



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

CHAD WALLDORF, Chairman
HOWELL CLYBORNE, JR.
EMERSON F. GOWER, JR.

FRANK A. RAINWATER
Executive Director

BOARD OF ECONOMIC ADVISORS WORKING GROUP MEETING AGENDA November 10, 2014, 2:00pm Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for October 15, 2014
3. Review of October 2014 Revenues – (F. Rainwater)
4. Lottery Commission – Discussion of FY 2014-15 and FY 2015-16 Estimate
(P. Harper-Bethea, J. Boyle)
5. Consideration of FY 2014-15 and FY 2015-16 Revenue Estimates - (F. Rainwater, R. Martin)
6. Long Range Forecast – Three-Year Outlook
7. Other Items – (F. Rainwater)
 - A. 2015 Meeting Schedule - Tentative
 - B. Other Matters
8. Reports from Working Group Members
 - A. Governor’s Office
 - B. Senate Finance Office
 - C. Ways & Means Office
 - D. Treasurer’s Office
 - E. Comptroller General’s Office
9. Future Meeting Schedule:
 - A. December 16, 2014, 2:00pm, phone meeting
 - B. January 22, 2015, upon adjournment of RFA meeting – Quarterly Review
 - C. February 13, 2015, upon adjournment of RFA meeting (If RFA meeting is needed) – Forecast
 - D. 2015 Calendar at <http://www.rfa.sc.gov/calendar?m=01&y=2015>
10. Adjournment

Please note that the Agenda is subject to change.
For further information, please contact Karen Rhinehart at (803) 734-2265,
or visit the RFA webpage at www.rfa.sc.gov



South Carolina Revenue and Fiscal Affairs Office

OVERVIEW – OCTOBER 2014

- **General Fund revenues grew 1.4% in October, which lowered the fiscal year growth rate from 5.0% to 4.0%.**
- **Collections for October were \$9.2 million BELOW monthly estimates and the fiscal year-to-date excess dropped from \$23.9 million to \$14.7 million.**
- **Although growth rates vary widely by individual categories, total revenues for the fiscal year are close to overall expectations.**



SPECIFIC CATEGORIES – OCTOBER 2014

- Sales Tax grew 4.6% in October which increased the fiscal year-to-date growth rate to 3.7%.
- Sales Tax revenues are \$21.0 million above estimate but part of the increase is due to timing differences in the transfer of auto sales tax to DOT.
- Individual Income grew 0.3%; for the fiscal year-to-date, revenues were \$10.0 million BELOW estimate.
- Of concern is Withholdings, for the second straight month revenues were below monthly expectations.
- For the fiscal year-to-date, Withholdings grew 3.2% compared to the annual estimate of 5.1% and were \$25.3 million below estimate.
- Corporate Income Tax declined \$13.2 million for the month and was \$11.0 million BELOW fiscal year-to-date estimates.
- Corporate License Tax grew \$7.0 million and was \$17.0 million above fiscal year-to-date estimates.



GENERAL FUND REVENUE MONTHLY SUMMARY: FISCAL YEARS 2013-14 & 2014-15

MONTH OF OCTOBER

TABLE 1

REVENUE CATEGORIES	FY 2013-14	FY 2014-15	\$ CHANGE	% CHANGE
Retail Sales and Use Tax 1/	\$212,802,392 +	\$223,027,578	\$10,225,186	4.8
Excise Tax, Casual Sales 1/	1,703,226	1,158,259	(544,967)	(32.0)
Individual Income Tax	365,425,613 +	366,627,230	1,201,617	0.3
Corporation Income Tax	3,995,409	(9,223,334)	(13,218,743)	(330.8)
Admissions Tax 2/	2,838,449	2,418,758	(419,691)	(14.8)
Admissions Tax - Bingo 2/	295,616 +	177,084	(118,532)	(40.1)
Aircraft Tax	621,134	296,973	(324,161)	(52.2)
Alcoholic Liquor Tax 2/	4,788,066	4,307,479	(480,587)	(10.0)
Bank Tax	106	(1,979,301)	(1,979,407)	*
Beer and Wine Tax 2/	8,496,910	8,781,857	284,947	3.4
Business License Tax (Tobacco) 2/	1,816,826	2,160,776	343,950	18.9
Coin-Operated Device Tax	10,423	11,972	1,549	14.9
Corporation License Tax	4,064,997	11,073,376	7,008,379	172.4
Departmental Revenue 3/	2,316,744 +	2,318,002	1,258	0.1
Documentary Tax 2/	2,835,339	3,074,978	239,639	8.5
Earned on Investments **	1,433,505 +	1,271,805	(161,700)	(11.3)
Insurance Tax	(2,216,532) +	3,383,770	5,600,302	252.7
Motor Vehicle Licenses	814,703	948,493	133,790	16.4
Private Car Lines Tax	55,172	255,950	200,778	363.9
Public Service Authority	0	0	0	---
Retailers License Tax	70,376	61,611	(8,765)	(12.5)
Savings and Loan Assoc. Tax	100,000	104,527	4,527	4.5
Workers Comp. Insurance Tax	(1,215,746)	(799,475)	416,271	---
Circuit/Family Court Fines	432,820	648,071	215,251	49.7
Debt Service Transfers	0	0	0	---
Indirect Cost Recoveries	816,683	615,967	(200,716)	(24.6)
Parole and Probation Fees	0	282,734	282,734	---
Unclaimed Property Fund	0	0	0	---
Gross General Fund Revenue 4/	\$612,302,231 +	\$621,005,140	\$8,702,909	1.4

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%) and Local Option taxes. Modified accrual since FY'91.

2/: End-of-year modified accrual since FY 1992-93 except for Documentary Tax, which began in FY 2001-02.

3/: Includes current and former "non-recurring revenue" shown separately in prior fiscal years.

4/: Format corresponds to BEA Official Revenue Estimate.

**: Results for earnings are subject to maturity differentials. +: As restated. N/A: Not available. *: Greater than +/- 9,999.

Source: S. C. Board of Economic Advisors (BEA).

File: WGM1114_Oct_MTH_FY15.xlsx

GENERAL FUND REVENUE MONTHLY SUMMARY: FISCAL YEARS 2013-14 & 2014-15

JULY - OCTOBER

TABLE 2

REVENUE CATEGORIES	FY 2013-14	FY 2014-15	\$ CHANGE	% CHANGE
Retail Sales and Use Tax 1/	\$643,480,490 +	\$669,305,328	\$25,824,838	4.0
Excise Tax, Casual Sales 1/	5,412,766	3,670,100	(1,742,666)	(32.2)
Individual Income Tax	1,436,609,875 +	1,484,025,040	47,415,165	3.3
Corporation Income Tax	77,174,956	72,177,552	(4,997,404)	(6.5)
Admissions Tax 2/	2,382,904	3,816,463	1,433,559	60.2
Admissions Tax - Bingo 2/	987,566 +	894,803	(92,763)	(9.4)
Aircraft Tax	740,246	884,015	143,769	19.4
Alcoholic Liquor Tax 2/	14,694,938 +	15,427,056	732,118	5.0
Bank Tax	8,245,218	5,072,526	(3,172,692)	(38.5)
Beer and Wine Tax 2/	27,466,269 +	28,284,249	817,980	3.0
Business License Tax (Tobacco) 2/	6,264,310	6,831,608	567,298	9.1
Coin-Operated Device Tax	132,197 +	127,943	(4,254)	(3.2)
Corporation License Tax	24,272,110 +	24,894,628	622,518	2.6
Departmental Revenue 3/	5,726,669 +	4,095,340	(1,631,329)	(28.5)
Documentary Tax 2/	9,203,103 +	10,259,448	1,056,345	11.5
Earned on Investments **	6,725,890 +	5,763,628	(962,262)	(14.3)
Insurance Tax	44,154,168 +	75,375,530	31,221,362	70.7
Motor Vehicle Licenses	2,447,318	2,116,504	(330,814)	(13.5)
Private Car Lines Tax	63,898	300,787	236,889	370.7
Public Service Authority	0	0	0	---
Retailers License Tax	250,129	224,788	(25,341)	(10.1)
Savings and Loan Assoc. Tax	460,035	766,901	306,866	66.7
Workers Comp. Insurance Tax	1,190,388	289,270	(901,118)	(75.7)
Circuit/Family Court Fines	2,532,883	2,681,561	148,678	5.9
Debt Service Transfers	0	0	0	---
Indirect Cost Recoveries	2,575,216	2,206,785	(368,431)	(14.3)
Parole and Probation Fees	3,392,808	1,130,936	(2,261,872)	(66.7)
Unclaimed Property Fund	3,750,000	3,750,000	0	0.0
Gross General Fund Revenue 4/	\$2,330,336,350 +	\$2,424,372,789	\$94,036,439	4.0

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%) and Local Option taxes. Modified accrual since FY'91.

2/: End-of-year modified accrual since FY 1992-93 except for Documentary Tax, which began in FY 2001-02.

3/: Includes current and former "non-recurring revenue" shown separately in prior fiscal years.

4/: Format corresponds to BEA Official Revenue Estimate.

**/: Results for earnings are subject to maturity differentials. +: As restated. N/A: Not available. *: Greater than +/- 9,999.

Source: S. C. Board of Economic Advisors (BEA).

File: WGM1014_Oct_MTH_FY15.xlsx

Board of Economic Advisors Revenue Plan Summary: FY 2014-15

Revenues vs. 08/28/14 BEA Adjusted Estimate of \$7,205 Million in FY 2014-15 1/

	JULY - OCTOBER Of FY 2014-15			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
Total General Fund Revenue	2,424.4	2,409.7	14.7	2.4	4.0
Sales Tax	673.0	652.0	21.0	2.9	3.7
Individual Income Tax	1,484.0	1,494.0	(10.0)	2.6	3.3
Corporate Income Tax	72.2	83.2	(11.0)	7.2	(6.5)
All Other Revenues #	185.4	170.9	14.6	(1.6)	19.3
Admissions Tax - Total	4.7	3.4	1.3	4.9	39.8
Alcoholic Liquors Tax	15.4	14.8	0.6	1.0	5.0
Bank Tax	5.1	10.0	(4.9)	20.8	(38.5)
Beer and Wine Tax	28.3	27.5	0.8	0.02	3.0
Business License Tax	6.8	6.6	0.2	5.8	9.1
Corporation License Tax	24.9	7.9	17.0	(12.4)	2.6
Departmental Revenue 2/	4.1	4.5	(0.4)	(56.4)	(28.5)
Documentary Tax	10.3	8.5	1.7	(7.1)	11.5
Earnings on Investments	5.8	6.2	(0.4)	(7.9)	(14.3)
Insurance Tax	75.4	75.8	(0.4)	17.5	70.7
Workers' Comp. Insurance Tax	0.3	1.5	(1.2)	24.1	(75.7)
All Other Balance	2.2	1.7	0.5	10.5	43.7
Residual Revenue not shown #	2.2	2.6	(0.3)	1.7	(13.0)
Miscellaneous Revenue	9.8	9.6	0.1	(8.5)	(20.3)
Unclaimed Property Fund	3.8	3.8	0.0	0.0	0.0
Miscellaneous Revenue Balance	6.0	5.9	0.1	(13.3)	(29.2)

1/: BEA format: includes certified adjustments and excludes non-recurring cash transfers and certain 'other source' revenues, where applicable.

2/: Includes nominal amounts from former recurring revenues.

Notes: Detail may not sum to total due to rounding. #: Residual Revenue includes Coin-Op., Estate and Motor Vehicle Licenses.



