



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 January 28, 2016, 9:30am Room 417, Rembert C. Dennis Building

1. Welcome and Opening Remarks
2. Adoption of Meeting Minutes for November 10, 2015
3. Review of Revenues and Economic Conditions
 - A. Report for December 2015 (F. Rainwater, R. Martin)
 - B. Discussions Regarding February Forecast Meeting
4. Other Items - (F. Rainwater)
5. 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
6. Future Meeting Schedule:
 - A. February 10, 2016, 2:00pm- Forecast; RFA Meeting Follows
 - B. March 23, 2016, 2:00pm (Board Members will join via WebEx)
 - C. April 21, 2016, 2:00pm - RFA Meeting Follows
 - D. 2016 Calendar at <http://rfa.sc.gov/calendar?m=01&y=2016>
7. 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



January 28, 2016 Release

General Fund Revenue

December
Fiscal Year 2015-16



REVIEW OF REVENUES AND ECONOMIC CONDITIONS



Board of Economic Advisors Revenue Plan Summary: FY 2015-16

Revenues vs. 11/10/15 BEA Adjusted Estimate of \$7,856.2 Million in FY 2015-16 1/

	JULY - DECEMBER FY 2015-16			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
Total General Fund Revenue	3,934.7	4,025.6	(90.9)	4.6	2.8
Sales Tax	1,112.4	1,149.1	(36.6)	5.4	2.0
Individual Income Tax	2,361.5	2,425.0	(63.5)	6.2	4.3
Corporate Income Tax	144.3	126.7	17.6	4.1	31.8
Other Revenue Sources 2/	316.5	324.9	(8.4)	(5.1)	(13.0)
<i>Select Tax Revenues, Sub-Total</i>	<i>260.4</i>	<i>278.1</i>	<i>(17.7)</i>	<i>(4.5)</i>	<i>(15.6)</i>
Admissions Tax - Total	7.6	10.1	(2.5)	1.9	(28.4)
Alcoholic Liquors Tax	27.7	27.2	0.5	2.6	4.5
Bank Tax	11.6	7.5	4.1	4.0	60.2
Beer and Wine Tax	44.1	45.3	(1.3)	1.5	(1.4)
Corporation License Tax	30.1	50.6	(20.5)	(20.5)	(52.7)
Documentary Tax	18.7	18.3	0.4	10.1	12.7
Earnings on Investments	8.9	7.9	1.0	(9.7)	2.2
Insurance Tax	101.0	100.3	0.7	(5.1)	(15.5)
Tobacco Tax	10.9	10.8	0.1	(1.5)	(0.8)
<i>Residual Revenue, Sub-Total 3/</i>	<i>56.1</i>	<i>46.8</i>	<i>9.3</i>	<i>(7.7)</i>	<i>23.4</i>

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

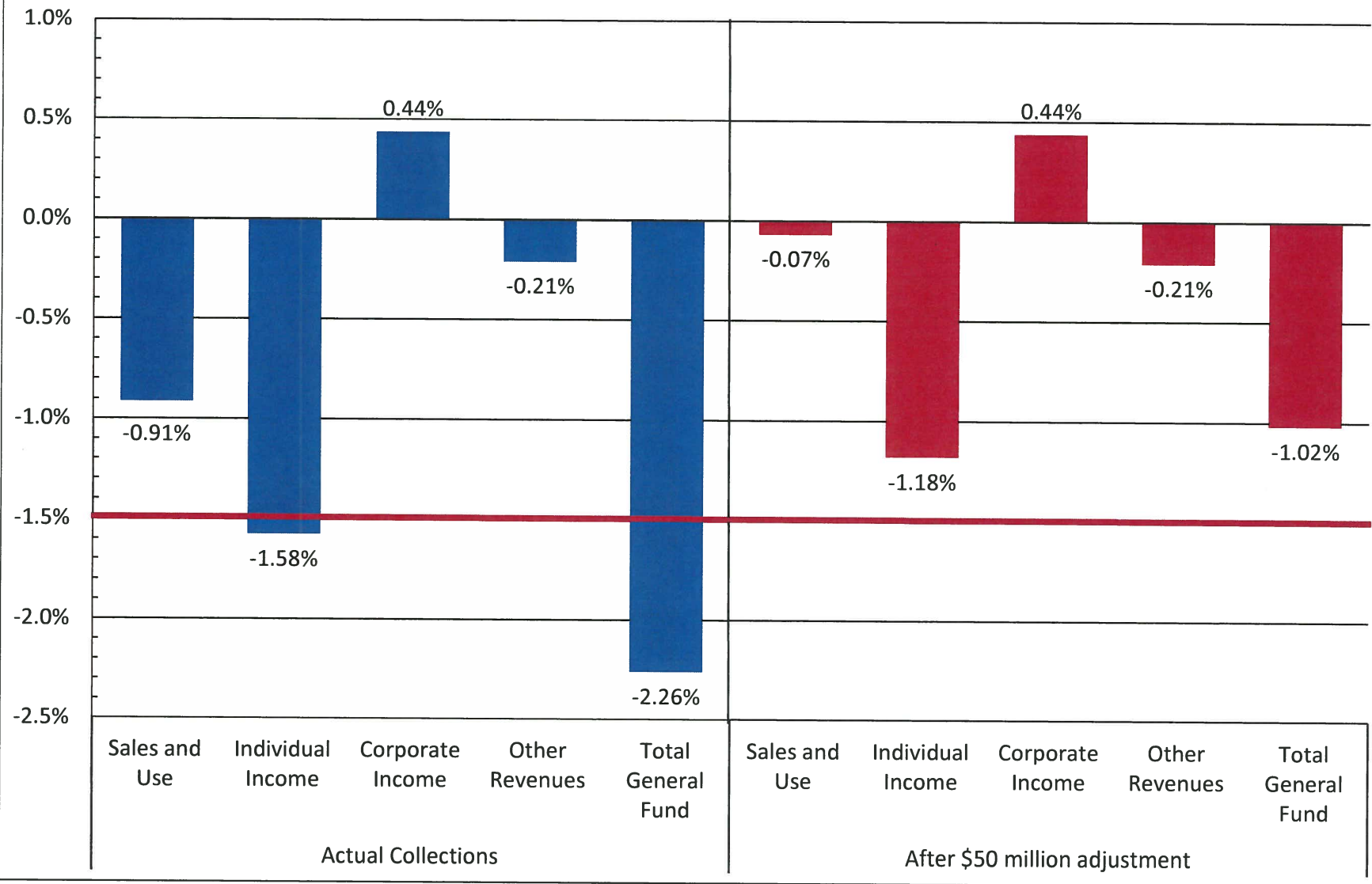
2/: May include nominal amounts from former recurring revenues.

3/: Refer to p. 15, Residual Revenue, for list of components in this subcategory.

Note: Detail may not sum to total due to rounding.

FORECAST ACCURACY FOR Q2 FY2016

Actual as a Percentage Above/Under Forecast



General Fund Revenue- December 2015

- General Fund revenue for December of 2015 was down 3.3 percent from a year ago due primarily to accounting issues.
- This decline was the result of a spike in revenues for December of 2014 from audits and anticipated tax changes and a delay in the timing of recorded December 2015 revenue.
- For the fiscal year, revenues have increased 2.8 percent and are \$90.9 million behind the estimate.
- After consideration of the delayed recording of revenue, total revenues are approximately \$40 million or 1.0 percent behind the estimate.

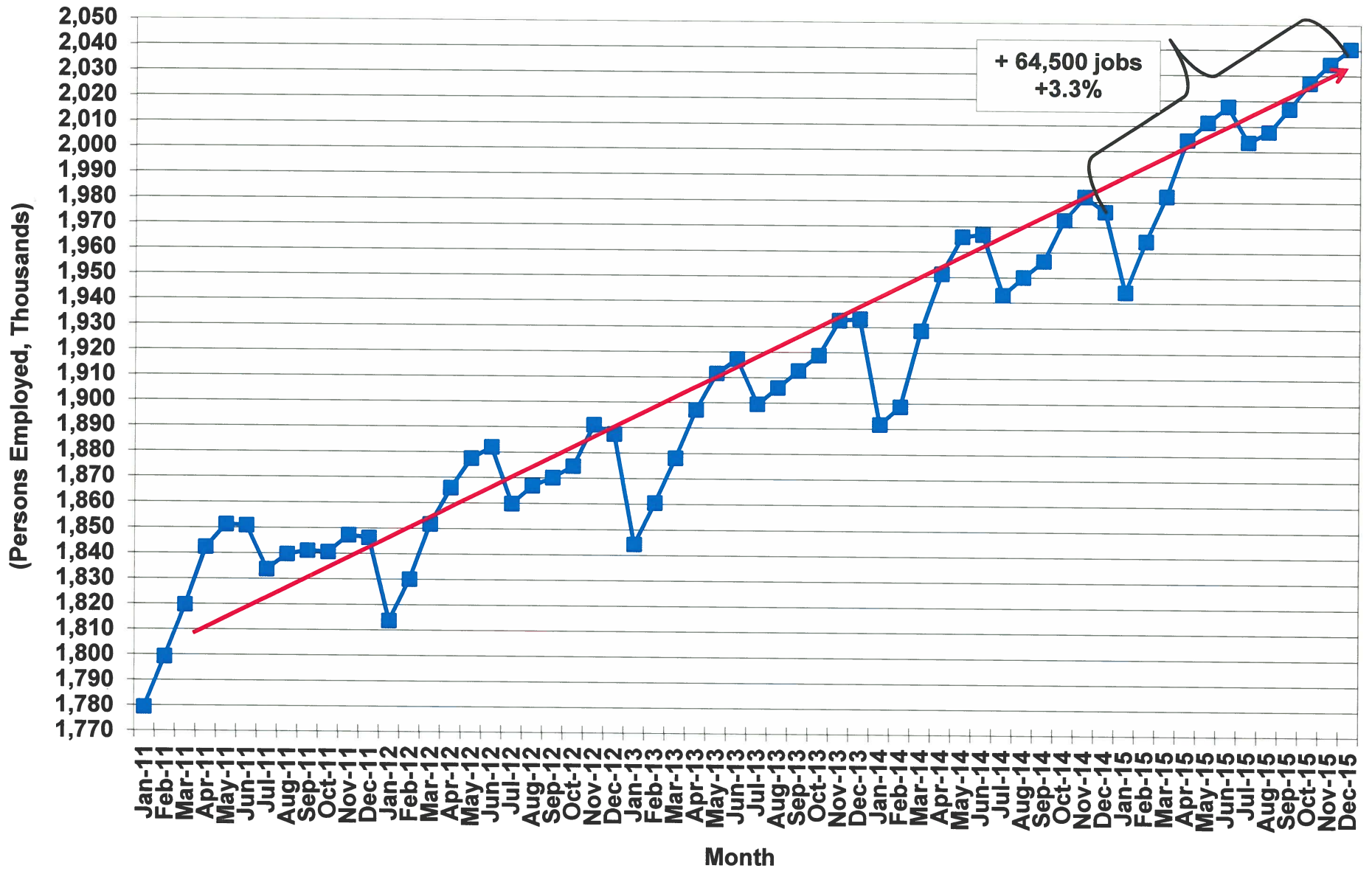


**Board of Economic Advisors
January 2016**

Pros (Working in Favor of Revenue Estimate)

