



**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
February 10, 2016, 2:00pm
Bowers Conference Room
Room 417, Rembert C. Dennis Building**

1. Welcome
2. Adoption of Meeting Minutes for January 28, 2016
3. Review of Revenues and Economic Conditions (F. Rainwater, R. Martin)
 - A. Revenue Collections and Forecasts (R. Martin)
 - B. Consideration of FY 2015-16 and FY 2016-17 Revenue Estimate (F. Rainwater)
4. 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
5. Other Items (F. Rainwater)
6. Future Meeting Schedule:
 - A. March 23, 2016, 2:00pm - Board members will join via WebEx
 - B. April 21, 2016, 2:00pm - Quarterly Review; **RFA meeting to follow**
 - C. May 19, 2016, 2:00pm - Board members join via WebEx
 - D. 2016 Calendar at <http://rfa.sc.gov/calendar>
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



February 10, 2016 Release

General Fund Revenue

January
Fiscal Year 2015-16



REVIEW OF REVENUES AND ECONOMIC CONDITIONS



South Carolina Revenue and Fiscal Affairs Office

February 10, 2016

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 - JANUARY 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	4,796.5	4,803.8	(7.4)	4.6	7.0
Sales Tax	1,385.0	1,408.2	(23.1)	5.4	3.6
Individual Income Tax	2,882.2	2,891.4	(9.1)	6.2	9.5
Corporate Income Tax	163.7	135.7	28.0	4.1	51.8
Other Revenue Sources 2/	365.5	368.6	(3.1)	(5.1)	(10.1)
<i>Select Tax Revenues, Sub-Total</i>	<i>292.8</i>	<i>306.3</i>	<i>(13.6)</i>	<i>(4.5)</i>	<i>(12.9)</i>
Admissions Tax - Total	10.7	12.8	(2.1)	1.9	(19.3)
Alcoholic Liquors Tax	34.2	33.6	0.6	2.6	4.4
Bank Tax	12.0	7.6	4.4	4.0	64.6
Beer and Wine Tax	53.7	54.2	(0.5)	1.5	0.5
Corporation License Tax	33.0	51.6	(18.5)	(20.5)	(49.1)
Documentary Tax	22.8	22.8	0.1	10.1	10.4
Earnings on Investments	11.0	9.3	1.7	(9.7)	7.4
Insurance Tax	102.2	101.6	0.6	(5.1)	(15.2)
Tobacco Tax	13.3	12.9	0.4	(1.5)	1.7
<i>Residual Revenue, Sub-Total 3/</i>	<i>72.8</i>	<i>62.3</i>	<i>10.5</i>	<i>(7.7)</i>	<i>3.3</i>

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

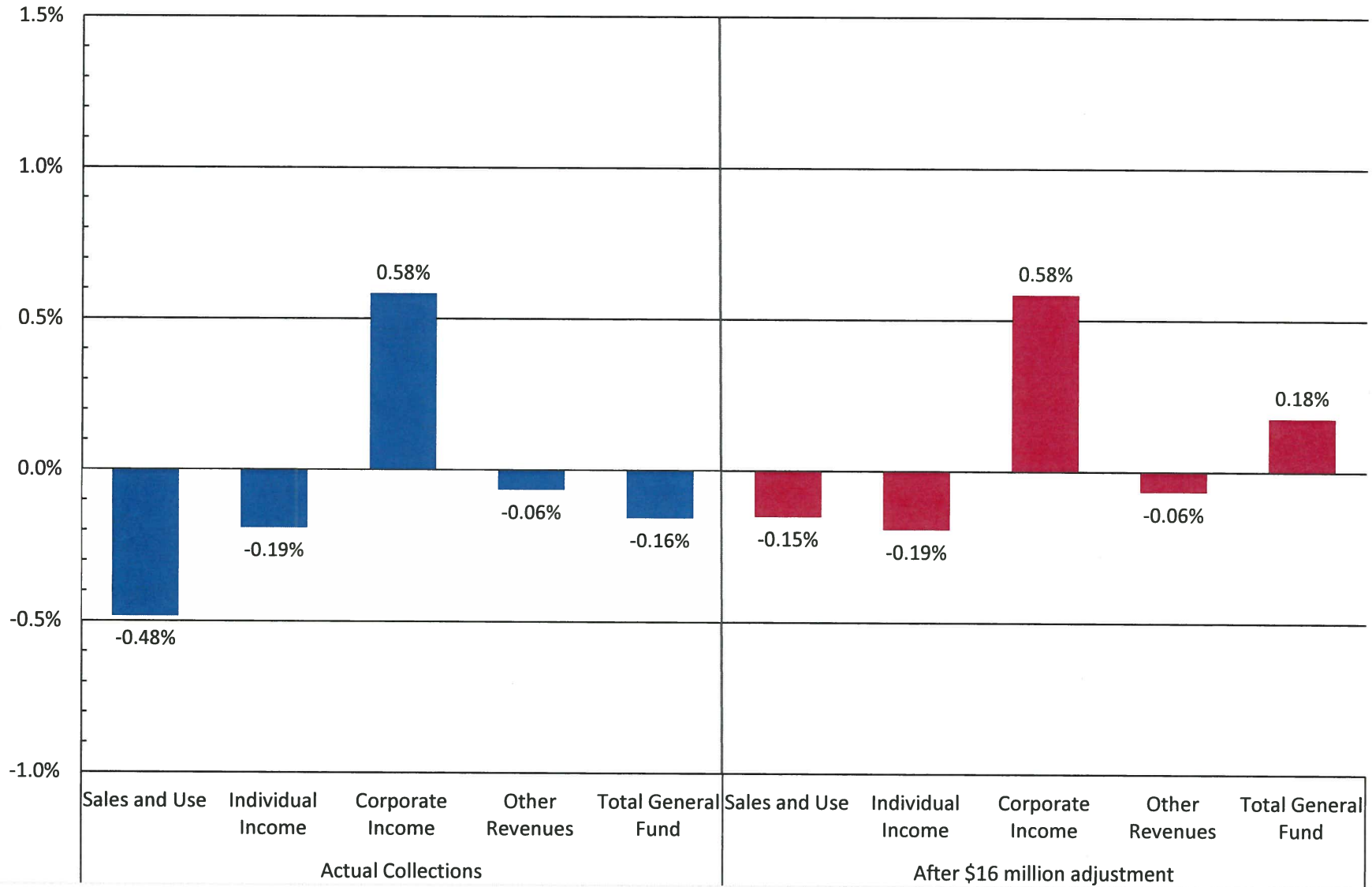
2/: May include nominal amounts from former recurring revenues.

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

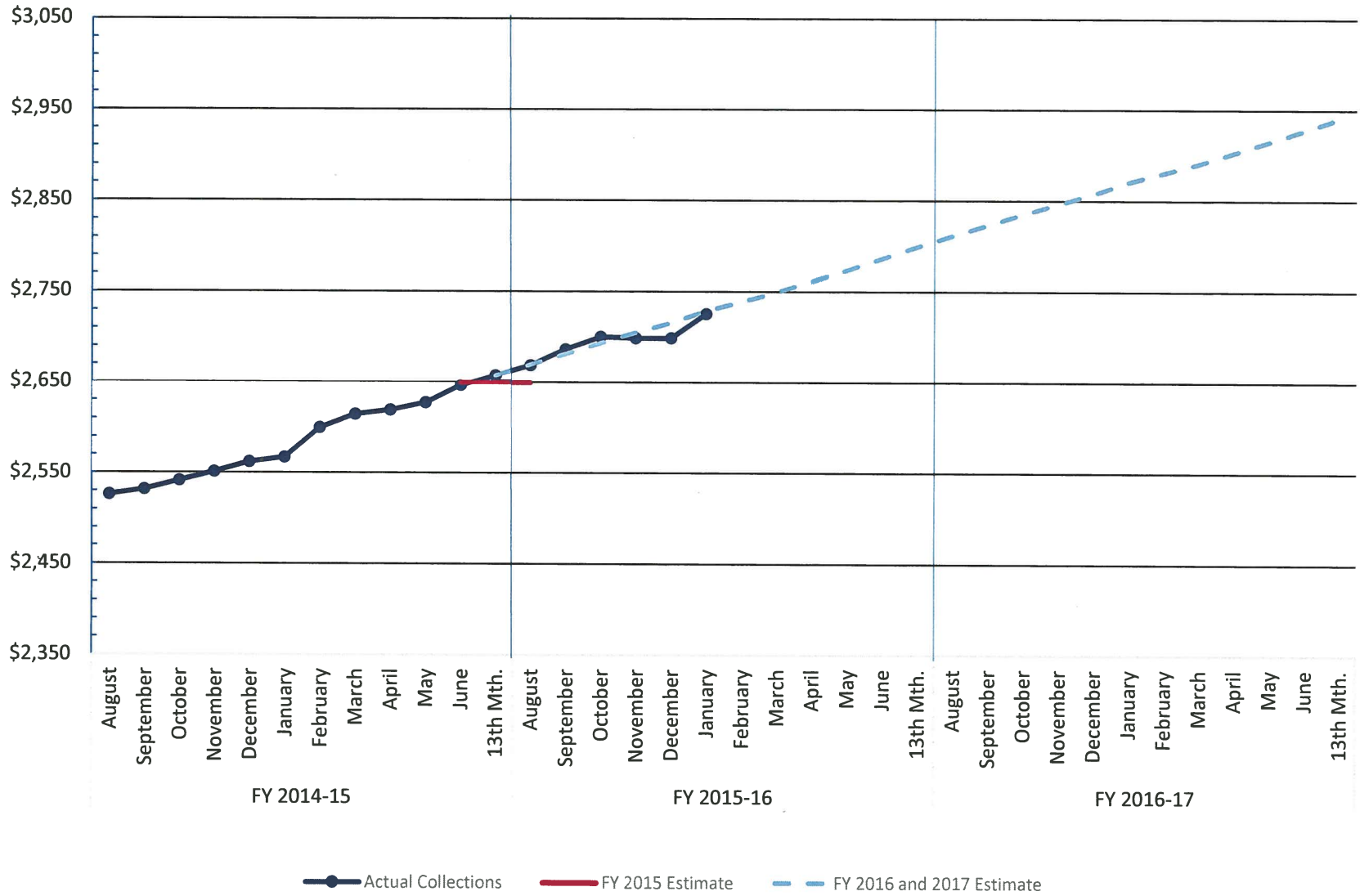
Note: Detail may not sum to total due to rounding.

