



MEMORANDUM FOR THE RECORD

Date: May 19, 2026, 10:00 a.m.

Location: Revenue and Fiscal Affairs (RFA) Office, Room 417/Web Conference

Subject: Minutes of the Board of Economic Advisors (BEA) Meeting

Participants: *Board Members* – Edward Grimball - Chairman, Curtis Hutto, and Dr. Michael Mikota (*Hartley Powell was unable to attend*). Frank Rainwater – Executive Director, *Staff* – Lisa Jolliff, Morgan Daigle, and Karl Vesely; **Attendees:** *RFA* – Paul Athey, Chris Finney, Kathryn Kelley, Emily Prosser, and Russell Sanders. *Eighty-nine 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 10:00 a.m.
- II. Chairman Grimball presented the March 26, 2026, 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](#))
- III. Review of General Fund Revenues and Forecast Assumptions ([See materials](#))

Mr. Rainwater began his comments by noting that in previous meetings, General Fund revenues were running ahead but close to expectations and any changes to the forecast would largely depend on tax filing. With the April revenue (tax filing) results now available, there is sufficient information to recommend changes to the FY 2025-26 (FY 26) and FY 2026-27 (FY 27) estimates. These results showed:

- April revenues were \$352.9 million above expectations, mostly due to the Individual Income tax filing items of Non-withholdings and Refunds.
- Fiscal year-to-date revenues are above expectations by \$643.1 million, of which \$547.5 million is in three categories: Non-withholdings, Refunds, and Earned on Investments. (*slides 2-4*)

Mr. Vesely reviewed employment data revisions and ongoing economic assumptions. His key points included:

SC Employment:

- The original employment data were close to the November estimate; however, revisions significantly reduced employment growth in 2025 and 2026.
- Due to the new data, the working estimates have been updated. FY 26 employment is reduced from 1.8 percent to 0.9 percent and growth for FY 27 is revised down from 1.7 percent to 1.3 percent.

Increased Economic Concerns:

- Since February, the ongoing geopolitical tensions in the Middle East have contributed to elevated economic uncertainty and risk. Oil remains over \$100 per barrel.
- While employment growth in SC was revised down, personal income is growing as expected. (slides 5-7)

Mr. Rainwater then presented an update to the economic assumptions and key factors affecting the forecast, noting:

- The downward revision in the state employment data and current low growth rate are driving the reduction of our employment growth assumptions.
- Weaker economic conditions at the end of FY 26 are expected to impact the start of FY 27.
- With the majority of this year's income tax filing completed, the current revenue excess of \$643.1 million provides sufficient growth to increase the FY 26 estimate.
- However, \$547.5 million of the excess is in three categories: Non-withholdings, Refunds, and Earned on Investments.
- The excess in two of the largest categories, Sales and Withholdings, as well as Corporate Income tax, is small as these categories are slightly ahead of expectations but within less than 1.0 percent of expectations. (slides 8-9)

Ms. Daigle next discussed Sales tax. Her key points included:

Sales Tax:

- April collections grew by 9.4 percent over the same month last year, which was much more than anticipated and brought total collection in line with expectations.
- Fiscal year-to-date collections are now tracking closely with expectations and are within 0.5 percent of projections; cumulative fiscal year growth is currently 4.8 percent, and collections are \$17.5 million above expectations.

Retail Sales:

- Wells Fargo made slight downward adjustments to its national retail sales and food services forecasts from the March 2026 to April 2026 release, primarily affecting FY 27.
- Wells Fargo's April forecast reflects 3.4 percent growth in national retail sales and food services for FY 26 and moderate growth of 1.9 percent in FY 27, highlighting the risk of slower growth in consumer spending over the next fiscal year.

Sales Tax Forecast Assumptions:

- FY 26 collections have tracked very closely to expectations and are within 0.5 percent of the fiscal year-to-date forecast, and therefore, there is no change recommended to the FY 26 estimate.
- FY 26 collections growth began to slow down in November, and cumulative collections growth from November to April has been 3.7 percent; collections are expected to continue to slow and remain below the historical average growth rate of 4.0 percent into next fiscal year.

- Economic models now forecast Sales tax collections to grow at 3.0 percent in FY 27 compared to the November 2025 estimate of 3.4 percent.
- The downward adjustment to the FY 27 growth expectation is driven by heightened risks to consumer spending behavior, including increased inflation, a steady decrease in the personal saving rate, and soft employment growth alongside moderating growth in personal income.
- The FY 27 working estimate incorporates the lower growth expectations and is a reduction of \$19.9 million. This change in assumptions also warrants lowering the FY 27 revenue expectations for the Education Improvement Act (EIA) Fund and the Homestead Exemption Act Fund Sales tax estimates (*slides 10-13*)

Ms. Jolliff discussed Individual Income, Corporate taxes, and Other General Fund Revenues. Her main points were:

Withholdings:

- Withholdings are \$37.1 million ahead of expectations through April; growth fiscal year-to-date is averaging 3.2 percent compared to 2.5 percent projected overall for FY 26.
- Withholdings are within 0.6 percent of expectations, and no change to FY 26 or FY 27 is recommended.
- Although employment growth is slower than expected, personal income growth and Withholdings collections remain close to expectations.
- The current estimate for FY 27 reflects total growth of 3.9 percent; total growth is based upon underlying growth of approximately 2.8 percent and a base adjustment to account for the additional refunds from Withholdings that occurred in the first quarter of FY 26.
- Withholdings growth generally tracks close to personal income growth, but estimated growth for FY 27 is well below personal income growth but consistent with current collections, and therefore, no change to FY 27 is recommended.

