



**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
April 21, 2016 2:00pm
Bowers Conference Room
Room 417, Rembert C. Dennis Building**

1. Welcome
2. Adoption of Meeting Minutes for March 23, 2016
3. Overview (F. Rainwater)
4. Review of March Review, Quarterly Estimates and Assumptions (R. Martin)
5. Trends and Analysis of Final Quarter (F. Rainwater)
6. Reports from Working Group Members
 - A. Governor's Office
 - B. Senate Finance Committee
 - C. Ways & Means Committee
 - D. State Treasurer's Office
 - E. Comptroller General's Office
 - F. Department of Revenue
7. Other Items (F. Rainwater)
8. Future Meeting Schedule:
 - A. May 19, 2016, 2:00pm – Board members join via WebEx; **NO RFA meeting**
 - B. June 16, 2016, 2:00pm – Board members join via WebEx; **RFA meeting may follow**
 - C. July 28, 2016, 2:00pm – **If Necessary**; Board members join via WebEx; **RFA meeting may follow**
 - D. 2016 Calendar at <http://rfa.sc.gov/calendar>
9. 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

- March revenues were adversely affected as processing for individual income tax refunds was accelerated to compensate for the delayed start
- After consideration of all timing and accounting issues, revenues are within 1.1% percent of forecast





General Fund Revenue Estimate vs. Actual Collections July 2015 - March 2016

11/10/15 Estimate of \$7,856.2 Million	(\$ in Millions)		Excess/ (Shortfall)	Growth Rate (%)	
	Actual	Estimate		Full Fiscal Year Estimate	Year-to-Date Actual
Total General Fund Revenue	5,450.8	5,381.4	69.4	4.6	6.0
Sales Tax	1,809.3	1,809.3	0.0	5.4	5.4
Individual Income Tax	2,837.0	2,816.6	20.4	6.2	7.4
Corporate Income Tax	253.8	220.7	33.1	4.1	24.9
Other Revenue Sources	550.6	534.8	15.8	(5.1)	(5.1)
Total Admissions Tax	15.2	17.7	(2.5)	1.9	(14.9)
Alcoholic Liquors Tax	47.0	45.4	1.6	2.6	6.2
Bank Tax	17.1	14.2	3.0	4.0	25.7
Beer and Wine Tax	69.3	68.5	0.7	1.5	2.6
Corporation License Tax	81.9	94.3	(12.4)	(20.5)	(31.0)
Documentary Tax	29.1	28.1	1.0	10.1	13.8
Earnings on Investments	16.0	12.1	3.9	(9.7)	19.2
Insurance Tax	164.5	158.0	6.5	(5.1)	(4.4)
Tobacco Tax	17.3	16.7	0.7	(1.5)	2.4
Remaining Categories	94.2	79.7	14.4	(7.7)	4.5

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

**Board of Economic Advisors
April 2016**

**FY2015-16 General Fund Revenue
Forecast Assumptions**

- **Moderate growth**
- **Slowing rate of employment growth**
- **At full employment => wages will start to rise => increase in income taxes**
- **Increased spending => increase in sales tax**
- **Flood recovery => increased spending on repairs**



**Board of Economic Advisors
April 2016**

Comparison of Base Economic Assumptions

	FY2015-16	Current Y-T-D
Income growth	5.25%	5.38%
Employment growth	2.1%	2.8%
Inflation	< 2.0%	0.9%
Sales Tax growth	5.4%	5.4%
Income Tax growth	6.2%	7.4%
Total General Fund	4.6%	6.0%

**Board of Economic Advisors
April 2016**

Key Economic Sectors

Wages & Salaries

- **Wage growth is in line with revenue estimate**
- **As near full employment, wages begin to rise**

Employment

- **Employment growth is above forecast**
- **Withholding growth mirrors employment growth**
- **Withholdings growth Y-T-D above estimate**

Retail Sales

- **Flood recovery – FEMA & HUD funds being disbursed**

**Board of Economic Advisors
April 2016**

- **Income tax refunds**
- **Auto sales have slowed in recent months**
- **Can consumers take on any more debt?**

Housing

- **Mortgage rates show little effect of interest rate change => actually declining since December**
- **Level of single-family building permits close to “normal”**
- **Doc stamp tax Y-T-D on target**

Commodity prices

Crude oil => OPEC meeting

Industrial metals

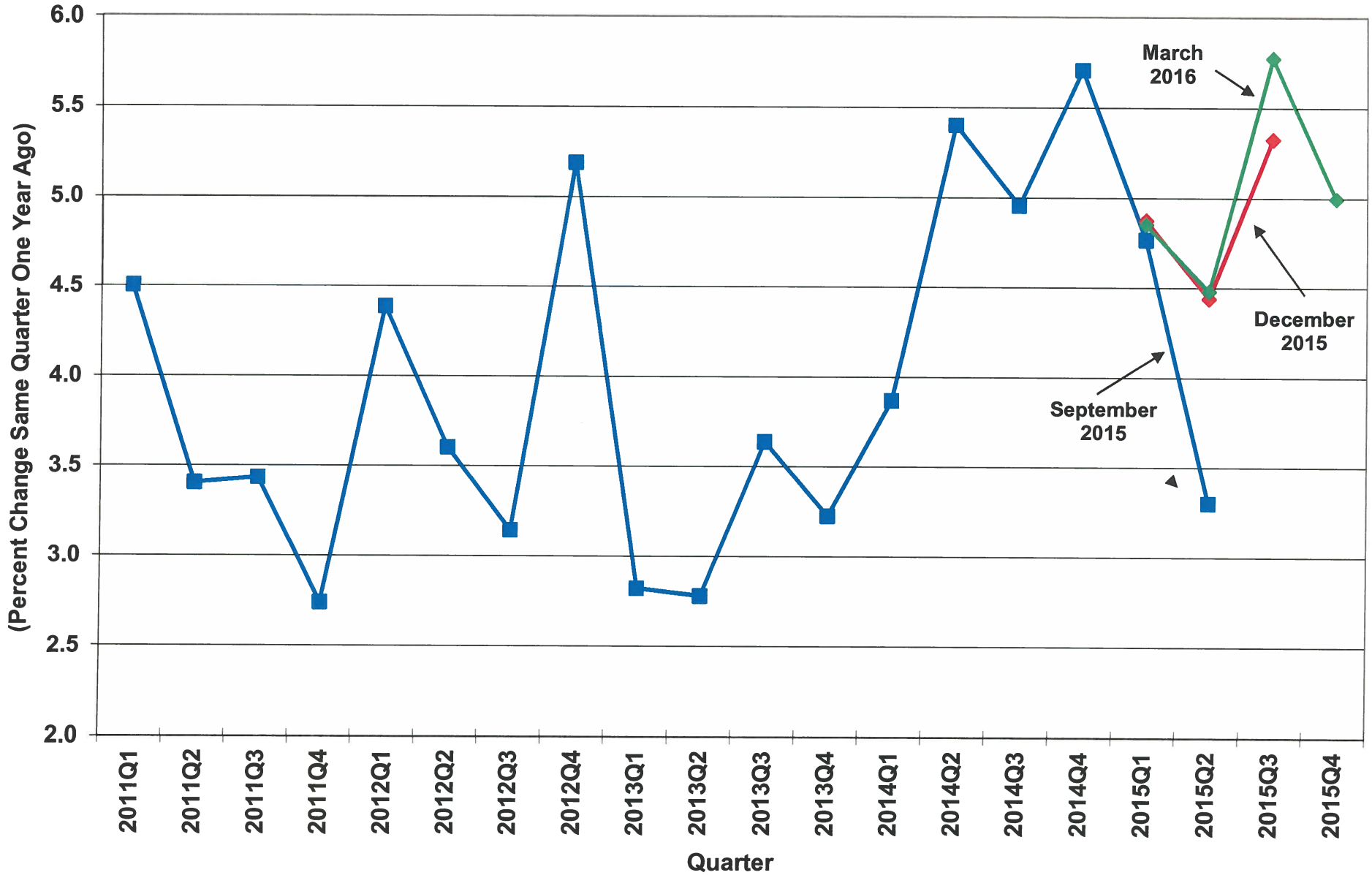


**Board of Economic Advisors
April 2016**

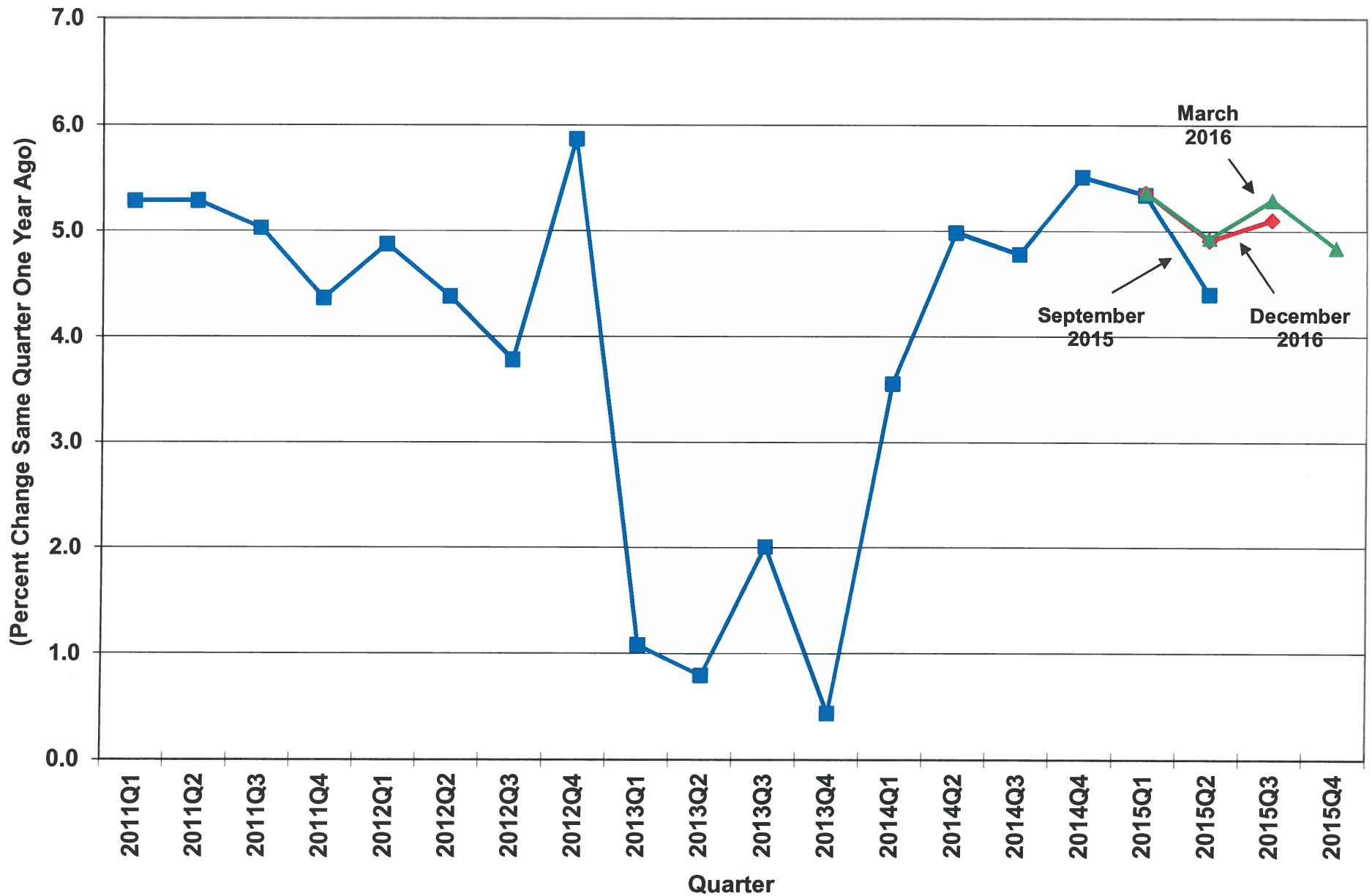
Items of Concern

- **New orders for goods on a downward trend**
- **Building inventories => will slow future sales**
- **IMF cuts economic growth forecast**
- **Timing of tax receipts patterns affecting overall revenue surplus figures**

