SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS

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MEMORANDUM FOR THE RECORD

Date: September 24, 2026, 9:00 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, and Emily Prosser. *Fifty-four 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 9:01 a.m.

II. Chairman Grimball presented the August 27, 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. FY 2026-27 Update through August and Outlook *(See materials)*

Mr. Rainwater began the presentation by outlining the agenda and welcoming the guest presenters, Mr. Nick Clerkin and Dr. Alannah Knight with the NC General Assembly Fiscal Research Division and Mr. Mark Vitner with Piedmont Crescent Capital.

Mr. Rainwater began the staff presentation with an overview of FY 27 General Fund revenue through August. He noted that:

- Revenue collections for FY 27 through August are ahead of expectations, largely because the FY 27 forecast has not been updated as of this time for the FY 26 surplus of $381.8 million.
- The higher revenue base from FY 26 lowered the growth rate needed to meet the FY 27 estimate. Specifically, the General Fund growth rate in the May 2026 estimate for FY 27 was 1.1 percent, but the FY 26 surplus reduced that rate to negative 1.4 percent.
- Additionally, the FY 27 estimate has been updated to include legislative adjustments such as the Income tax rate reduction and others (-$372.8 million); the growth rate needed to meet the estimate with the updated FY 27 figures as reflected in today's analysis is now negative 3.8 percent; most of this decline, however, is expected to occur during tax filing season.

Regarding specific revenue results, Mr. Rainwater noted that:

- For the month of August, revenues were $66.1 million over expectations, which brought the excess for fiscal year-to-date to $104.2 million. The largest excesses were noted in Withholdings ($26.2 million), Earned on Investments ($18.7 million), Sales tax ($15.9 million), and Corporate License tax ($15.3).
- He noted that in addition to the low growth rates needed to meet the estimates, timing and accounting differences also impacted the total excess, which staff would discuss in more detail in their presentations.

He then reported on the activities of the Working Group:
- The Working Group met in September to discuss July and August revenues.
- Monthly accounting reports and analysis were received from and discussed with the Comptroller General's Office, State Treasurer's Office, Executive Budget Office, Department of Revenue, Department of Insurance, and the Lottery Commission. Updates were shared with the Governor's and legislative staff. *(slides 2-4)*

Mr. Vesely reported on key economic indicators. His main points included:
Employment:
- On a year-over-year basis, employment is up 1.8 percent versus 1.4 expected. The BEA May 2026 forecast anticipates slow growth throughout the rest of the year followed by seasonal declines in payrolls in early 2027. Through FY 27, 1.3 percent employment growth is expected.
- Year-over-year growth is currently close to the 10-year historical average of 1.8 percent.
- The fastest growing sector over the past year is durable goods manufacturing, which has grown 5.3 percent. The largest decline occurred in the information sector, which declined 9.4 percent.

Personal Income:
- In the first quarter of calendar year 2026, personal income in South Carolina grew 4.4 percent year-over-year versus 4.2 percent expected. Personal income growth has tracked the November 2025 estimate closely.
- Slightly stronger than expected growth in personal income is attributable to higher-than-expected growth in Wages & Salaries and Dividends, Interest, & Rent income.

Inflation:
- Inflation recently peaked at 4.1 percent in May; it has remained above 3.0 percent since then. So far in September, national gasoline prices have risen 42 cents, which indicates inflation may rise again when updated inflation figures are released. *(slides 8-13)*

Ms. Daigle discussed Sales tax. Her key points included:
Sales Tax:
- August collections grew by 5.6 percent over the same month last year, and FY 27 collections are $15.9 million above the May estimate.

- Sales tax collections ended FY 26 1.1 percent above expectations. Because this revenue excess has not yet been incorporated into the FY 27 base, the May estimate reflects FY 27 growth of 1.9 percent compared to the 3.0 percent growth initially forecasted.

Retail Sales:

- S&P September forecasts for US retail sales, excluding motor vehicles and gasoline stations, reflect 4.6 percent growth overall in FY 27, with growth moderating over the second half of the fiscal year to 3.6 percent in the last quarter.
- Historically, annual growth in this measure has generally moved in the same direction as Sales tax collections growth, making it a useful indicator of spending expectations in the state, particularly when higher gas prices can skew growth expectations based on retail sales and food services as a whole. For example, over the FY 26 period, US retail sales, excluding motor vehicles and gasoline stations, grew by 4.7 percent compared to Sales tax collections growth of 5.1 percent *(slides 14-16)*

Ms. Jolliff discussed Individual Income and Corporate Taxes. Her main points were:

Withholdings:

- August Withholdings were $32.8 million ahead of the monthly estimate; collections are $26.2 million above expectations for the first two months, growing 12.1 percent on average.

US vs SC Personal Income Growth:

- Growth expectations for US personal income in 2027 vary widely between S&P and Wells Fargo's latest estimates.

Non-withholdings:

- Although total growth through August is 0.3 percent below last year, Non-withholdings are ahead of expectations by $15.1 million as the forecast currently anticipates a decline of 12.4 percent this year.
- The S&P 500 is currently up 8.8 percent since the beginning of the year; FY 27 Non-withholdings may be better than previously anticipated.

Refunds:

- Refunds are currently $10.8 million behind expectations in total through August; the majority of Refunds are expected in the spring due to the Income tax rate reduction.

Corporate Income Tax:

- Corporate Income tax collections currently total $60.4 million and are running behind expectations by $6.4 million; transfers to Corporate License tax, which is $15.3 million ahead of expectations, reduced Corporate Income tax. *(slides 17-23)*

Mr. Rainwater concluded the main presentation by noting the key questions when considering the FY 27 and FY 28 revenue estimates later this year, which included:

Personal Income:

- How will income and wage growth change from current growth rates?
- How will global and/or national economic issues affect South Carolina?

Employment:

- How will growth in the labor market change?
- How is South Carolina going to change as compared to the US as a whole?

Inflation:

- What will inflation be and how will it impact consumer behavior?
- How will the next 12 and 24 months compare to last year? *(slides 24-27)*

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

IV. Insights and Perspectives

With no further questions, Mr. Rainwater then introduced Mr. Nick Clerkin and Dr. Alannah Knight from the Fiscal Research Division of the North Carolina General Assembly, and Mr. Mark Vitner from Piedmont Crescent Consulting, to share their insights on the economy.

- Dr. Alannah Knight – *North Carolina General Fund Revenue and Fiscal Outlook*
- Mark Vitner – *South Carolina's Economic Outlook for FY 2027 and 2028*

The information shared by Dr. Knight and Mr. Vitner generated questions and further discussion between the speakers, Members, and staff.

Chairman Grimball commended Dr. Knight, Mr. Clerkin, and Mr. Vitner on the insights and presentations given. He then reviewed the plans for the October meeting with the panel of guest economists.

V. Other Items for Discussion

VI. The next scheduled meeting is October 21, 2026.

VII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 10:49 a.m.

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

These minutes were approved on 10/21/2026

Emily Prosser Emily Prosser