FY 2015-16 FORECAST ACCURACY THROUGH JANUARY

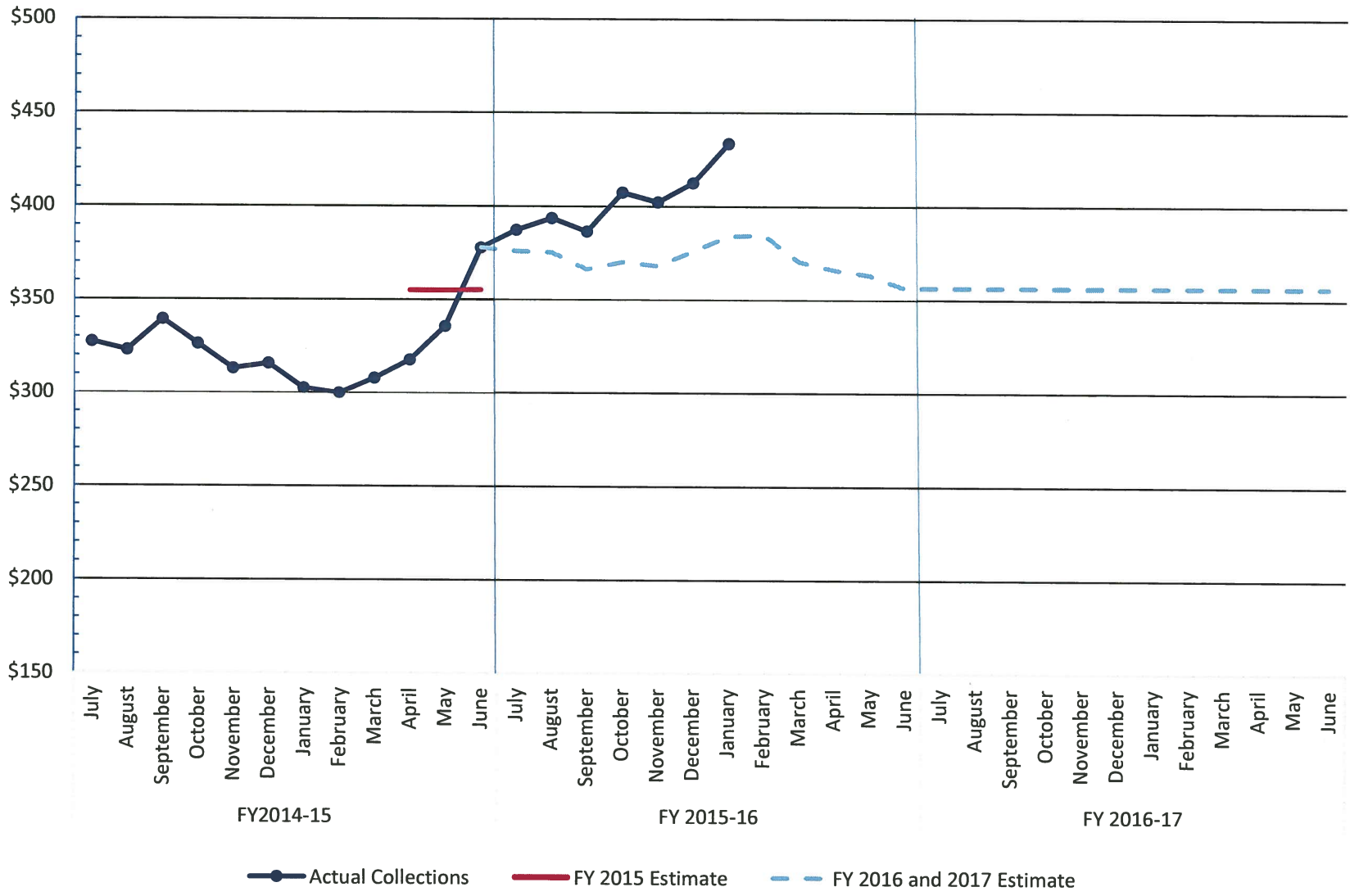
Actual as a Percentage Above/Under Forecast



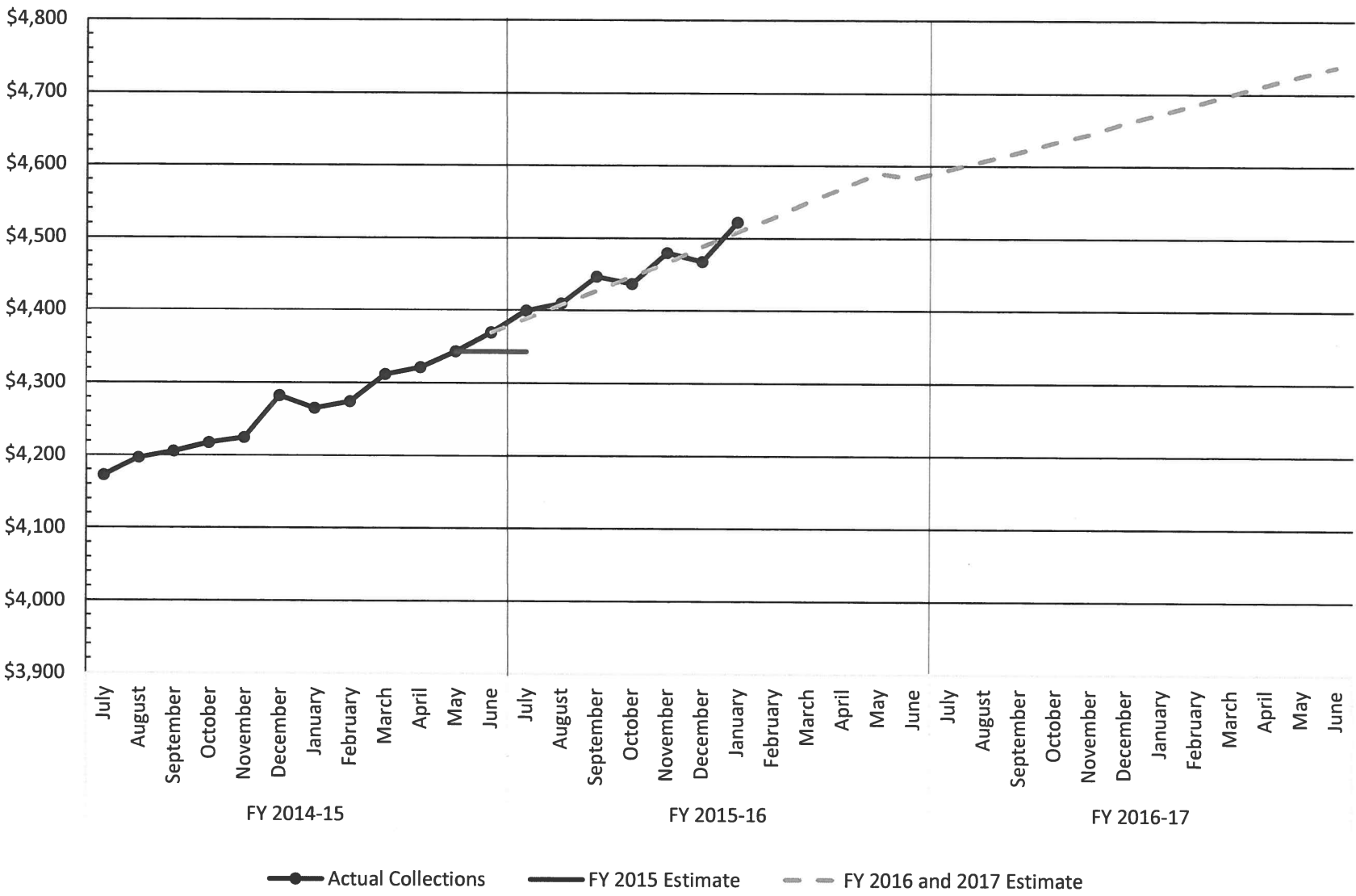
Sales and Use Tax (Rolling Fiscal Year Totals)



Corporate Income Tax (Rolling Fiscal Year Totals)



Individual Withholdings (Rolling Fiscal Year Totals)





February 5, 2016

Frank Rainwater
 Executive Director
 SC Revenue and Fiscal Affairs Office
 1000 Assembly Street, Suite 402
 Columbia, SC 29201

Subject: Revision of the Lottery Commission's FY 15-16 and Preliminary FY 16-17 estimates

Dear Mr. Rainwater:

In accordance with your recent request, please accept this letter as a revision of the Lottery Commission's estimates of proceeds for FY 15-16 and its preliminary estimates of proceeds for FY 16-17. The amounts shown under the caption "Previous Estimate" reflect the first revision we communicated to you in our letter dated November 9, 2015. Please note that our estimates, as set forth below, include \$1,040,407 associated with Election Day Sales. Our estimates are as follows:

	FY 2015 - 16	FY 2016 - 17
Previous Estimate		
"General" Transfers	\$ 322,000,000	\$ 322,000,000
Unclaimed Prizes	<u>18,000,000</u>	<u>18,000,000</u>
	<u>\$ 340,000,000</u>	<u>\$ 340,000,000</u>
 Revised or Current Estimate		
"General" Transfers	\$ 357,000,000	\$ 342,000,000
Unclaimed Prizes	<u>18,000,000</u>	<u>18,000,000</u>
	<u>\$ 375,000,000</u>	<u>\$ 360,000,000</u>

We are revising our FY 15-16 estimate upward due primarily to the impact on our January revenues of the recent and unprecedented PowerBall Jackpot run and continued strength of our Instant Ticket sales.

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We have removed the impact of the recent PowerBall Jackpot run in formulating our preliminary FY 16-17 revision. As I am sure you are aware, we have not started our FY 16-17 planning process at this point. Our Financial Plan will be developed over the next several months and with our "formal" FY 16-17 Transfer Estimate will require the approval of our Board of Commissioners. Accordingly, our FY 16-17 preliminary estimate will likely change based on the formulation of our formal Financial Plan.

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 that reads "JA Boyle". The signature is written in a cursive style with a large, looping initial "J" and "A".

Joseph A. Boyle, CPA
Chief Financial Officer

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

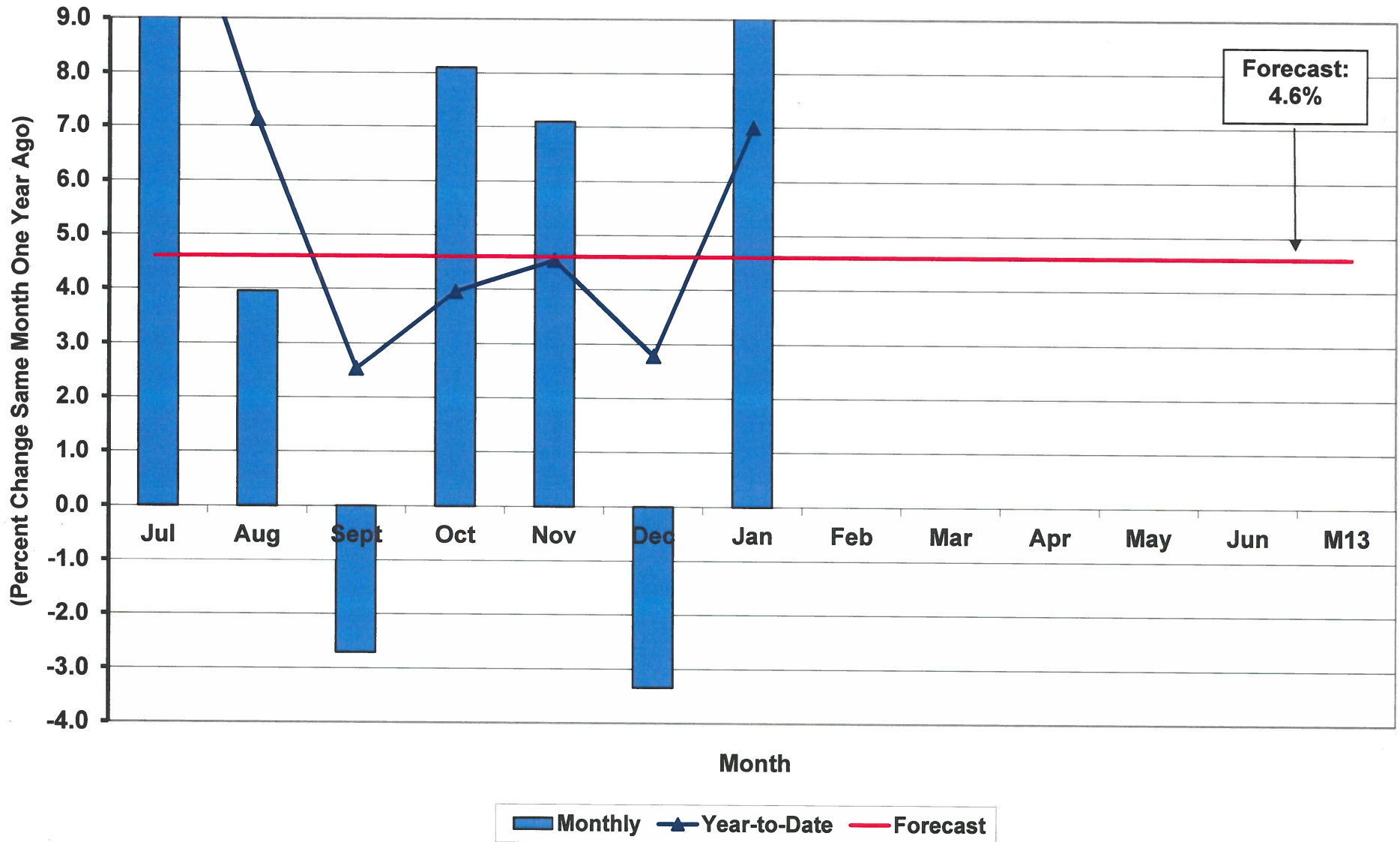
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**Board of Economic Advisors
February 2016**

