



**MEMORANDUM FOR THE RECORD**

**Date:** November 19, 2024, 9:00 a.m.  
**Location:** Revenue and Fiscal Affairs Office, Conference Room 417/Web Conference  
**Subject:** Minutes of Board of Economic Advisors Meeting

**Participants:** *Board Members* – Edward Grimball- Chairman, Curtis Hutto, Dr. Michael Mikota, and Hartley Powell (*all via web conference*). Frank Rainwater- Executive Director, *Staff* – Morgan Daigle, Lisa Jolliff, Dr. Marian Manic, and Karl Vesely; **Attendees:** RFA – Paul Athey, Kathryn Kelley, and Emily Prosser. *Thirty-five additional participants via web conference.*

Note: Guests were invited to attend in-person or virtually. An email invitation was sent to the Distribution list and Working Group list members, and the meeting notification was posted on the RFA website and in the Rembert Dennis Building. Meeting information and log-in instructions were posted online. Meeting materials were posted online 15 minutes prior to the start of the meeting, and the documents were also shared via web conference.

- I. Chairman Grimball welcomed everyone to the meeting at 9:00 a.m.
- II. Chairman Grimball presented the October 14, 2024, meeting minutes, which previously had been shared with the Members, and asked if any Member had edits or questions. Hearing no amendments or objections, Chairman Grimball declared the minutes approved as written. ([See minutes](#))

*Chairman Grimball noted that the meeting minutes are a comprehensive synopsis of the October Board meeting, including the regional advisors' analyses.*

- III. General Fund Revenue Forecast FY 2024-25 and FY 2025-26 ([See materials](#))

*Mr. Rainwater noted that staff have been active in analyzing and modeling revenue activity and sharing and discussing the potential revenue situation with each Board Member on an individual basis. He then stated that after a brief update on October revenues, the recommendations for updating FY 25 revenues and an initial forecast for FY 26 will be presented, along with details on the largest revenue items or changes, and then a summary of the recommendations on the other categories.*

**General Fund Revenues:**

- October revenues were slightly higher than estimated by \$30.3 million.
- It appears Non-withholding and Corporate Income taxes may have been affected by the delayed filing deadlines pursuant to Hurricane Helene tax relief.
- For the fiscal year-to-date, revenues are \$352.3 million above expectations, but within the 3 percent target range.
- In developing the estimates, working assumptions were updated to reflect the input received from the guest panel of regional economists during the Board meeting on October 14, 2024.
- The recent above average growth is beneficial in the short term, but a decrease to slightly below normal growth is expected by the end of FY 26.

Mr. Rainwater then reviewed the list of specific assumptions and risks.

Key assumptions for FY 2024-25 and FY 2025-26:

- Personal Income
  - Both the Wages & Salaries component and the Interest & Dividends component of Personal Income are expected to slow down closer to historic trends in response to:
    - Inflation
    - Interest Rates
    - Labor market dynamics
    - Global geopolitical issues
- Employment
  - Migration and economic development are expected to keep employment growth higher in SC than the nation as a whole.
  - However, lower employment growth is expected over the next two fiscal years compared to last fiscal year as labor demand slows.
- Based on comments from the panel, most of the assumptions were consistent with the panel’s general expectations on personal income and employment.
- The working estimate for inflation for FY 25 is increased from 2.4 percent to 2.6 percent to reflect the panel’s comments.

Summary of Economic Assumptions – November 2024:

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2024-25	5.7%	2.2%	2.4%
			2.6%
2025-26	4.6%	1.7%	2.5%

Risks and Considerations for FY 2024-25 and FY 2025-26:

- Recent trends in labor market dynamics indicate wage growth, a key component of personal income, will grow more slowly in FY 25 and FY 26 than in recent years, as the total labor force is growing faster than total employment.
- Growth in the major revenue categories is expected to the economy due to national and international economic conditions.

He then presented on the main components of General Fund revenue. His main points included:

Consumption Taxes:

- October Sales tax collections grew by 1.7 percent over last year; cumulatively, fiscal year-to-date collections are growing 2.1 percent and are \$12.2 million above the May estimate.
- As sales tax is growing above but very close to estimates, a small increase of \$21.7 million is recommended to the FY 25 estimate and growth of 2.1 percent for FY 26.

- Deed Recording fees have not declined as expected and are currently growing by 4.2 percent this fiscal year. An increase of \$13.7 million is recommended for FY 25 and 5.8 percent growth in FY 26.