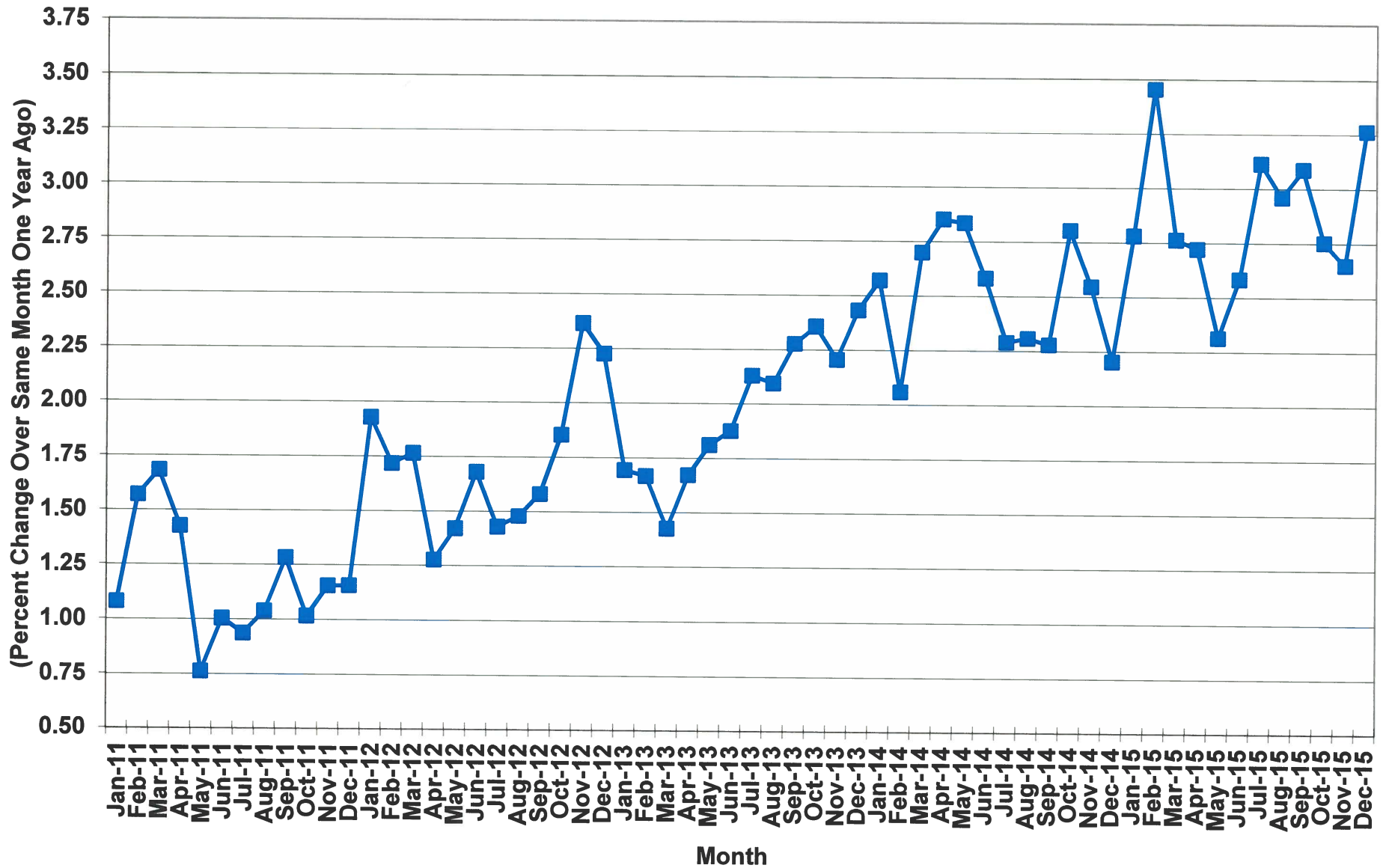
- **Strong employment growth (3.3% in Dec.)**
- **Strong wage growth (5.3% in 2015Q3) => in line with revenue estimate**
- **Christmas holiday sales?**
- **Declining price of crude oil => worldwide glut of oil**
- **Lower gasoline prices will provide additional income to consumers**
- **Auto sector continues strong growth**

Total Nonfarm Employment in South Carolina



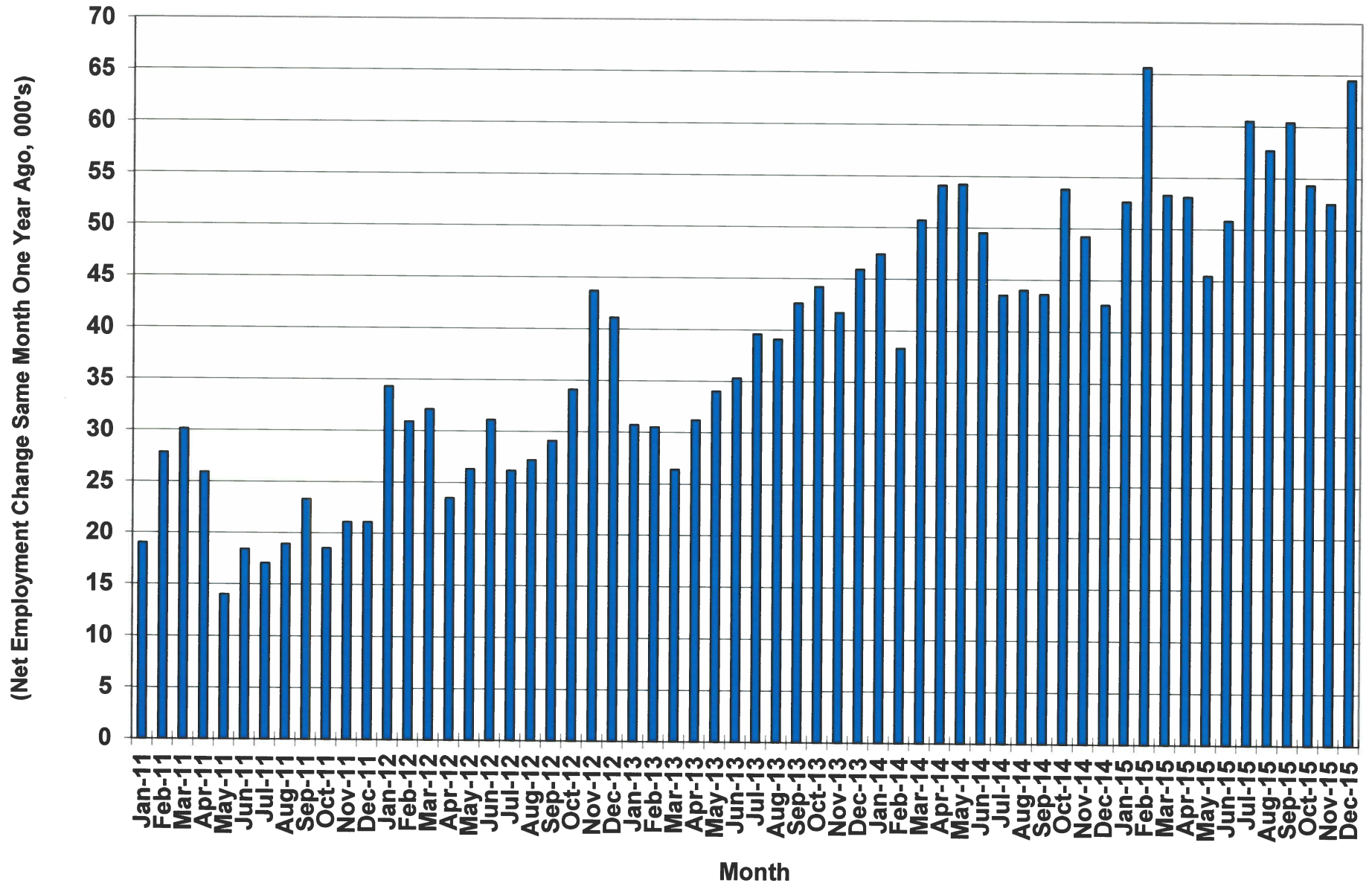
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/01/28/16

Total Nonfarm Employment Growth in South Carolina



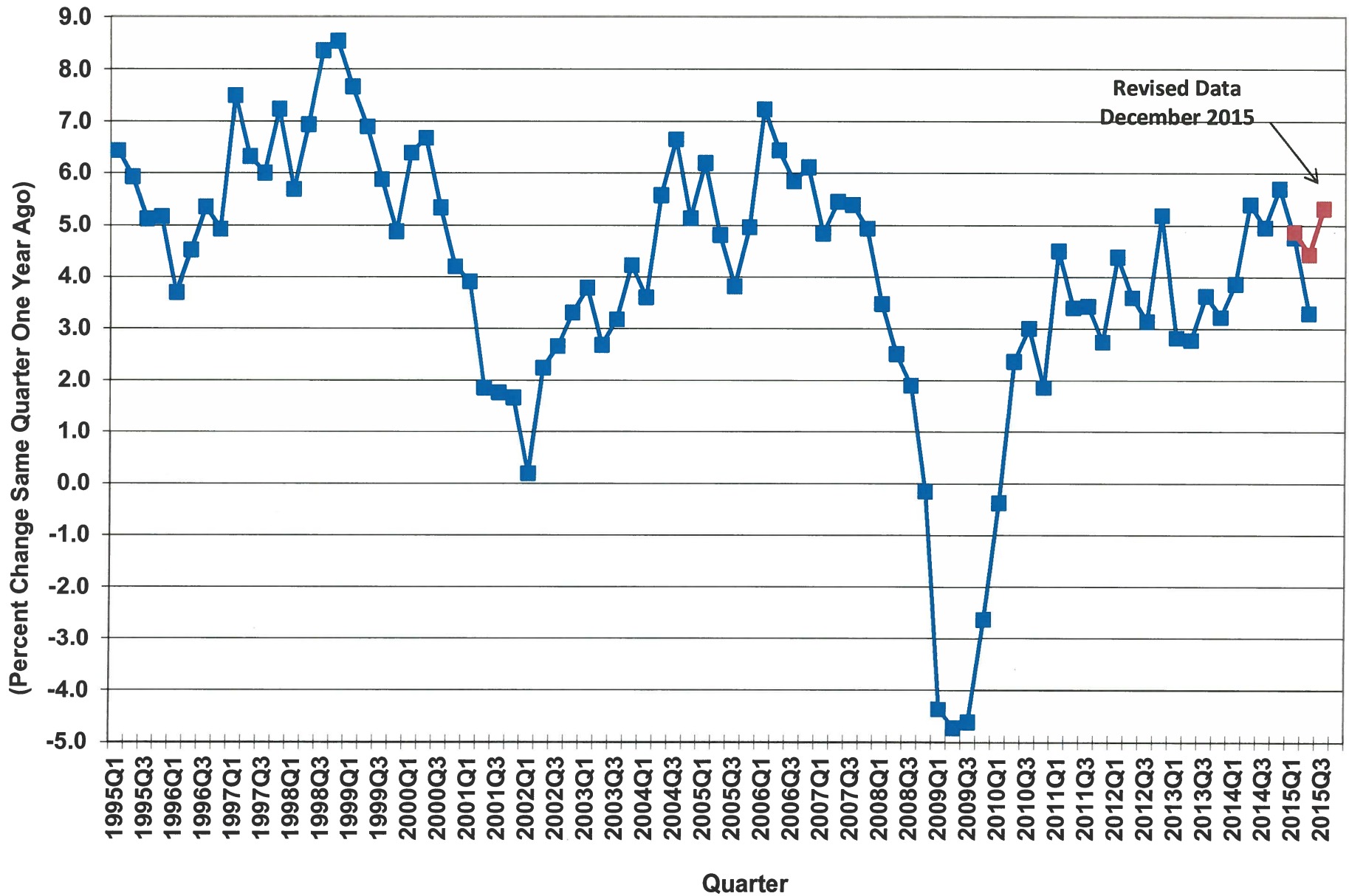
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/01/28/16

