



MEMORANDUM FOR THE RECORD

Date: February 13, 2025, 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 (*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. *Forty-eight 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 January 23, 2025, 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 today's meeting will build on January's comprehensive meeting.

- III. FY 2024-25 and FY 2025-26 Review and Forecast Considerations ([See materials](#))

Mr. Rainwater began the presentation by noting that timing plays a prominent role in the discussion because it is one of the factors considered in analyzing monthly revenue activity. Timing is characterized by different factors such as a change in accounting patterns, a change in reporting practices, or a temporary change in taxpayer behavior. Timing considerations specific to February are: 1) residual revenue is \$19 million above expectations because funds were credited in January that are typically received in December; 2) Refunds are behind as return processing started later this year; and 3) Sales tax has grown 7.5 percent in the past few months, though the underlying economics still reflect a smaller growth rate.

General Fund Revenues:

- Through January, revenues are \$396.9 million above expectations.
- Revenues are outperforming current and expected economic activity.
- The decision to adjust the estimate depends on how much of this excess is real versus temporary.
- Recommendations for adjustments include balancing recent revenue growth, current and expected economic performance, and the risk of an unexpected change.

Economic Updates:

- Tariffs are on the radar, but there is not enough data or facts to change or impact assumptions.
- There are no notable worries about a recession.
- Sales tax is \$69.8 million ahead of the estimate.
 - Actual collections in recent months have resulted in a noticeable uptick, averaging 7.4 percent from November to January.
 - Sales tax is outperforming national retail sales and potentially attributable to a unique event like rebuilding from Hurricane Helene rather than a major economic change.
 - The recommendation is to adjust FY 25 and FY 26 estimates by \$20 million.
- Recommending an increase of \$25 million to Withholdings for FY 25 and FY 26 due to the stability and size of the category.
- A minor adjustment to lower Non-withholdings by \$10 million and lower Refunds by an offsetting \$10 million is recommended to bring estimates closer in line with current performance.
- Corporate Income tax continues defying expectations and economic activity.
 - Given current performance, the recommendation is an increase in estimates for both FY 25 and FY 26 by \$92 million.
- In summary, recommendations overall result in a net General Fund increase of \$131.236 million for FY 25 and \$132.538 million for FY 26.

Budget Outlook:

- 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 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 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.

Recurring General Fund Revenue:

(Dollars in Millions)	(11/19/2024)	(2/13/2025)	Change
FY 2025-26 Revenue Estimate	\$13,982.2	\$14,114.7	\$132.5
FY 2024-25 General Fund Appropriations	(\$12,420.4)	(\$12,420.4)	\$0.0
FY 2025-26 Tax Relief Trust Fund	(\$814.0)	(\$814.0)	\$0.0
Incremental Income Tax Rate Reduction	(\$97.0)	(\$97.0)	\$0.0
Estimated "New" General Fund Revenue	\$650.7	\$783.3	\$132.5
Reserve Fund Contributions			
Incremental General Reserve Fund	(\$99.7)	(\$99.7)	\$0.0
Incremental Capital Reserve Fund	(\$17.6)	(\$17.6)	\$0.0
Estimated "New" General Fund Revenue Available for Appropriation (less Reserve Fund Contributions)	\$533.5	\$666.0	\$132.5

Nonrecurring Revenue:

(Dollars in Millions)	(11/19/2024)	(2/13/2025)	Change
FY 2024-25 Revised Revenue Estimate	\$13,647.5	\$13,778.7	\$131.2
FY 2024-25 General Fund Appropriations	(\$12,420.4)	(\$12,420.4)	\$0.0
Tax Relief Trust Fund (Act)	(\$800.8)	(\$800.8)	\$0.0
Incremental Income Tax Rate Reduction	(\$5.1)	(\$5.1)	\$0.0
Total FY 2024-25 Projected Surplus	\$421.2	\$552.5	\$131.2
FY 2024-25 Capital Reserve Fund	\$369.8	\$369.8	\$0.0
FY 2023-24 Contingency Reserve Fund	\$332.3	\$332.3	\$0.0
Total Nonrecurring Revenue	\$1,123.3	\$1,254.5	\$131.2

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

Dr. Mikota motioned to adopt the FY 2024-25 and FY 2025-26 General Fund revenue forecasts on pages 20 and 21 of the posted meeting materials, Mr. Hutto seconded the motion, and all voted aye.

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

Chairman Grimball commended staff on the valuable information presented.

- IV. Reports from Working Group Members
No Working Group members offered comments.

- V. Other Items for Discussion
- VI. The next scheduled meeting is March 20, 2025.
- VII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 9:29 a.m.

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

These minutes were approved on 4/10/2025

Emily Prosser *Emily Prosser*