Base Economic Assumptions

	FY2015-16	FY2016-17
Income growth	5.25%	4.90%
Employment growth	2.1%	2.0%
Inflation	< 2.0%	< 2.0%
Sales Tax growth	5.4%	5.0%
Income Tax growth	6.2%	4.6%
Total General Fund	4.6%	4.8%

Growth in Total General Fund Revenue Collections FY2016 Monthly and Year-to-Date



Sectors to Watch

Wages & Salaries

- **Strong wage growth (5.3% in 2015Q3) => in line with revenue estimate**
- **As near full employment, wages to rise**

Retail Sales

- **Auto sales have elevated retail sales numbers**
- **Can consumers take on any more debt?**
- **Holiday sales were strong**

Employment

- **Job growth & income tax withholdings**

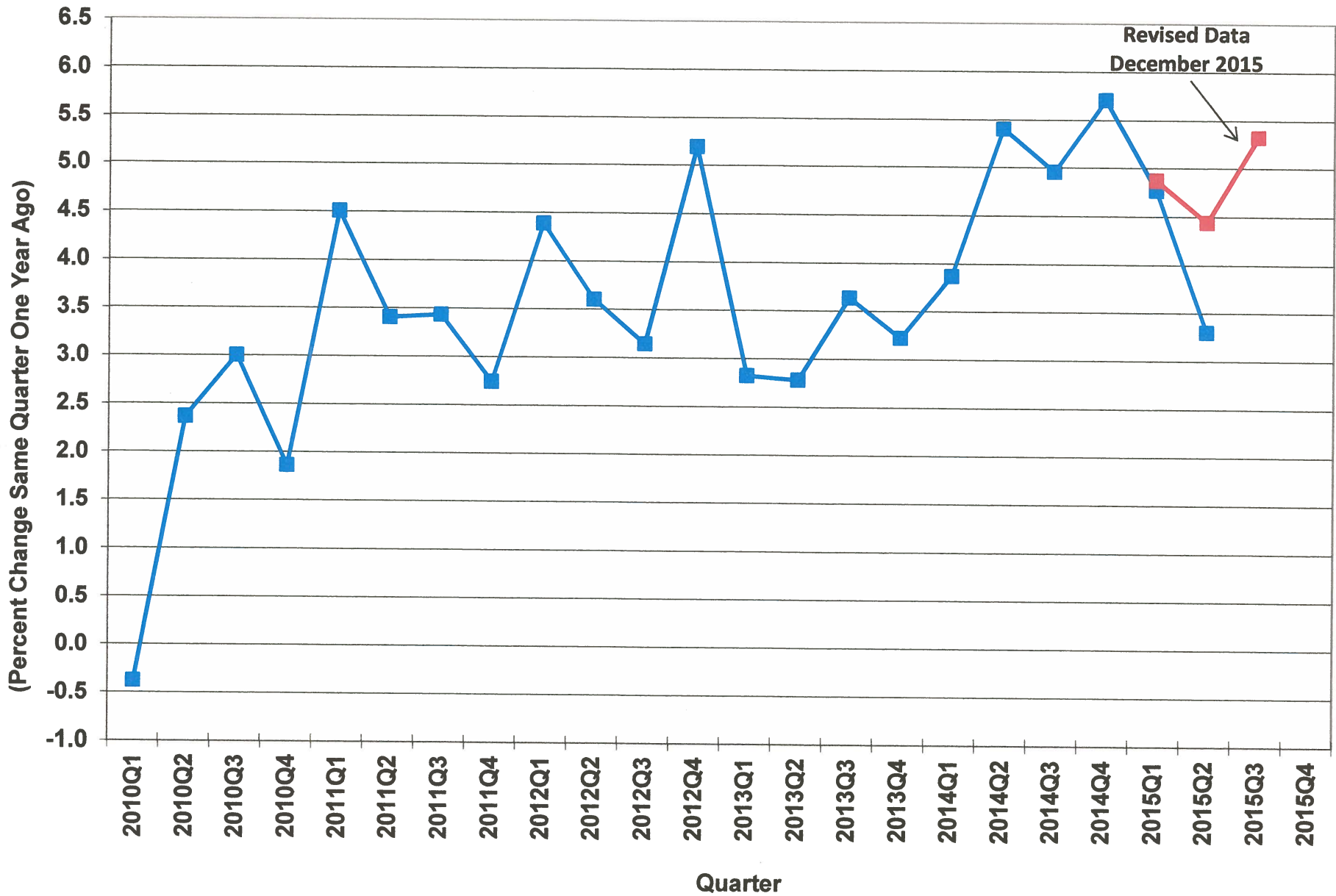
**Board of Economic Advisors
February 2016**

- **Fastest pace of job growth in 16 years**
- **Withholdings coming more in line with employment**
- **Withholdings growth Y-T-D close to estimate**

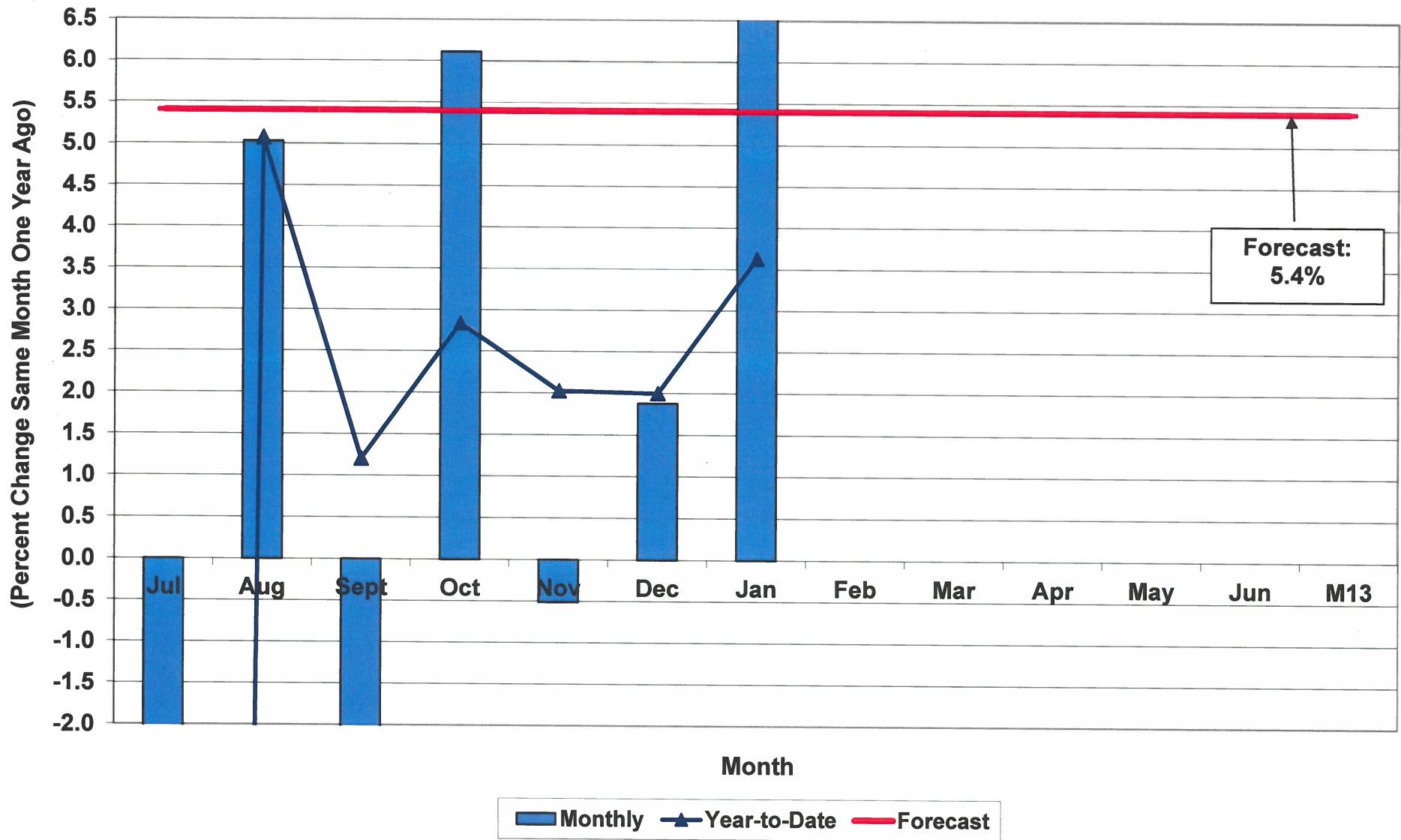
Housing

- **Will Federal Reserve policy dampen the recovery?**
- **Mortgage rates show little effect of interest rate change**
- **Level of single-family building permits close to “normal”**
- **Doc stamp tax Y-T-D right on target**

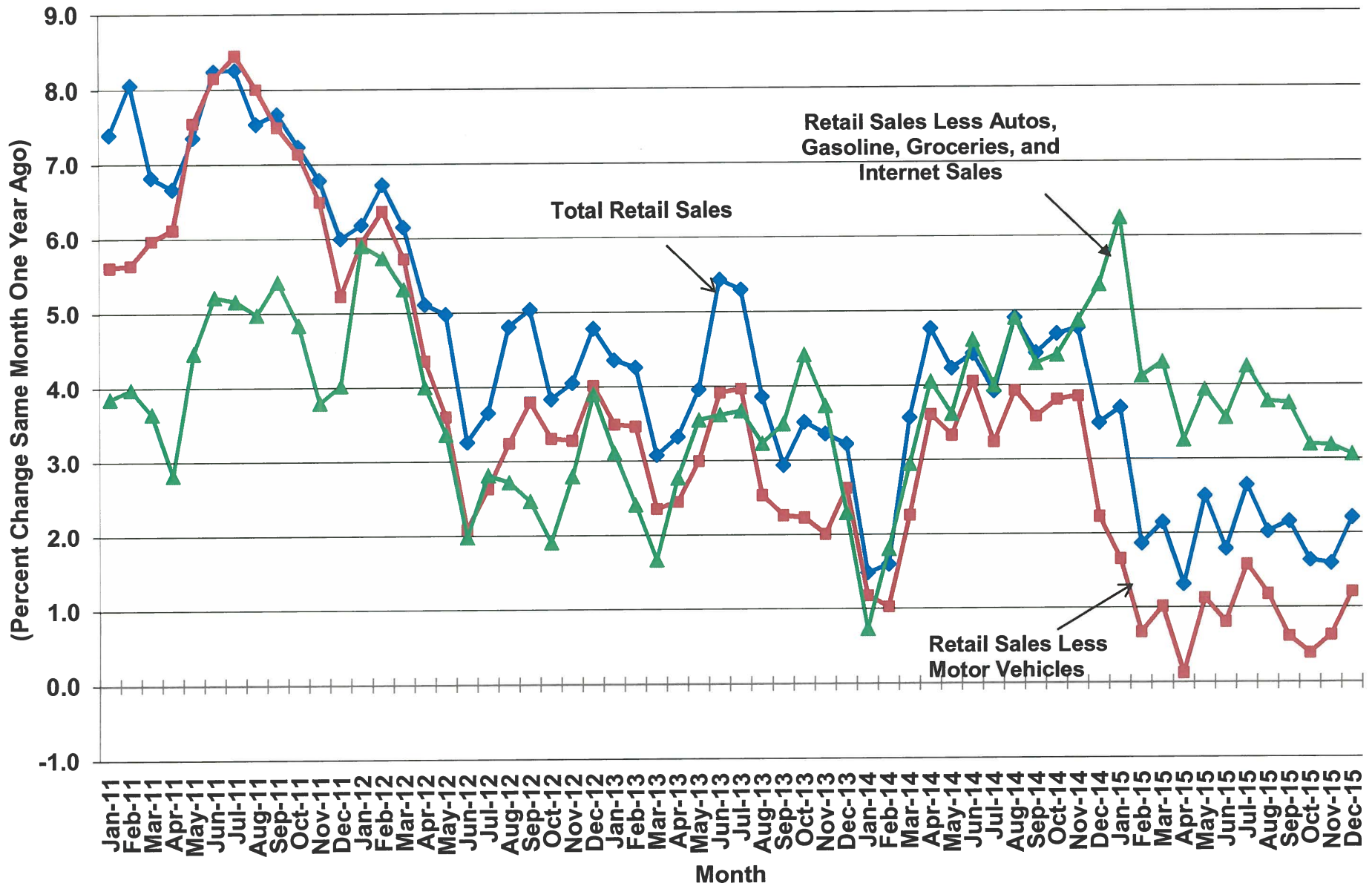
Growth in Wages & Salaries in South Carolina