Net Nonfarm Employment Increase/Decrease in South Carolina

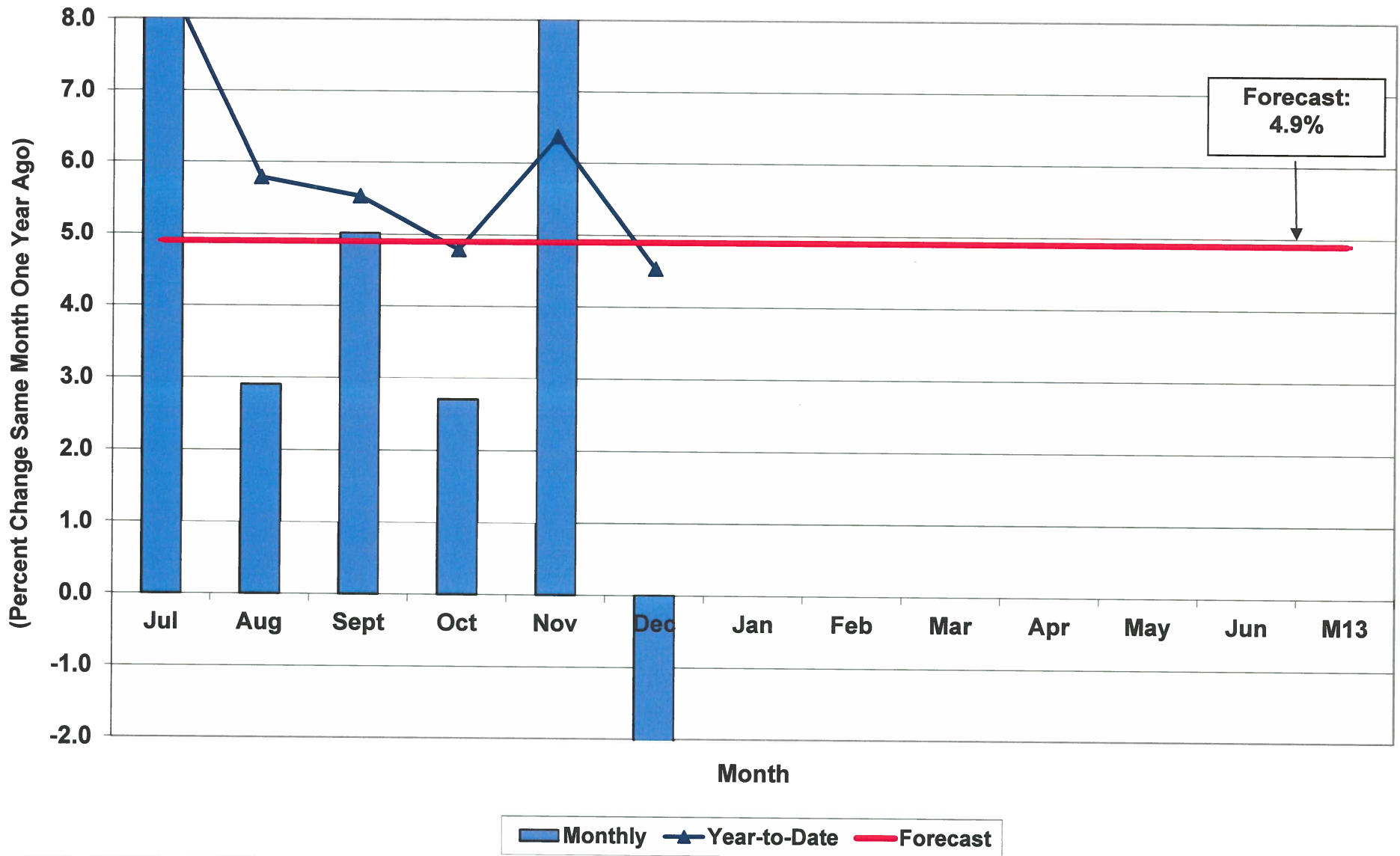


Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/01/28/16

Growth in Wages & Salaries in South Carolina

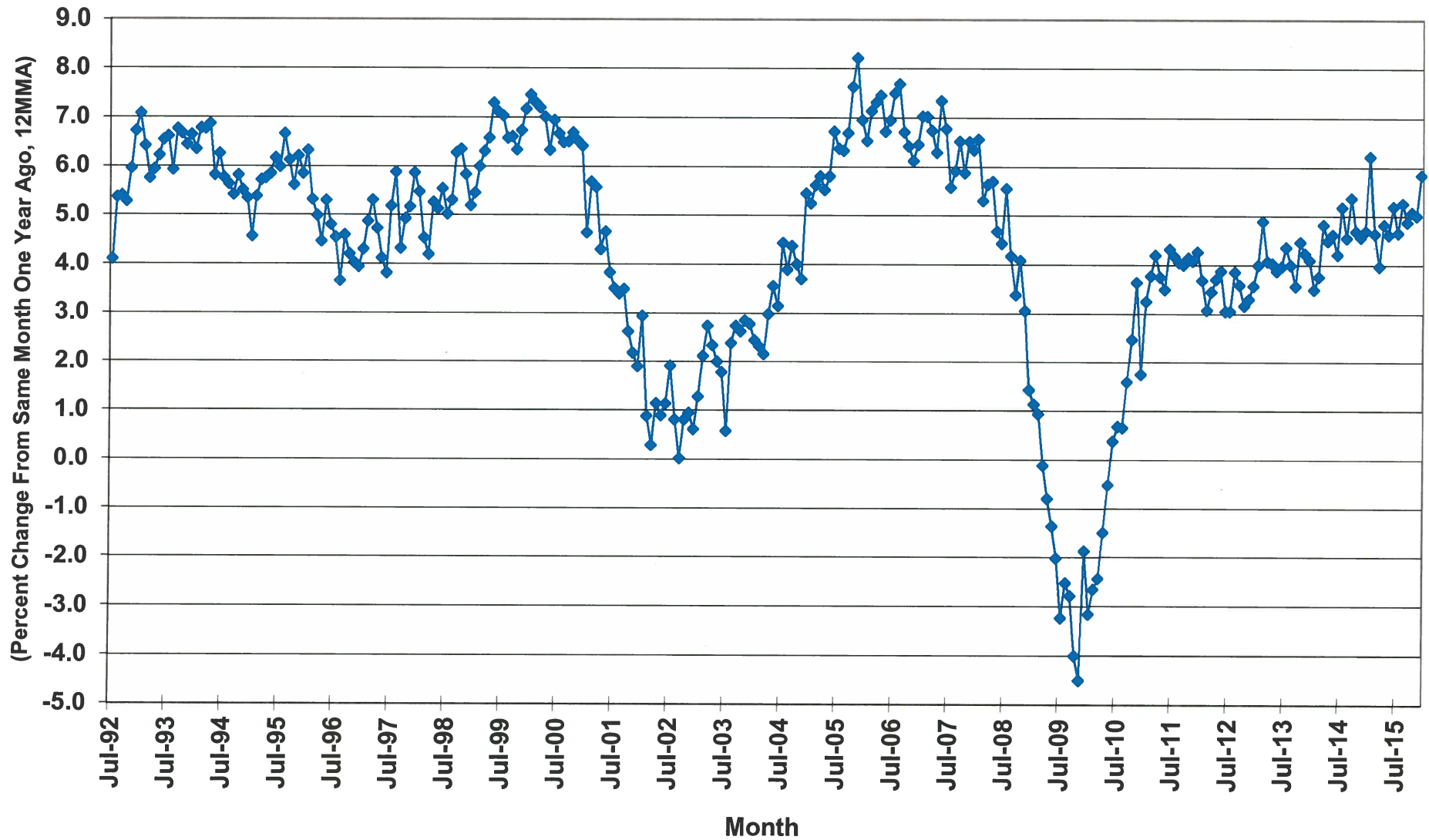


Growth in Individual Income Tax Withholding Revenue FY2016 Monthly and Year-to-Date