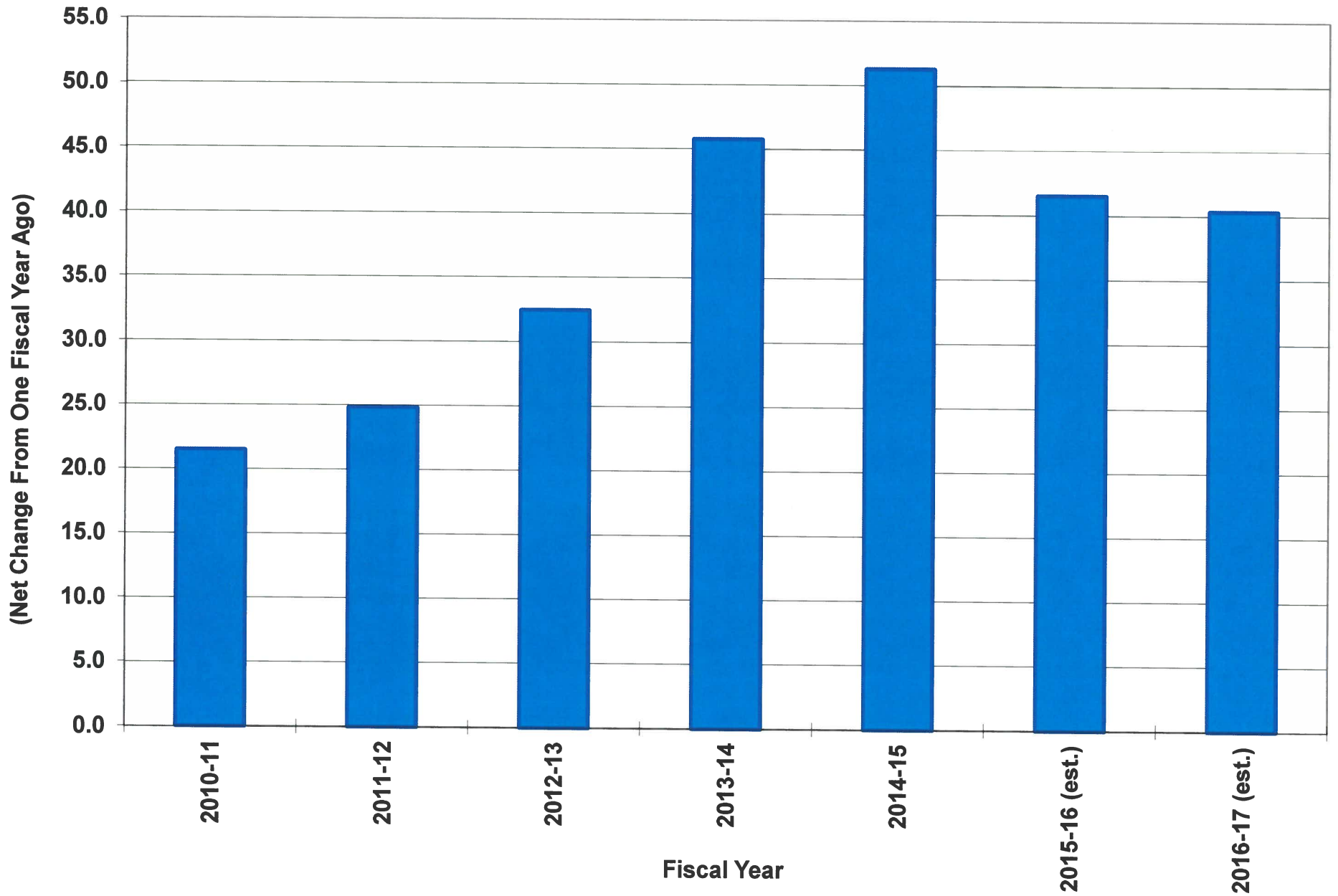
Growth in Wages & Salaries in South Carolina



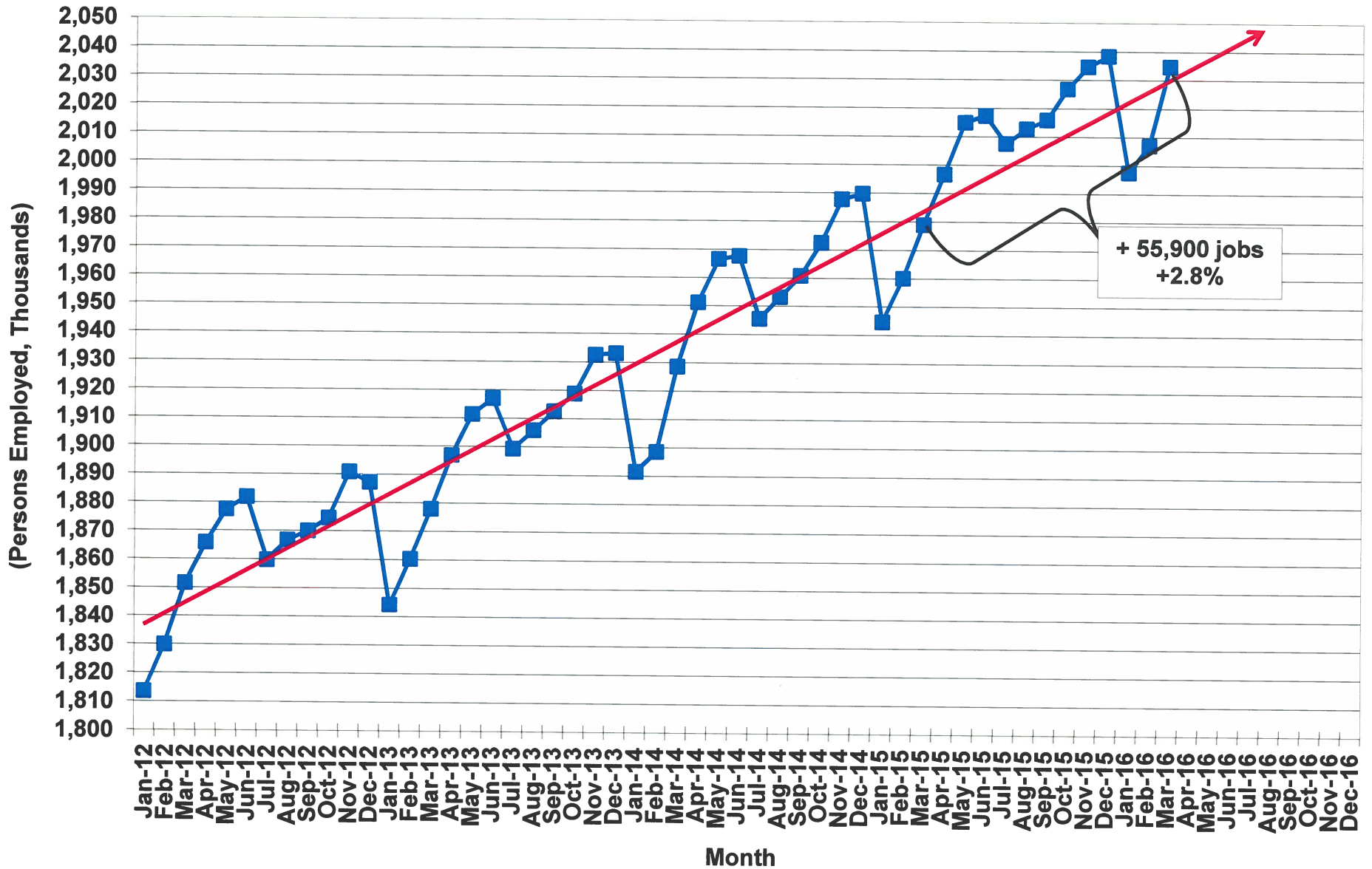
Growth in Personal Income in South Carolina