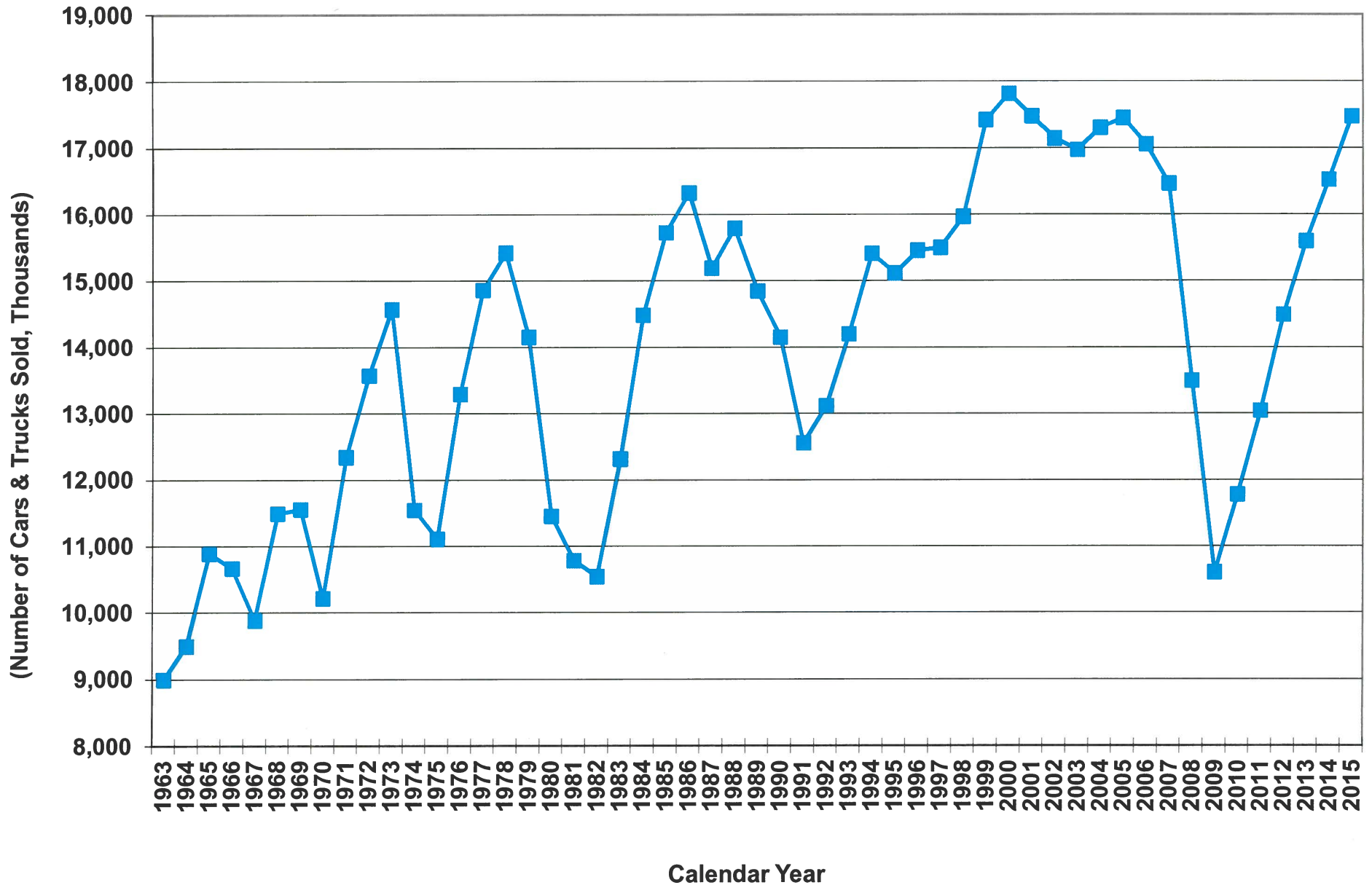
Growth in Total Sales & Use Tax Revenue Collections FY2016 Monthly and Year-to-Date



U.S. Retail & Food Service Sales

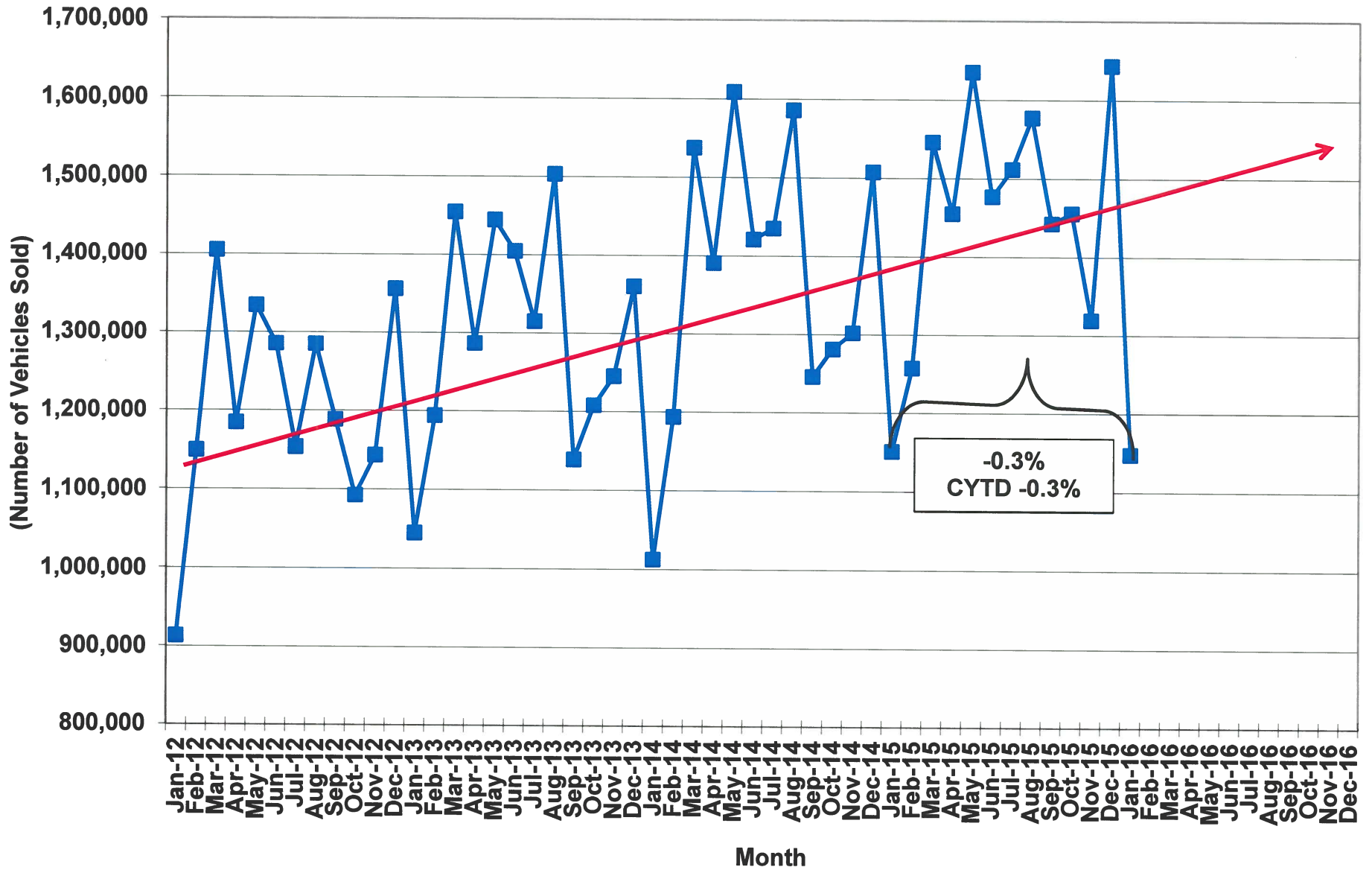


U.S. Car & Truck Sales - 1963 to 2016



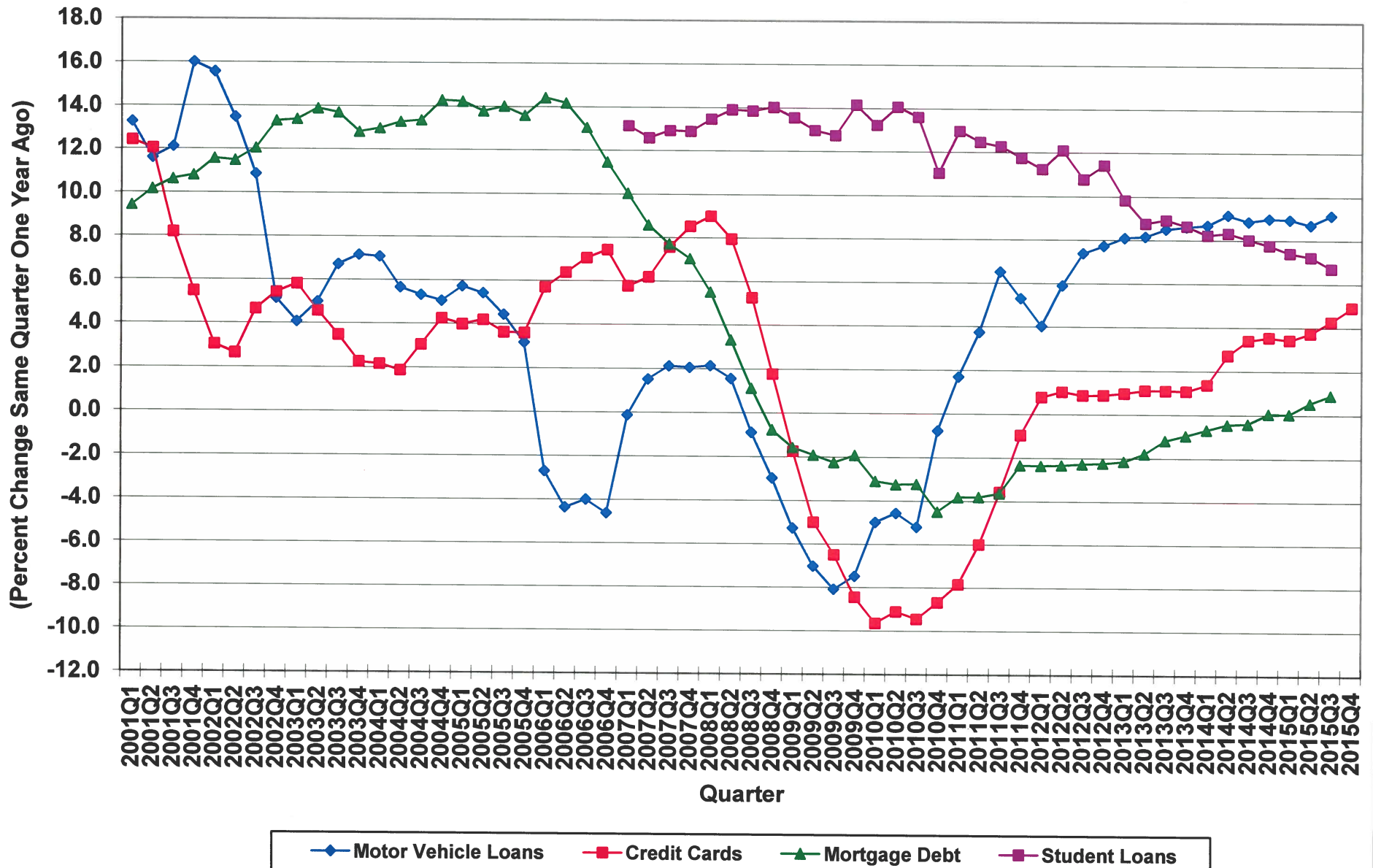
Sources: Ward's Automotive Group; Autodata Corporation.

