SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS

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MEMORANDUM FOR THE RECORD

Date: October 21, 2026, 10:30 a.m.
Location: S.C. Association of Counties/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)*. *Staff* – Lisa Jolliff, Morgan Daigle, and Karl Vesely; **Attendees:** *RFA* – Paul Athey, Kathryn Kelley, Mary Katherine Gable Miller, Chris Rabon, and Emily Prosser; Mark Barnes (State Treasurer's Office), Gabbi Brodsky (House Ways and Means), Brad Bundrick (Executive Budget Office), Brian Butler (Campbell Consulting Group), Kevin Etheridge (Executive Budget Office), Edward Frazier (State Treasurer's Office), Anne Huffman (SC Education Lottery), Heather Martin (Department of Administration), Kylee Merli (House Office of the Clerk), Spencer Miller (Department of Administration), Allyn Powell (House Regs. Admin. Procedures, AI, and Cybersecurity), Meredith Ross (House Ways and Means), Stephen Smith (Department of Employment and Workforce), Kelly Stigamier (Comptroller General's Office), Marc Truesdale (House Ways and Means), Brandon Wilkerson (Department of Employment and Workforce). *Fifty-three 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 10:38 a.m.

II. Chairman Grimball presented the September 24, 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)*

Chairman Grimball acknowledged Frank Rainwater's retirement as Executive Director of the Revenue and Fiscal Affairs Office. He recognized his forty years of service in state government and distinction of being the founding Executive Director of RFA. He noted that Mr. Rainwater was uniquely qualified for the position, and under his leadership, the agency grew into what it is today.

III. Revenue and Economic Update *(See materials)*

Ms. Jolliff began the staff presentation by reporting on the activities of the Working Group:

- The Working Group met in October to discuss September 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 Lottery Commission.

- Updates were shared with Governor's and legislative staff.

She continued with an overview of FY 2026-27 (FY 27) General Fund revenue through September, noting that:

- Total General Fund revenue for FY 27 is $248.3 million ahead of May expectations through the first quarter.
- Sales tax has grown 6.5 percent fiscal year-to-date and is running $37.8 million ahead of expectations.
- Individual Income tax is $97.3 million ahead of expectations:
  - Withholdings +$37.9 million, Non-withholdings +$52.2 million, Refunds -$7.2 million (positive revenue impact).
- Corporate Income tax is $79.5 million ahead of expectations.
- Insurance tax is $16.0 million behind expectations.
- Bank tax revenue and Earnings on Investments are exceeding expectations by $6.2 million and $25.6 million, respectively. *(slides 2-6)*

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

Sales Tax:

- September Sales tax collections grew by 7.3 percent over the same month last year, partly due to audit revenue of $25 million. FY 27 collections are now $37.8 million above the estimate and growing by 6.5 percent overall and by 3.7 percent overall excluding the audit revenue.
- Spending on taxable sales has been strong despite having to compete with elevated gas prices; however, rising prices are reducing the purchasing power of hourly earnings and, therefore, present risks to spending behavior over the next fiscal year.

US Average Hourly Earnings versus Inflation:

- Inflation is outpacing growth in average hourly employee earnings, which erodes real gains in hourly wages and presents risks to spending.

SC Wages and Salaries versus Inflation:

- SC aggregate wage growth is outpacing growth in the US wages as well as inflation. Furthermore, based on the FY 27 preliminary economic assumptions on personal income growth (4.7 percent) and inflation (2.9 percent), growth in SC wages and salaries should help offset price increases. Thus, household income and finances may be positioned to manage additional price increases in the short run.

US Saving Rate Data Revisions:

- The US personal saving rate was revised up from 2.8 percent to 4.4 percent for the second quarter of calendar year 2026. Although 4.4 percent is still below the historical average of approximately 6.0 percent, the revisions reveal that consumers may be less strained than previously thought.

US Debt to Disposable Income:

- US household debt payments as a percentage of disposable income have levelled off and remain below historical trends.

Retail Sales:

- S&P October forecasts for US retail sales excluding motor vehicles and gasoline stations reflect 5.6 percent growth overall in FY 27, which is up from 4.6 percent expected in September.
- Despite risks to spending due to fuel price pressures, retail sales in other categories excluding gasoline are expected to grow at an above-historical-average rate in FY 27. *(slides 8-15)*

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

- September Withholdings were $11.7 million ahead of the monthly estimate; collections are $37.9 million above expectations for the first three months, growing 7.3 percent.
- The Department of Revenue has finalized the changes to the Withholdings tax tables for 2027 to begin phasing-down Withholdings to reflect the reduced income tax rates enacted by Act 110 of 2026. The change will reduce collections beginning in January of 2027 and will be factored into the updated forecast for FY 27 in November.
- Additionally, projected changes to the Withholdings tax tables for 2028 to continue phasing-in the income tax rate reduction will be factored into the forecast for FY 2027-28 (FY 28).

Growth in SC Wages and Salaries:

- Wages and salaries growth slowed during FY 26 from 5.8 percent to 5.3 percent; S&P's expectations show growth declining until Q1 2027 (FY 27: 4.7 percent, FY 28: 5.0 percent). These changes will be factored into the revised working estimates for personal income.

Non-withholdings:

- Although total growth through September is 0.9 percent below last year, Non-withholdings are ahead of expectations by $52.2 million as the forecast currently anticipates a decline of 12.4 percent this year.
- As of August, interest income has grown 4.4 percent in 2026 when compared to the same 8 months last year, while dividend income has grown 1.7 percent.
- The S&P 500 continues to grow and is currently up 12.6 percent since the beginning of the year.
- As a result of the positive growth in interest and investment income, FY 27 Non-withholdings may be better than previously anticipated.