Individual Income Taxes:

- Wage growth has been stronger than expected and Withholdings are \$80.7 million above expectations through October. An increase for FY 25 is recommended of \$93.2 million and 4.5 percent growth in FY 26.
- Non-withholdings collections for October were 16.1 percent below last year's collections for the month, but this change was likely impacted by the extended filing deadlines due to Hurricane Helene. Fiscal year-to-date collections are \$21.5 million above expectations. The recommendation is to increase the FY 25 estimate by \$29.7 million and growth of 5.1 percent in FY 26.
- The FY 25 estimate for Refunds needs to be updated primarily for the tax cuts enacted in the budget, and the recommendation is an increase of \$165.9 million and 6.3 percent growth in FY 26. In total, a net decrease to Individual Income tax for FY 25 is recommended of \$43.1 million and 3.8 percent growth in FY 26.

Corporate Income Taxes:

- Corporate Income is ahead of estimates by \$127.0 million. The recommendation is an increase of \$108.8 million for FY 25 and a small change in FY 26.

Mr. Rainwater then reviewed the recommendations for the revenue forecasts for FY 2024-25 and FY 2025-26:

- A \$297.2 million increase to the FY 25 estimate was recommended, which is almost flat from final FY 24 collections.
- The recommendation for FY 26 is an increase of \$334.7 million or 2.5 percent growth over the FY 25 recommendation.
- The other noticeable change is from the State Treasurer's Office, which was an increase of the estimate for Earnings on Investments by \$200.0 million for FY 25 and to maintain that same estimate for FY 26.
- Interest earnings are currently above estimates by \$81.2 million.

*Mr. Rainwater concluded with estimates on Other Funds revenue items. Of particular note is a decrease in the Education Lottery estimate between FY 25 and FY 26. He then presented the recommended forecast on pages 34 and 35 of the posted meeting materials for consideration by the Board.*

***Dr. Mikota moved to approve the General Fund Revenue Forecast presented on pages 34 and 35 of the posted meeting materials. Mr. Hutto seconded the motion, and all voted aye.***

Ms. Jolliff then presented the budget outlook. Her key points included:

- The growth in the FY 26 revenue estimate over the base budget is sufficient to enact the next reduction in the top marginal individual income tax rate for tax year 2025.
- The rate for tax year 2024 was lowered an additional 0.1 percent to 6.2 percent for one year in the FY 25 budget ahead of the statutory schedule but reverted

to 6.3 percent for tax year 2025 before any adjustment based on revenue growth.

- The projected revenue growth over the base budget as of the November forecast is sufficient to enact the next statutory rate decrease from 6.3 percent to 6.2 percent for tax year 2025, which impacts the FY 26 budget. This rate reduction for FY 26 (tax year 2025) will maintain the tax rate at the 6.2 percent rate currently in effect for tax year 2024. The rate change will be finalized in February 2025 based on projected revenue growth in the updated forecast.
- Estimated “new” General Fund revenue available for appropriation (less reserve fund contributions): \$533.5 million.
- Total non-recurring revenue: \$1,122.6 million.
- The projected balance in the Tax Relief Trust Fund will be \$92.7 million at the end of FY 25.
- The manufacturer’s value exemption funded through the Tax Relief Trust Fund is projected to reach the statutory cap of \$170 million in FY 26.
- The projected balance in the Homestead Exemption Fund will be \$157.9 million at the end of FY 25.

Mr. Rainwater concluded the presentation with the Long-Range Forecast (pursuant to §11-11-350). His key points included:

- The Long-Range Forecast includes FY 27 and FY 28 estimates and is required by statute for planning purposes.
- The forecast assumes a return to normal growth in FY 27 and FY 28 resulting in an increase of 3.1 percent, respectively.

***Dr. Mikota moved to approve the Long-Range Forecast presented on pages 43 and 44 of the posted meeting materials. Mr. Hutto seconded the motion, and all voted aye.***

*Chairman Grimball commended staff on the valuable information presented.*

Mr. Rainwater noted that a press release summarizing the items discussed during the meeting will be issued shortly after adjournment.

*Chairman Grimball asked Mr. Rainwater to comment on how the updated forecast will be used. Mr. Rainwater explained that the forecast is primarily used for the Governor’s budget in completing the Executive Budget hearings. The Governor’s budget will be submitted in January for the General Assembly to consider; then, the General Assembly will wait for the February updated forecast before the House Ways and Means Committee will adopt its budget recommendations.*

*Members asked questions throughout the presentation which generated further discussions between Members and staff.*

IV. Reports from Working Group Members

*No Working Group members offered comments.*

V. Other Items for Discussion

- 2025 Meeting Calendar

VI. The next scheduled meeting, if necessary, is December 12, 2024.

VII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 9:48 a.m.

Public notice of this meeting was posted at <http://rfa.sc.gov> and the Rembert Dennis Building.

These minutes were approved on 1/23/2025

Emily Prosser *Emily Prosser*