Non-withholdings:

- Collections in April were \$220.2 million better than anticipated due to strong tax filings and are now \$347.9 million ahead of fiscal year-to-date expectations.
- Non-withholdings were expected to decline by 6.2 percent, but because performance has been better than anticipated, the FY 26 working estimate is increased by \$188.4 million, or growth of 5.2 percent, based on current revenues and expected growth for the remaining two months of the fiscal year.
- Although personal income is running close to expectations, the Non-withholdings estimates were cautious and anticipated lower growth in tax payments due to slowing interest and dividend growth and the income tax rate reduction. Non-withholdings exceeded expectations largely due to strong tax filings in October and April, which reflect economic activity from 2024 and 2025, indicating that growth in income during these years was better than previously estimated.

- However, growth in quarterly payments reflecting 2026 activity has been slower. Overall expectations are that economic growth will be weaker in 2026 than in 2025, resulting in reduced collections expectations for FY 27.
- The FY 27 working estimate is an increase of \$95.2 million from the FY 26 November estimate but a decline of 1.1 percent from the FY 26 working estimate (The November FY 27 estimate anticipated 4.8 percent growth over the 6.2 percent projected decline in FY 26).
- Lower FY 27 growth expectations incorporate half of the revenue base growth but increased downside risk due to geopolitical uncertainty, rising energy prices, slowing growth in dividend and interest income, and stock market fluctuations.

Refunds:

- Refunds were \$44.2 million less than expected for April and are now cumulatively \$125.0 million lower than anticipated.
- Total number of Individual Income tax returns processed has been slightly above 2025 and in line with expectations overall.
- The dollar amount of Refunds issued is slightly behind expectations based on return processing and is expected to catch up in May.
- The percentage of returns receiving a refund has dropped from about 67.8 percent in 2024 and 2025 to 65.2 percent in 2026, which contributed to lower-than-expected Refunds.
- The FY 26 working estimate reduction of \$91.6 million is less than the current shortfall in Refunds because Refunds may catch up to historical trends during the remainder of FY 26. The FY 27 working estimate is adjusted down by \$114.1 million to account for the FY 26 base.

Corporate Income Tax:

- Although Corporate Income tax was behind expectations by \$27.6 million through March, collections improved in April and are \$2.6 million above expectations.
- While April tax filings were stronger than anticipated, quarterly payments have been lower than expected throughout FY 26.
- The working estimate for FY 26 is unchanged because collections are close to expectations, but given recent quarterly payments, lower retail sales growth expectations, and slower economic growth overall, expectations for FY 27 collections are lower than previously estimated.
- The working estimate for FY 27 is revised down by \$48.8 million from flat growth to a 4.1 percent decline based on these updated expectations for slower growth.

Other Categories:

- The Treasurer's Office recommended increasing Earned on Investments estimates for FY 26 by \$70 million and FY 27 by \$60 million due to updated expectations for interest rates, balances, and investment performance.
- Changes to remaining categories to reflect updated performance and expectations since the November estimate are:

- The net change in FY 26 across other categories is an increase of \$19.5 million, primarily due to an increase of \$5.5 million in Bank tax and \$6 million in Other Source Revenues from uncashed checks.
- The net change in FY 27 is an increase of \$10.1 million largely due to an increase of \$5.6 million in Deed Recording fees due to a base adjustment over FY 26. (slides 14-31)

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

IV. Discussion and Consideration of Updates to the FY 2025-26 and 2026-27 Forecasts

Mr. Rainwater summarized how the main points of the presentation impact the updated forecast recommendations. (slides 32-34)

He then presented the detailed revenue forecast and explained that these changes resulted in an increase of \$369.4 million for FY 26 and \$210.7 million for FY 27. He further explained the reduction in EIA Fund estimates followed the Sales tax item for FY 26 (lower interest earnings) and FY 27 (lower sales tax growth and interest earnings). (Please note that these adjustments do not reflect any enacted or pending tax changes this year. Any legislative tax changes will be accounted for in the budget process.) (slides 35-36)

Mr. Rainwater concluded the explanation by noting that while conversations with the Education Lottery Commission indicated an excess of \$50.7 million was likely for FY 26, only \$20 million was officially recognized in this report. The reason for this was to allow \$30 million of the excess revenue to be appropriated to the shortfall in the lottery-funded LIFE, HOPE, and Palmetto Fellows scholarships pursuant to Proviso 3.7 (K) of FY 26. (slide 37)

Chairman Grimball noted that the Board Members individually discussed feedback on analysis with Mr. Rainwater and staff prior to the meeting.

Dr. Mikota motioned to approve the General Fund Revenue Forecast outlined on pages 35 and 36 of the presentation. Mr. Hutto seconded the motion, all voted aye, and the revised forecast was adopted.

Mr. Rainwater thanked the members of the Working Group for their work providing information ahead of the normal revenue reporting timeline to help make these recommendations possible.

Chairman Grimball commended staff on the presentation and the detailed information given.

- V. Reports from Working Group Members
No Working Group members offered comments.
- VI. Other Items for Discussion
- VII. The next scheduled meeting is June 25, 2026.
- VIII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 10:58 a.m.

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

These minutes were approved on 6/25/2026

Emily Prosser *Emily Prosser*