Total Light Vehicle Sales in the United States

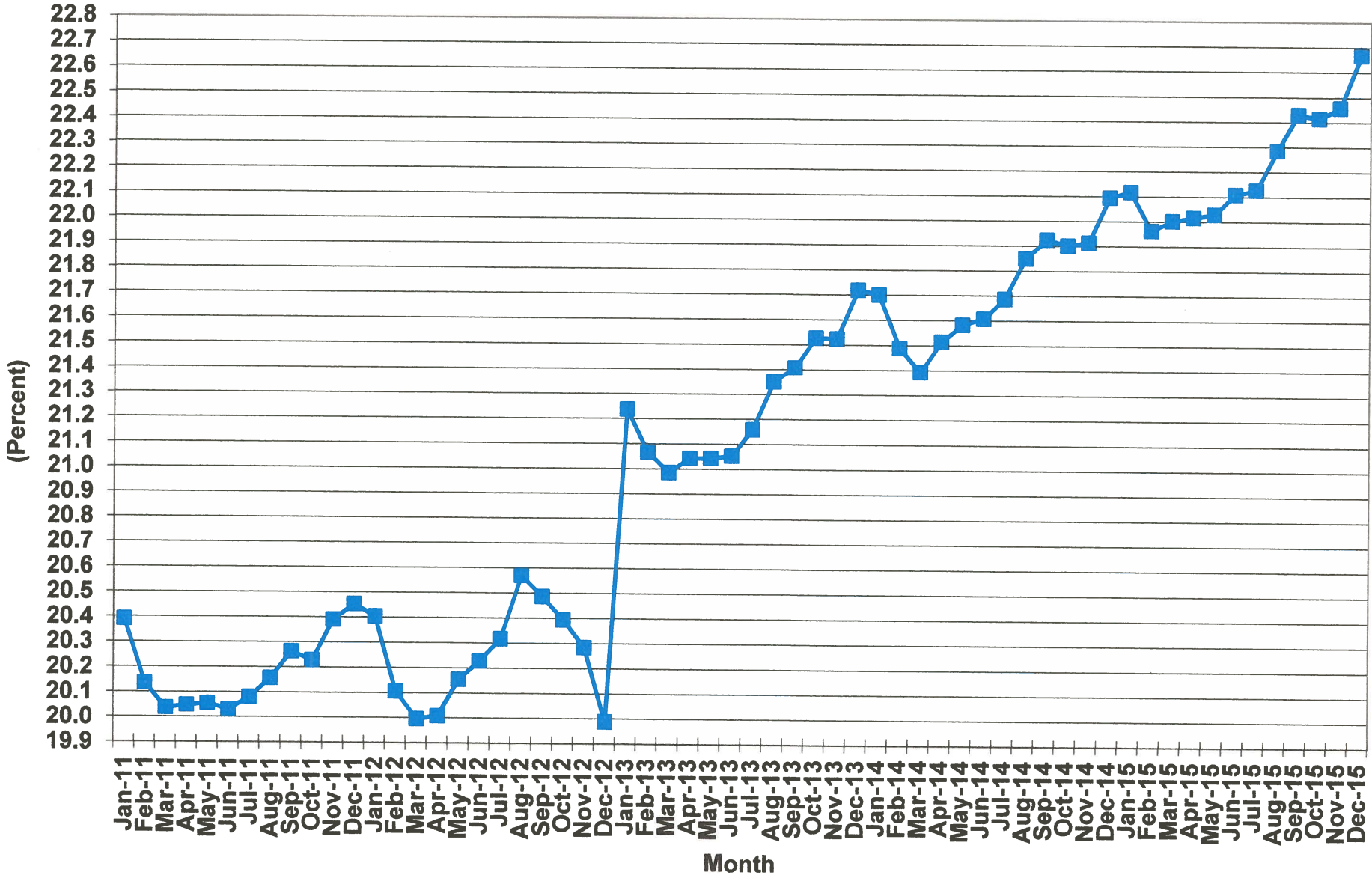


Source: Autodata Corporation and WardsAuto
SCBEA/RWM/02/10/16

Growth in Major Types of Household Debt

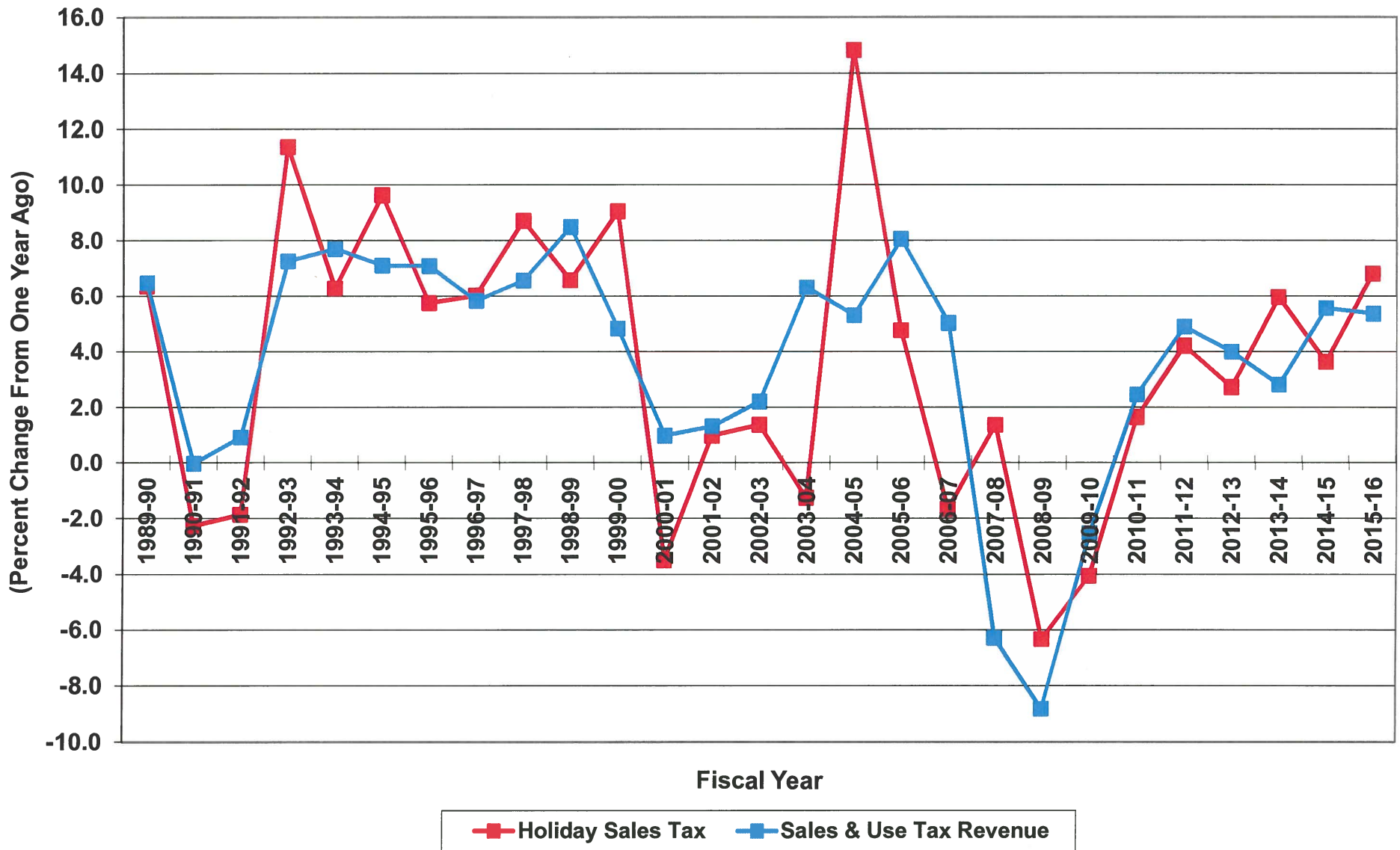


Total Credit Outstanding as a Percent of Personal Income

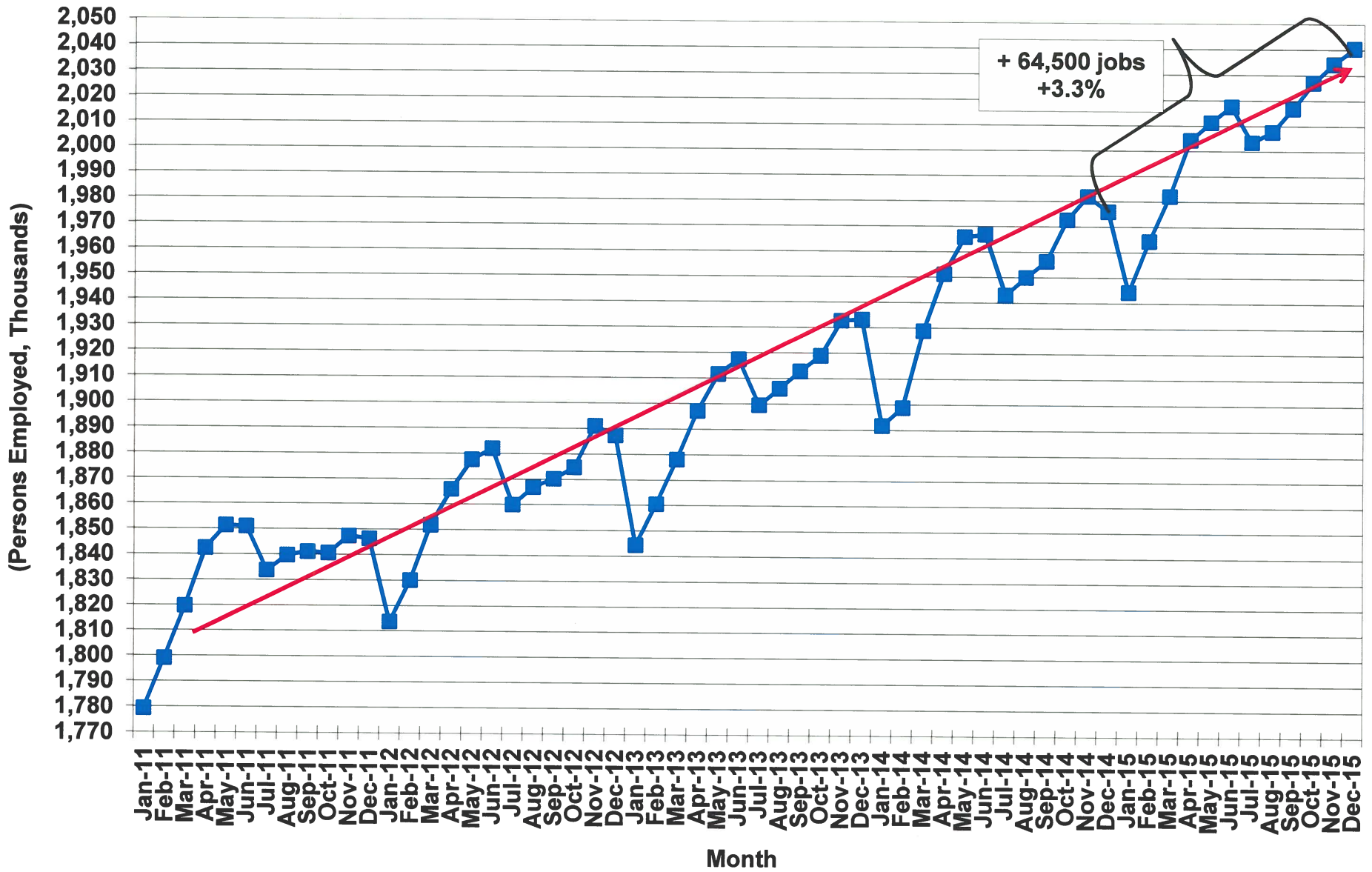


Sources: Federal Reserve System; U.S. Department of Commerce, Bureau of Economic Analysis