Refunds:

- Refunds are currently $7.2 million behind expectations through September; the majority of Refunds are expected in the spring and are expected to be larger than normal due to the Individual Income tax rate reduction for tax year 2026.

Corporate Income Tax:

- Corporate Income tax collections currently total $368.3 million and are running ahead of expectations by $79.5 million due to strong growth in quarterly payments in September. Data from the Department of Revenue indicate that the majority of the growth is attributable to increased payments from

C-Corporations as opposed to entity-level filings from pass-through businesses (S-Corporations and partnerships).

Corporate Profits:

- Corporate profits have grown steadily, and S&P expects them to remain elevated through FY 28.
- Since the pandemic, the retail trade sector has had the largest impact on growth in corporate profits as a share of national income; given the strong relationship between retail sales and state Corporate Income tax revenue, this change may be part of the increase in revenues.

Corporate License Tax:

- Corporate License revenue is $13.7 million ahead of expectations; however, most of the revenue will be collected in the next three months. *(slides 17-27)*

Mr. Vesely reported on Insurance and Bank tax revenues. His main points included:

Insurance Tax:

- September Insurance tax revenue was $16.1 million below the May estimate.
- This mostly stems from a $2.2 million shortfall in insurance license revenues, and a $13.1 million shortfall in Insurance Premiums tax revenues.
- The Department of Insurance reported that $8 million was taken out of Insurance Premiums tax revenues due to a multi-year audit, contributing to the shortfall.

Bank Tax:

- Through September, FY 27 revenues for Bank tax total $22.8 million, an increase of 20.6 percent over the same time period last year. This increase is $6.2 million more than expected compared to the May 2026 estimate.
- However, this includes $4.4 million in Bank tax audit revenue, which varies considerably year-to-year. *(slides 28-29)*

Ms. Jolliff concluded the morning session by reviewing the key assumptions and economic working estimates that will be discussed in the afternoon including:

Personal Income:

- Personal income growth, including wages & salaries, has been better than anticipated in the November 2025 estimate, which was unchanged in May.
- Ongoing geopolitical issues and rising interest rates could impact income growth.

Employment:

- Employment growth has slowed to below the historical average.
- However, migration and economic development are expected to keep employment growth higher in SC than the nation as a whole.

Working Estimates:

- Estimates reflect upward revisions to personal income and employment; however, we anticipate growth will remain below historical averages. *(slides 31-39)*

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
FY 2025-26 Actual	5.2%	0.9%	3.1%
FY 2026-27	~~4.4%~~ 4.7%	~~1.3%~~ 1.4%	~~2.5%~~ 2.9%
FY 2027-28	4.6%	1.2%	2.6%

At the conclusion of the presentation, Chairman Grimball called a recess of the meeting at 11:22 a.m. for lunch.

Chairman Grimball opened the afternoon session of the meeting at 12:06 p.m. and welcomed the panel of guest economists.

IV. Economic Outlook for FY 2026-27 and FY 2027-28

Ms. Jolliff reviewed the key assumptions and economic working estimates developed by staff, and Chairman Grimball introduced each panelist.

The panelists then shared their economic presentations and perspectives on the working assumptions:

- Ms. Jackie Benson – Vice President and Economist, Wells Fargo Securities: *U.S. Economic Outlook*
- Dr. Joseph Von Nessen – Research Economist, University of South Carolina: *The South Carolina Economic Outlook*
- Dr. Russell Sobel – Distinguished Professor of Economics and Entrepreneurship, The Citadel: *BEA Regional Advisory Committee*
- Dr. Robert Carey – Senior Lecturer and Director of Regional Economic Analysis Laboratory, Clemson University: *SC Economic Data*
- Dr. Frank Hefner – Professor of Economics and Director of Office of Economic Analysis, College of Charleston: *Economic Outlook: Uncertainty, Chaos*

The information shared by the panelists generated questions and further discussion between the speakers, Board members, and staff.

After the presentations, panelists provided their opinions on the working assumptions provided by staff, which are summarized on the following score card:

FISCAL YEAR GROWTH RATES			
Fiscal Year	Personal Income	Employment	Inflation
2025-26 (Actual)	5.2%	0.9%	3.1%
2026-27	~~4.4 %~~ 4.7%	~~1.3%~~ 1.4%	~~2.5%~~ 2.9%
2027-28	4.6%	1.2%	2.6%

-Growth Should be lower	= Approximately Right	+ Growth should be higher
--Growth should be significantly lower		++ Growth should be significantly higher

2026-27	Personal Income	Employment	Inflation
Ms. Jackie Benson	=	=	+
Dr. Joseph Von Nessen	+	=	+
Dr. Russell S. Sobel	++	+	++
Dr. Robert Carey	=	+	+
Dr. Frank Hefner	+	+	+++

2027-28	Personal Income	Employment	Inflation
Ms. Jackie Benson	=	+	-
Dr. Joseph Von Nessen	+	=	+
Dr. Russell S. Sobel	++	+	++
Dr. Robert Carey	=	+	+
Dr. Frank Hefner	+	+	+++

At the conclusion of the meeting, Chairman Grimball and Ms. Jolliff thanked the panel for their reports and commentary. The staff will consider these perspectives and incorporate them into a final set of economic assumptions. Assumptions will then be shared with the Board in updating the revenue estimate for FY 27 and an initial estimate for FY 28 for the November meeting. These estimates will be revisited again for the February meeting.

V. Other Items for Discussion

VI. The next scheduled meeting is November 19, 2026.

VII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 2:37 p.m.

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

These minutes were approved on 11/19/2026

Emily Prosser Emily Prosser