November 3, 2014

Debbie Glenn
 Program Coordinator
 Board of Economic Advisors
 1000 Assembly Street, Suite 459
 Columbia, SC 29201

Subject: Revision of the Lottery Commission's FY 14-15 and Preliminary FY 15-16 estimates

Dear Ms. Glenn:

In accordance with your recent request, please accept this letter as a revision of the Lottery Commission's estimates of proceeds for FY 14-15 and its preliminary estimates of proceeds for FY 15-16. Please note that our estimates, as set forth below, include \$907,000 associated with Election Day Sales. Our estimates are as follows:

	FY 2014 - 15	FY 2015 - 16
Previous Estimate		
"General" Transfers	\$ 290,000,000	N/A
Unclaimed Prizes	8,000,000	N/A
	\$ 298,000,000	N/A
 Revised or Current Estimate		
"General" Transfers	\$ 286,000,000	\$ 286,000,000
Unclaimed Prizes	12,000,000	12,000,000
	\$ 298,000,000	\$ 298,000,000

At this time, we do not believe our aggregate FY 14-15 estimates require revision. Please note however, based on recent activity, unclaimed prizes have been trending higher than anticipated. Accordingly, we are revising the components of the aggregate estimate for FY 14-15 to reflect a \$4,000,000 increase in our original estimate of unclaimed prizes.

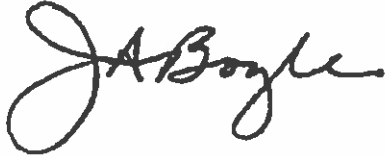
Ph: (803) 737-2044 • FAX (803) 737-2910 • Joseph.Boyle@sclot.com

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Please be advised that certain factors beyond our control may affect our future sales and transfers. Whereas, we believe we have developed reasonable estimates, it is possible adverse or favorable trends could develop which could preclude us from achieving our estimates.

Please do not hesitate to let me know if I can be of further assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read "J A Boyle". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Joseph A. Boyle, CPA
Chief Financial Officer

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**SOUTH CAROLINA EDUCATION LOTTERY HISTORY
(Inception - FY2013-14)**

FY Ending June 30th	Total Revenue	Total Prize Expense	Total Administration and Operating Expenses	Total Transfer to Education Lottery incl. Unclaimed Prizes	Actual Unclaimed Prizes	Actual Interest Transfers to Education Lottery
2001-2002	\$337,149,080	\$200,310,497	\$49,117,160	\$81,145,294	\$0	\$312,889
2002-2003	\$726,909,530	\$415,717,254	\$91,903,304	\$220,056,527	\$7,261,823	\$4,096,954
2003-2004	\$953,162,647	\$552,287,058	\$110,744,029	\$286,751,598	\$16,523,130	\$4,942,833
2004-2005	\$960,149,462	\$573,595,869	\$109,055,881	\$279,738,059	\$14,257,005	\$4,244,104
2005-2006	\$1,147,851,700	\$702,341,554	\$126,647,114	\$320,829,929	\$22,166,426	\$3,098,055
2006-2007	\$991,739,055	\$600,086,425	\$114,541,297	\$279,236,385	\$16,416,933	\$4,550,020
2007-2008	\$996,507,668	\$620,470,787	\$112,140,194	\$265,288,764	\$14,128,271	\$3,712,947
2008-2009	\$1,008,481,495	\$633,196,406	\$114,074,022	\$261,524,395	\$19,437,827	\$2,551,228
2009-2010	\$1,010,702,417	\$628,338,657	\$110,129,828	\$272,487,581	\$15,427,686	\$2,730,453
2010-2011	\$1,050,439,597	\$667,637,498	\$111,841,522	\$271,391,010	\$14,209,819	\$2,129,206
2011-2012	\$1,139,287,934	\$721,377,357	\$117,906,146	\$297,737,981	\$13,653,581	\$1,931,309
2012-2013	\$1,202,892,668	\$775,452,827	\$121,897,523	\$300,636,933	\$12,436,933	\$2,328,666
2013-2014	\$1,268,127,179	\$811,055,367	\$126,313,761	\$323,365,255	\$14,265,255	\$1,624,844

The South Carolina Education Lottery

Presentation to

The Board of Economic Advisors

November 10, 2014



South Carolina Education Lottery Overview

- The South Carolina Education Lottery Commission (SCEL, we) operates a traditional lottery.
- Revenues were \$1.27 billion in FY 2014.
- We offer two types of games:
 - Instant or "Scratch-off" games, and
 - Terminal or "Draw" games.
- Instant games are denominated in \$1, \$2, \$3, \$ 5 and \$10 price points.
 - Prize expense ("profit margin") varies significantly between price points.
 - Prize expense is more predictable, but higher than Terminal games.
 - Instant games generally represent about 70% of sales.
- Terminal game winners are determined by periodic draws, some of which are televised.
 - We sponsor three Terminal Games - Pick 3, Pick 4 and Palmetto Cash 5.
 - We also participate in two National "Jackpot" Games - Powerball and Mega Millions.
 - Jackpot runs significantly affect National Jackpot Game revenue.
 - Prize expense is based on statistical probability and can vary significantly within any discrete period.

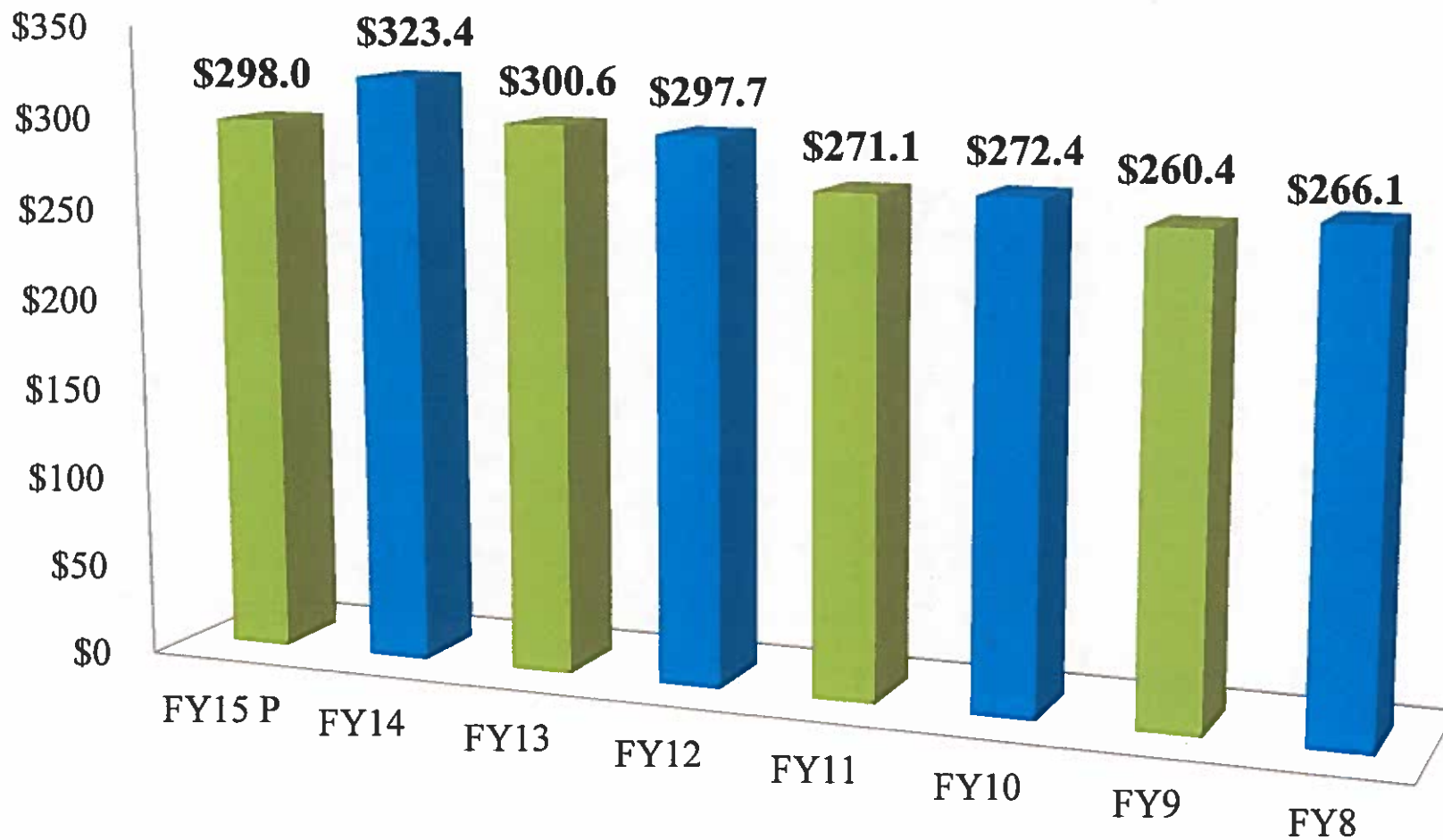
**South Carolina Education Lottery
Budgeted FY 2015 Transfers**

FY 2015 Budgeted Transfers **\$ 298,000,000 (1)**

Budgeted transfers are based on a financial plan that has been conservatively formulated in consideration of the risks and uncertainties inherent in SCEL's business.

(1) Includes Unclaimed Prizes of \$12 million.

**South Carolina Education Lottery
Transfers FY 2008 – 2015 Plan**
July - June
(Amounts in Millions)



South Carolina Education Lottery Factors Affecting SCCEL's Planning Process

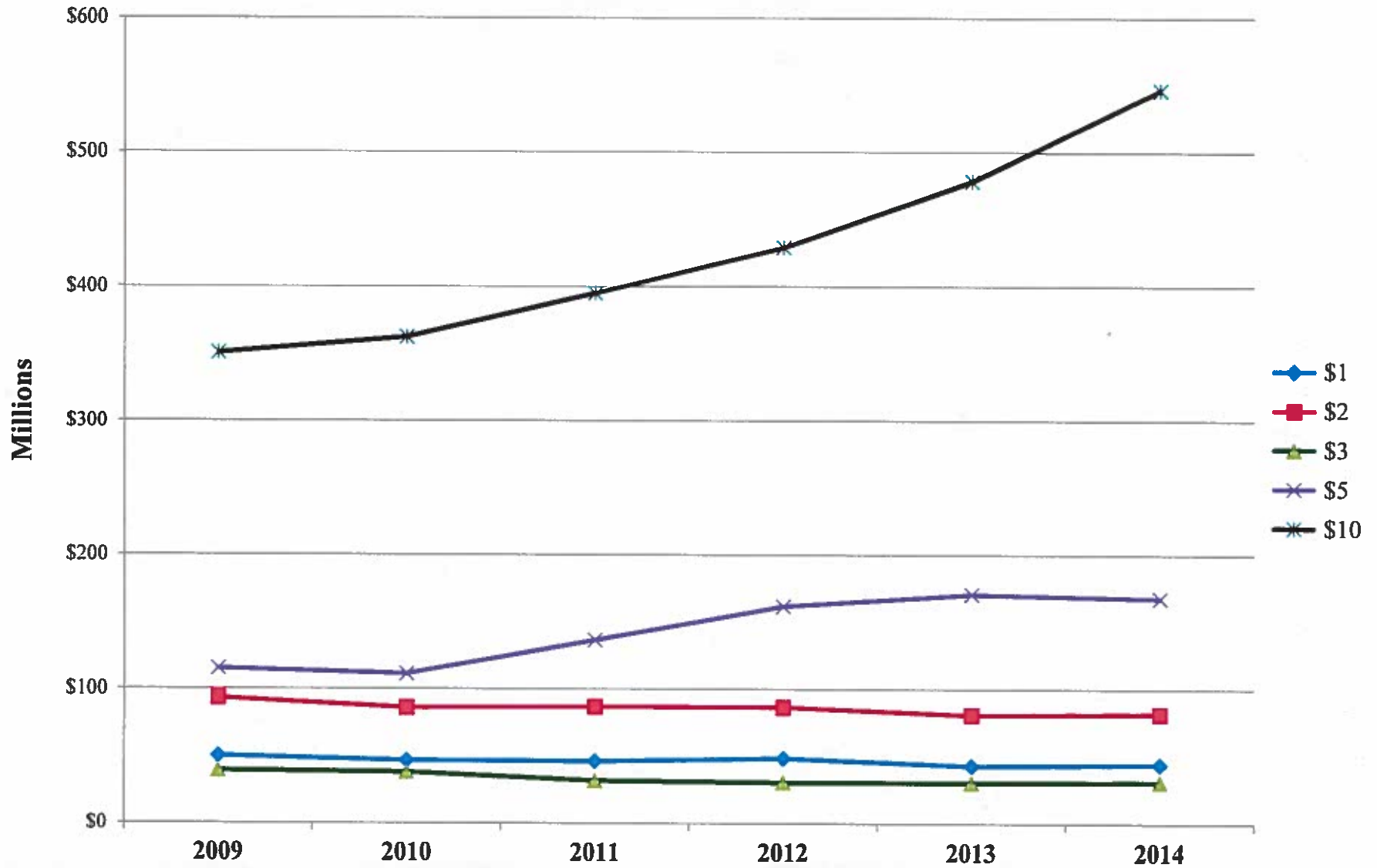
Instant Tickets

- Shifting consumer preferences.
 - Trending away from lowest price points - \$1, \$2 and \$3.
 - Trend seems to be affecting \$5 price point - sales were down in FY 2014.
 - Sales of \$10 tickets remain robust, but sustainability is considered a risk factor.