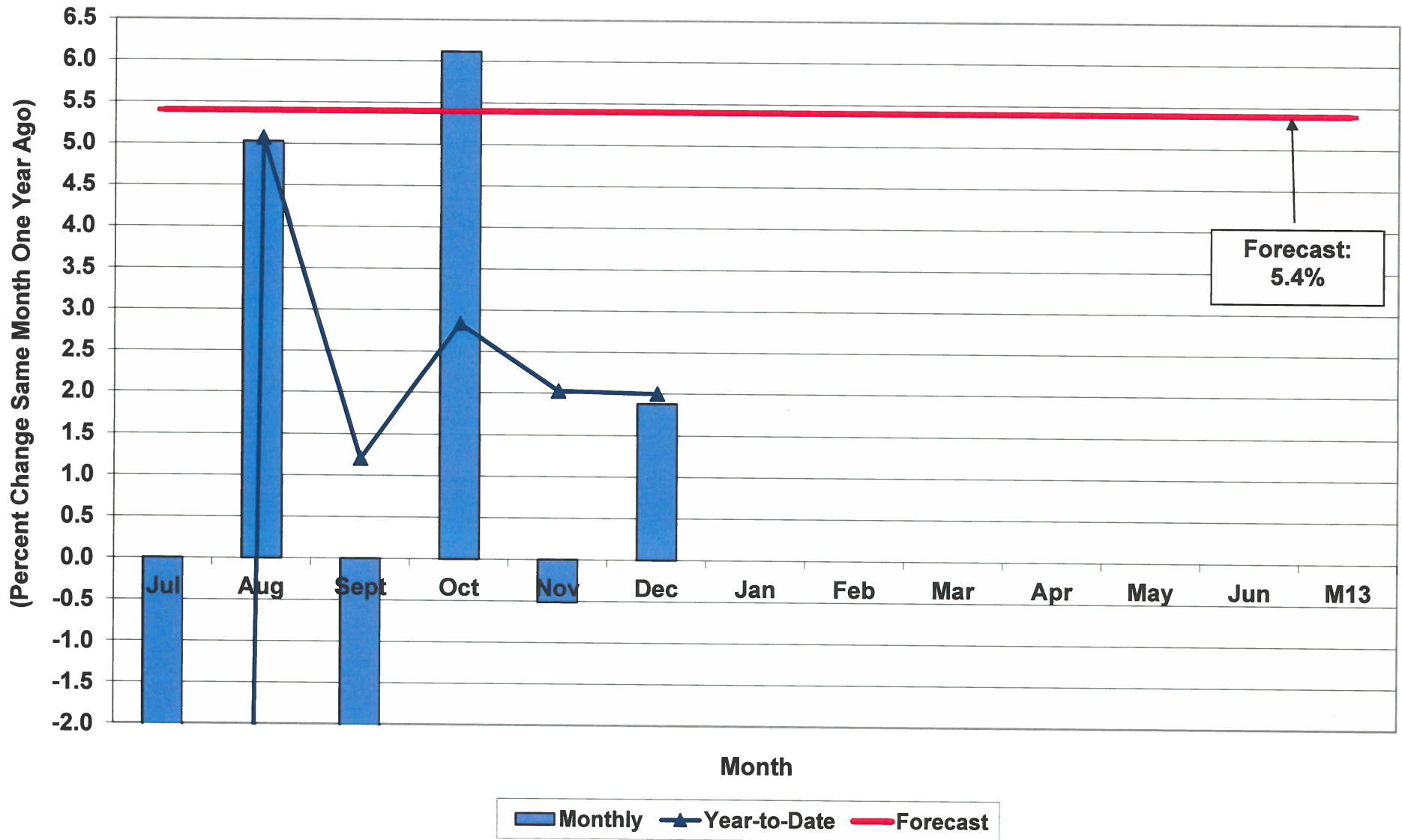


Source: Board of Economic Advisors
BEA/RWM/01/22/16

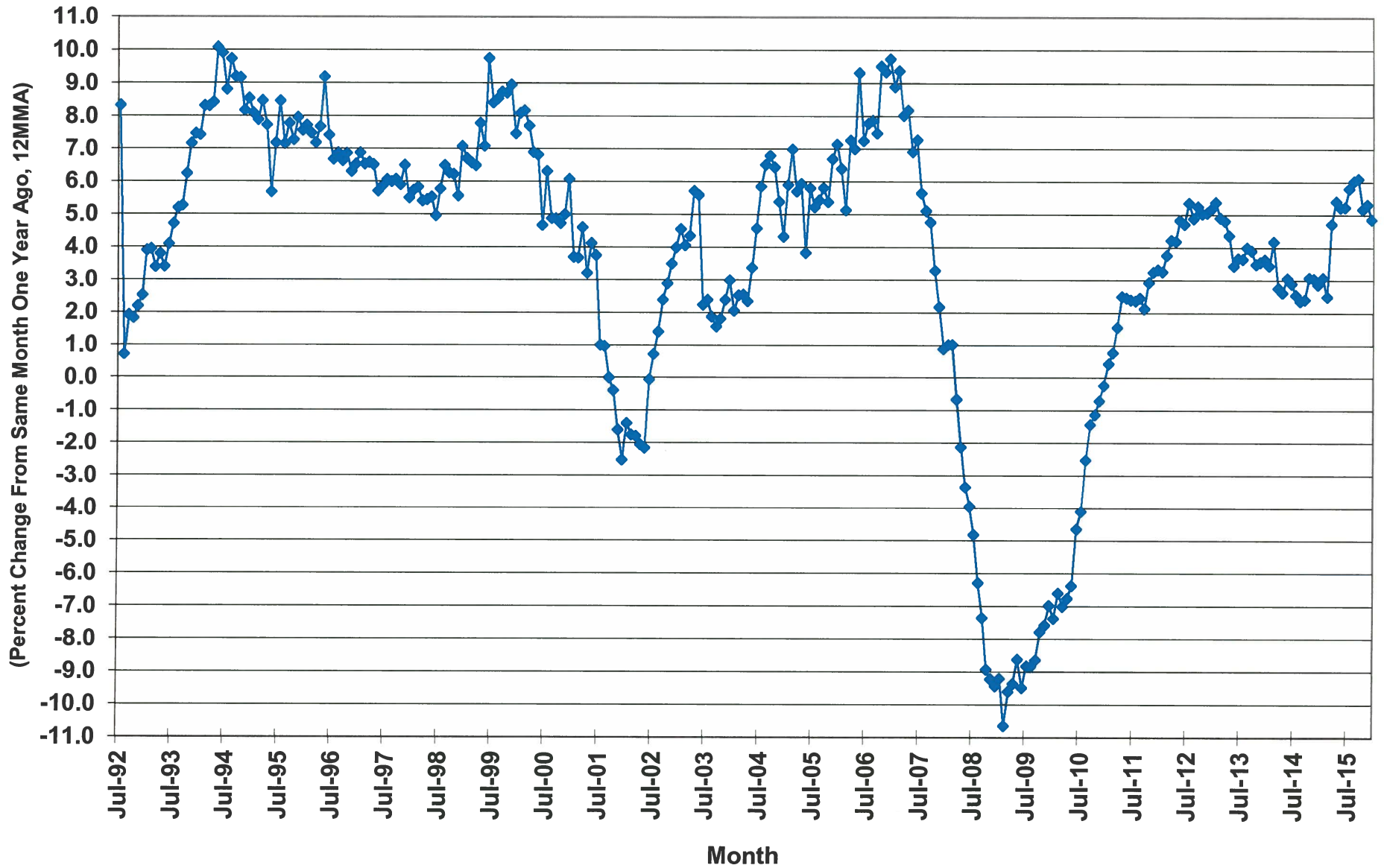
Growth in General Fund Individual Income Tax Withholdings in South Carolina



Growth in Total Sales & Use Tax Revenue Collections FY2016 Monthly and Year-to-Date

