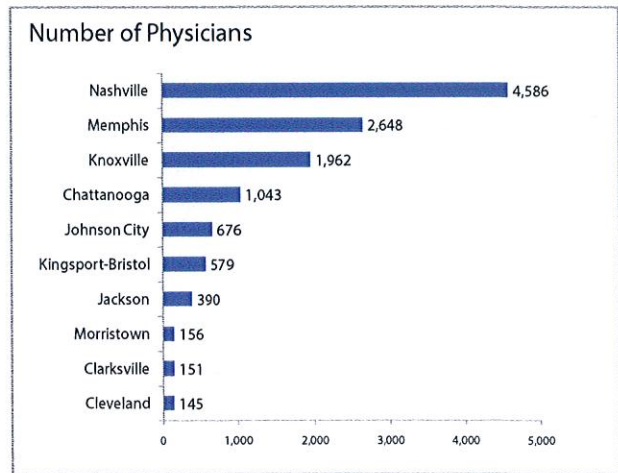


As a result, Tennessee's metropolitan areas are the educational and medical centers of the state—so called “eds and meds.”

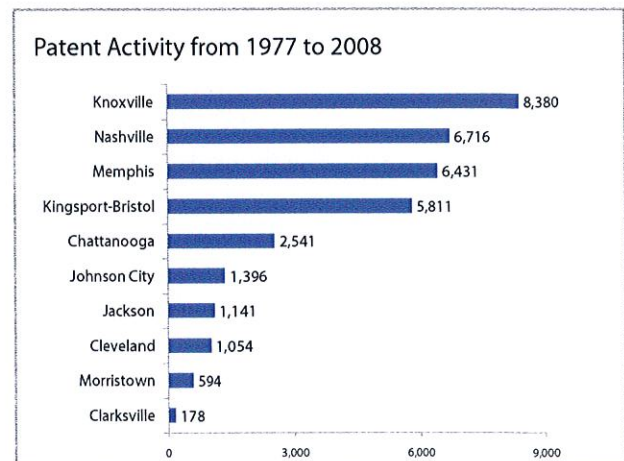
The ten metropolitan areas are home to forty-nine out of the fifty-eight institutions of higher education that grant baccalaureate, graduate or professional degrees. Colleges and universities in metropolitan areas account for 84.4 percent of statewide undergraduate enrollment and 86.5 percent of enrollment in graduate or professional schools. The Knoxville MSA, home to the University of Tennessee Knoxville, has 11.1 percent of the overall state population but 21.2 percent of graduate and professional school enrollment.

³ U.S. Census Bureau, 2008 American Community Survey

Nearly ninety percent of the state's doctors are located in the ten metropolitan areas. The Nashville MSA has nearly one-third of all of the state's doctors.

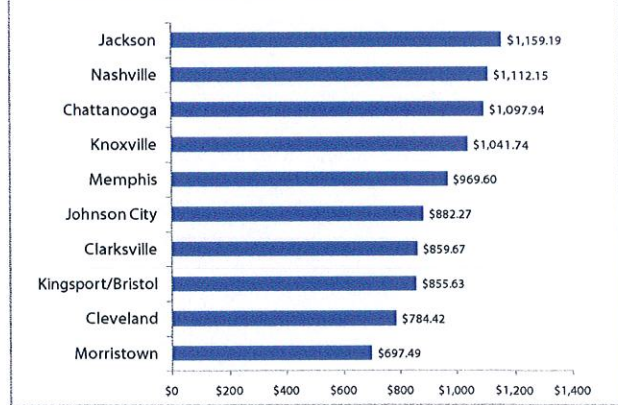


Innovation, as measured by patent activity, is also concentrated in metro areas. Of patents granted in Tennessee over the last thirty years, 88.2 percent were granted in metro areas. The Knoxville metro area generated the most patent activity between 1977 and 2008, garnering 21.6 percent of the patent awards in the state. Patent activity in four metro areas (Knoxville, Nashville, Memphis, and Kingsport-Bristol) represents seventy-one percent of the patent activity statewide.

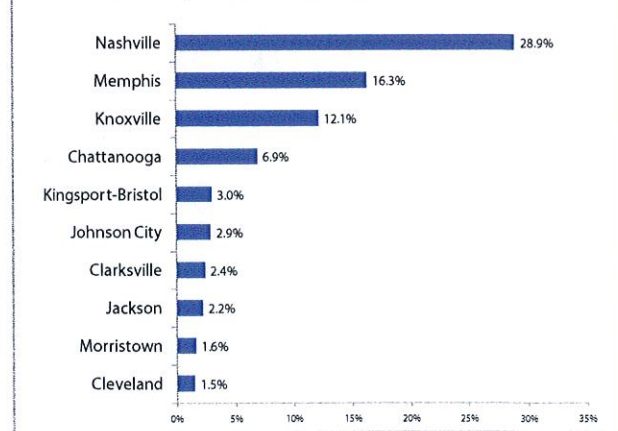


It is not surprising that the ten metropolitan areas that drive the state economy also produce 77.8 percent of all tax revenue collected by the state inside of Tennessee.⁴ Per capita state tax revenue is 27.9 percent higher in metropolitan areas than in non-metropolitan areas.

Tax Revenue per Capita: FY 2009



Tax Revenue by Metro Area: FY 2009



⁴ This is based on an analysis of Department of Revenue county by county tax collection data for sales, income, inheritance, gift, estate and motor vehicle taxes for FY 2009.

The Ochs Center is the only organization in the Chattanooga region that provides a full array of research and data analysis services for local non-profit organizations and local government:

- Collects and analysis of administrative data from government agencies or non-profit programs
- Public policy and best practices research
- Survey design and analysis
- Roundtables and focus groups
- Program evaluation
- Economic impact analysis and modeling
- Budgetary and operational reviews
- Assessment of community conditions
- GIS mapping and analysis

The Ochs Center's core product is the *State of Chattanooga Region Report*. Funded by local foundations and released for the first time in 2006, the *State of Chattanooga Region Report* offered a com-

prehensive look at conditions in Hamilton County in the areas of health, public safety, the local economy, education and community development. In 2008, the full report was preceded by a series of briefs on early childhood, environment, education, crime, housing and the economy. Using survey data and administrative data from national, state and local government agencies, the report compares conditions in Hamilton County with thirteen other benchmark jurisdictions around the country. The *State of Chattanooga Region Report* also examined differences in thirty-six subregions across Hamilton County from Alton Park to Walden.

In addition to its efforts in the Chattanooga region, the Ochs Center has also worked at the regional, state and national level with support from the Brookings Institution, Annie E. Casey Foundation, Robert Wood Johnson Foundation, and Alfred P. Sloan Foundation.