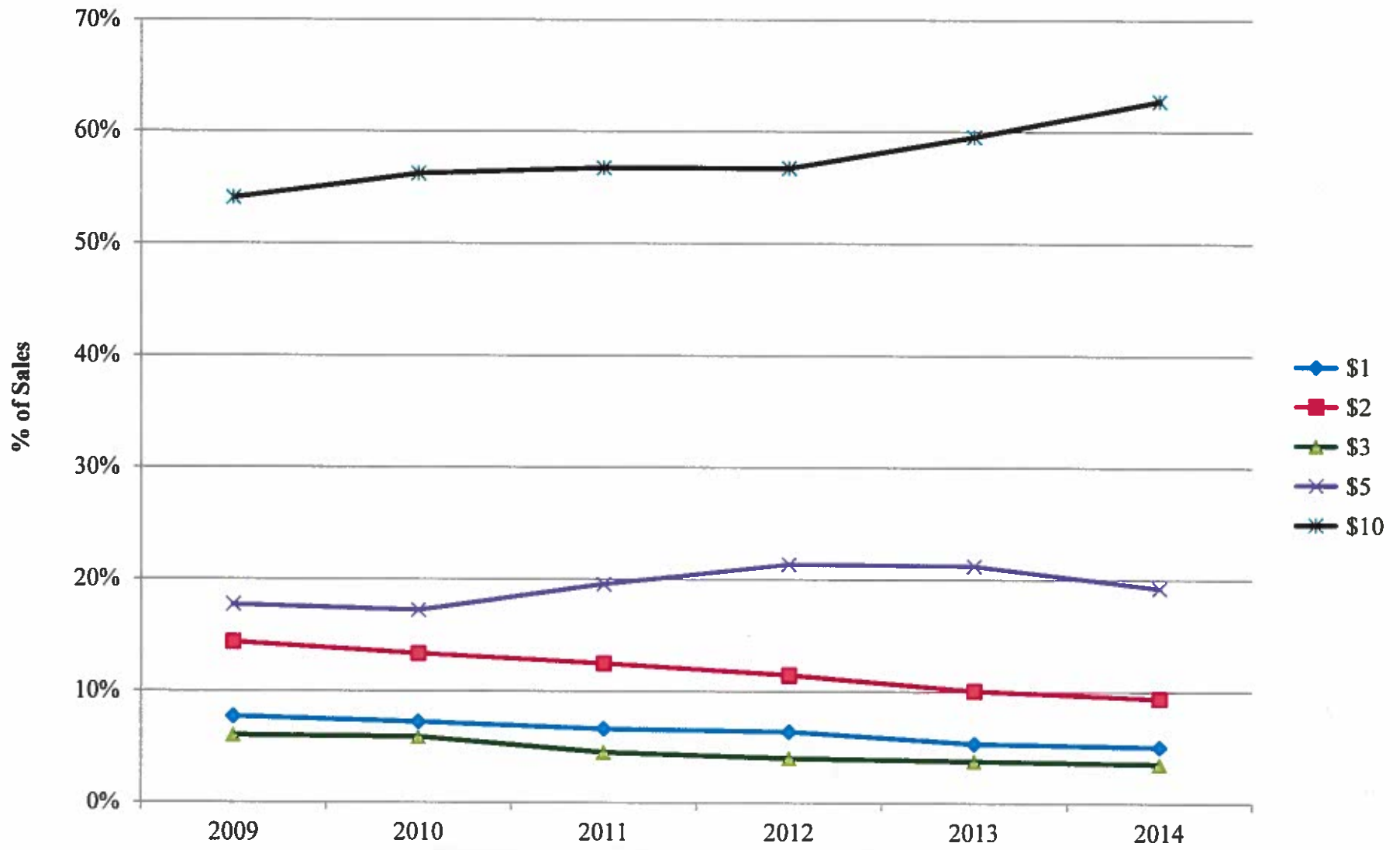
- Maintenance of "Profit Margins."

Price Point	\$1	\$2	\$3	\$5	\$10
Margin	42.94%	35.99%	33.47%	30.24%	25.03%
Commission	7.00%	7.00%	7.00%	7.00%	7.00%
Net Margin	35.94%	28.99%	26.47%	23.24%	18.03%

South Carolina Education Lottery Instant Ticket Sales FY 2009 - FY 2014



South Carolina Education Lottery
% Instant Ticket Sales by Price Point to Total Instant Ticket Sales
FY 2009 - FY 2014



South Carolina Education Lottery Factors Affecting SCCEL's Planning Process

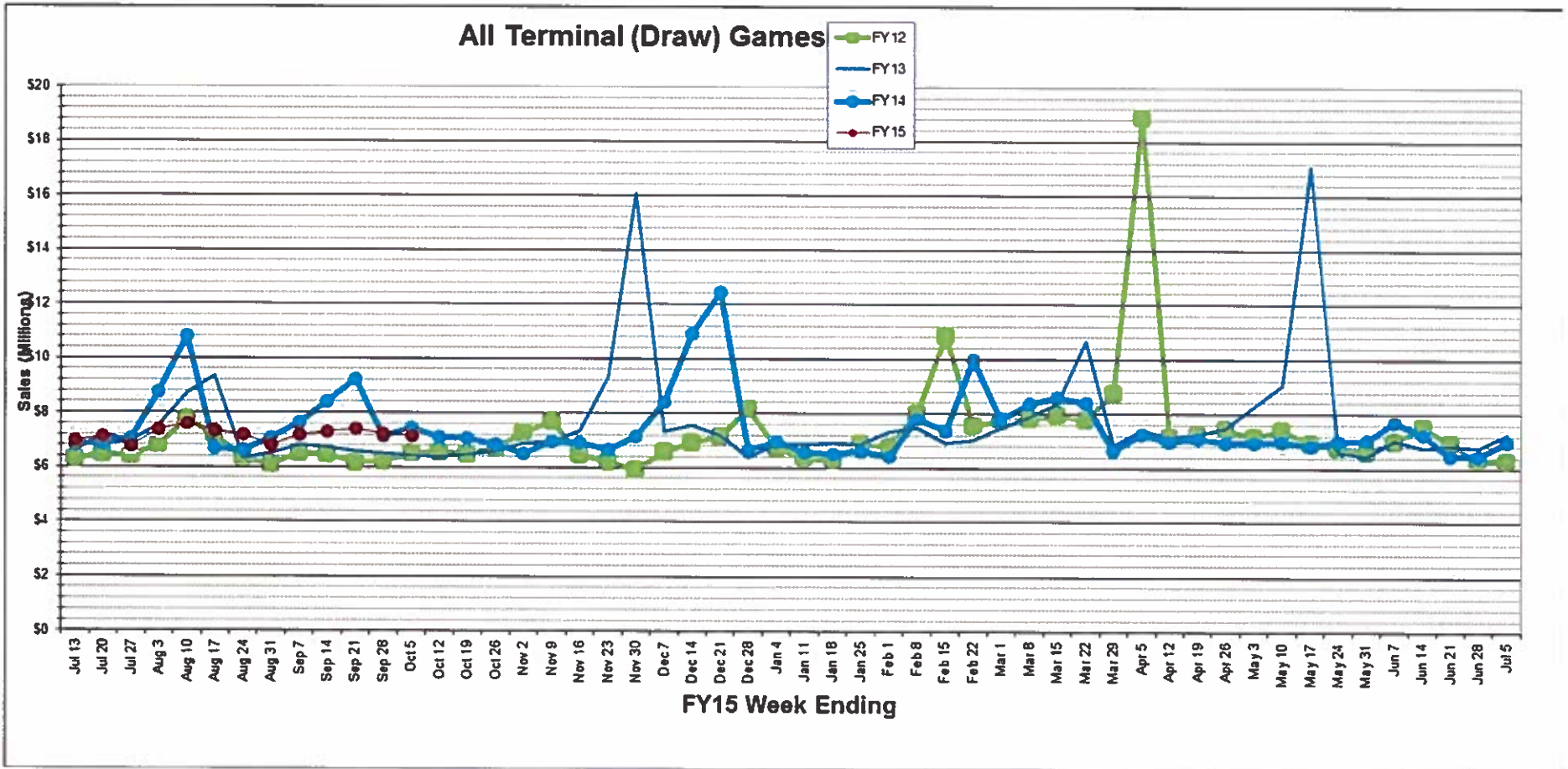
Terminal ("Draw") Games

- Uncertainty of "Jackpot" Runs.
 - Jackpot runs have been a significant source of revenue over the past several years:

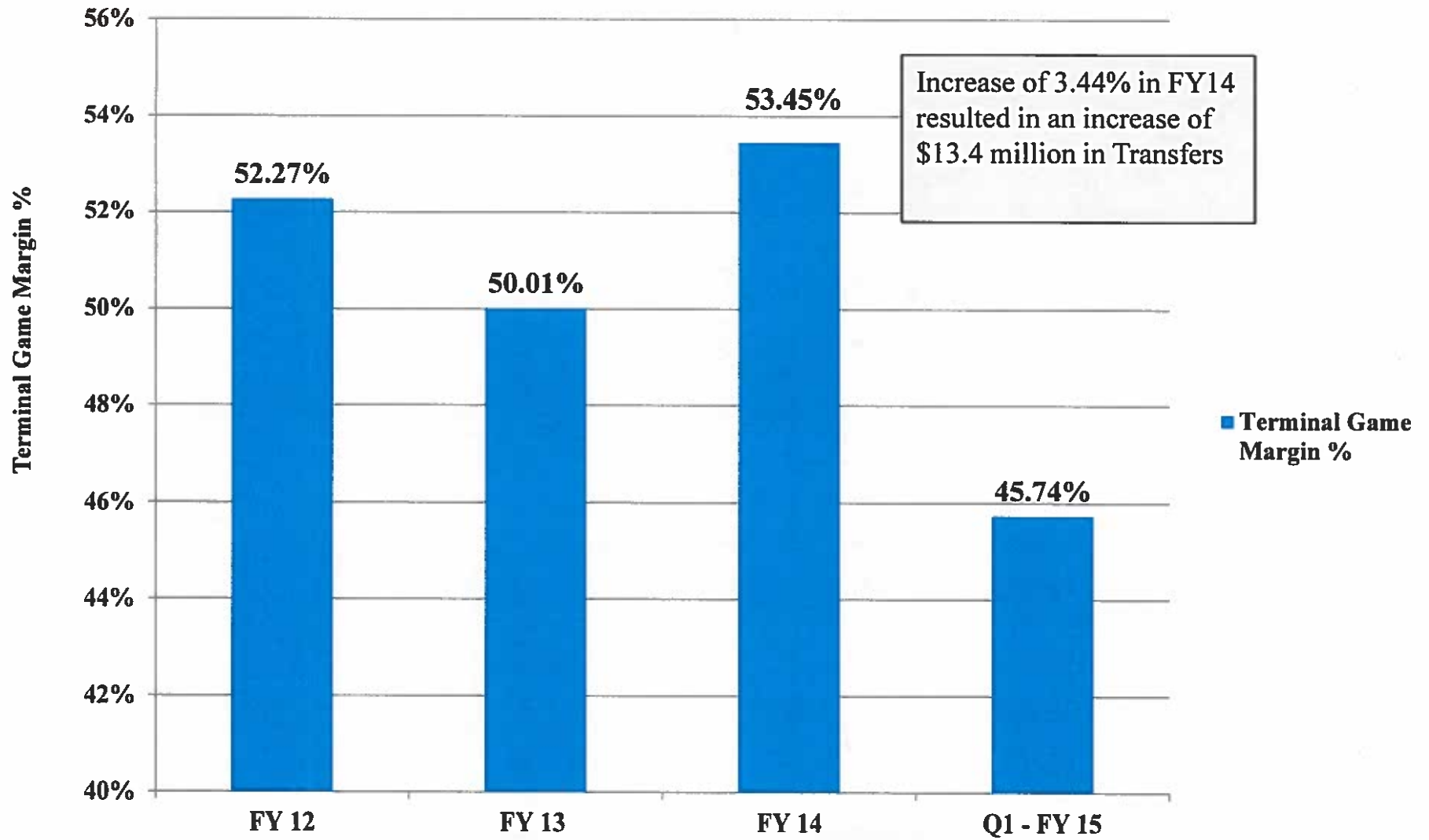
	<u>Revenue from Jackpot Runs</u>		
	2012	2013	2014
	<i>(millions)</i>		
Powerball	\$ 13.5	\$ 37.2	\$ 19.7
Mega Millions	19.2	2.4	20.7
Total	<u>\$ 32.7</u>	<u>\$ 39.6</u>	<u>\$ 40.4</u>