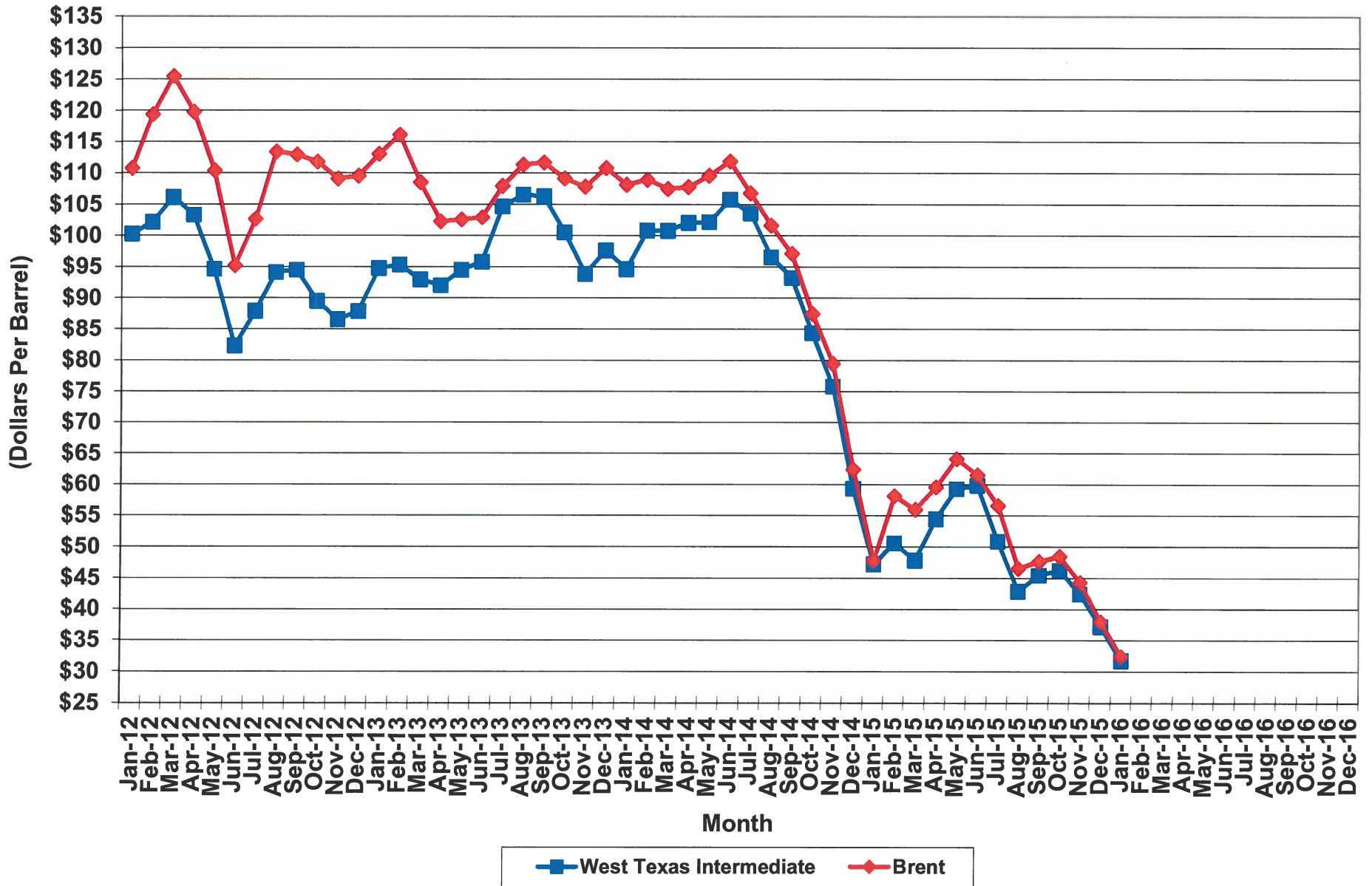


Growth in General Fund Sales Tax Revenue in South Carolina

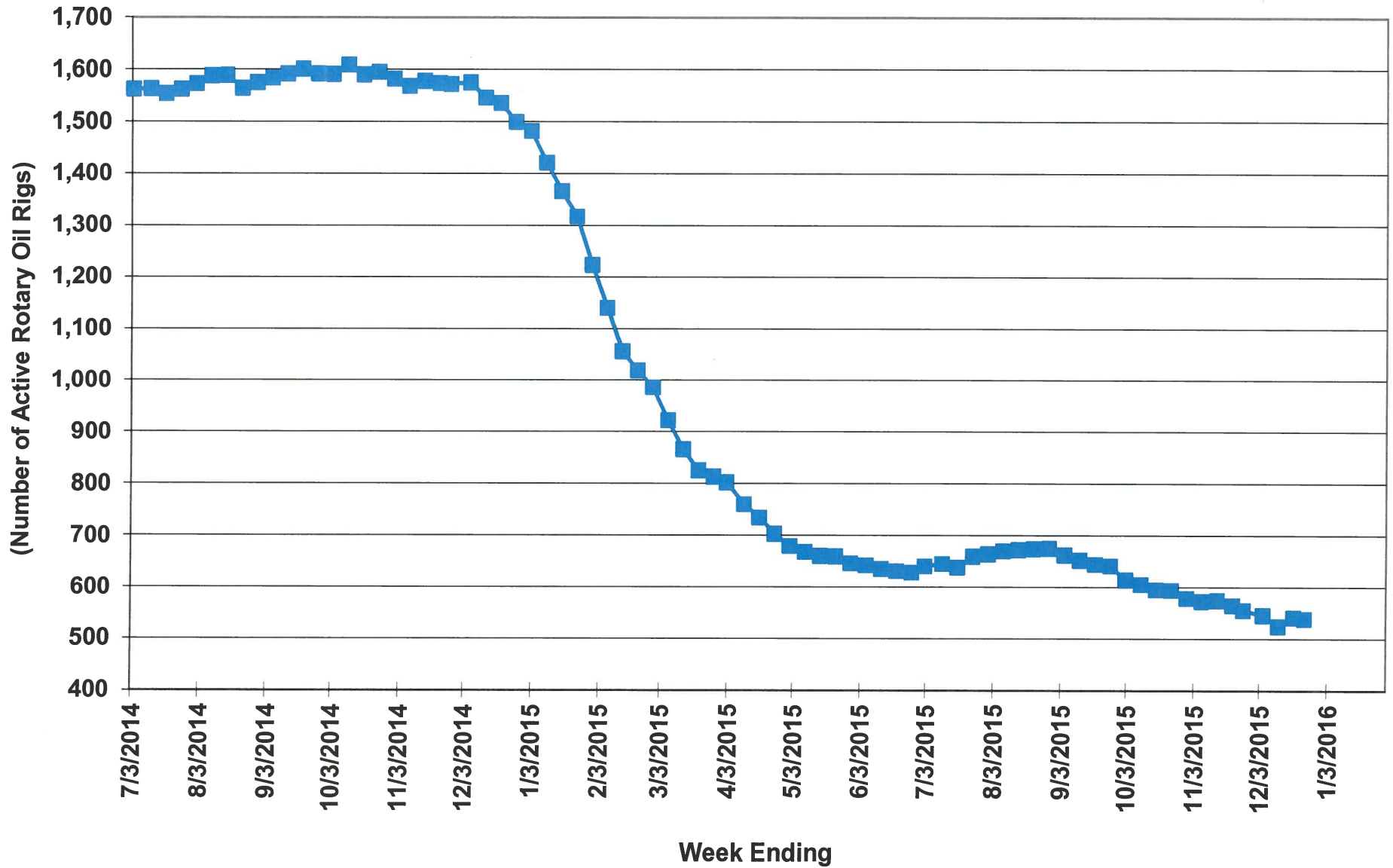


Source: S.C. Board of Economic Advisors
BEA/RWM/01/21/16

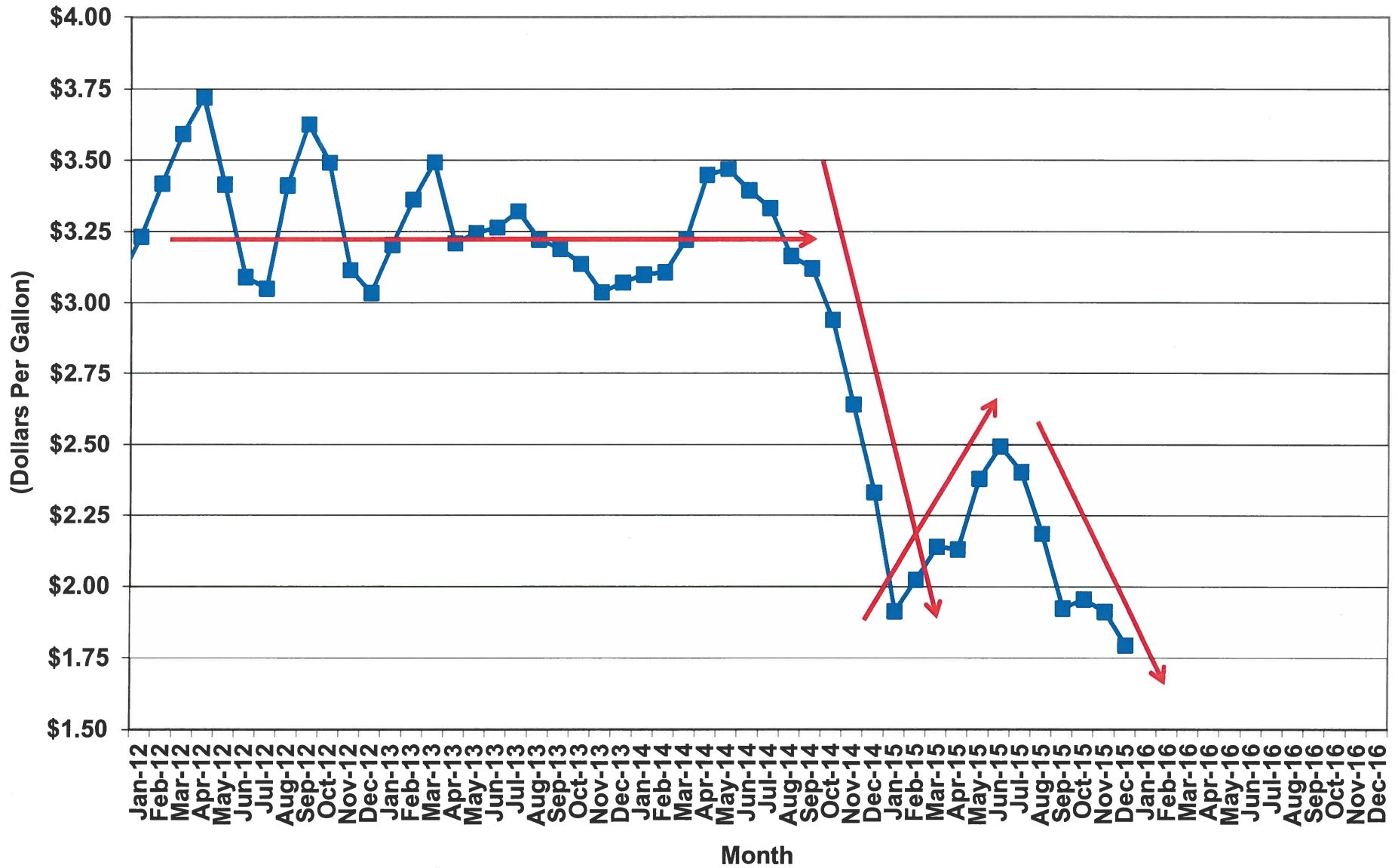
Spot Crude Oil Prices



Active Oil Rotary Rig Count in the United States

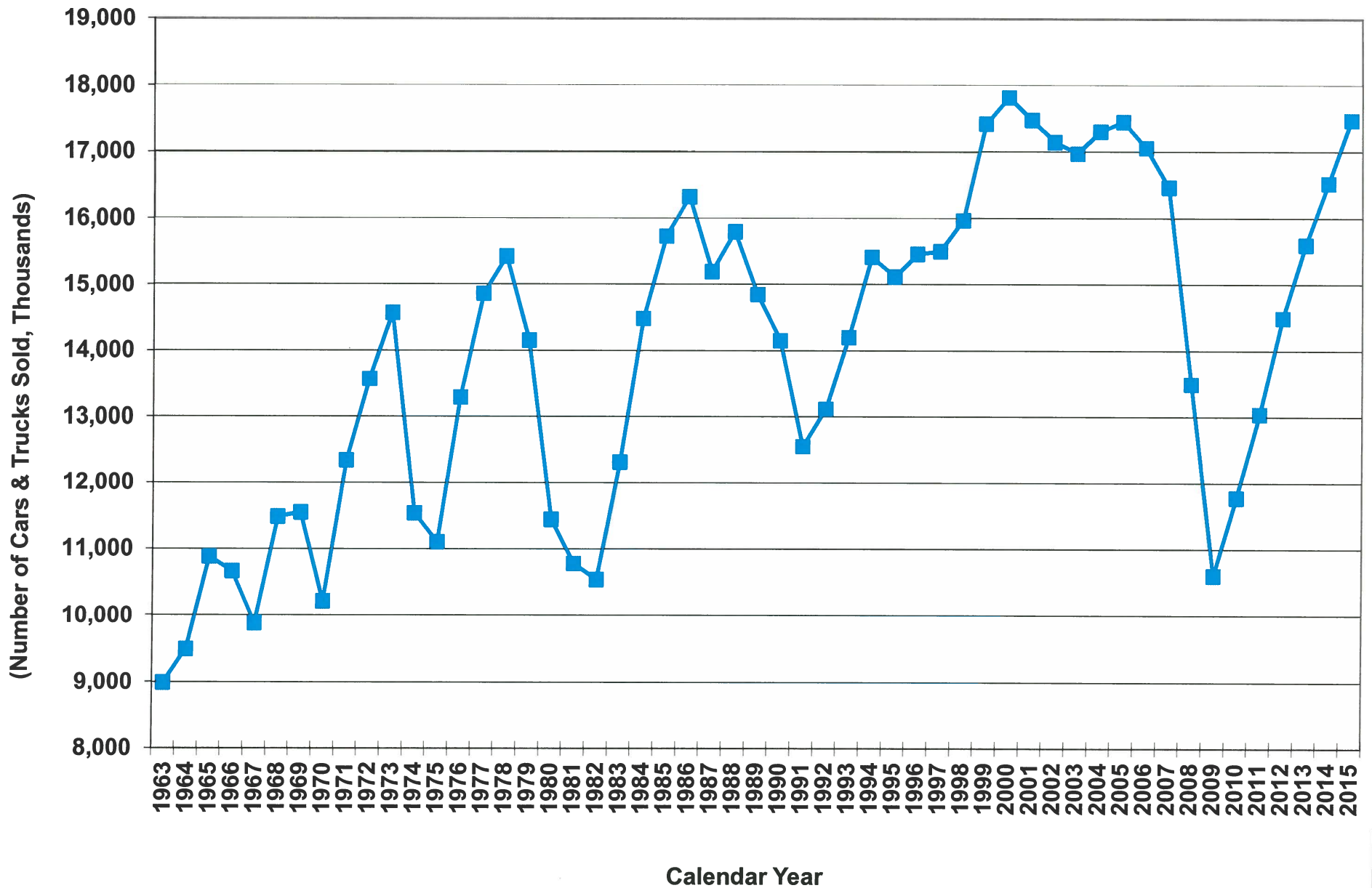


Gasoline Prices in South Carolina



Source: AAA of the Carolina's
SCBEA/RWM/01/28/16

U.S. Car & Truck Sales - 1963 to 2015



Sources: Ward's Automotive Group; Autodata Corporation.