Net Change in Employment Growth in South Carolina

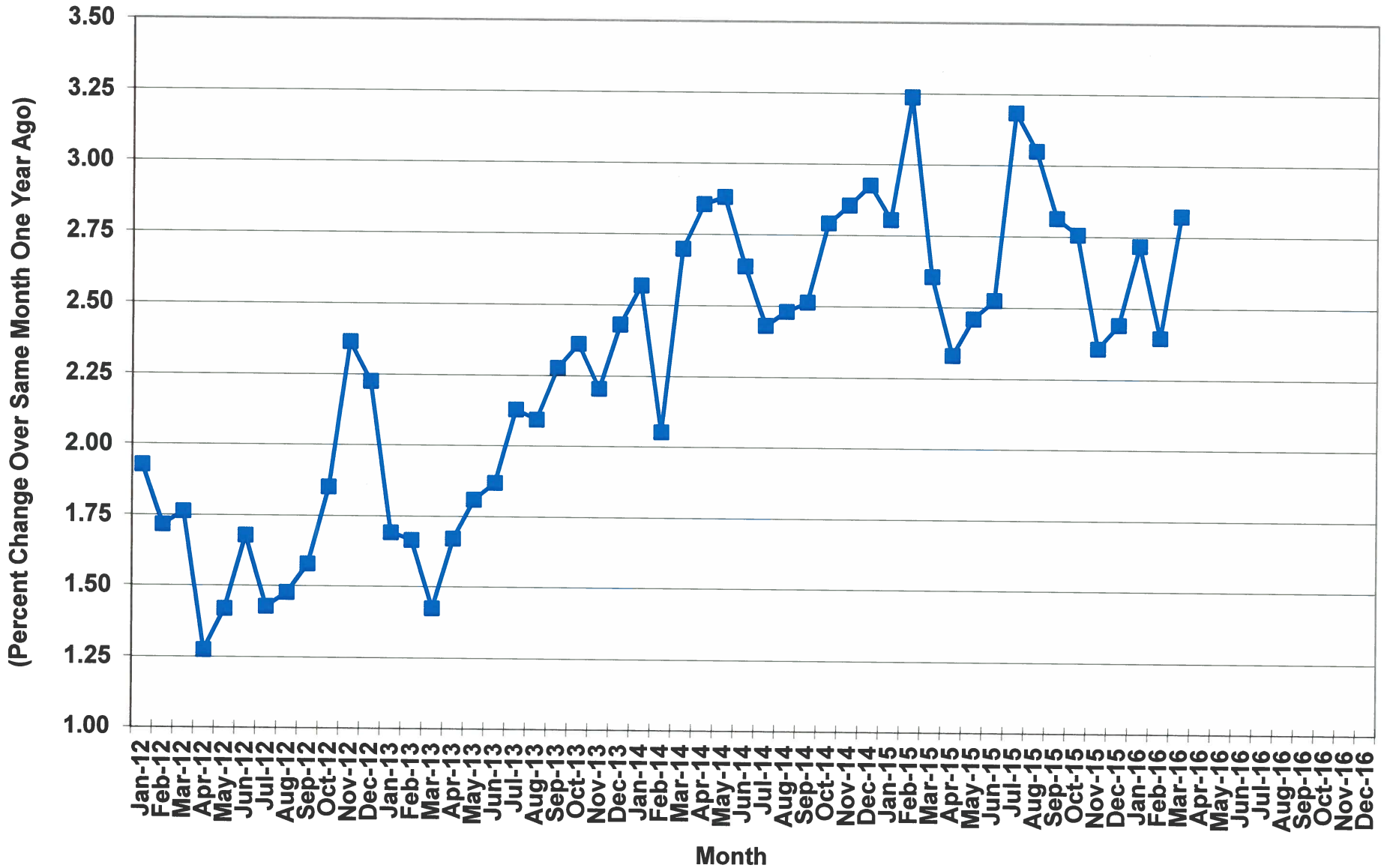


Total Nonfarm Employment in South Carolina



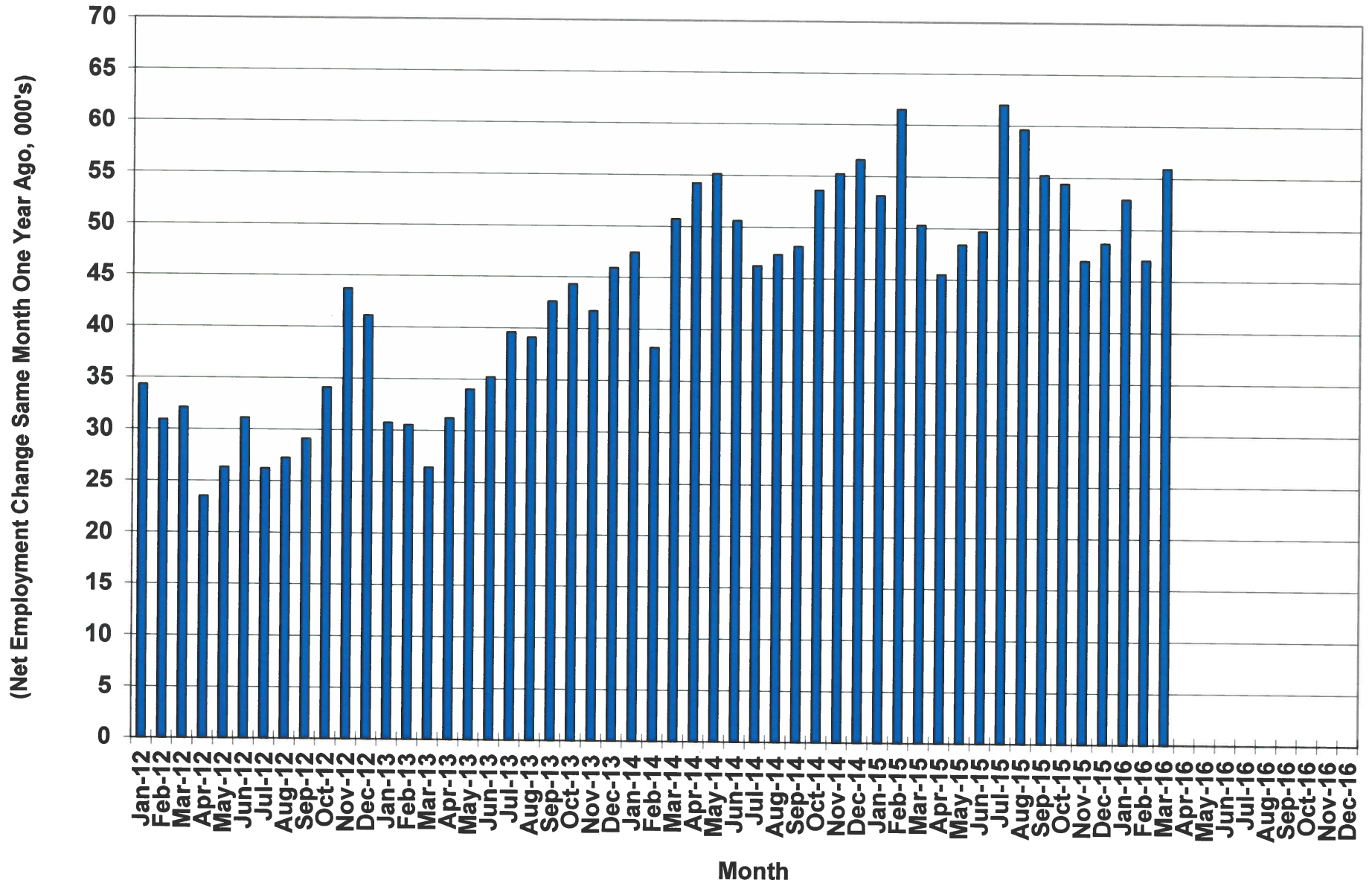
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/04/21/16

Total Nonfarm Employment Growth in South Carolina



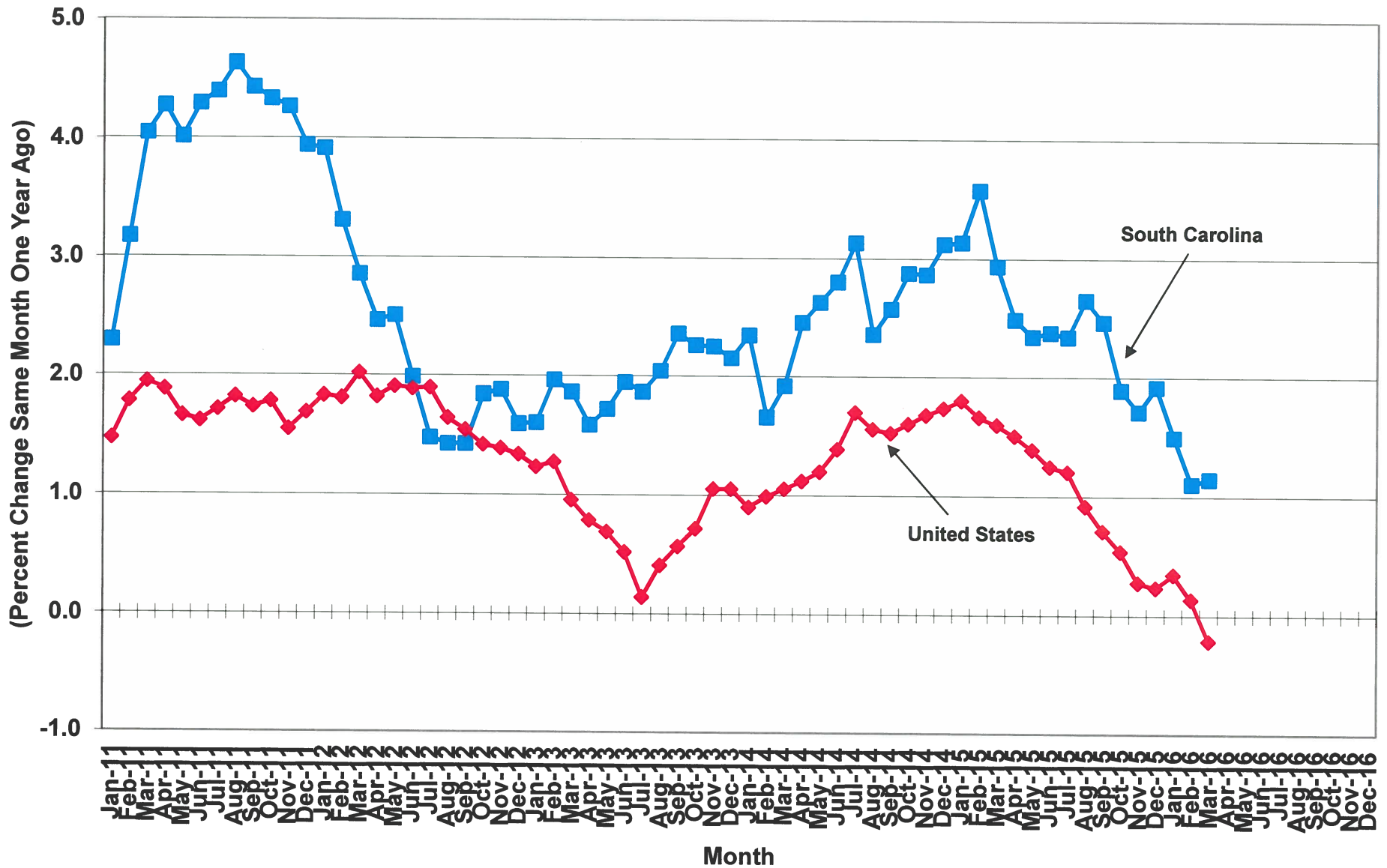
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/04/21/16

Net Nonfarm Employment Increase/Decrease in South Carolina



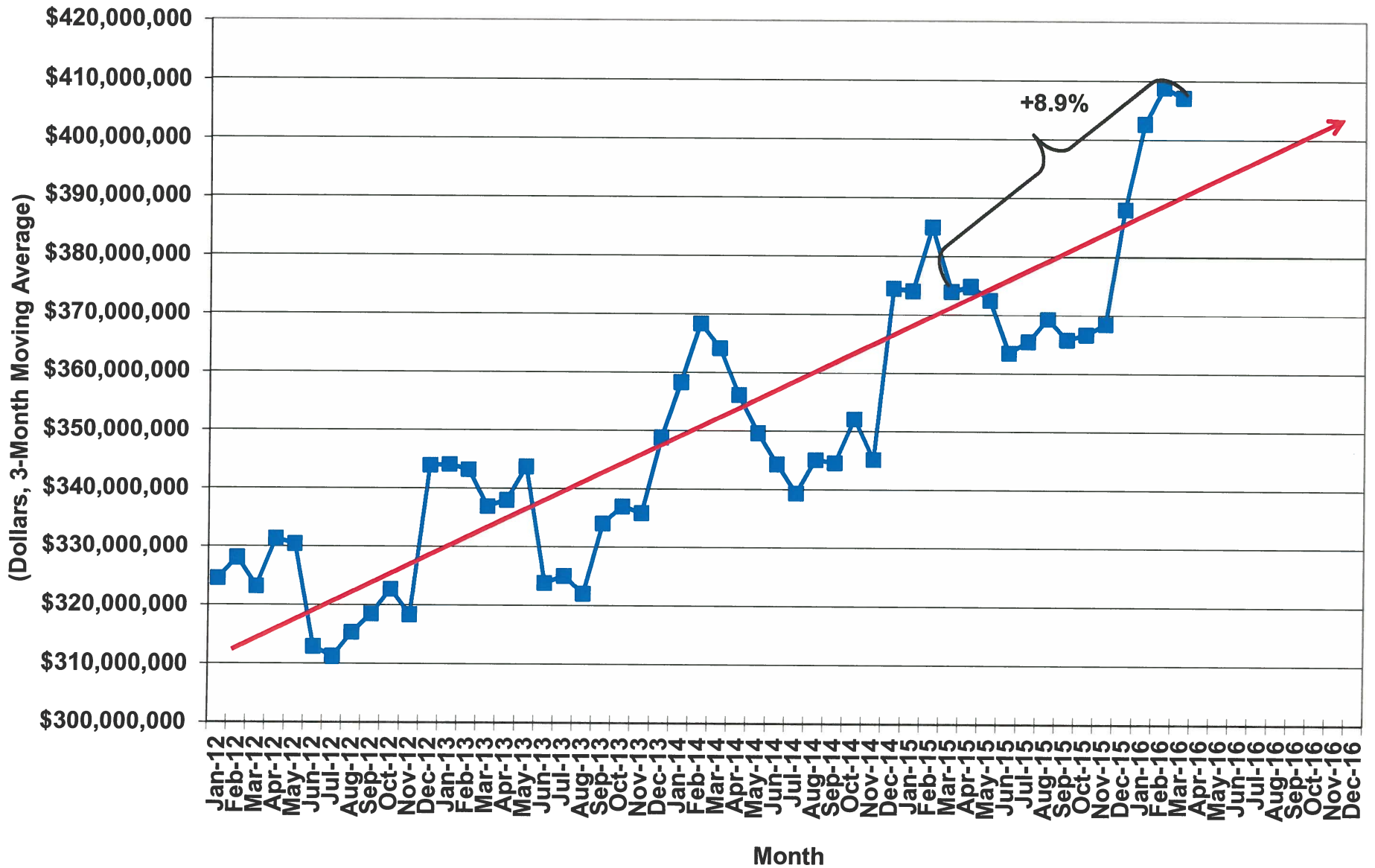
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/04/21/16