Comparison of Growth in Holiday Season Sales Tax and Total Sales Taxes

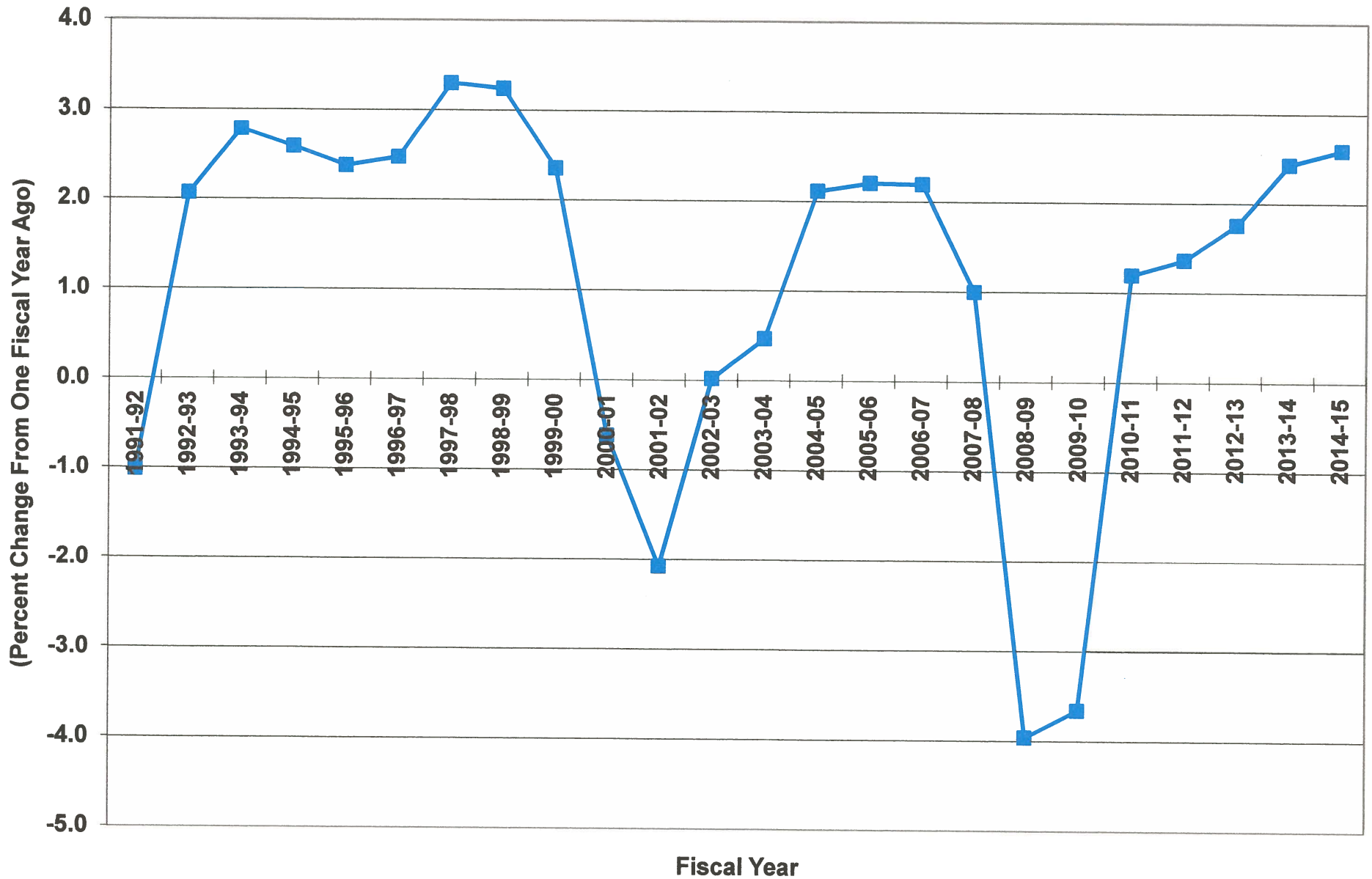


Total Nonfarm Employment in South Carolina

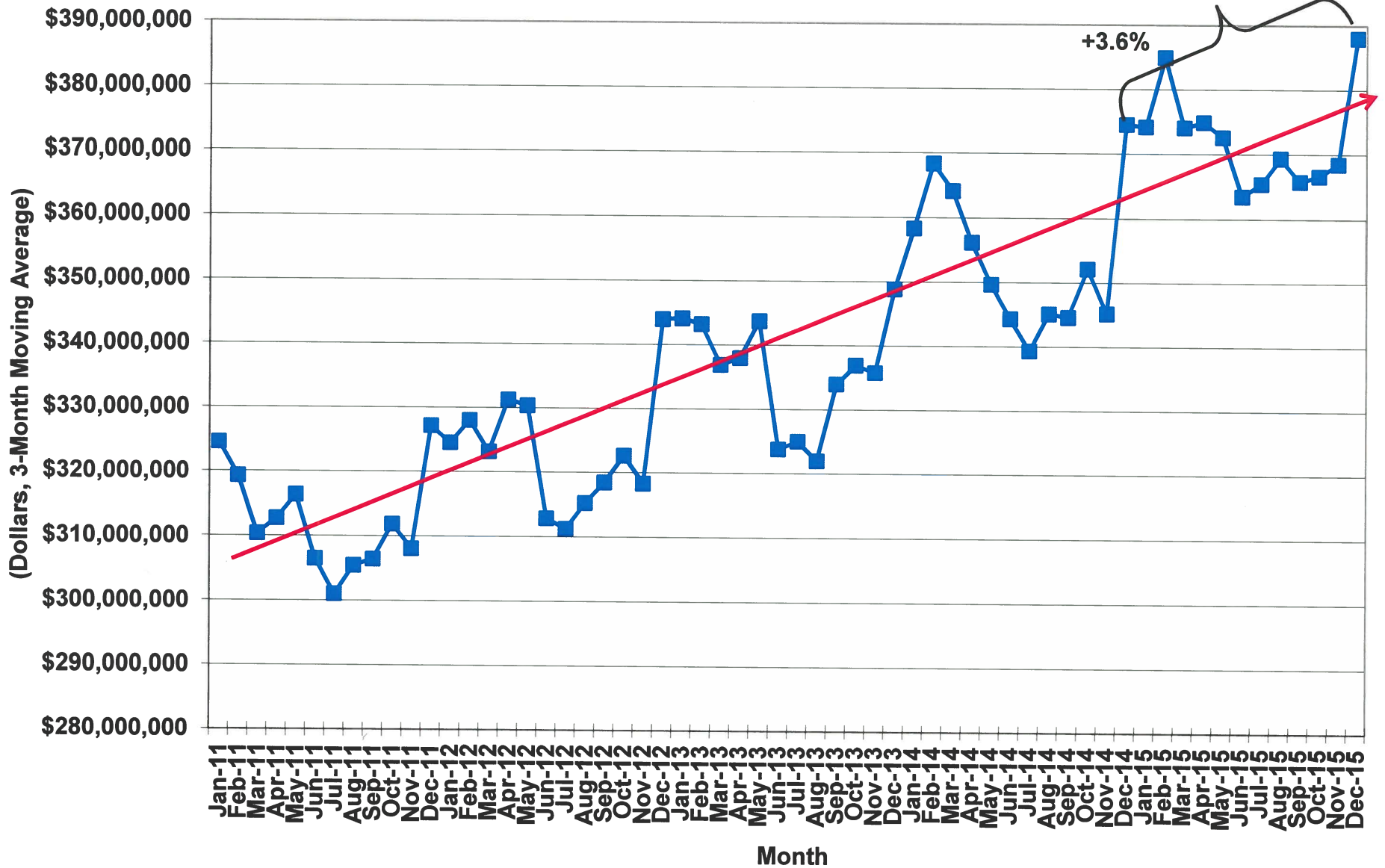


Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/02/10/16

Employment Growth in South Carolina

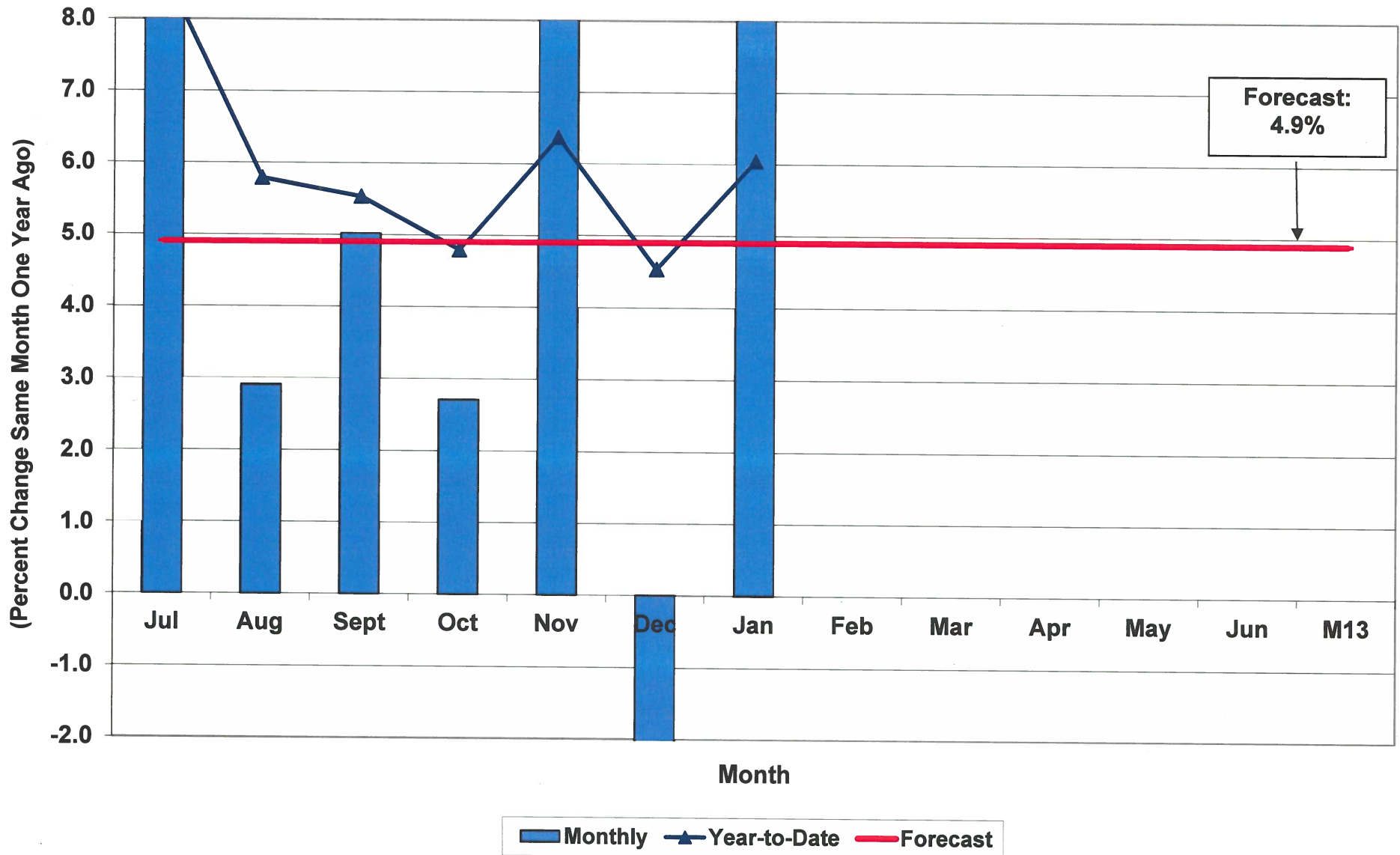


South Carolina Income Tax Withholdings

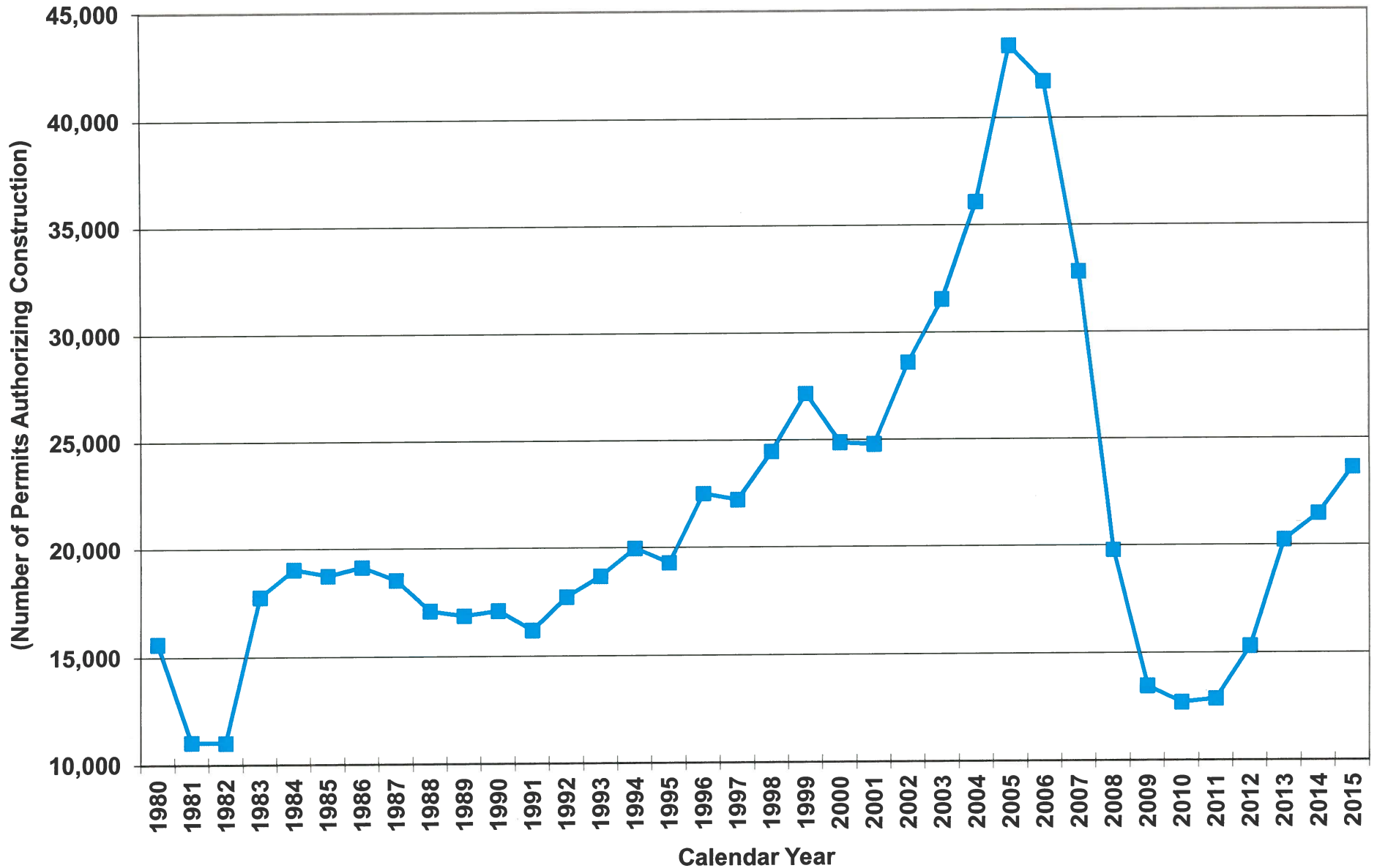


Source: South Carolina Department of Revenue
SCBEA/RWM/02/10/16

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