**Board of Economic Advisors
January 2016**

Cons (Working Against the Revenue Estimate)

- **Federal Reserve policy**
- **Strong U.S. dollar**
- **Manufacturing employment growth is weak**
- **NAPM below a reading of 50 for several months**
- **Recent flooding has dampened housing sector**

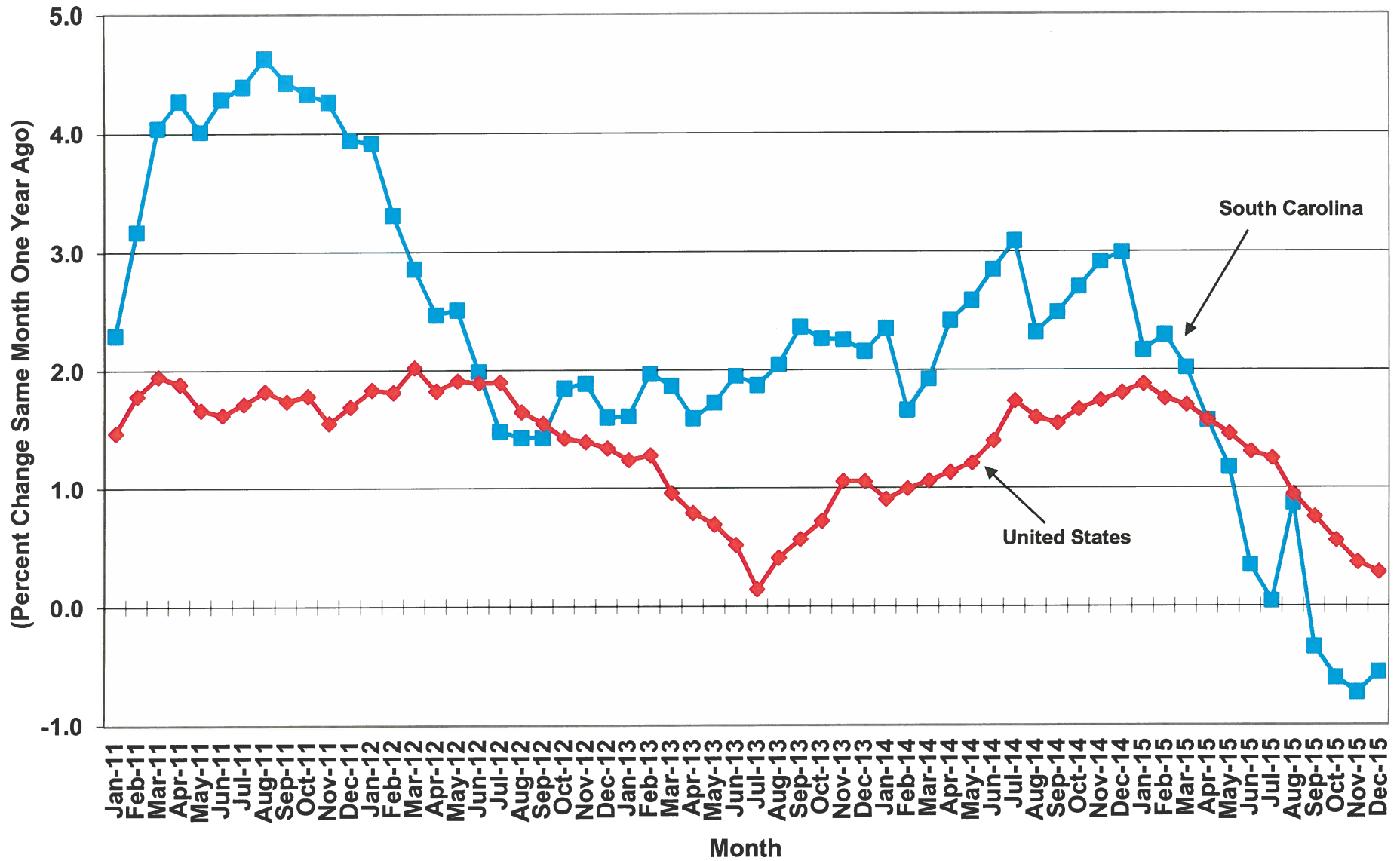


Value of the Euro vs. the U.S. Dollar



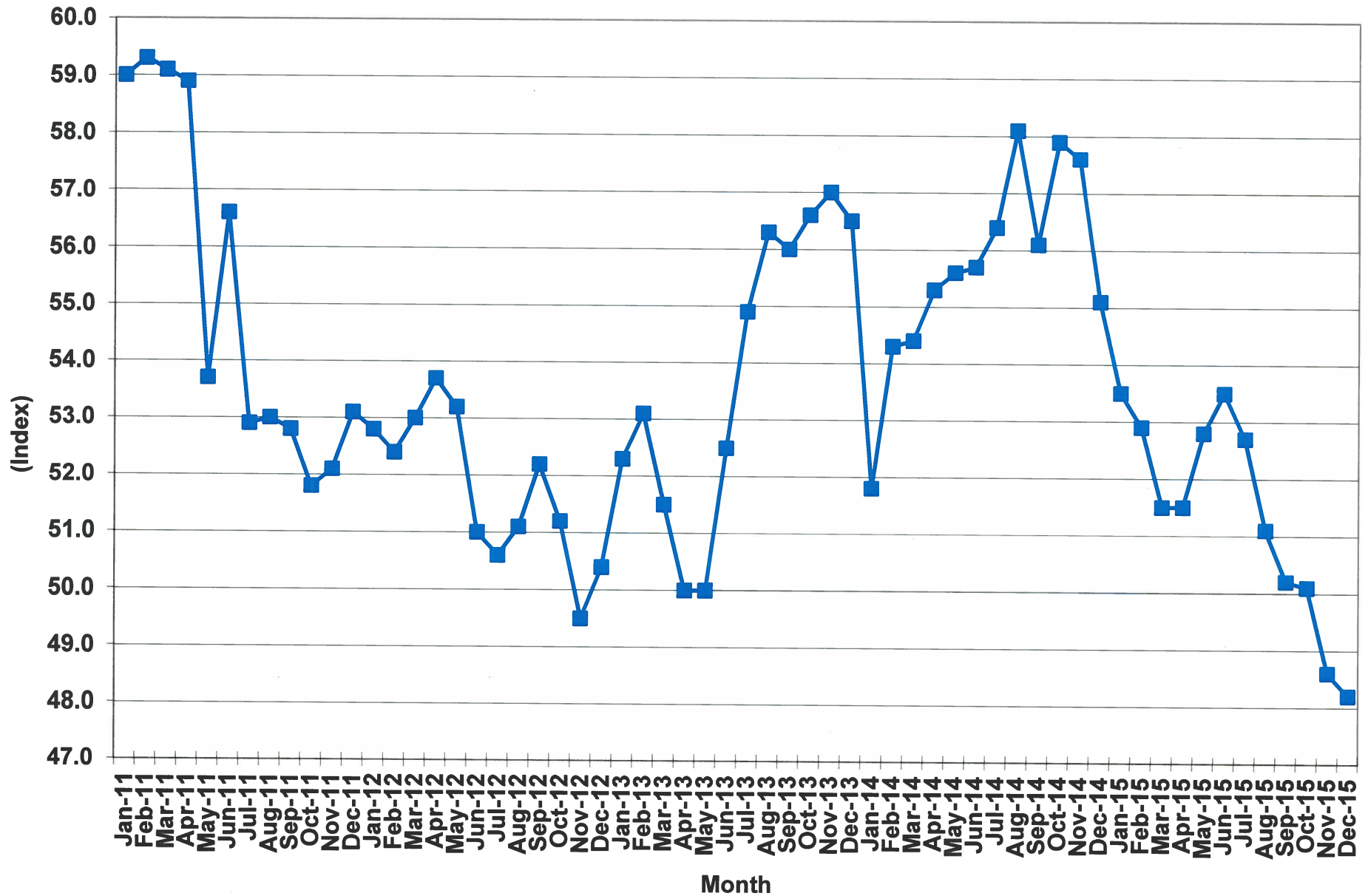
Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/01/28/16

Growth in Manufacturing Employment in SC and US

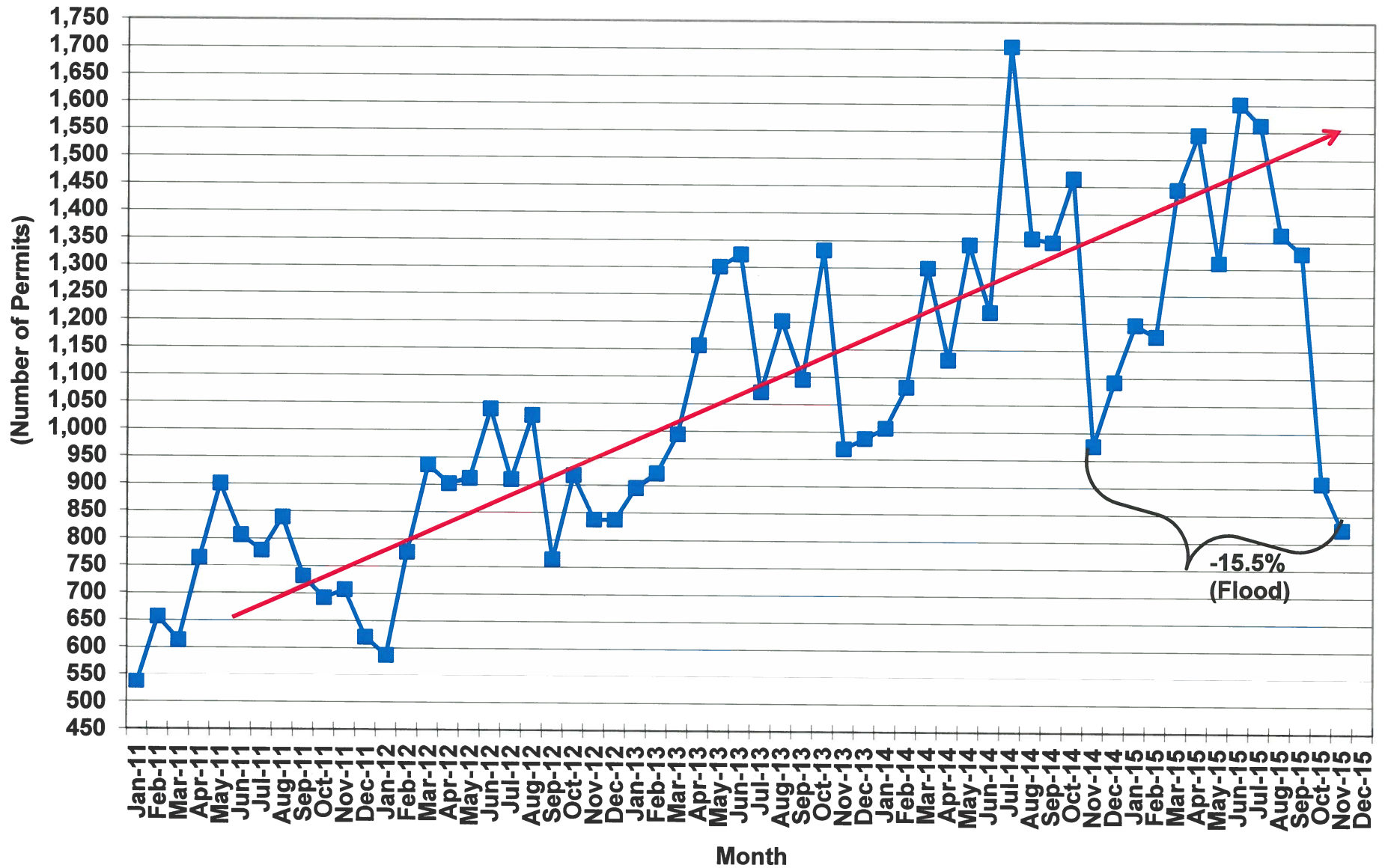


Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
BEA/RWM/09/29/15

Index of Manufacturing Purchasing Managers Index (NAPM)

