“The time has come,” the Walrus said...
Through the Looking-Glass
Lewis Carroll
December 1871
But first……..

Alice’s Adventures in Wonderland

Lewis Carroll
November 1865
Economy 2002-2008
The Great Recession 2008-2009
Economy 2010-2018
Through the Looking Glass
2019 - ?
“The time has come,” the Walrus said, “to talk of many things:
Of shoes --- and ships ---
SOUTH CAROLINA POPULATION BY AGE GROUP
2010 to 2030 Estimates and Projections

Note: U.S. Census Bureau, population estimates 2010 to 2017; Revenue and Fiscal Affairs Office, population projections 2018 to 2030
SOUTH CAROLINA
Number of 19-year-olds and Number of 65-year-olds

Source: U.S. Census Bureau, Population Estimates 1990-2017; Revenue and Fiscal Affairs
Population Projections 2018-2035 RFA 209 01/08/19
--- And sealing wax ---
SOUTH CAROLINA STATE INDIVIDUAL INCOME TAX LIABILITY IMPACT
Tax Year 2018 - Projected Impact of Federal Tax Changes
Percentage of Returns

Source: S.C. Revenue and Fiscal Affairs Office/214/KJR/1/14/19
ESTIMATED E-COMMERCE SALES TAXES
Collected and Uncollected

Sales Taxes (Millions of Dollars)

- FY 2014-15: $274.8 (Collected), $91.8 (Uncollected)
- FY 2017-18: $346.2 (Collected), $94.2 (Uncollected)
- FY 2018-19 Before Wayfair: $374.6 (Collected), $103.9 (Uncollected)
- FY 2018-19 After Wayfair: $449.0 (Collected), $29.5 (Uncollected)

Source: Revenue and Fiscal Affairs Office/GOS/10-22-18
ESTIMATED ANNUAL INCREASE IN E-COMMERCE SALES AND USE TAX - $74.4 MILLION

- General Fund: $40.2 million
- Local Sales Tax: $14.0 million
- Education Improvement Act Fund: $10.1 million
- Homestead Exemption Fund: $10.1 million
- Uncollected Sales Tax with Small Seller Exemption: $29.5 million

Source: S.C. Revenue and Fiscal Affairs Office/GOS/10-22-18
Of cabbages --- and kings ---
ANNUAL GENERAL FUND REVENUE GROWTH

Source: Revenue and Fiscal Affairs - 169A/EMM/12/12/18
ANNUAL GENERAL FUND REVENUE GROWTH
With Tax Adjustments

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Fund Growth</th>
<th>Tax Adjustments (Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 19 (e)</td>
<td>$350.2</td>
<td>$60.8</td>
</tr>
<tr>
<td>FY 20 (e)</td>
<td>$345.7</td>
<td>$71.2</td>
</tr>
<tr>
<td>FY 21 (e)</td>
<td>$339.3</td>
<td>$84.1</td>
</tr>
<tr>
<td>FY 22 (e)</td>
<td>$385.3</td>
<td>$68.2</td>
</tr>
</tbody>
</table>

Source: S.C. Revenue and Fiscal Affairs Office 169C EMM/12/21/18
And why the sea is boiling hot ---
<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018-19 Recurring Revenue</td>
<td>$ 497.8 M</td>
</tr>
<tr>
<td>Non-recurring Revenue</td>
<td>$ 548.9 M</td>
</tr>
<tr>
<td>FY 2018-19 Capital Reserve Fund</td>
<td>$ 151.6 M</td>
</tr>
<tr>
<td>FY 2017-18 Surplus (Contingency Reserve Fund)</td>
<td>$ 177.1 M</td>
</tr>
<tr>
<td>FY 2018-19 Projected General Fund Surplus</td>
<td>$ 220.2 M</td>
</tr>
<tr>
<td>Litigation Recovery Account</td>
<td>$ 8.0 M</td>
</tr>
</tbody>
</table>
FY 2018-19 BUDGET ESTIMATES AND BEYOND
April 2018

FY 18 Budget
Estimated Growth of $372 million (4.9%)

FY 19 Budget
Estimated Growth of $292 million (3.7%)

Source: SC. Revenue and Fiscal Affairs Office 233 FAR/01/02/19
Source: SC. Revenue and Fiscal Affairs Office 233 FAR/01/02/19
Dow Jones Industrial Average

Trading Day

Source: Dow Jones Indices, LLC/S.C. Board of Economic Advisors
FY 2019-20 BUDGET ESTIMATES AND BEYOND

December 2018

FY 19 Estimated Surplus $220m

FY 19 Surplus + FY 20 Revenue Growth = Budget Growth of $495m (6.0%)

FY 20 Revenue Growth $275m

Source: SC. Revenue and Fiscal Affairs Office 233 FAR/01/02/19
And whether pigs have wings.”
SC PERSONAL INCOME FISCAL YEAR GROWTH RATES

Actuals, Estimates, and Averages

Source: US Department of Commerce, Bureau of Economic Analysis  RFA-173 EM/10/10/18
Total Nonfarm Employment Growth in South Carolina

Number of unemployed persons per job opening, seasonally adjusted

Click and drag within the chart to zoom in on time periods

Hover over chart to view data.
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Interest Rate Spread Between 10-Year Bond & 2-Year Bond

Source: The Board of Governors of the Federal Reserve System/102/S.C. Board of Economic Advisors
TOTAL COMBINED TAX BASE - TY 2015
Percentage of State Total of Income Tax Liability, Taxable Sales, and Property Tax Assessed Value

Each Tax base is adjusted to reflect overall tax revenue:  Income Tax Liability 32%, Taxable Sales 23% and Property Tax Assessed Value 45%

Source: DOR Annual Report and Index of Taxpaying Ability Report 234-RFA/mkm/12/19/2018
Outlook for 2019

Slower Growth – Uncertainty

• Businesses adopting a “wait and see” approach

• Demand for product vs. labor supply

• Impact of tariffs, interest rates, Brexit, and government shutdown