South Carolina Single-Family Building Permits



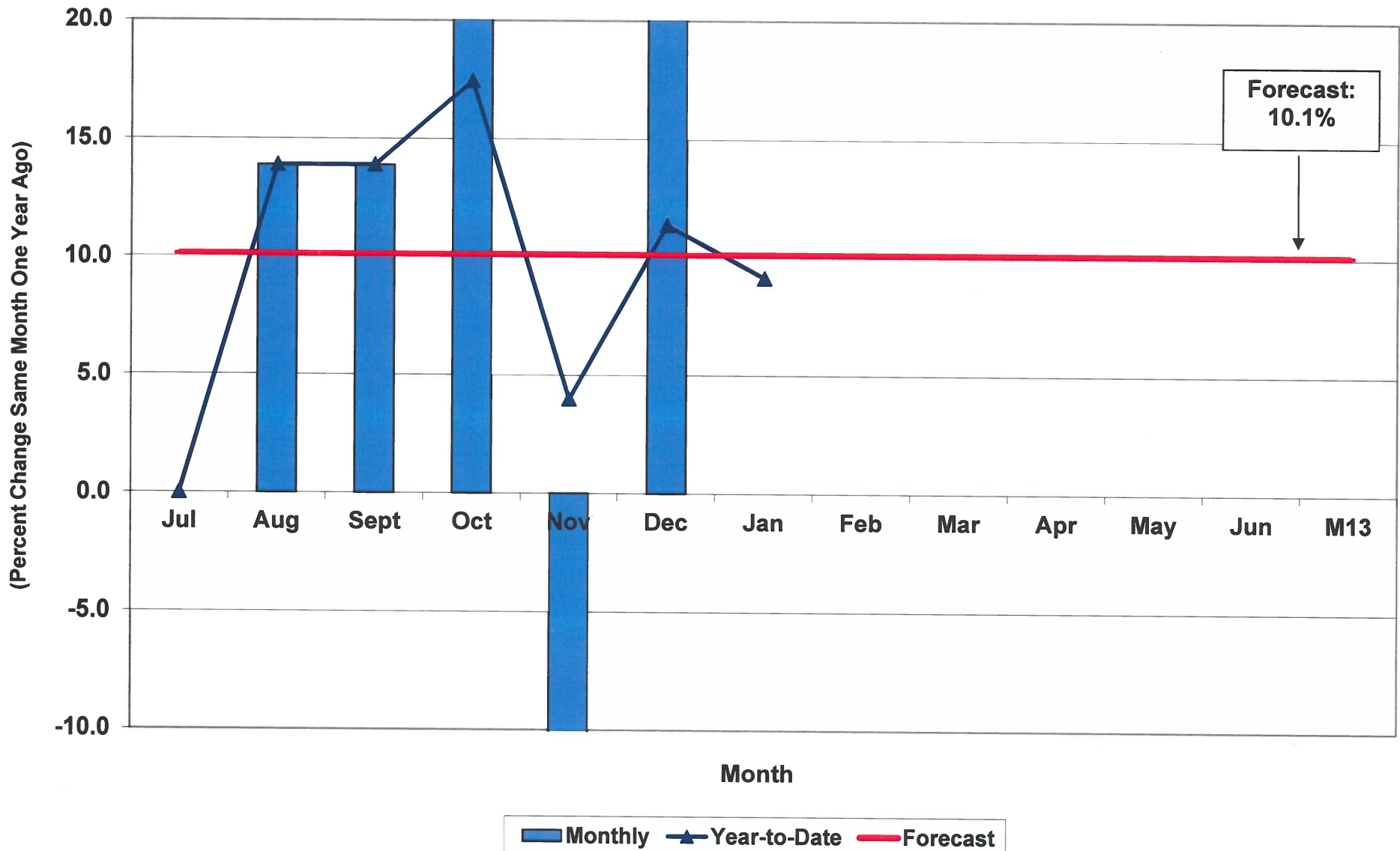
Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

Mortgage Rates



Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/02/10/16

Growth in Documentary Stamp Tax Revenue in South Carolina FY2016 Monthly and Year-to-Date



**Board of Economic Advisors
February 2016**

Items of Concern

Business Conditions in the Carolinas – Index

- **On downward trend for last six months**

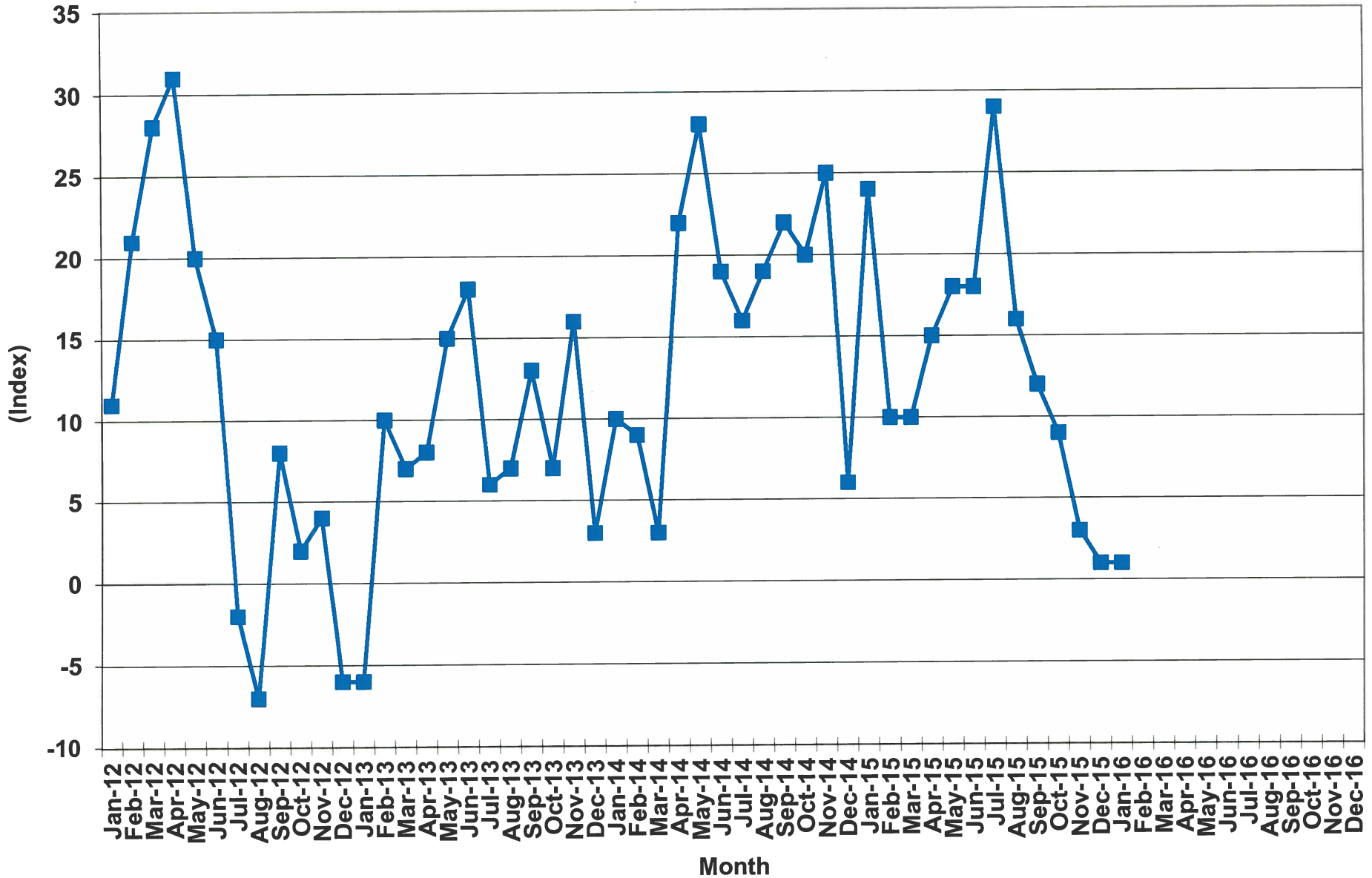
National Association of Purchasing Manager's Index