Growth in Manufacturing Employment in SC and US



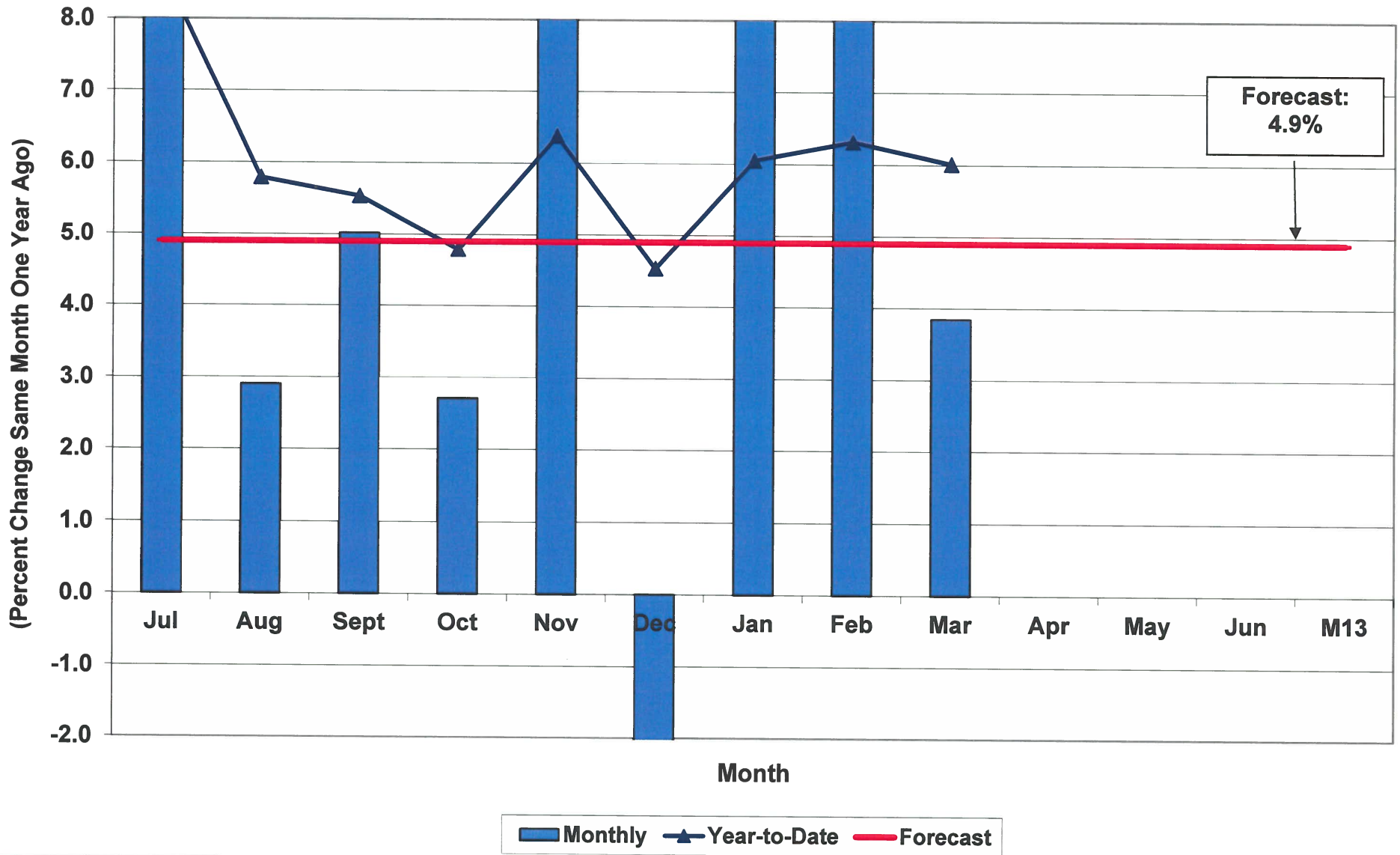
Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
BEA/RWM/09/29/15

South Carolina Income Tax Withholdings



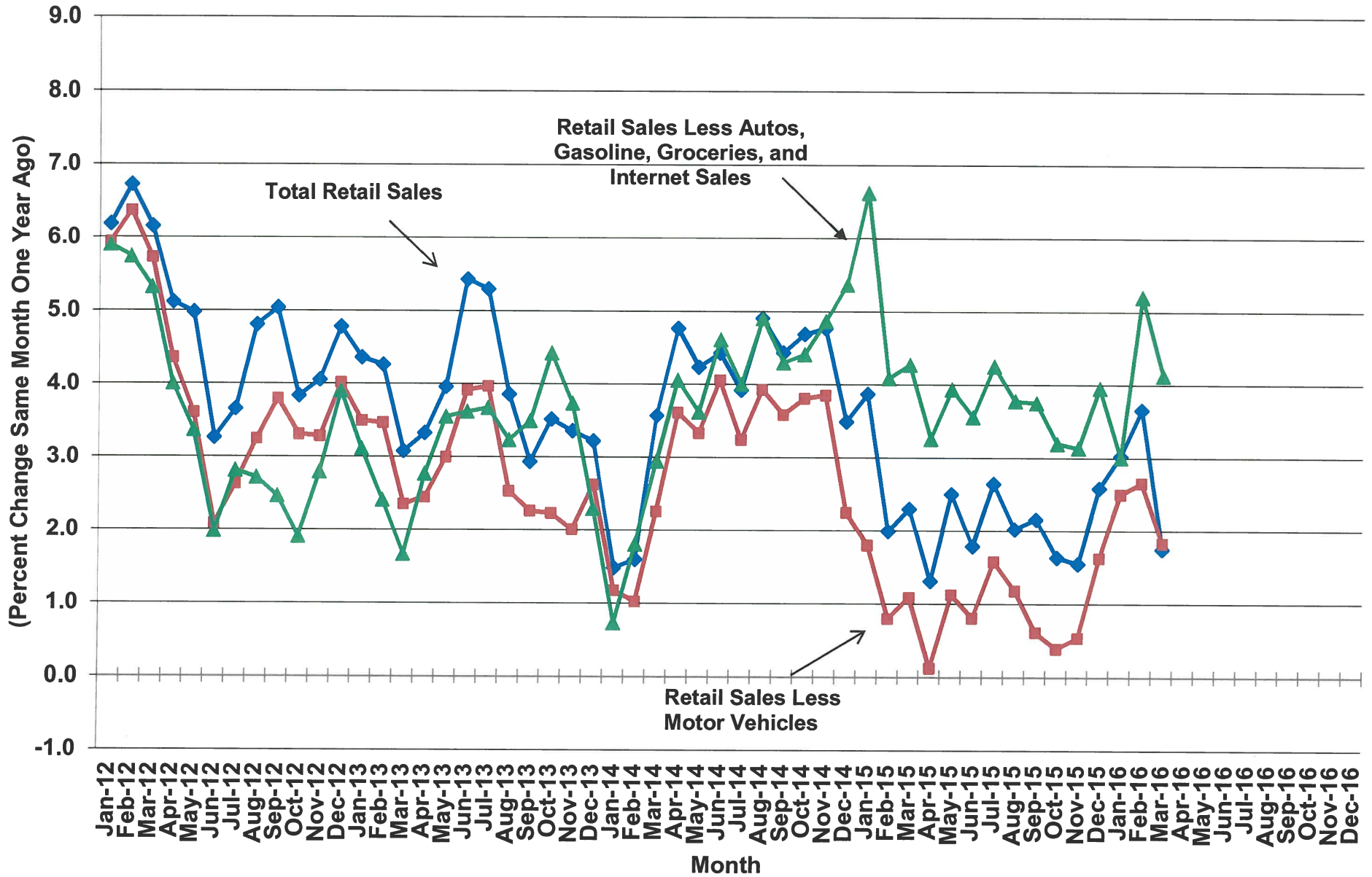
Source: South Carolina Department of Revenue
SCBEA/RWM/04/21/16

