

An Economic Analysis of the Monetary Cash Settlement for Swain County
Executive Summary

A financial settlement to Swain County in lieu of building the North Shore Road is likely to bring substantial economic benefits to the County and its citizens. A financial settlement would provide Swain County with flexibility to address the multiple needs of its citizens, now and into the future. Due to its large volume of federal and tribal lands, Swain County has a limited property tax base. If invested under conservative assumptions, a cash settlement would provide a permanent source of funds for capital improvements, salary supplements for essential County personnel such as first responders and teachers, tax relief for Swain County citizens, or multiple other priorities as they develop into the future.

These multiple investments likely would provide a variety of economic benefits to the County. In contrast, the North Shore Road would sink a large amount of capital into a single investment that would not address Swain County's multiple needs and would provide limited flexibility to address future needs as they arise.

With an unemployment rate of approximately 4.5% in the summer and 11% in the winter, Swain County's primary employment issue is not unemployment (the lack of jobs), but, rather, underemployment (seasonal and low-paying jobs). A cash settlement would give Swain County the ability to address this underemployment problem by diversifying its economy through self-development of home-grown businesses and through targeted industrial recruitment of new businesses.

A good example of these strategies in action would be insuring high-speed internet access throughout Swain County, a modern economic need that the County has identified but has had difficulty meeting due to lack of funds.

On the other hand, the primary long-term benefit of building the road would be to boost the local tourism sector. Tourism, however, is already is the largest employment sector in Swain's

economy and tends to involve both seasonal jobs and relatively low wages - the very problems Swain County most needs to ameliorate. A cash settlement would allow the County to pursue more diverse economic opportunities while also providing targeted assistance to the tourism sector, should they choose to do so.

The focus of this study is to examine the economic return of an investment scenario for the financial settlement based on current priorities and economic development strategies under consideration in Swain County. If the settlement amount is \$52 million - the amount the Park Service has set forth in its Draft Environmental Impact Statement - those benefits could include approximately 228 job years in the first 10 years of which 56 are considered permanent jobs. If the settlement amount were \$92.9 million - an amount that is justified by applying standard interest assumptions to the cost of the road that was flooded by Fontana Lake and that still is considerably less than the \$604 million cost of building the North Shore Road - those benefits could include 771 job years in the first ten years of which 100 are considered permanent jobs.

The figures stated above are for the first ten years, when the County may invest in various capital projects. After this time the \$52 million settlement may yield on average \$3.5 million per year, after debt from the capital projects has been paid, to supplement salaries or provide tax reduction. This sum could create an additional 22.5 permanent jobs each year.

Either the cash settlement or construction of the road is likely to bring economic benefits to Swain County. Because a cash settlement would provide a long-term funding source and flexibility to address the County's primary economic challenges, now and into the future, a cash settlement is likely to produce a more diverse set of benefits that accrue more broadly to Swain County and its citizens.