- Onset of Jackpot "Fatigue"
- Prize expense ("Profit Margins") subject to statistical variation.

**South Carolina Education Lottery
Terminal Game Trends
FY 2012 - Q1 FY 2015**



**South Carolina Education Lottery
Terminal Game "Profit" Margins
FY 2012 - Q1 FY 2015**



South Carolina Education Lottery
Statement of Revenue, Expenses
For the Quarters Ended September 30,

	FY 2015	FY 2014	Variance	
			\$	%
	<i>(millions)</i>			
Revenue				
Revenue - Instant games	\$ 230.0	\$ 204.4	\$ 25.6	12.5%
Revenue - Terminal games	93.8	100.5	(6.7)	-6.7%
Total game revenue	323.8	304.9	18.9	6.2%
Other revenue	0.9	1.0	(0.1)	-10.0%
Total revenue	324.7	305.9	18.8	6.1%
Commissions and incentives	22.9	21.6	1.3	6.0%
Prize expense				
Instant games	166.5	145.9	20.6	14.1%
Terminal games	50.9	47.4	3.5	7.4%
Total prize expense	217.4	193.3	24.1	12.5%
Instant and terminal direct costs	4.2	4.5	(0.3)	-6.7%
Total direct costs	244.5	219.4	25.1	11.4%
Gross profit	80.2	86.5	(6.3)	-7.3%
Operating expenses	5.5	5.8	(0.3)	-5.2%
Net Income	\$ 74.7	\$ 80.7	\$ (6.0)	-7.4%

South Carolina Education Lottery FY 2015 Significant Planning Assumptions

- Sales of \$1, \$2 and \$ 3 Instant Tickets will continue to decrease at the five year average.
- Sales of \$5 Instant Tickets will continue to decrease at the FY 2014 rate.
- Sales of \$10 Instant Tickets will follow \$5 Instant Tickets and begin to decrease at the same rate as \$5 Tickets
- Instant Tickets margins will remain consistent . In aggregate at about 28%.
- South Carolina Terminal Game sales will be essentially flat.
- National Terminal Game base sales will be flat.
- Revenue from Jackpot runs was conservatively estimated - about \$22 million.
- All Terminal Game margins were based on each game's statistical model.
- Operating expenses would remain essentially flat - about \$22 million.

**South Carolina Education Lottery
Statement of Revenue, Expenses
For the Quarter Ended September 30,**

	Actual		Variance	
	FY 2015	Plan	\$	%
	<i>(millions)</i>			
Revenue				
Revenue - Instant games	\$ 230.0	\$ 198.0	\$ 32.0	16.2%
Revenue - Terminal games	93.8	90.3	3.5	3.9%
	<hr/>	<hr/>	<hr/>	<hr/>
Total game revenue	323.8	288.3	35.5	12.3%
Other revenue	0.9	0.8	0.1	12.5%
Total revenue	<hr/>	<hr/>	<hr/>	<hr/>
	324.7	289.1	35.6	12.3%
Commissions and incentives	22.9	20.4	2.5	12.3%
Prize expense				
Instant games	166.5	142.4	24.1	16.9%
Terminal games	50.9	45.6	5.3	11.6%
Total prize expense	<hr/>	<hr/>	<hr/>	<hr/>
	217.4	188.0	29.4	15.6%
Instant and terminal direct costs	<hr/>	<hr/>	<hr/>	<hr/>
	4.2	4.7	(0.5)	-10.6%
Total direct costs	<hr/>	<hr/>	<hr/>	<hr/>
	244.5	213.2	31.3	14.7%
Gross profit	<hr/>	<hr/>	<hr/>	<hr/>
	80.2	75.9	4.3	5.7%
Operating expenses	<hr/>	<hr/>	<hr/>	<hr/>
	5.5	6.9	(1.4)	-20.3%
Net Income	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 74.7	\$ 69.0	\$ 5.7	8.3%

**South Carolina Education Lottery
Statement of Revenue and Expenses
Fiscal Years Ended September 30,**

	Actual			Plan
	FY 2012	FY 2013	FY 2014	FY 2015
	<i>(millions)</i>			
Revenue				
Revenue - Instant games	\$ 758.6	\$ 806.0	\$ 875.5	\$ 854.6
Revenue - Terminal games	377.1	393.2	388.9	368.5
Total game revenue	1,135.7	1,199.2	1,264.4	1,223.1
Other revenue	3.7	3.7	3.7	3.4
Total revenue	1,139.4	1,202.9	1,268.1	1,226.5
Commissions and incentives	80.2	84.8	89.2	86.5
Prize expense				
Instant games	541.4	578.9	630.0	614.8
Terminal games	180.0	196.6	181.0	186.0
Total prize expense	721.4	775.5	811.0	800.8
Instant and terminal direct costs	16.2	16.1	16.5	18.4
Total direct costs	817.8	876.4	916.7	905.7
Gross profit	321.6	326.5	351.4	320.8
Operating expenses	21.5	21.0	20.6	22.3
Net Income	\$ 300.1	\$ 305.5	\$ 330.8	\$ 298.5

**CONSIDERATION OF
FY 2014-15 AND FY 2015-16
REVENUE ESTIMATES**



ASSUMPTIONS

<u>FY 15</u>	<u>Feb</u>	<u>May</u>	<u>Regional</u>
Personal Income	3.75	3.75	3.8
Employment	1.8	1.8	1.8

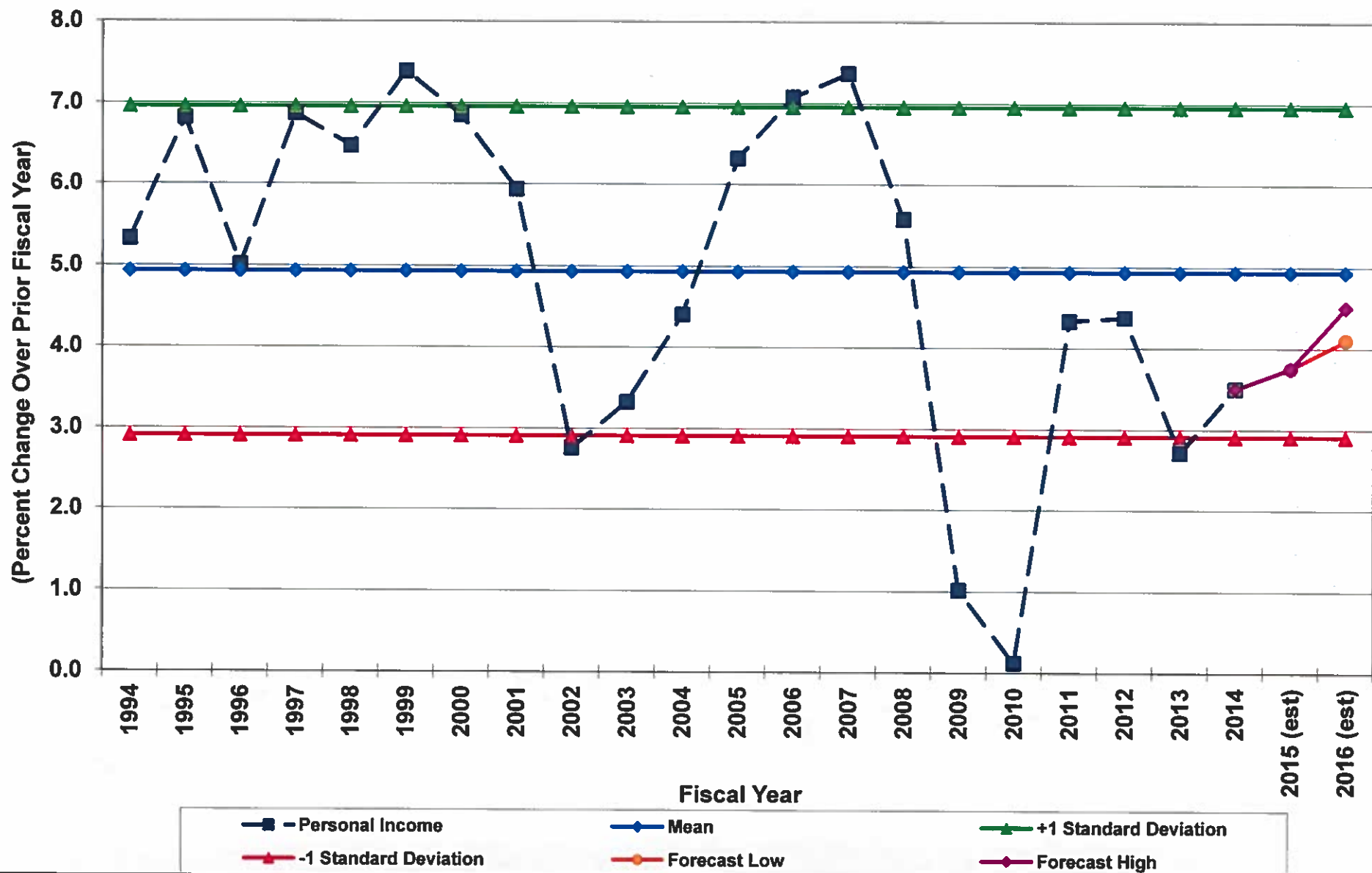
- ❖ *Recommendation is to maintain the personal income growth assumption at 3.75% and employment growth at 1.8%.*

<u>FY 16</u>	<u>Regional</u>
Personal Income	4.3
Employment	1.7

- ❖ *Recommendation is to use a 4.3% growth rate in personal income and a 1.8% growth rate in employment.*