- **At or below 50 for five consecutive months**

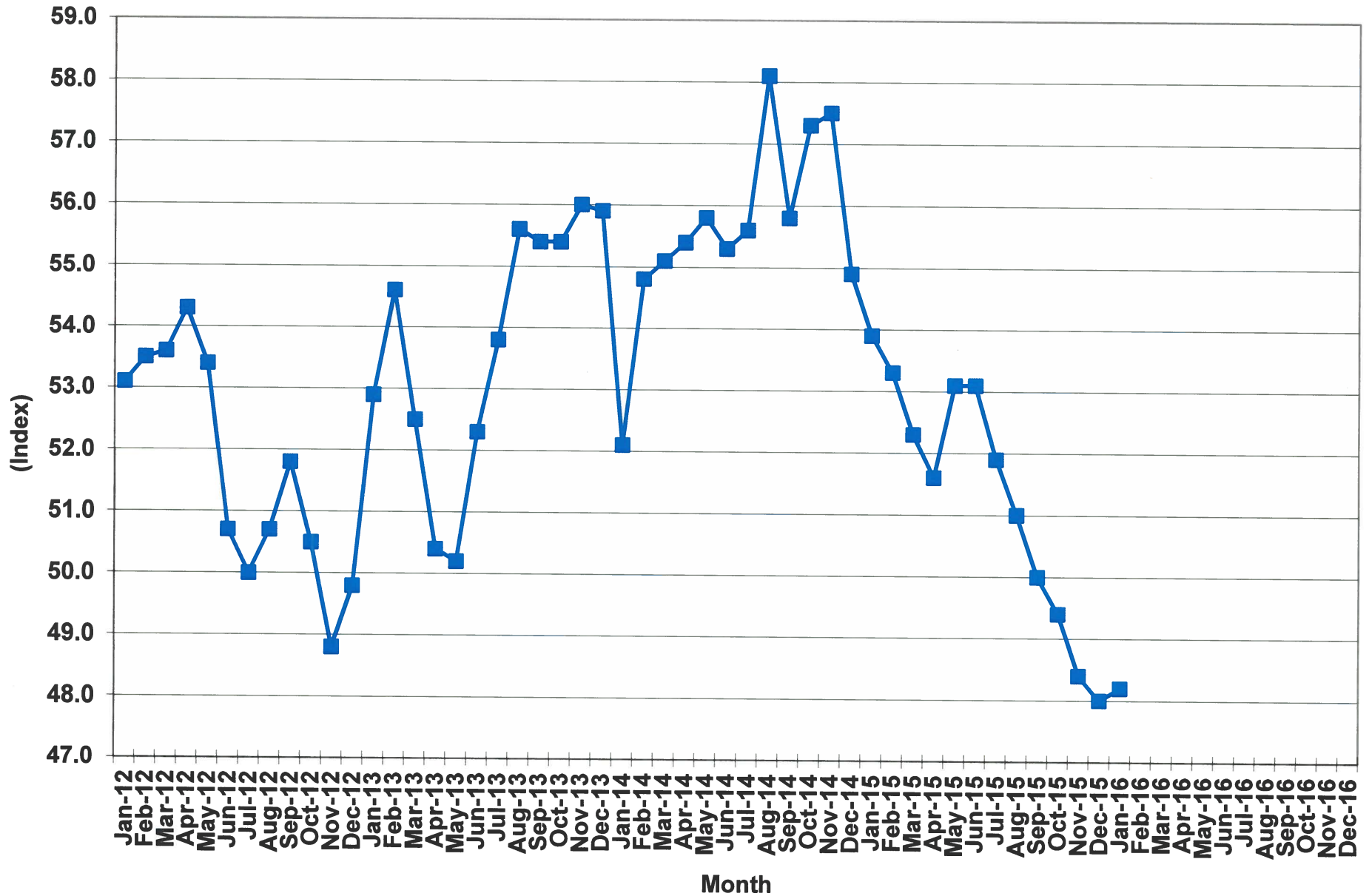
Department of Revenue

- **Implementation of new sales tax / withholding tax programs => working out the bugs**
- **Carryover of Sales Tax (\$16 mil.) to February**
- **Affecting tax receipts patterns => determining ultimate shortfall/surplus**

General Business Conditions in the Carolinas



Index of Manufacturing Purchasing Managers Index (NAPM)



Source: The Institute for Supply Management
SCBEA/RWM/02/10/16

OTHER ITEMS



APPENDIX





Revenue Digest

January 2016

General Fund revenue for the month of January 2015 is up 31.7 percent from a year ago. The majority of the December revenue that was in clearing accounts has now been deposited in the General fund for the month of January. Of the total \$50 million delayed deposits from December, the \$16 million of individual withholdings is now current and the \$34 million that was in Sales and Use tax has reduced to \$16 million.

Revenues for the fiscal year have grown 7.0 percent and are \$7.3 million below the estimate. After accounting for the \$16 million in delayed deposits, revenue growth is 7.4 percent and \$8.7 million ahead of the estimate.

Revenue Category	Month-to-Date Growth (% Change)	Year-to-Date Growth (% Change)
Sales and Use Tax	10.8	3.6
Individual Income Tax	41.7	9.5
Corporate Income Tax	---	51.8
Corporate License Tax	155.3	(49.1)
Other Revenues	11.2	-2.7
Total General Fund	31.7	7.0

- Sales and Use tax revenue grew 10.8 percent for the month of January, and 3.6 percent for the fiscal year. After adjusting for the \$16 million of delayed deposits, Sales and Use tax revenue growth is 4.8 for the fiscal year and \$7.2 million behind the estimate.
- Individual Income revenue has grown 9.5 percent year-to-date and 41.7 for the month of January largely due to deposits from December booked in January. Individual Income is \$9.1 million behind the estimate for the fiscal year. The impact of delayed refund processing will be reviewed on a monthly basis.
- Other Revenues are up 11.2 percent from last January and down 2.7 percent year-to-date due largely to the biennial insurance licensing tax being in a down year.

Summary

As anticipated, the accounting issues from December have mostly been resolved in January and revenues are still in line with the FY 2015-16 estimate.





Table 1

January

General Fund Revenue	FY 2014-15	FY 2015-16	\$ Change	% Change
Sales and Use Tax	245,929,596	272,587,455	26,657,859	10.8
Individual Income Tax	367,398,637	520,690,626	153,291,989	41.7
Corporation Income Tax	(1,622,770)	19,436,054	21,058,824	---
Insurance Taxes	887,635	1,214,074	326,439	36.8
Admissions Tax	2,263,513	2,854,616	591,103	26.1
Aircraft Tax	856,420	702,045	(154,375)	(18.0)
Alcoholic Liquor Tax	6,255,683	6,491,171	235,488	3.8
Bank Tax	64,497	425,908	361,411	560.4
Beer and Wine Tax	8,740,928	9,616,250	875,322	10.0
Bingo Tax	316,425	199,613	(116,812)	(36.9)
Business Filing Fees	458,913	465,911	6,998	1.5
Circuit/Family Court Fines	659,382	678,816	19,434	2.9
Corporation License Tax	1,147,046	2,928,633	1,781,587	155.3
Documentary Tax	4,070,508	4,098,015	27,507	0.7
Earned on Investments	1,516,914	2,080,331	563,417	37.1
Indirect Cost Recoveries	1,417,095	440,954	(976,141)	(68.9)
Motor Vehicle Licenses	913,167	1,257,600	344,433	37.7
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	282,734	0	(282,734)	(100.0)
Private Car Lines Tax	967,069	1,988,686	1,021,617	105.6
Public Service Authority	9,678,000	10,439,000	761,000	7.9
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	1,939	11,277	9,338	481.6
Security Dealer Fees	968,950	508,124	(460,826)	(47.6)
Surcharge on Vehicle Rentals	(18,450)	7,880	26,330	---
Tobacco Tax	2,100,175	2,415,121	314,946	15.0
Uncashed Checks	0	0	0	---
Unclaimed Property Fund	0	0	0	---
Workers' Comp. Insurance Tax	(799,525)	(800,000)	(475)	(0.1)
Other Source Revenues	(165,051)	977,270	1,142,321	---
Gross General Fund Revenue	\$654,289,430	\$861,715,430	\$207,426,000	31.7

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 - January

General Fund Revenue	FY 2014-15	FY 2015-16	\$ Change	% Change
Sales and Use Tax	1,336,519,898	1,385,029,917	48,510,019	3.6
Individual Income Tax	2,631,582,918	2,882,253,120	250,670,202	9.5
Corporation Income Tax	107,876,567	163,703,458	55,826,891	51.8
Insurance Taxes	120,445,327	102,246,374	(18,198,953)	(15.1)
Admissions Tax	11,686,820	9,237,941	(2,448,879)	(21.0)
Aircraft Tax	4,491,707	4,123,311	(368,396)	(8.2)
Alcoholic Liquor Tax	32,782,970	34,216,508	1,433,538	4.4
Bank Tax	7,314,038	11,837,818	4,523,780	61.9
Beer and Wine Tax	53,413,373	53,676,726	263,353	0.5
Bingo Tax	1,551,071	1,444,171	(106,900)	(6.9)
Business Filing Fees	2,558,514	2,791,090	232,576	9.1
Circuit/Family Court Fines	4,650,708	4,493,965	(156,743)	(3.4)
Corporation License Tax	64,861,022	33,034,164	(31,826,858)	(49.1)
Documentary Tax	20,682,245	22,827,580	2,145,335	10.4
Earned on Investments	10,245,185	11,002,290	757,105	7.4
Indirect Cost Recoveries	4,978,923	3,983,555	(995,368)	(20.0)
Motor Vehicle Licenses	4,820,760	5,446,353	625,593	13.0
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	1,979,138	1,696,404	(282,734)	(14.3)
Private Car Lines Tax	3,992,370	4,224,846	232,476	5.8
Public Service Authority	9,678,000	10,439,000	761,000	7.9
Purchasing Card Rebates	2,420,903	2,739,555	318,652	13.2
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	1,329,989	333,344	(996,645)	(74.9)
Security Dealer Fees	20,386,742	21,292,869	906,127	4.4
Surcharge on Vehicle Rentals	(10,895)	83,788	94,683	---
Tobacco Tax	13,058,554	13,287,085	228,531	1.8
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	1,602,859	2,104,593	501,734	31.3
Other Source Revenues	106,120	5,581,280	5,475,160	5,159.4
Gross General Fund Revenue	\$4,482,505,826	\$4,796,563,986	\$314,058,160	7.0

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.