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

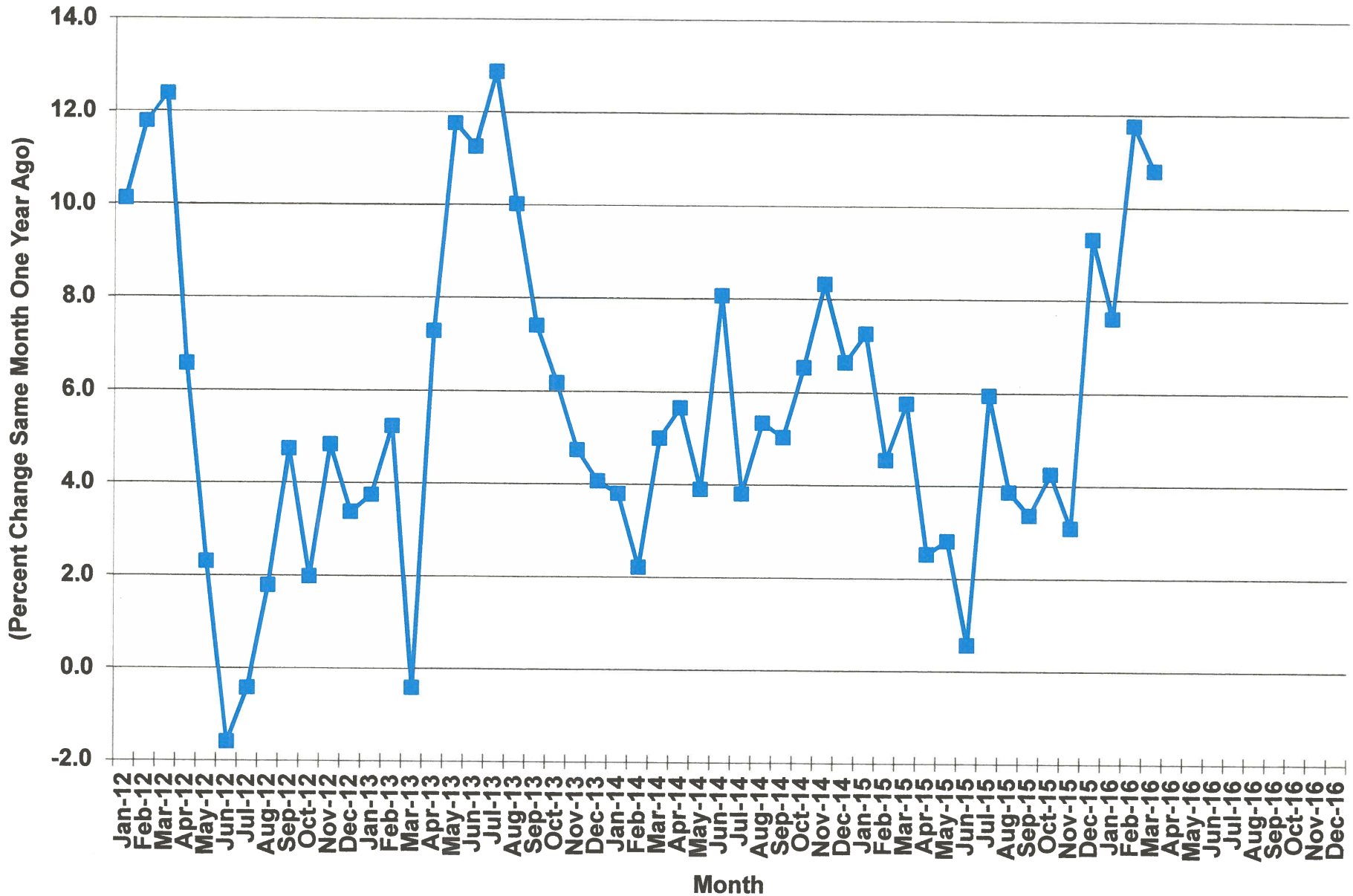


Source: Board of Economic Advisors
BEA/RWM/04/21/16

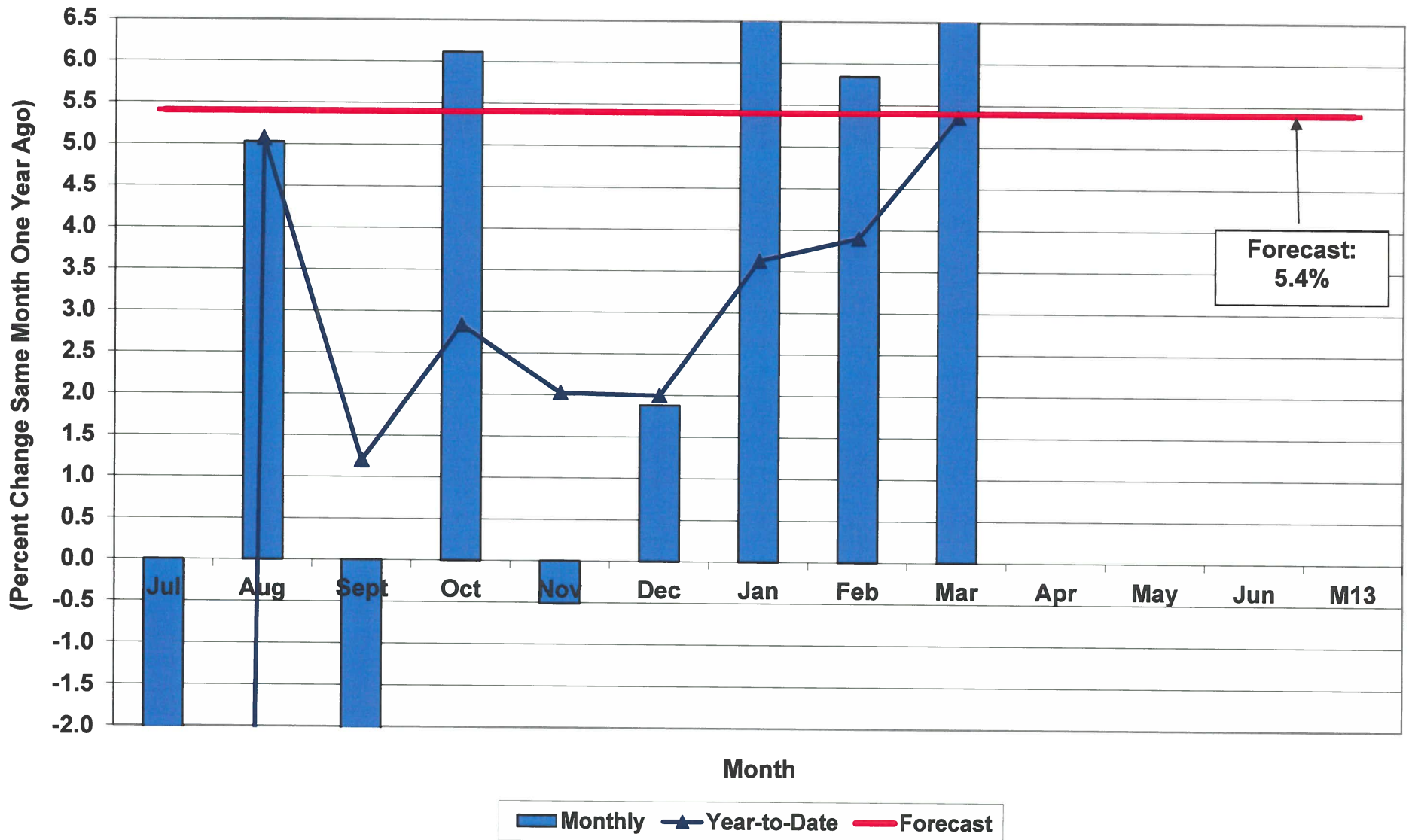
U.S. Retail & Food Service Sales



Retail Sales of Building Materials & Garden Supplies in the U.S.

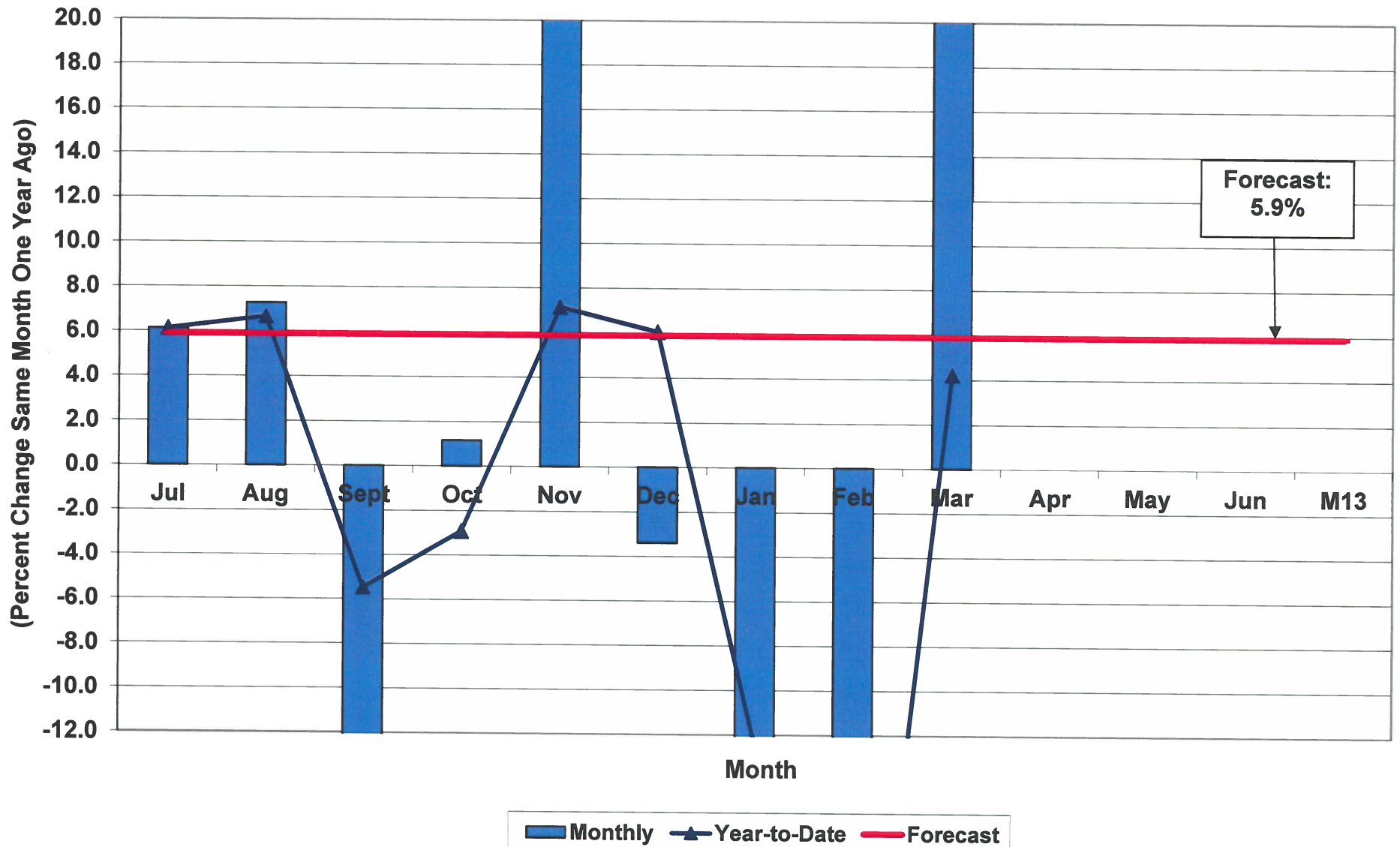


Growth in Total Sales & Use Tax Revenue Collections FY2016 Monthly and Year-to-Date