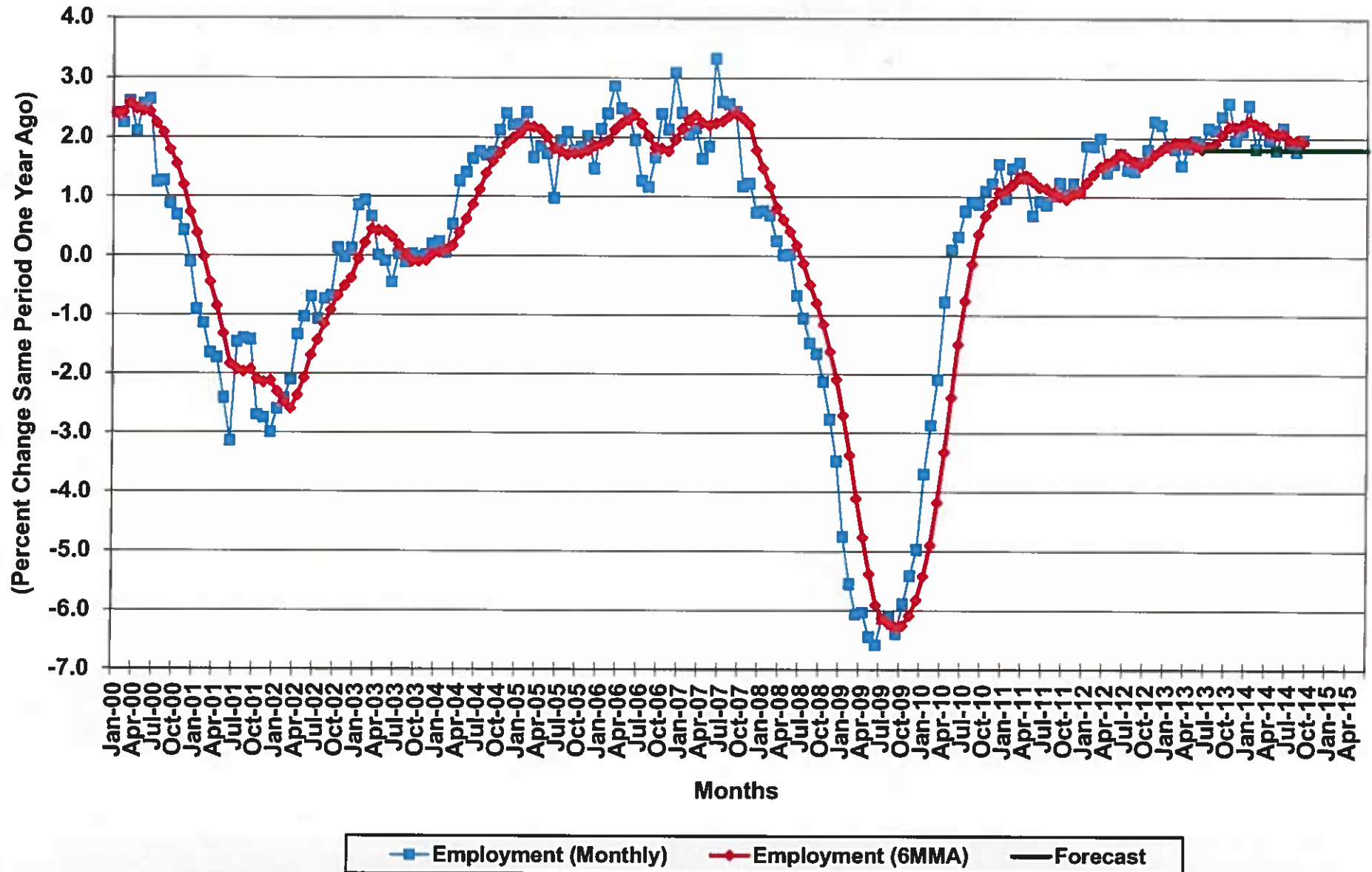


Growth in Personal Income in South Carolina



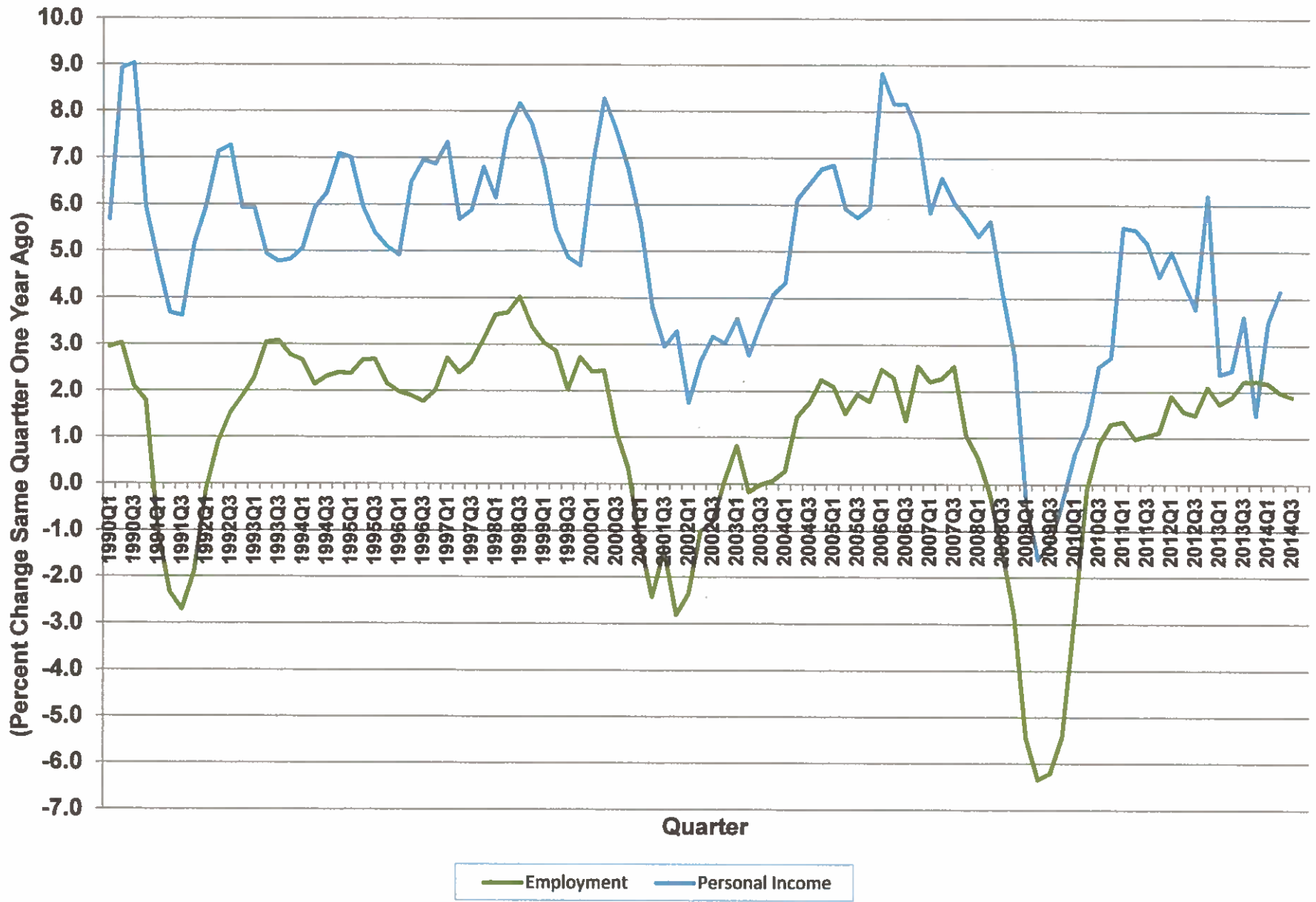
Source: Board of Economic Advisors
BEA/RWM/10/30/14

South Carolina Employment Trends



Source: Board of Economic Advisors
BEA/RWM/10/28/14

Growth in Employment and Personal Income in South Carolina



Sources: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
 U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

**South Carolina Board of Economic Advisors
Survey Results of Regional Advisory Committee
Summary of Economic Forecast Assumptions**

Variable	Actual FY2013-14	Most Recent	Current 2/ Forecast Rates FY2014-15	Regional Advisory Committee Forecast Rates Forecast for FY2014-15					Simple Average	Olympic Scoring
				Brown	Kaglic	Sobel	von Nessen	Witte		
S.C. Personal Income 1/	3.2%	4.2%	3.75%	3.50%	3.70%	4.70%	3.90%	3.80%	3.92%	3.80%
S.C. Employment	2.1%	1.7%	1.8%	1.50%	1.80%	1.85%	1.80%	2.00%	1.79%	1.82%
Inflation Rate (CPI-U)	1.6%	1.7%	2.0%	1.90%	1.90%	2.00%	1.80%	1.10%	1.74%	1.93%
Sales Tax	2.8%	3.6%	3.0%	3.00%	3.20%	3.30%	2.90%	3.10%	3.10%	3.20%
Individual Income Tax 1/	1.9%	4.3%	3.0%	2.60%	N/A	3.65%	3.50%	2.70%	3.11%	3.58%

Variable	Actual FY2013-14	Most Recent	Current Forecast Rates FY2015-16	Regional Advisory Committee Forecast Rates Forecast for FY2015-16					Simple Average	Olympic Scoring
				Brown	Kaglic	Sobel	von Nessen	Witte		
S.C. Personal Income 1/	3.2%	4.2%	N/A	4.50%	3.80%	4.90%	4.10%	4.40%	4.34%	4.33%
S.C. Employment	2.1%	1.7%	N/A	1.60%	1.70%	1.70%	1.90%	1.80%	1.74%	1.67%
Inflation Rate (CPI-U)	1.6%	1.7%	N/A	2.00%	2.00%	2.15%	2.10%	2.40%	2.13%	2.08%
Sales Tax	2.8%	3.6%	N/A	3.20%	3.60%	3.45%	3.10%	3.90%	3.45%	3.42%
Individual Income Tax 1/	1.9%	4.3%	N/A	2.80%	N/A	4.00%	3.60%	4.10%	3.63%	3.80%

Notes: 1/ Growth rate affected by income accelerated from January 2013 into December 2012 ahead of "fiscal cliff" negotiations.
2/ Current forecast rates in latest BEA forecast as of May 21, 2014.
N/A - Not Available.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Department of Labor, Bureau of Labor Statistics
S.C. Board of Economic Advisors

BEA/RWM/10/22/14

SALES TAX ESTIMATES

FY 14 - Sales Tax revenue finished \$2.6 million above the revised estimate (0.1% difference).

FY 15 - Current estimate for Sales Tax growth is 2.9%. Growth through October is 3.7% and is \$21.0 million above estimates.*
Estimated growth based on personal assumption is 3.3%.