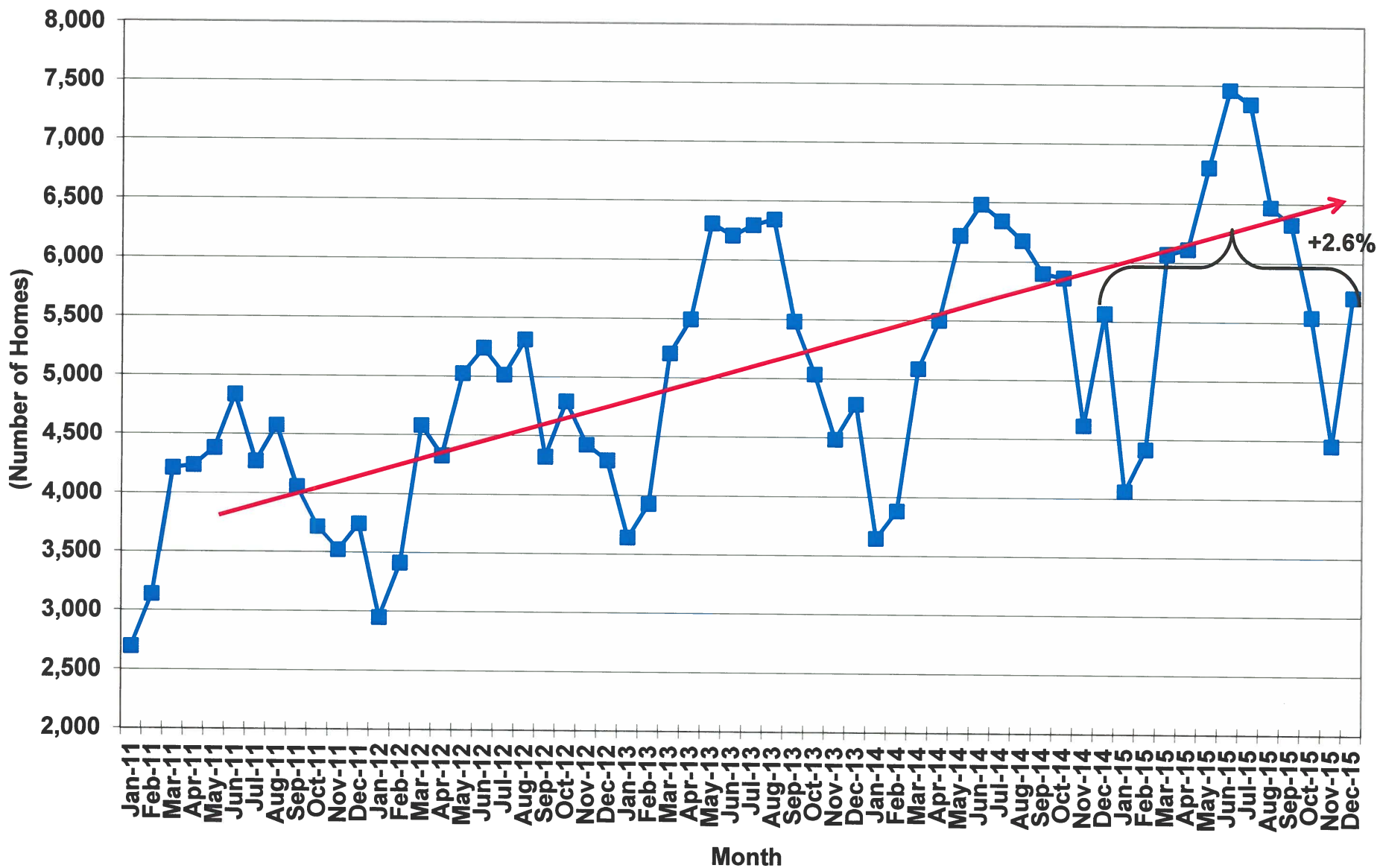


Residential Building Permits in South Carolina



Source: U.S. Department of Commerce, Bureau of the Census
SCBEA/RWM/01/28/16

Number of Homes Sold in South Carolina



Source: South Carolina Association of Realtors
 SCBEA/RWM/01/28/16

**Board of Economic Advisors
January 2016**

Current Issues

Department of Revenue

- **Delay remittal of taxes due to flooding**
- **Delaying the beginning of refund processing**
- **Implementation of new sales tax / withholding tax programs => working out the bugs**
- **Carryover of Sales Tax (\$33 mil.) & Individual Income Tax Withholdings (\$17 mil.)**
- **Affecting our tax receipts patterns => ultimate shortfall/surplus**

FEMA starting to disburse funds

FEBRUARY FORECAST MEETING



South Carolina Revenue and Fiscal Affairs Office

January 28, 2016

OTHER ITEMS



APPENDIX





Revenue Digest

December 2015

General Fund revenue for December of 2015 was down 3.3 percent from a year ago due primarily to several accounting issues. Revenue in December of 2014 grew 14.7 percent and was bolstered by an audit payment of \$31 million and 7.2 percent in withholding payments at the year end. Revenue in December of 2015 was negatively affected by the deposited \$50 million in clearing accounts that were not credited to the General fund before the close of the fiscal month.

Revenues for the fiscal year have grown 2.8 percent and are \$90 million below the estimate. After accounting for the \$50 million in delayed deposits, revenue growth is 4.1 percent and \$40 million below the estimate. This shortfall is 1.0 percent below estimate and is expected to recover in January.

Revenue Category	Month-to-Date Growth (% Change)	Year-to-Date Growth (% Change)
Sales and Use Tax	1.9	2.0
Individual Income Tax	-2.9	4.3
Corporate Income Tax	25.2	31.8
Corporate License Tax	-86.3	-52.7
Other Revenues	1.6	-4.6
Total General Fund	-3.3	2.8

- Sales and Use tax revenue grew 1.9 percent from December of last year, while the year-to-date growth is up 2.0 percent. Of the \$50 million in delayed reporting, \$34 million is in Sales and Use tax. Considering this fact, Sales and Use tax growth is 5.1 percent for the fiscal year. Compared to the estimate, Sales and Use tax revenue growth is \$2.7 million or 0.2 percent below the estimate.
- Individual Income revenue has grown 4.3 percent year-to-date, despite being down 2.9 percent month-to-date. The remainder of the \$16 million in delayed deposits is in Individual Income tax revenue. After making this adjustment, total Individual Income tax growth is 5.0 percent. Total Individual Income tax revenue is \$47.5 million or 2.0 percent below the estimate.
- Other Revenues are up 1.6 percent from last December and down 4.6 percent year-to-date due largely to the biennial insurance licensing tax being in a down year.

Summary

With continued strong employment growth and an expected rebound in Sales and Use tax revenue growth, the estimate is still in line to reach total expected growth of 4.6 percent for the fiscal year. The board will meet on February 10th to review the estimate.





Table 1

December

General Fund Revenue	FY 2014-15	FY 2015-16	\$ Change	% Change
Sales and Use Tax	202,583,439	206,414,969	3,831,530	1.9
Individual Income Tax	473,303,812	459,741,151	(13,562,661)	(2.9)
Corporation Income Tax	40,629,381	50,868,069	10,238,688	25.2
Insurance Taxes	43,102,705	44,869,097	1,766,392	4.1
Admissions Tax	3,168,963	3,210,370	41,407	1.3
Aircraft Tax	2,317,107	2,903,503	586,396	25.3
Alcoholic Liquor Tax	5,092,744	6,742,624	1,649,880	32.4
Bank Tax	2,860,029	3,313,740	453,711	15.9
Beer and Wine Tax	7,590,517	7,777,667	187,150	2.5
Bingo Tax	139,355	243,670	104,315	74.9
Business Filing Fees	399,718	436,148	36,430	9.1
Circuit/Family Court Fines	511,999	527,269	15,270	3.0
Corporation License Tax	35,423,553	4,851,974	(30,571,579)	(86.3)
Documentary Tax	1,681,934	3,040,210	1,358,276	80.8
Earned on Investments	1,775,208	1,855,656	80,448	4.5
Indirect Cost Recoveries	780,416	582,606	(197,810)	(25.3)
Motor Vehicle Licenses	784,632	1,051,467	266,835	34.0
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	282,734	282,734	0	0.0
Private Car Lines Tax	2,607,008	1,882,656	(724,352)	(27.8)
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	563,599	319,023	(244,576)	(43.4)
Security Dealer Fees	17,502,554	18,512,340	1,009,786	5.8
Surcharge on Vehicle Rentals	0	51,543	51,543	---
Tobacco Tax	1,979,174	2,260,891	281,717	14.2
Uncashed Checks	0	(1,337,858)	(1,337,858)	---
Unclaimed Property Fund	3,750,000	0	(3,750,000)	(100.0)
Workers' Comp. Insurance Tax	2,912,489	3,051,496	139,007	4.8
Other Source Revenues	952,120	821,814	(130,306)	(13.7)
Gross General Fund Revenue	\$852,695,190	\$824,274,829	(\$28,420,361)	(3.3)

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.