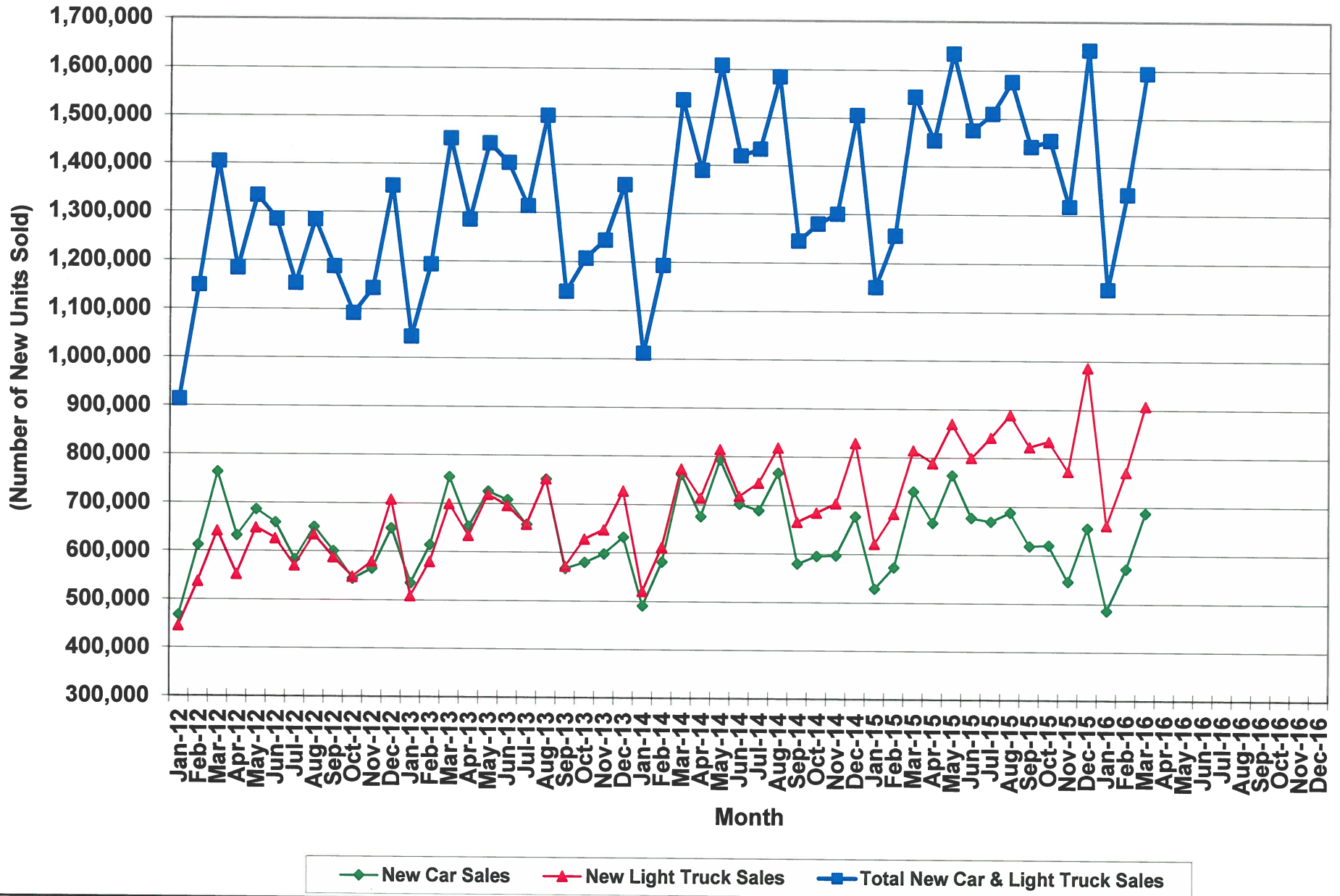
Source: Board of Economic Advisors
BEA/RWM/04/21/16

Growth in Individual Income Tax Refunds in South Carolina FY2016 Monthly and Year-to-Date

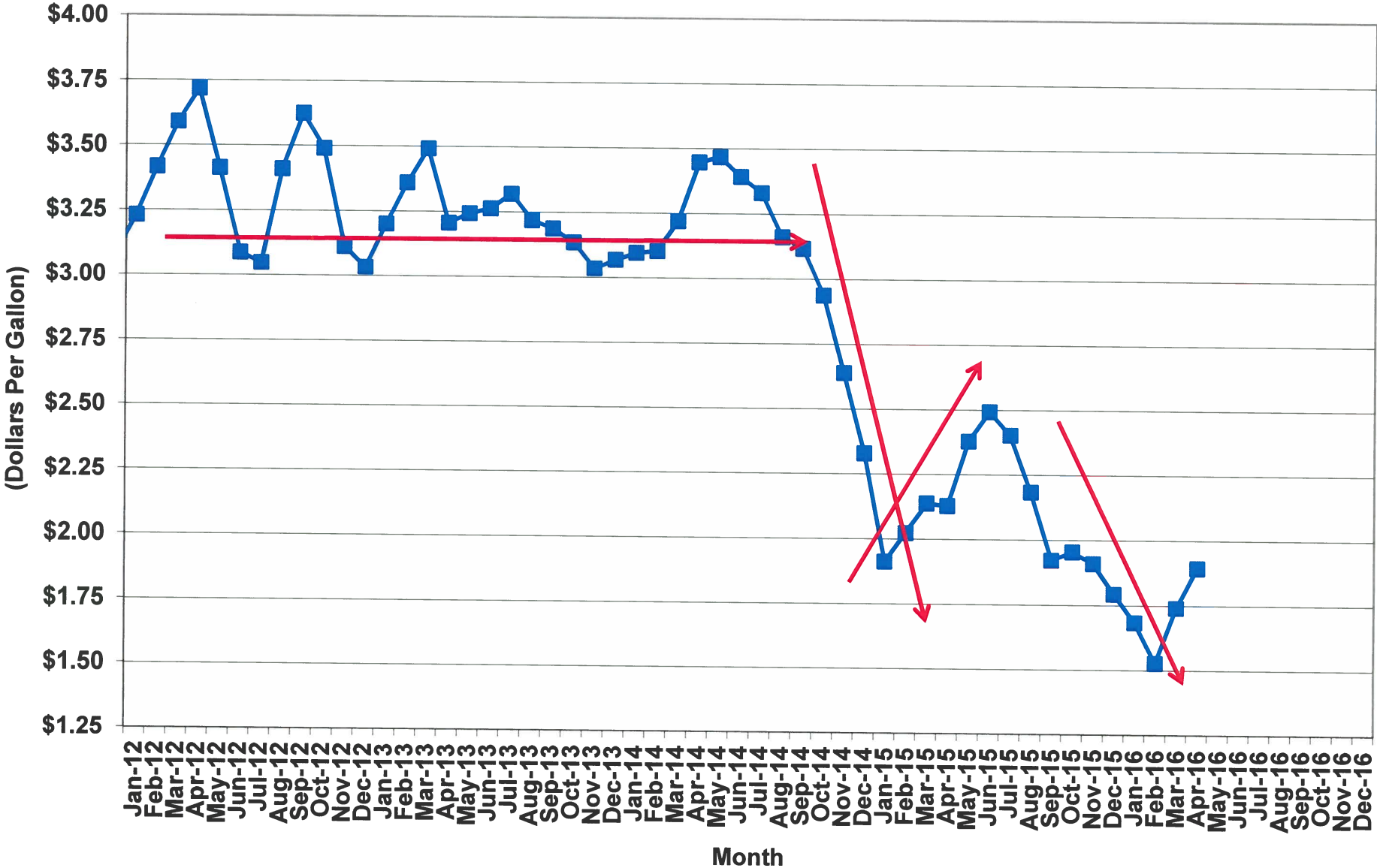


Source: Board of Economic Advisors
BEA/RWM/04/21/16

Total New Car & Light Truck Sales in the U.S.