❖ *Recommendation is to increase FY15 Sales Tax estimate by approximately \$10 million which assumes a 3.3% growth.*

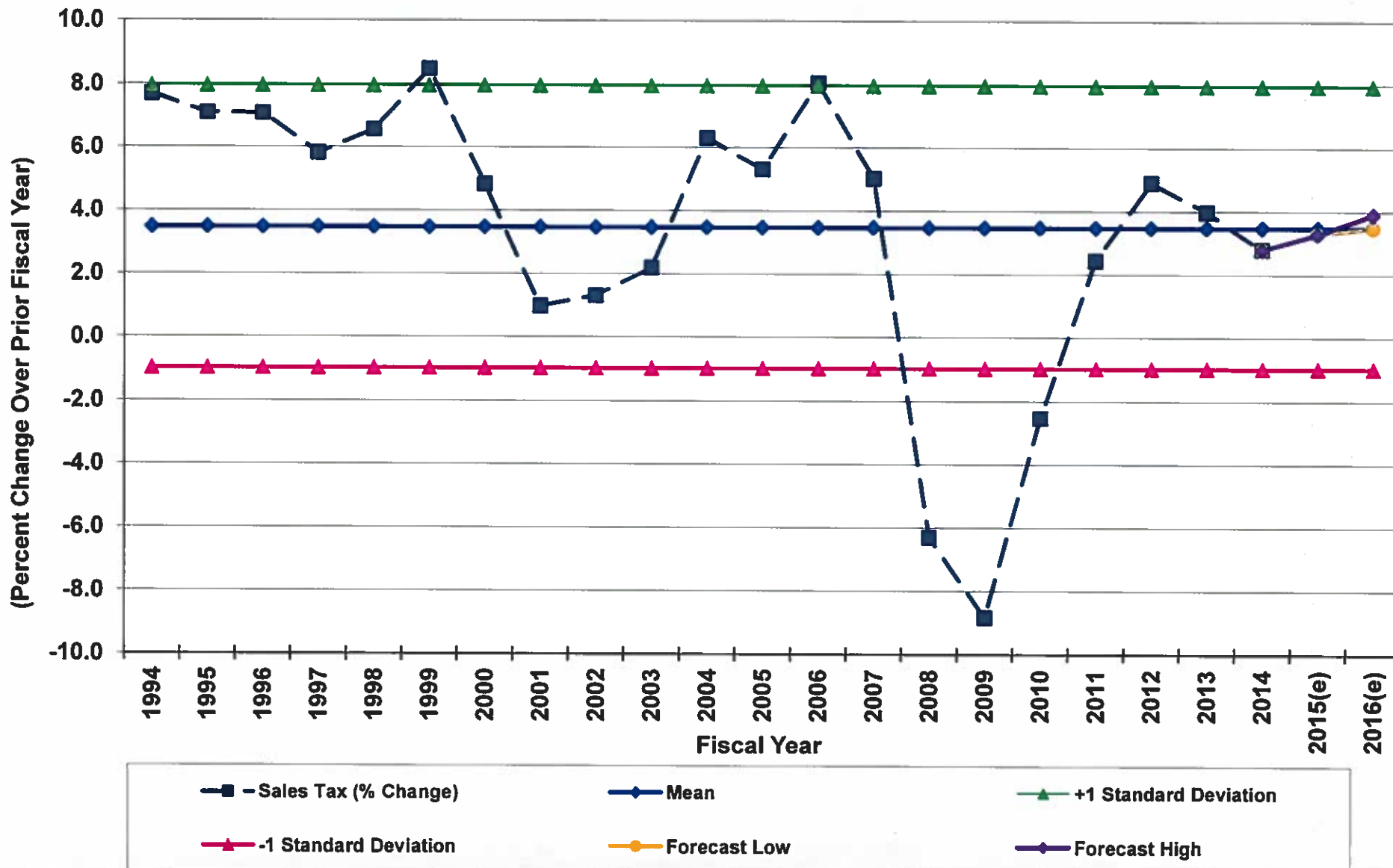
FY 16 – Expected growth rates based upon range in personal income vary between 3.55% to 3.9%.

❖ *Recommendation is to estimate Sales Tax growth at 3.7% which represents an increase of approximately \$96.6 million.*

***New estimates will have a corresponding adjustment in EIA and Homestead Exemption Sales Tax.**



General Fund Sales Tax Revenue Growth in South Carolina



Source: Board of Economic Advisors
BEA/RWM/09/24/14

INDIVIDUAL INCOME TAX ESTIMATES

FY 14 – Individual Income Tax ended the fiscal year \$10.4 million above estimate, a 0.3% difference.

Withholdings	\$5.7 million	0.1% difference
Declarations	\$1.3 million	0.4% difference
Paid with Returns	\$6.4 million	1.5% difference
Refunds	\$3.0 million	0.2% difference

FY 15 - Current estimate of Income Tax growth is 2.6%.

Actual growth through November is 3.3%.

Estimated growth rate based upon personal income assumption is 3.2%.

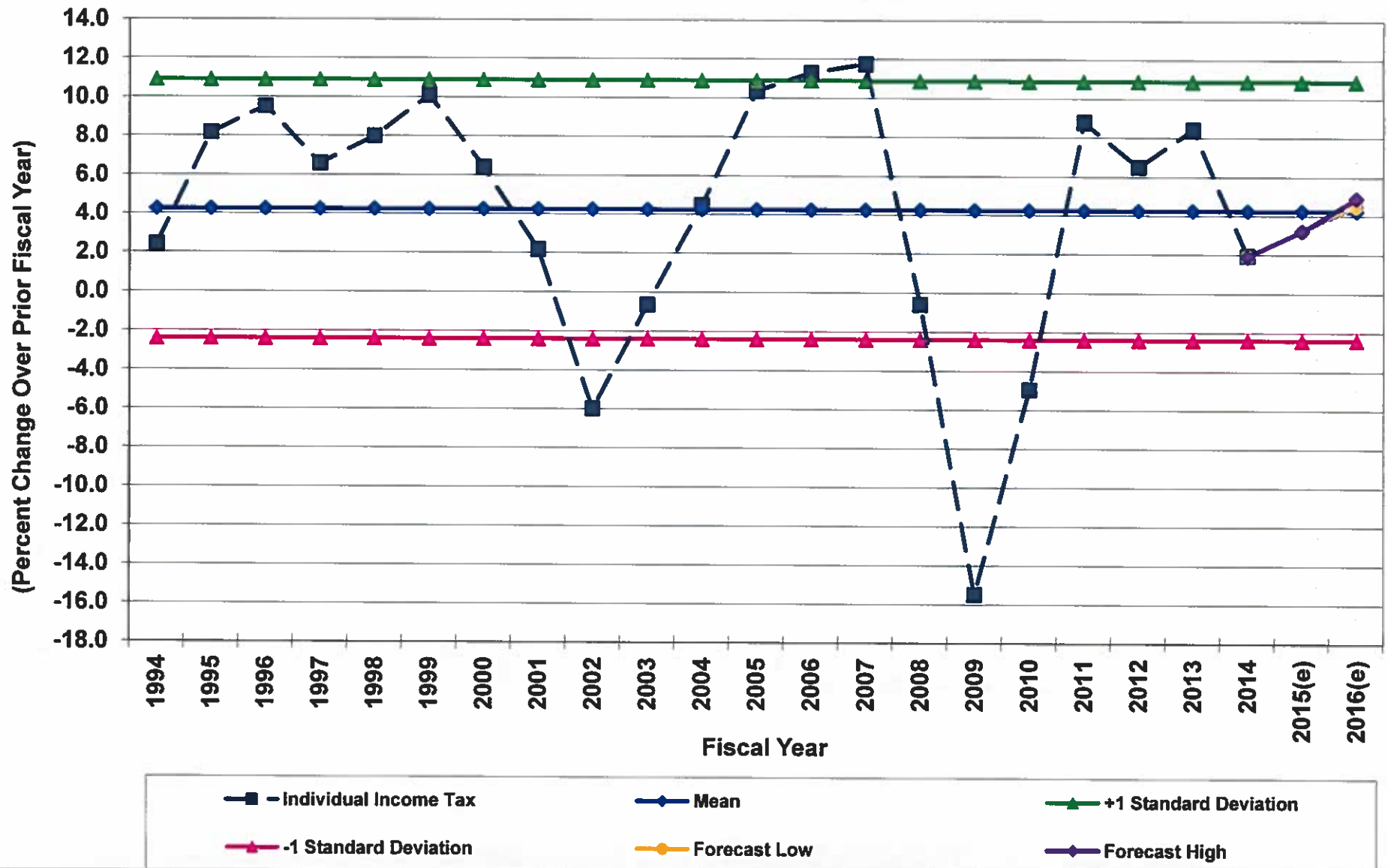
- ❖ *Recommendation is to increase the FY15 estimate by \$19.3 million based upon a growth rate of 3.3%. Individual sub-categories will be adjusted accordingly.*

FY 16 - Estimated growth based upon personal income assumptions ranges between 4.5% and 4.9%.

- ❖ *Recommendation is to estimate growth at 4.7% which represents an increase of approximately \$165 million.*



General Fund Individual Income Tax Revenue Growth in South Carolina



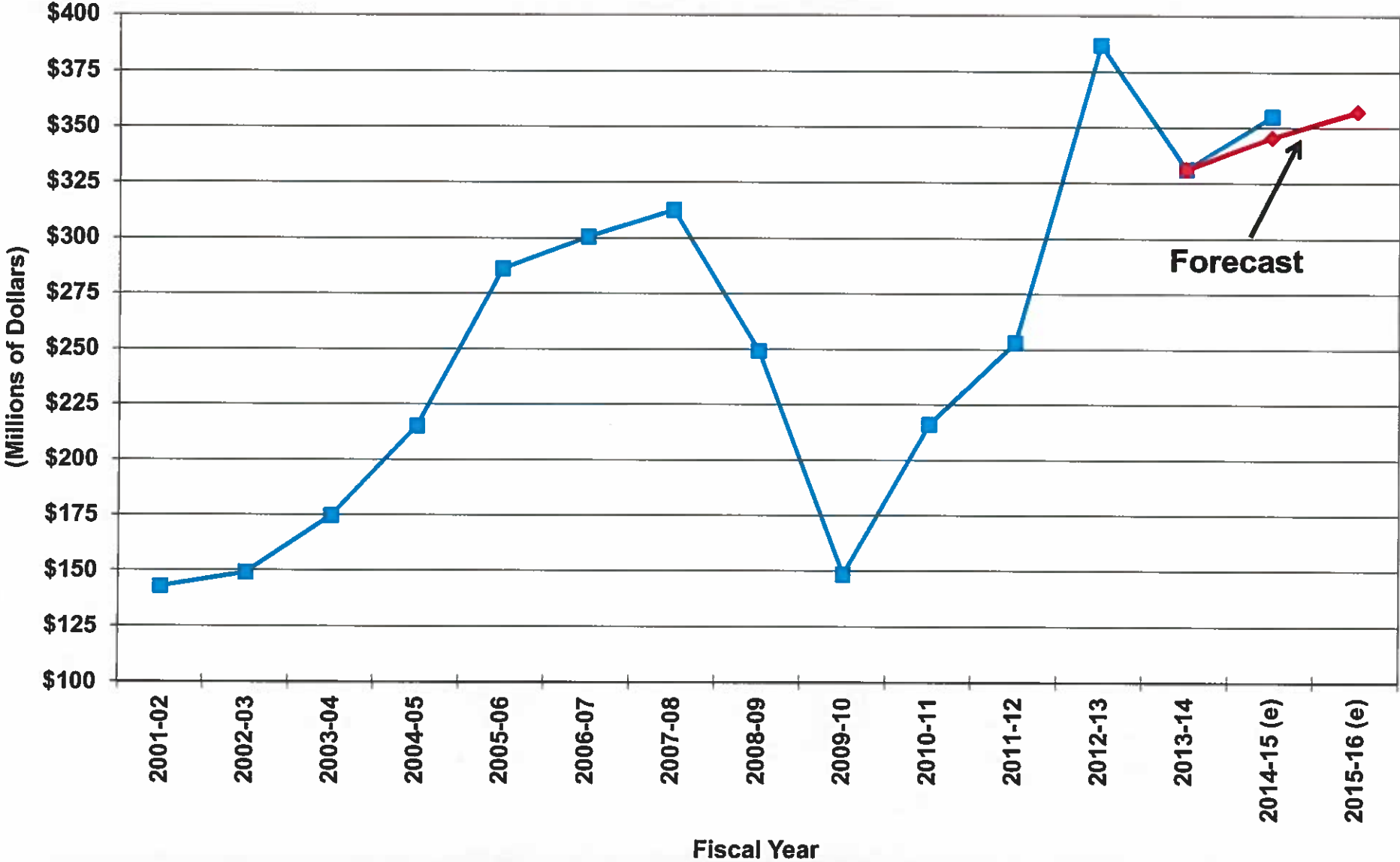
Source: Board of Economic Advisors
BEA/RWM/09/24/14