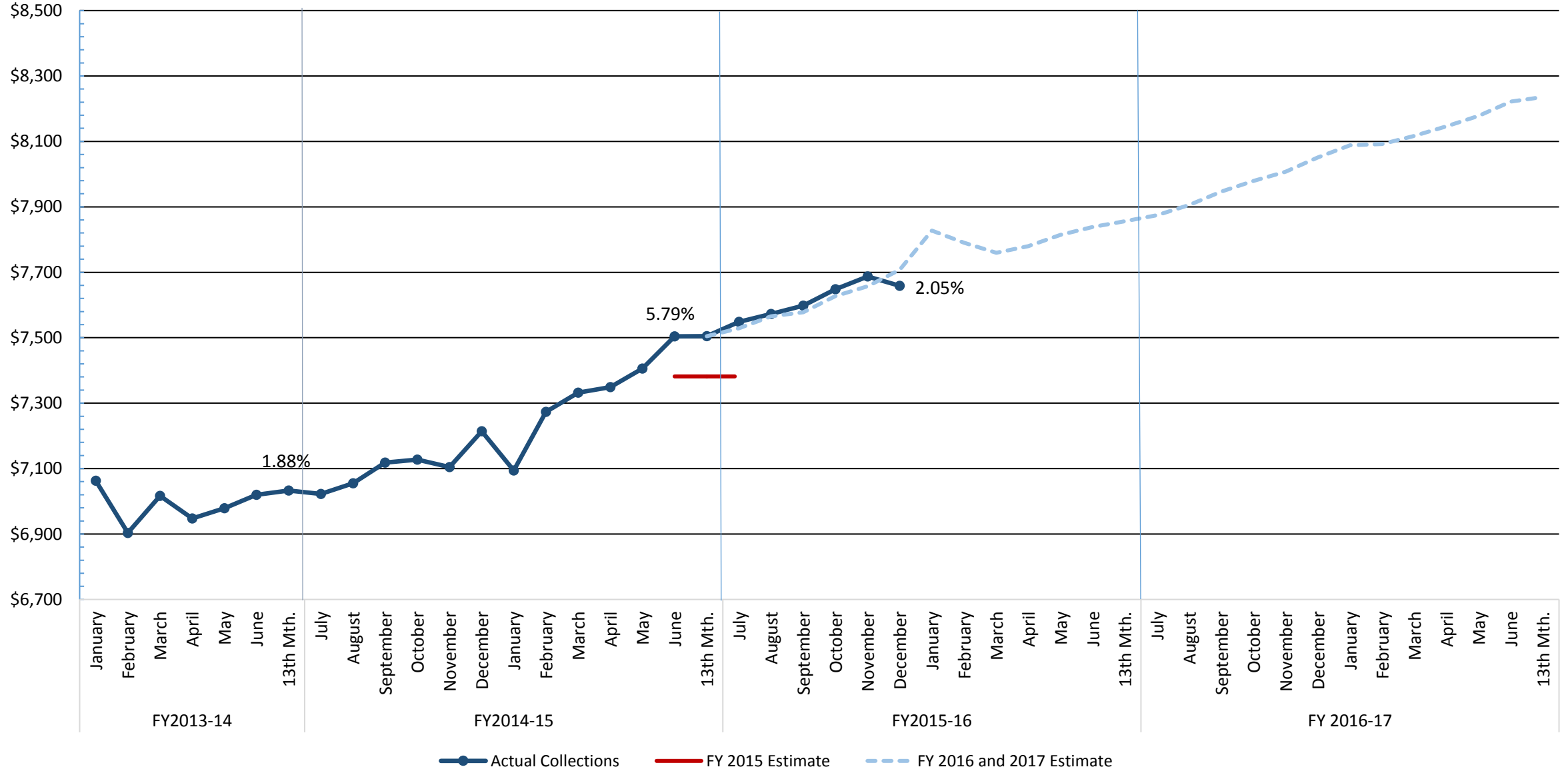
Table 2

July - December

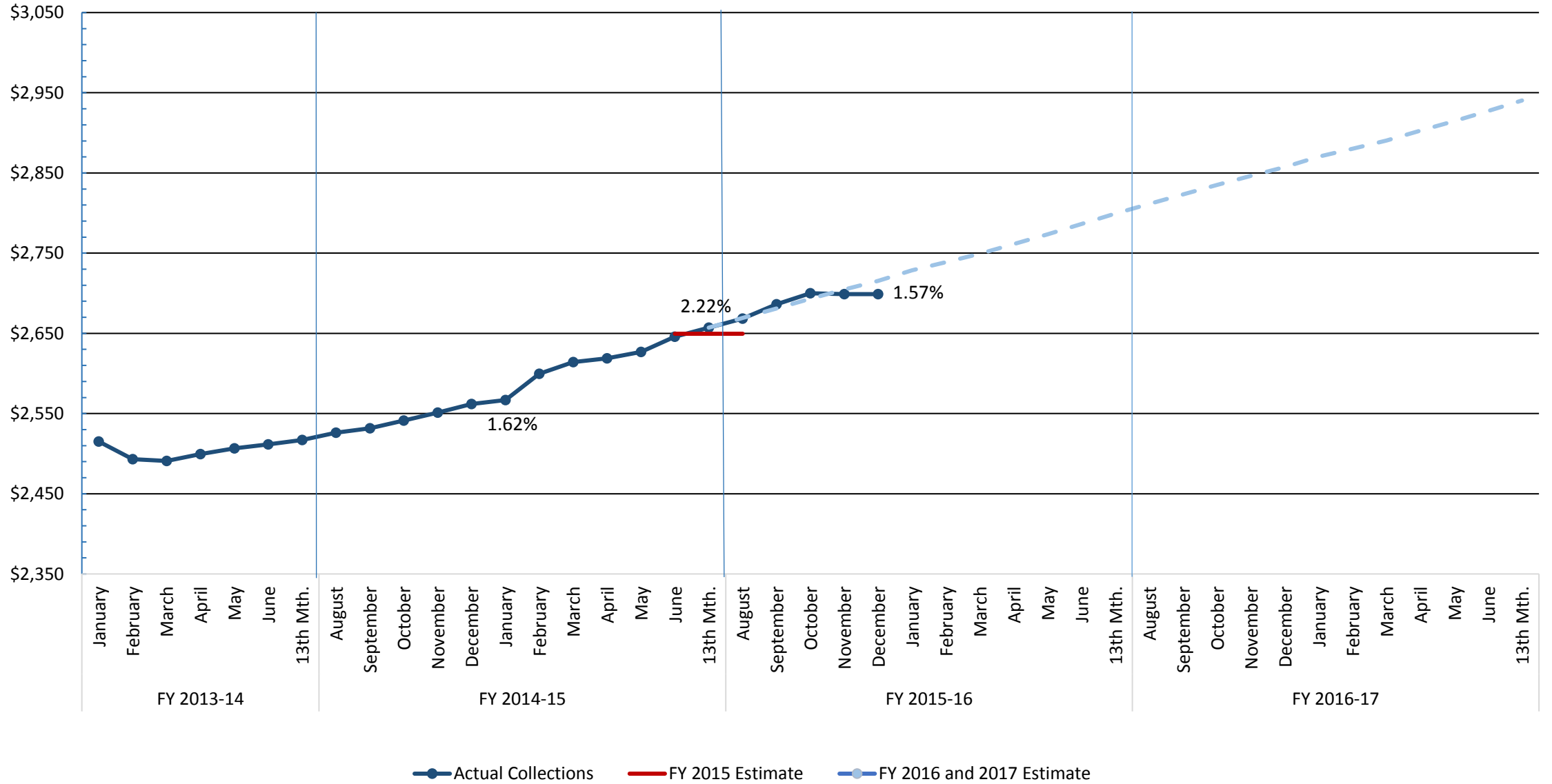
General Fund Revenue	FY 2014-15	FY 2015-16	\$ Change	% Change
Sales and Use Tax	1,090,590,302	1,112,442,462	21,852,160	2.0
Individual Income Tax	2,264,184,281	2,361,562,495	97,378,214	4.3
Corporation Income Tax	109,499,337	144,267,403	34,768,066	31.8
Insurance Taxes	119,557,692	101,032,300	(18,525,392)	(15.5)
Admissions Tax	9,423,307	6,383,325	(3,039,982)	(32.3)
Aircraft Tax	3,635,287	3,421,266	(214,021)	(5.9)
Alcoholic Liquor Tax	26,527,288	27,725,337	1,198,049	4.5
Bank Tax	7,249,541	11,411,909	4,162,368	57.4
Beer and Wine Tax	44,672,446	44,060,476	(611,970)	(1.4)
Bingo Tax	1,234,646	1,244,558	9,912	0.8
Business Filing Fees	2,099,601	2,325,180	225,579	10.7
Circuit/Family Court Fines	3,991,326	3,815,150	(176,176)	(4.4)
Corporation License Tax	63,713,977	30,105,530	(33,608,447)	(52.7)
Documentary Tax	16,611,737	18,729,566	2,117,829	12.7
Earned on Investments	8,728,271	8,921,959	193,688	2.2
Indirect Cost Recoveries	3,561,828	3,542,601	(19,227)	(0.5)
Motor Vehicle Licenses	3,907,592	4,188,753	281,161	7.2
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	1,696,404	1,696,404	0	0.0
Private Car Lines Tax	3,025,301	2,236,160	(789,141)	(26.1)
Public Service Authority	0	0	0	---
Purchasing Card Rebates	2,420,903	2,739,555	318,652	13.2
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	1,328,050	322,067	(1,005,983)	(75.7)
Security Dealer Fees	19,417,792	20,784,745	1,366,953	7.0
Surcharge on Vehicle Rentals	7,554	75,908	68,354	904.9
Tobacco Tax	10,958,379	10,871,964	(86,415)	(0.8)
Uncashed Checks	0	3,432,881	3,432,881	---
Unclaimed Property Fund	7,500,000	0	(7,500,000)	(100.0)
Workers' Comp. Insurance Tax	2,402,384	2,904,593	502,209	20.9
Other Source Revenues	271,170	4,604,010	4,332,840	1,597.8
Gross General Fund Revenue	\$3,828,216,396	\$3,934,848,557	\$106,632,161	2.8

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

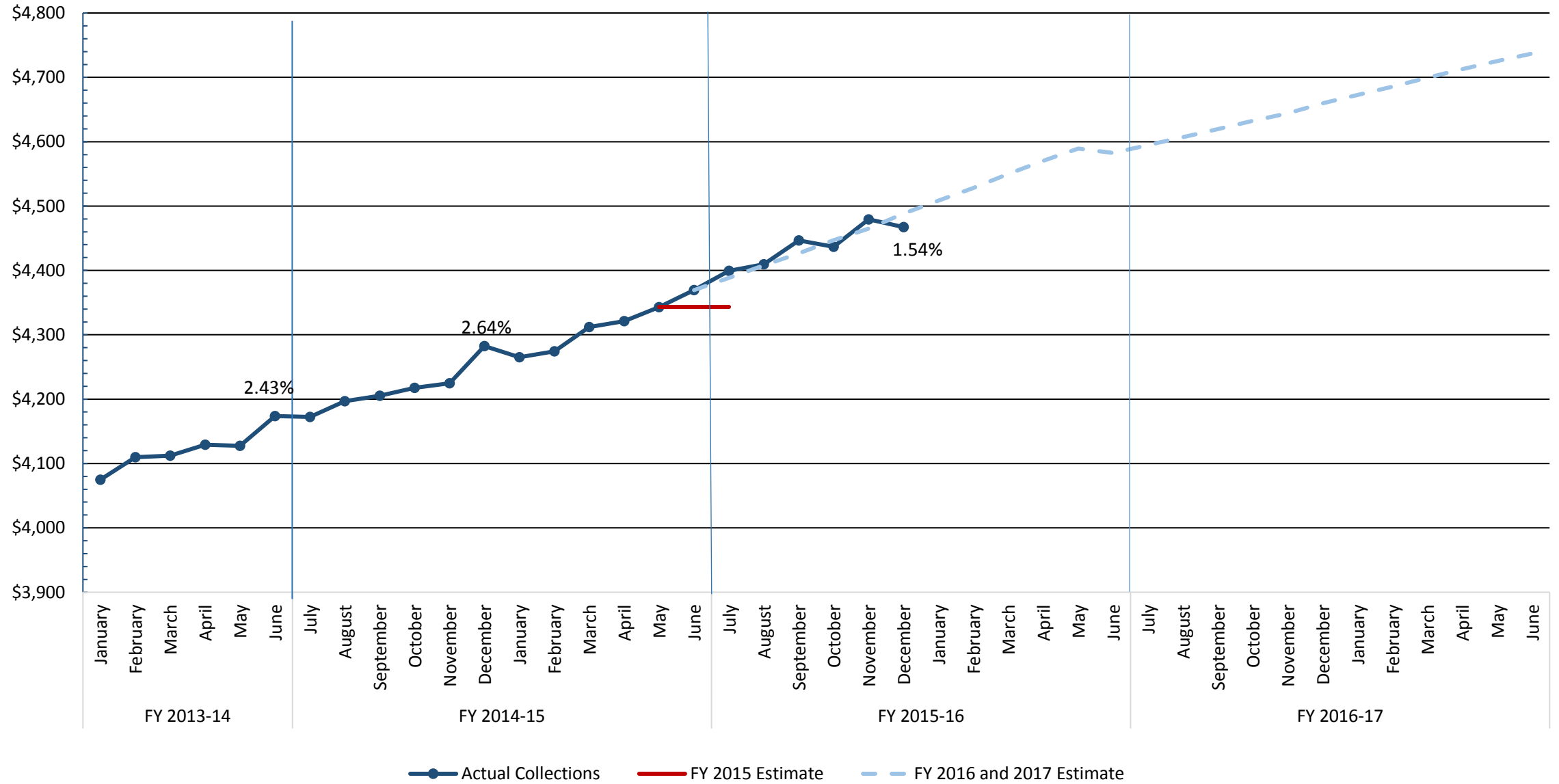
General Fund Revenue (Rolling Fiscal Year Totals)



Sales and Use Tax (Rolling Fiscal Year Totals)



Individual Withholdings (Rolling Fiscal Year Totals)



Corporate Income Tax (Rolling Fiscal Year Totals)