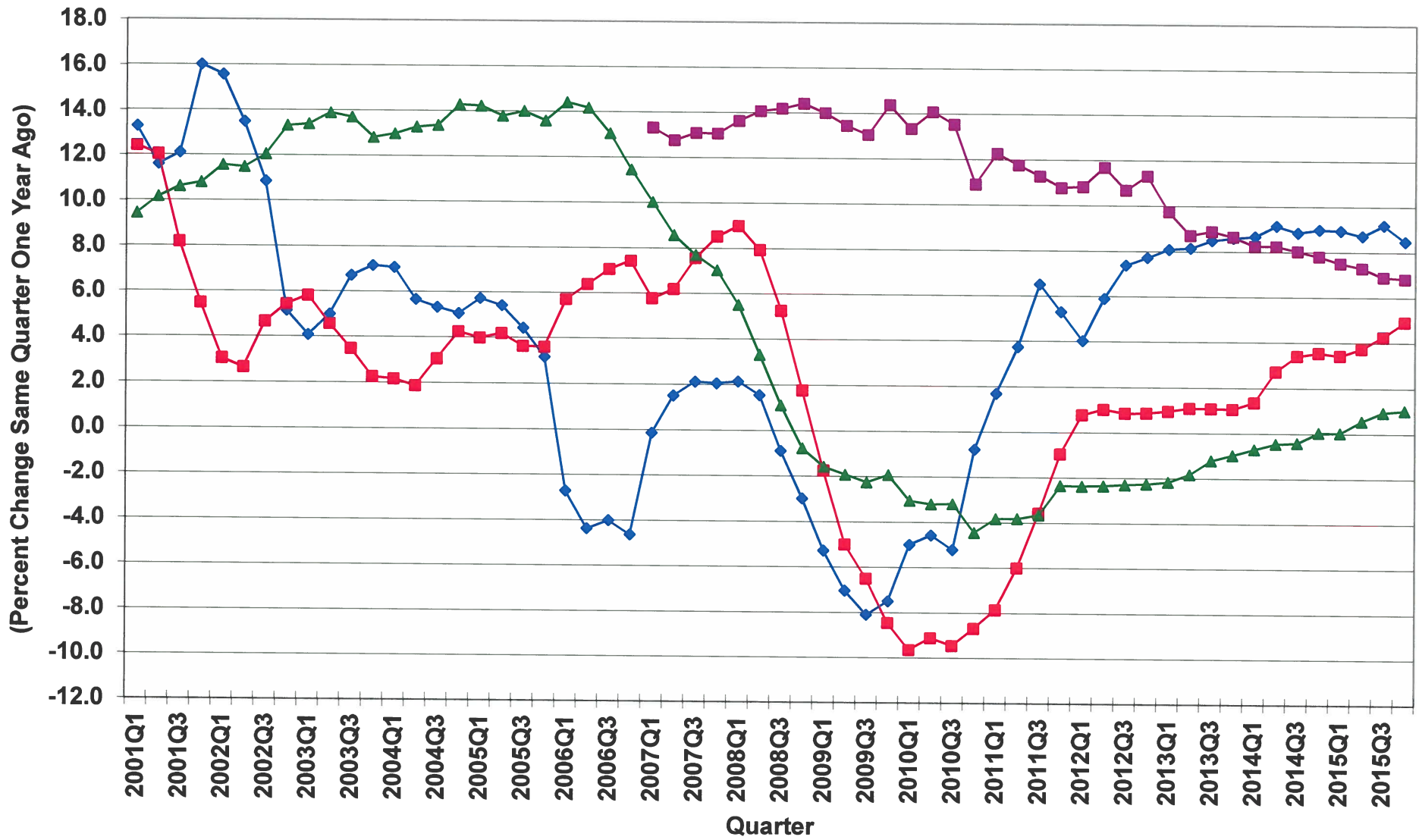


Gasoline Prices in South Carolina



Source: AAA of the Carolina's
SCBEA/RWM/04/21/16

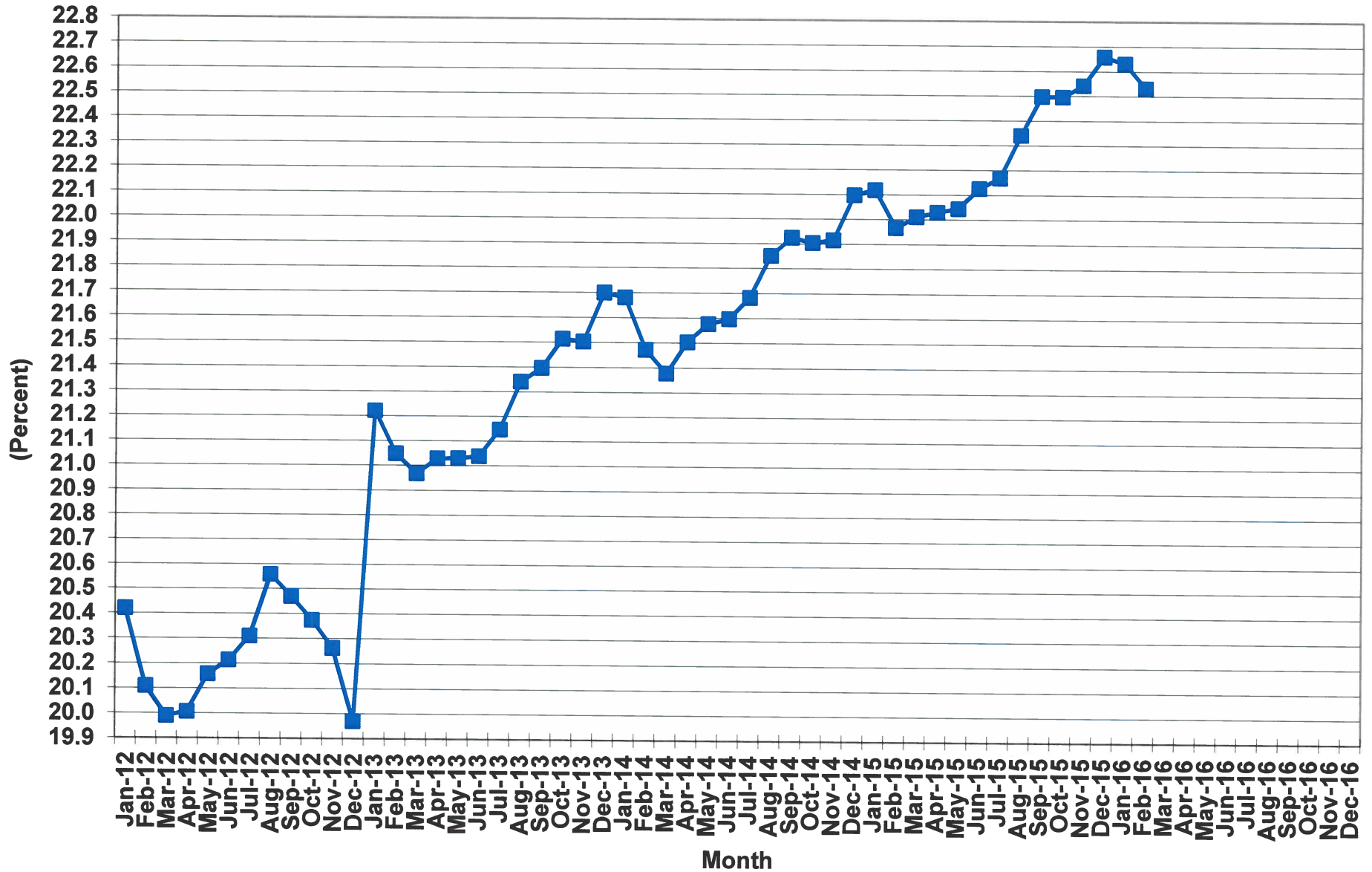
Growth in Major Types of Household Debt



◆ Motor Vehicle Loans
 ■ Credit Cards
 ▲ Mortgage Debt
 ■ Student Loans

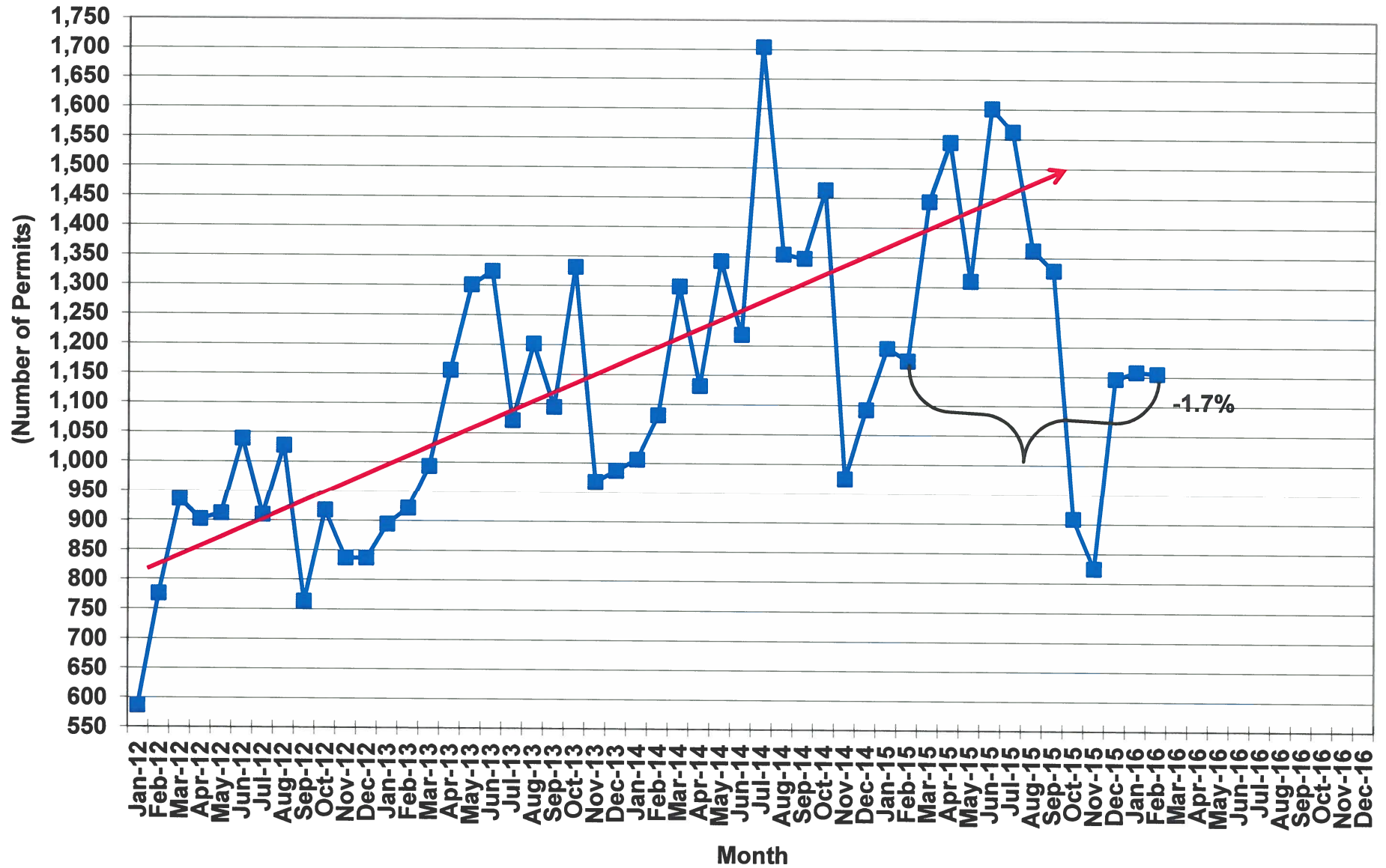
Source: The Board of Governors of the Federal Reserve System
BEA/RWM/04/21/16

Total Credit Outstanding as a Percent of Personal Income



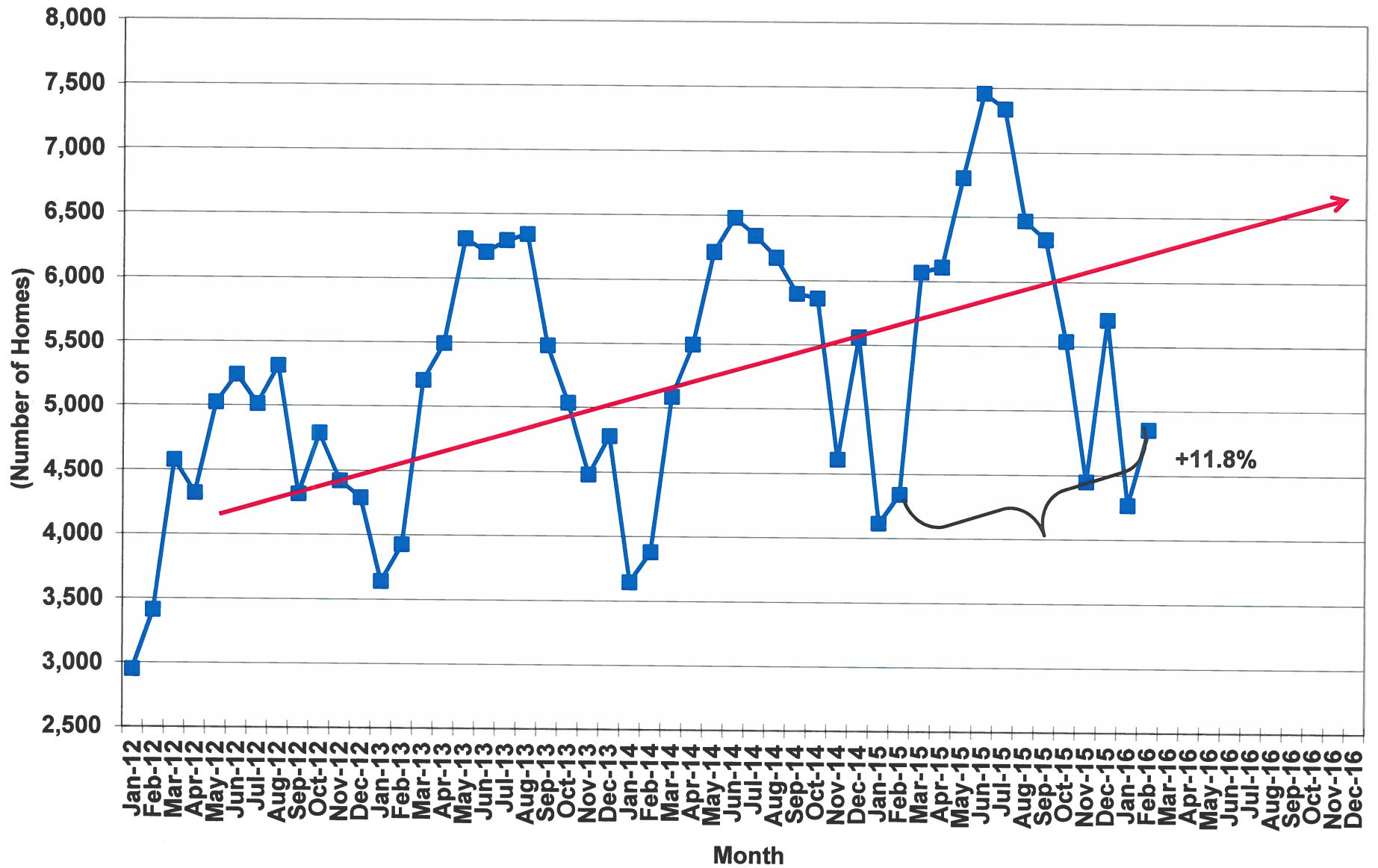
Sources: Federal Reserve System; U.S. Department of Commerce, Bureau of Economic Analysis