CORPORATE INCOME TAX ESTIMATES

- **FY 14** – Corporate Income Tax ended the fiscal year \$13.9 million below estimate. Actual collections were \$331.1 million compared to an estimate of \$345 million.
- **FY 15** – Through November, revenues declined \$5.0 million from a year ago and are \$10.8 million below estimates (includes \$12 million audit payment).
 - ❖ *Recommendation is to decrease estimate by \$9.6 million from \$355 million to approximately \$345.4 million.*
- **FY 16** – Nationally, corporate profits are expected to increase. Accounting for corporate profits at the state level is difficult to estimate.
 - ❖ *Recommendation is to estimate Corporate Income Tax at approximately \$357.1 million, a 3.4% growth over the FY 15 estimate.*

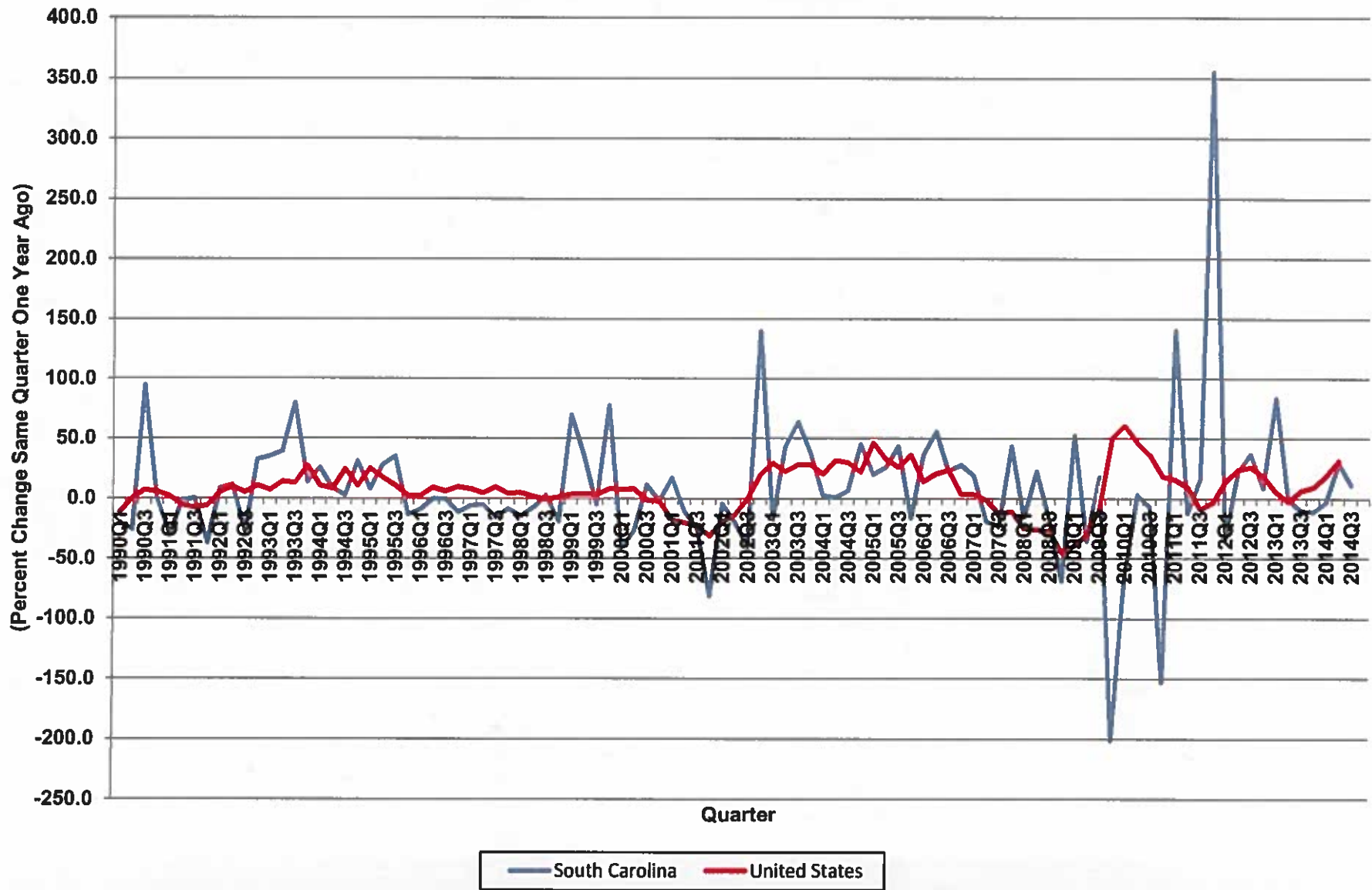


South Carolina Corporate Income Tax Revenue



Source: Board of Economic Advisors
BEA/RWM/11/10/14

Growth in Corporate Income Taxes in South Carolina and the United States



Sources: S.C. Department of Revenue, Columbia, SC
 U.S. Department of the Treasury, Internal Revenue Service, Washington, D.C.

PERSONAL INCOME GROWTH
FY2015 - 3.75% FY2016 - 4.3%

WORKING ESTIMATE GENERAL FUND REVENUE FORECAST
FISCAL YEARS FY2012-13 TO FY2015-16
(DOLLARS)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
				(3) - (2)		(5) - (3)		(7) - (5)	(2) / (1)	(5) / (2)	(7) / (5)
			8/28/14 WORKING ESTIMATE FY 2014-15	DIFFERENCE	10/29/14 WORKING ESTIMATE FY 2014-15	DIFFERENCE	10/29/14 WORKING ESTIMATE FY 2015-16	DIFFERENCE	PERCENT CHANGE FY13/FY14	10/29/14 WORKING ESTIMATE PERCENT CHANGE FY14/FY15	10/29/14 WORKING ESTIMATE PERCENT CHANGE FY15/FY16
REVENUE CATEGORIES	FINAL FY 2012-13	FINAL FY 2013-14									
ADMISSIONS/BINGO TAX	28,492,643	27,855,427	29,216,939	1,361,512	28,014,130	(1,202,809)	28,545,171	531,041	-2.2	0.6	1.9
AIRCRAFT TAX	4,404,948	4,233,944	4,700,472	466,528	4,382,132	(318,340)	4,535,507	153,375	-3.9	3.5	3.5
ALCOHOLIC LIQUOR TAX	64,062,481	66,694,937	67,361,144	666,207	69,484,929	2,123,785	72,333,812	2,848,883	4.1	4.2	4.1
BANK TAX	34,104,685	33,106,652	40,000,000	6,893,348	35,000,000	(5,000,000)	37,170,000	2,170,000	-2.9	5.7	6.2
BEER AND WINE TAX	100,542,813	102,547,763	102,563,724	15,961	104,598,718	2,034,994	106,690,693	2,091,975	2.0	2.0	2.0
BUSINESS LICENSE TAX	27,677,135	25,631,758	27,126,360	1,494,602	25,247,282	(1,879,078)	24,868,572	(378,710)	-7.4	-1.5	-1.5
COIN-OPERATED DEVICES	1,402,113	1,124,810	1,570,367	445,557	1,570,367	0	1,068,570	(501,797)	-19.8	39.6	-32.0
CORPORATION LICENSE TAX	74,208,001	95,139,381	83,332,779	(11,806,602)	89,882,412	6,549,633	94,915,827	5,033,415	28.2	-5.5	5.6
DEPARTMENTAL REVENUE 4/	53,681,223	78,782,546	34,385,861	(44,396,685)	34,385,861	0	34,385,861	0	46.8	-56.4	0.0
DOCUMENTARY TAX	28,992,878	35,383,672	32,871,609	(2,512,063)	37,732,877	4,861,268	40,638,309	2,905,432	22.0	6.6	7.7
EARNED ON INVESTMENTS	26,374,158	19,537,585	18,000,000	(1,537,585)	17,000,000	(1,000,000)	19,000,000	2,000,000	-25.9	-13.0	11.8
ESTATE TAX	0	0	0	0	0	0	0	0			
INSURANCE TAX	200,995,342	185,647,530	218,156,518	32,508,988	212,679,537	(5,476,981)	203,352,827	(9,326,710)	-7.6	14.6	-4.4
MOTOR VEHICLE LICENSES	9,639,310	10,287,660	10,034,411	(253,249)	10,496,065	461,654	10,711,291	215,226	6.7	2.0	2.1
PRIVATE CAR LINES TAX	3,638,486	3,592,401	3,718,973	126,572	3,631,917	(87,056)	3,671,869	39,952	-1.3	1.1	1.1
PUBLIC SERVICE AUTHORITY	20,394,000	20,659,000	22,000,000	1,341,000	21,382,065	(817,935)	22,130,437	748,372	1.3	3.5	3.5
RETAILERS LICENSE TAX	810,225	740,380	826,509	86,129	747,784	(78,725)	755,262	7,478	-8.6	1.0	1.0
SAVINGS & LOAN TAX	3,074,066	2,008,669	3,261,277	1,252,608	2,121,154	(1,140,123)	2,239,939	118,785	-34.7	5.6	5.6
WORKERS COMP. INSURANCE	11,543,478	8,227,554	10,206,684	1,979,130	7,700,000	(2,506,684)	8,354,000	654,000	-28.7	-8.4	8.5
CIRCUIT/FAMILY COURT FINES	8,537,814	8,606,344	8,199,717	(406,627)	8,692,407	492,690	8,779,332	86,925	0.8	1.0	1.0
DEBT SERVICE TRANSFERS	491,081	524,177	65,234	(458,943)	65,234	0	65,234	0	6.7	-87.6	0.0
INDIRECT COST RECOVERIES	10,846,036	13,693,548	11,061,222	(2,632,326)	11,061,222	0	11,061,222	0	26.3	-19.2	0.0
PAROLE / PROBATION FEES	3,392,808	3,392,808	3,392,808	0	3,392,808	0	3,392,808	0	0.0	0.0	0.0
UNCLAIMED PROPERTY FUND	15,000,000	15,000,000	15,000,000	0	15,000,000	0	15,000,000	0	0.0	0.0	0.0
ALL OTHER & MISCELLANEOUS TAXES	732,305,724	762,418,546	747,052,608	(15,365,938)	744,268,903	(2,783,705)	753,666,540	9,397,637	4.1	-2.4	1.3

1/: Excludes (1%) Education Improvement/ndations Taxes.

2/: Includes interest earnings.

3/: Restatement by Comptroller General foenditures for Capital Reserve Fund.

4/: Includes former Dept. of Agriculture ag the Petroleum Inspection Tax now shown separately.

Source: S. C. Board of Economic Advisors/1

RISKS

- **Global Slowdown**
- **Rising Long-Term Interest Rates**
- **Lower Oil Prices and Lower Inflation**
- **Falling Stock Market**



LONG-RANGE FORECAST

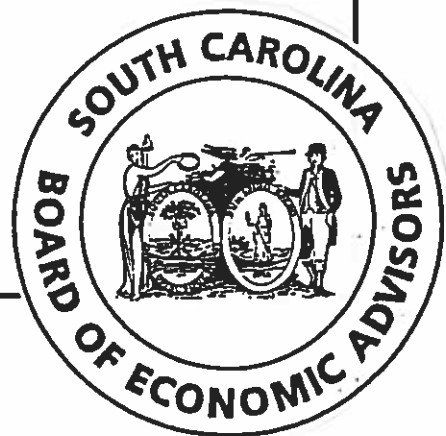
Pursuant to Section 11-11-350, the Board of Economic Advisors provides a long-range forecast for General Fund revenues based on its November estimate of revenue for the upcoming fiscal year. The three-year plan is built upon an assumed growth in personal income, historical elasticities for the major revenue components, and historical growth rates on patterns in the remaining revenue sources.



SOUTH CAROLINA GENERAL FUND REVENUE

**OCTOBER
FISCAL YEAR
2014-15**

NOVEMBER 10, 2014



South Carolina Revenue and Fiscal Affairs Office

GENERAL FUND REVENUE MONTHLY SUMMARY: FISCAL YEARS 2013-14 & 2014-15

MONTH OF OCTOBER

TABLE 1

REVENUE CATEGORIES	FY 2013-14	FY 2014-15	\$ CHANGE	% CHANGE
Retail Sales and Use Tax 1/	\$212,802,392 +	\$223,027,578	\$10,225,186	4.8
Excise Tax, Casual Sales 1/	1,703,226	1,158,259	(544,967)	(32.0)
Individual Income Tax	365,425,613 +	366,627,230	1,201,617	0.3
Corporation Income Tax	3,995,409	(9,223,334)	(13,218,743)	(330.8)
Admissions Tax 2/	2,838,449	2,418,758	(419,691)	(14.8)
Admissions Tax - Bingo 2/	295,616 +	177,084	(118,532)	(40.1)
Aircraft Tax	621,134	296,973	(324,161)	(52.2)
Alcoholic Liquor Tax 2/	4,788,066	4,307,479	(480,587)	(10.0)
Bank Tax	106	(1,979,301)	(1,979,407)	*
Beer and Wine Tax 2/	8,496,910	8,781,857	284,947	3.4
Business License Tax (Tobacco) 2/	1,816,826	2,160,776	343,950	18.9
Coin-Operated Device Tax	10,423	11,972	1,549	14.9
Corporation License Tax	4,064,997	11,073,376	7,008,379	172.4
Departmental Revenue 3/	2,316,744 +	2,318,002	1,258	0.1
Documentary Tax 2/	2,835,339	3,074,978	239,639	8.5
Earned on Investments **	1,433,505 +	1,271,805	(161,700)	(11.3)
Insurance Tax	(2,216,532) +	3,383,770	5,600,302	252.7
Motor Vehicle Licenses	814,703	948,493	133,790	16.4
Private Car Lines Tax	55,172	255,950	200,778	363.9
Public Service Authority	0	0	0	---
Retailers License Tax	70,376	61,611	(8,765)	(12.5)
Savings and Loan Assoc. Tax	100,000	104,527	4,527	4.5
Workers Comp. Insurance Tax	(1,215,746)	(799,475)	416,271	---
Circuit/Family Court Fines	432,820	648,071	215,251	49.7
Debt Service Transfers	0	0	0	---
Indirect Cost Recoveries	816,683	615,967	(200,716)	(24.6)
Parole and Probation Fees	0	282,734	282,734	---
Unclaimed Property Fund	0	0	0	---
Gross General Fund Revenue 4/	\$612,302,231 +	\$621,005,140	\$8,702,909	1.4

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%) and Local Option taxes. Modified accrual since FY'91.

2/: End-of-year modified accrual since FY 1992-93 except for Documentary Tax, which began in FY 2001-02.

3/: Includes current and former "non-recurring revenue" shown separately in prior fiscal years.

4/: Format corresponds to BEA Official Revenue Estimate.

**: Results for earnings are subject to maturity differentials. +: As restated. N/A: Not available. *: Greater than +/- 9,999.

Source: S. C. Board of Economic Advisors (BEA).

File: WGM1114_Oct_MTH_FY15.xlsx

GENERAL FUND REVENUE MONTHLY SUMMARY: FISCAL YEARS 2013-14 & 2014-15

JULY - OCTOBER

TABLE 2

REVENUE CATEGORIES	FY 2013-14	FY 2014-15	\$ CHANGE	% CHANGE
Retail Sales and Use Tax 1/	\$643,480,490 +	\$669,305,328	\$25,824,838	4.0
Excise Tax, Casual Sales 1/	5,412,766	3,670,100	(1,742,666)	(32.2)
Individual Income Tax	1,436,609,875 +	1,484,025,040	47,415,165	3.3
Corporation Income Tax	77,174,956	72,177,552	(4,997,404)	(6.5)
Admissions Tax 2/	2,382,904	3,816,463	1,433,559	60.2
Admissions Tax - Bingo 2/	987,566 +	894,803	(92,763)	(9.4)
Aircraft Tax	740,246	884,015	143,769	19.4
Alcoholic Liquor Tax 2/	14,694,938 +	15,427,056	732,118	5.0
Bank Tax	8,245,218	5,072,526	(3,172,692)	(38.5)
Beer and Wine Tax 2/	27,466,269 +	28,284,249	817,980	3.0
Business License Tax (Tobacco) 2/	6,264,310	6,831,608	567,298	9.1
Coin-Operated Device Tax	132,197 +	127,943	(4,254)	(3.2)
Corporation License Tax	24,272,110 +	24,894,628	622,518	2.6
Departmental Revenue 3/	5,726,669 +	4,095,340	(1,631,329)	(28.5)
Documentary Tax 2/	9,203,103 +	10,259,448	1,056,345	11.5
Earned on Investments **	6,725,890 +	5,763,628	(962,262)	(14.3)
Insurance Tax	44,154,168 +	75,375,530	31,221,362	70.7
Motor Vehicle Licenses	2,447,318	2,116,504	(330,814)	(13.5)
Private Car Lines Tax	63,898	300,787	236,889	370.7
Public Service Authority	0	0	0	---
Retailers License Tax	250,129	224,788	(25,341)	(10.1)
Savings and Loan Assoc. Tax	460,035	766,901	306,866	66.7
Workers Comp. Insurance Tax	1,190,388	289,270	(901,118)	(75.7)
Circuit/Family Court Fines	2,532,883	2,681,561	148,678	5.9
Debt Service Transfers	0	0	0	---
Indirect Cost Recoveries	2,575,216	2,206,785	(368,431)	(14.3)
Parole and Probation Fees	3,392,808	1,130,936	(2,261,872)	(66.7)
Unclaimed Property Fund	3,750,000	3,750,000	0	0.0
Gross General Fund Revenue 4/	\$2,330,336,350 +	\$2,424,372,789	\$94,036,439	4.0

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%) and Local Option taxes. Modified accrual since FY91.

2/: End-of-year modified accrual since FY 1992-93 except for Documentary Tax, which began in FY 2001-02.

3/: Includes current and former "non-recurring revenue" shown separately in prior fiscal years.

4/: Format corresponds to BEA Official Revenue Estimate.

**/: Results for earnings are subject to maturity differentials. +: As restated. N/A: Not available. *: Greater than +/- 9,999.

Source: S. C. Board of Economic Advisors (BEA).

File: WGM1014_Oct_MTH_FY15.xlsx

'BIG 3' TAXES BY COMPONENTS: MONTHLY AND CUMULATIVE RESULTS, OCTOBER 2014 (\$ in Millions)

Note: General Fund Revenue collections, only.

TABLE 3 A

SALES, USE & EXCISE TAX COMPONENTS 1/	October of FY2013-14	October of FY2014-15	% CHANGE Month / Month	JULY - OCT. FY2013-14	JULY - OCT. FY2014-15	% CHANGE FY'14 - FY'15
GENERAL RETAIL	199.5 +	208.2	4.4 %	595.8 +	617.3	3.6 %
USE TAX	13.3 +	14.8	11.3	47.7 +	52.0	9.2
RETAIL SALES / USE TAXES	212.8 +	223.0	4.8	643.5 +	669.3	4.0
CASUAL SALES - EXCISE	1.7	1.2	(32.0)	5.4	3.7	(32.2)
TOTAL SALES TAXES	214.5 +	224.2	4.5 %	648.9 +	673.0	3.7 %

TABLE 3 B

INDIVIDUAL INCOME TAX COMPONENTS 2/	October of FY2013-14	October of FY2014-15	% CHANGE Month / Month	JULY - OCT. FY2013-14	JULY - OCT. FY2014-15	% CHANGE FY'14 - FY'15
TOTAL WITHHOLDINGS	357.1 +	369.3	3.4 %	1,359.1 +	1,402.9	3.2 %
TOTAL DECLARATIONS	13.6	8.0	(41.2)	106.0	107.5	1.5
TOTAL PAID W/RETURNS	41.3	32.1	(22.3)	89.4	86.6	(3.1)
GROSS INDIVIDUAL INCOME	411.9 +	409.4	(0.6)	1,554.4 +	1,597.1	2.7
REFUNDS	(46.5)	(42.7)	(8.1)	(117.8)	(113.1)	(4.0)
NET INDIVIDUAL INCOME	365.4 +	366.6	0.3 %	1,436.6 +	1,484.0	3.3 %

TABLE 3 C

CORPORATION INCOME TAX COMPONENTS 2/	October of FY2013-14	October of FY2014-15	% CHANGE Month / Month	JULY - OCT. FY2013-14	JULY - OCT. FY2014-15	% CHANGE FY'14 - FY'15
TOTAL WITHHOLDINGS	1.4	(0.2)	(116.4) %	4.2	3.4	(19.3) %
TOTAL DECLARATIONS	6.9	9.8	40.6	66.0	65.0	(1.4)
TOTAL PAID W/RETURNS	1.8	(6.2)	(453.2)	20.0	26.6	32.7
GROSS CORPORATE INCOME	10.1	3.3	(67.3)	90.3	95.1	5.3
REFUNDS	(6.1)	(12.5)	106.1	(13.1)	(22.9)	74.6
NET CORPORATE INCOME	4.0	(9.2)	(330.8) %	77.2	72.2	(6.5) %

Note: Detail may not add to total due to rounding. * : Less than 0.5. NA: Not Applicable. +: As restated.

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%), and any Local Option taxes.

2/: Includes gross revenue allocated to Property Tax Relief funds.

Source: S. C. Board of Economic Advisors (BEA) 11/10/14/mgd

File: TXCP1014_OVH_OCT_F15M04_Tbl 3A - 3C.xlsx

Board of Economic Advisors Revenue Plan Summary: FY 2014-15

Revenues vs. 08/28/14 BEA Adjusted Estimate of \$7,205 Million in FY 2014-15 1/

JULY - OCTOBER Of FY 2014-15

	(\$ in Millions)			Revenue Growth Rates (%)	
	Actual Revenues	Expected Revenues	Excess / (Shortfall)	Estimate Full Fiscal Yr.	Actual Yr. to Date
Total General Fund Revenue	2,424.4	2,409.7	14.7	2.4	4.0
Sales Tax	673.0	652.0	21.0	2.9	3.7
Individual Income Tax	1,484.0	1,494.0	(10.0)	2.6	3.3
Corporate Income Tax	72.2	83.2	(11.0)	7.2	(6.5)
All Other Revenues #	185.4	170.9	14.6	(1.6)	19.3
Admissions Tax - Total	4.7	3.4	1.3	4.9	39.8
Alcoholic Liquors Tax	15.4	14.8	0.6	1.0	5.0
Bank Tax	5.1	10.0	(4.9)	20.8	(38.5)
Beer and Wine Tax	28.3	27.5	0.8	0.02	3.0
Business License Tax	6.8	6.6	0.2	5.8	9.1
Corporation License Tax	24.9	7.9	17.0	(12.4)	2.6
Departmental Revenue 2/	4.1	4.5	(0.4)	(56.4)	(28.5)
Documentary Tax	10.3	8.5	1.7	(7.1)	11.5
Earnings on Investments	5.8	6.2	(0.4)	(7.9)	(14.3)
Insurance Tax	75.4	75.8	(0.4)	17.5	70.7
Workers' Comp. Insurance Tax	0.3	1.5	(1.2)	24.1	(75.7)
All Other Balance	2.2	1.7	0.5	10.5	43.7
Residual Revenue not shown #	2.2	2.6	(0.3)	1.7	(13.0)
Miscellaneous Revenue	9.8	9.6	0.1	(8.5)	(20.3)
Unclaimed Property Fund	3.8	3.8	0.0	0.0	0.0
Miscellaneous Revenue Balance	6.0	5.9	0.1	(13.3)	(29.2)

1/: BEA format: includes certified adjustments and excludes non-recurring cash transfers and certain 'other source' revenues, where applicable.

2/: Includes nominal amounts from former recurring revenues.

Notes: Detail may not sum to total due to rounding. #: Residual Revenue includes Coin-Op., Estate and Motor Vehicle Licenses.