Residential Building Permits in South Carolina



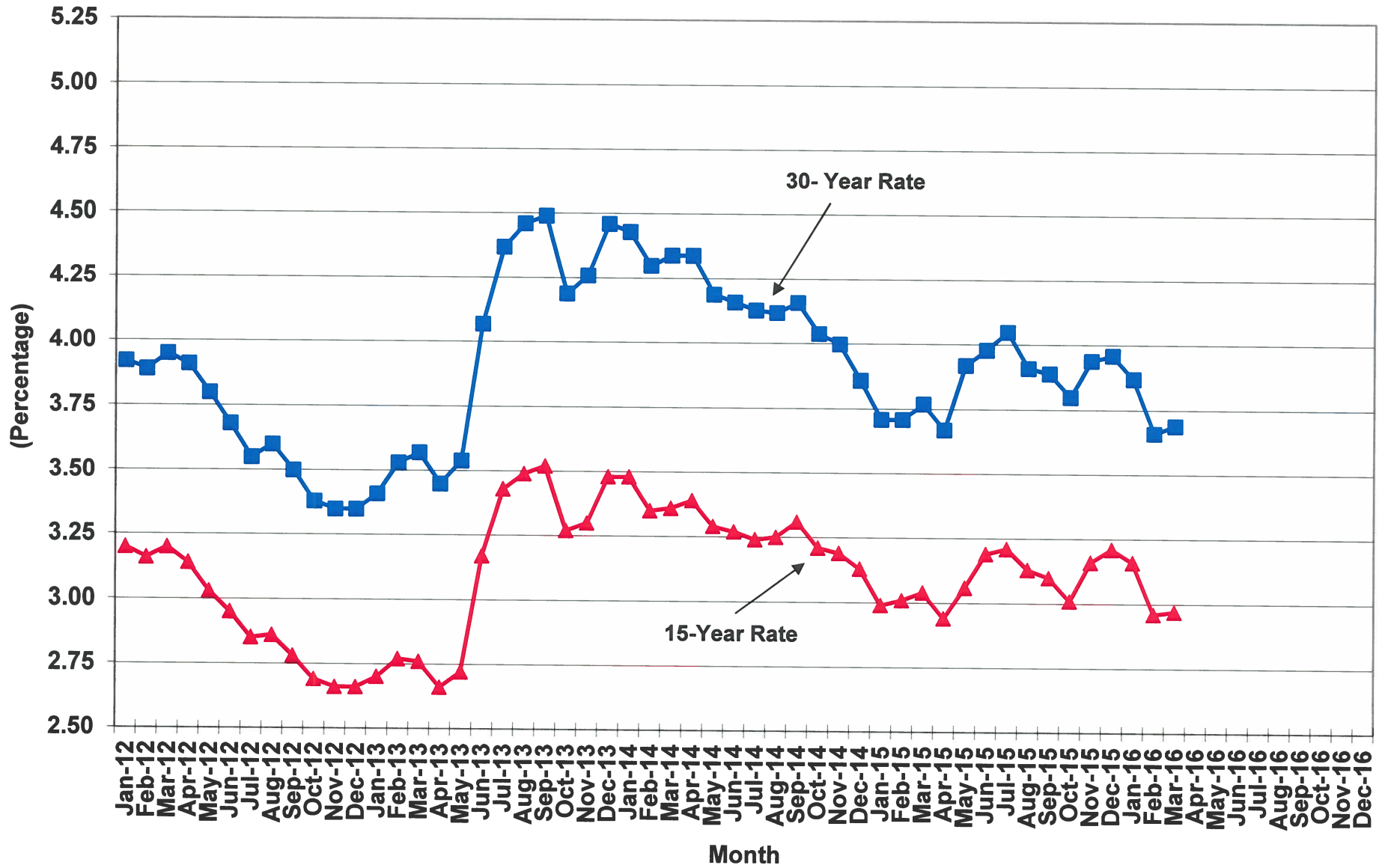
Source: U.S. Department of Commerce, Bureau of the Census
SCBEA/RWM/04/21/16

Number of Homes Sold in South Carolina



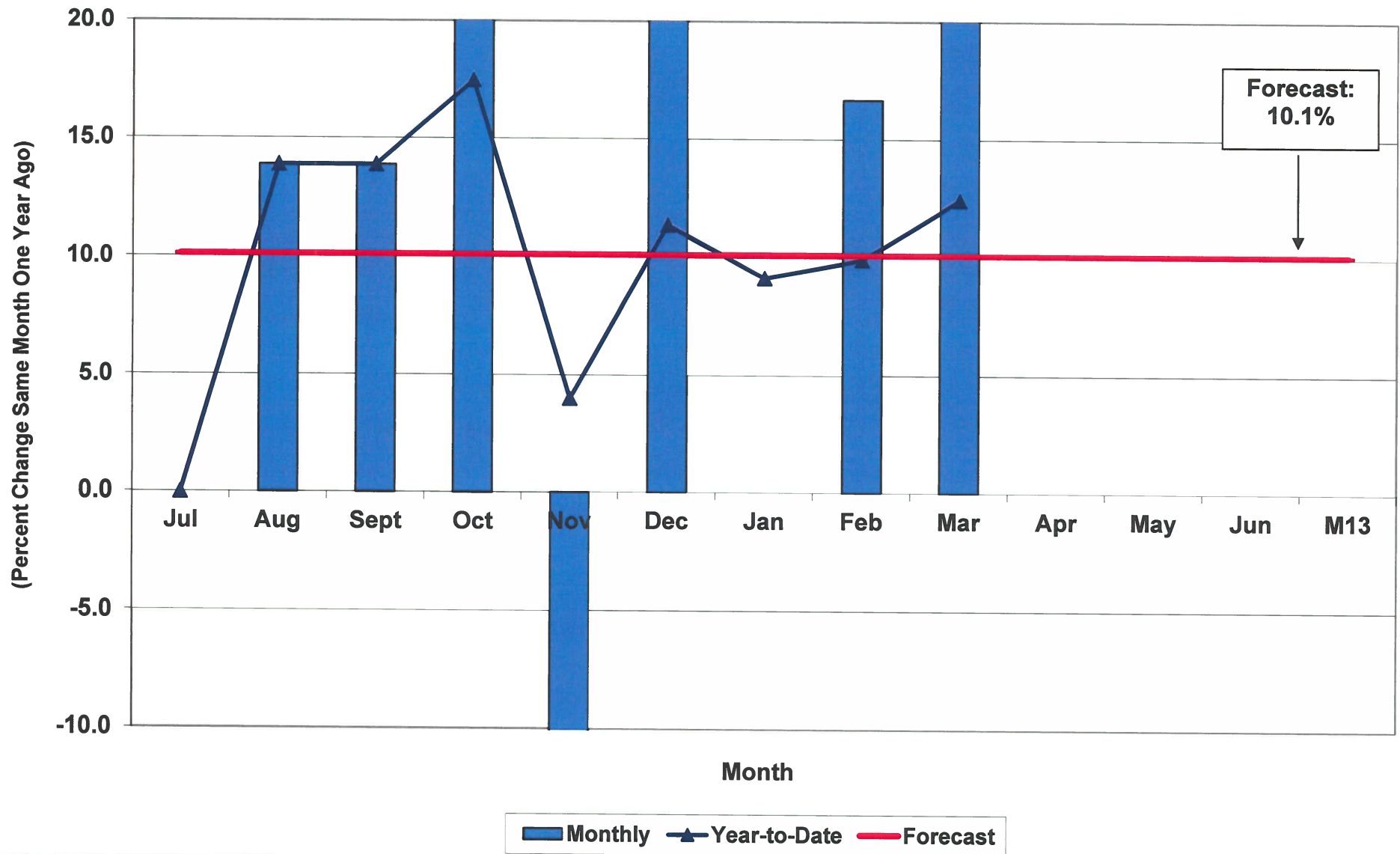
Source: South Carolina Association of Realtors
SCBEA/RWM/04/21/16

Mortgage Rates



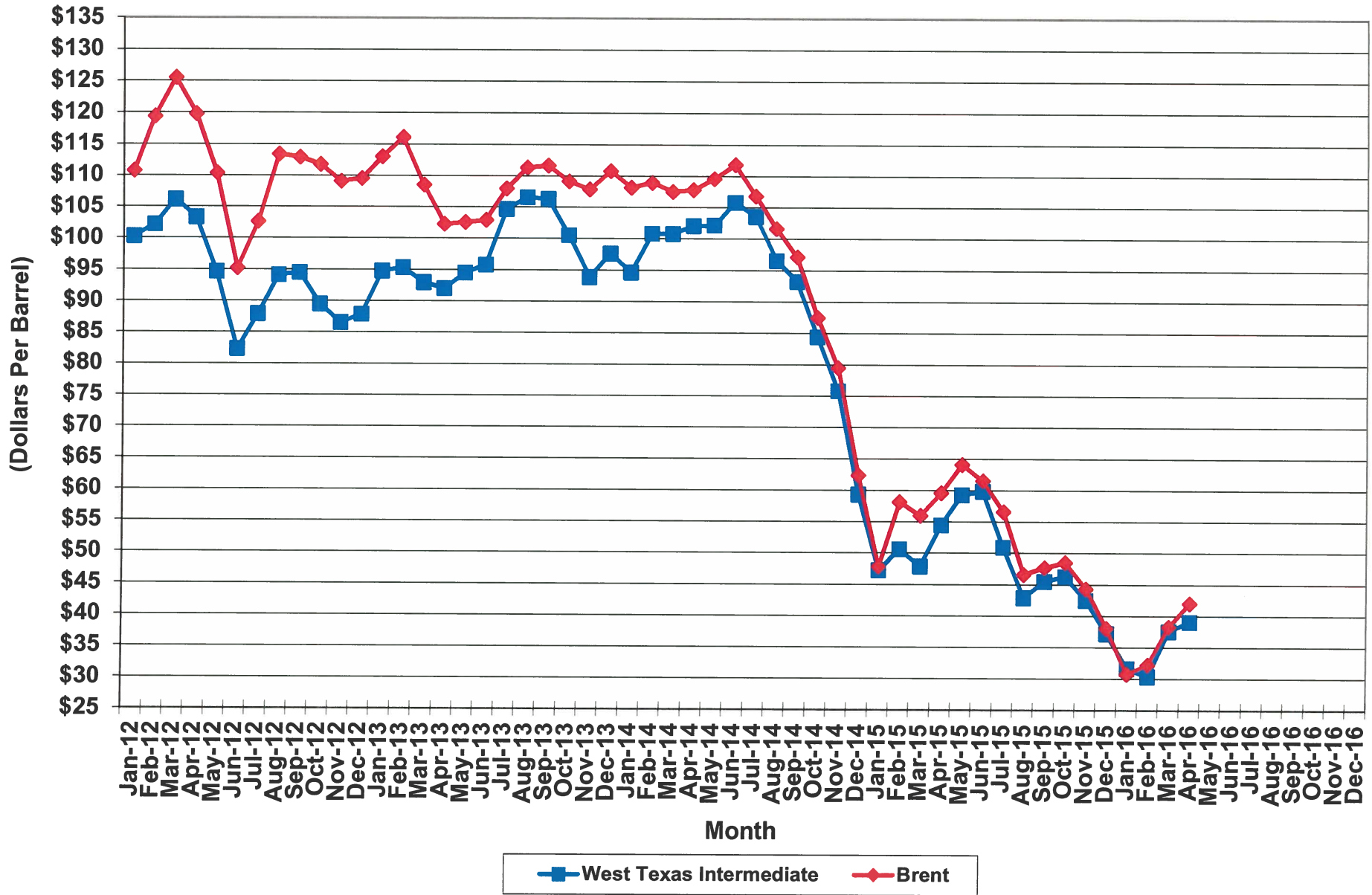
Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/04/21/16

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

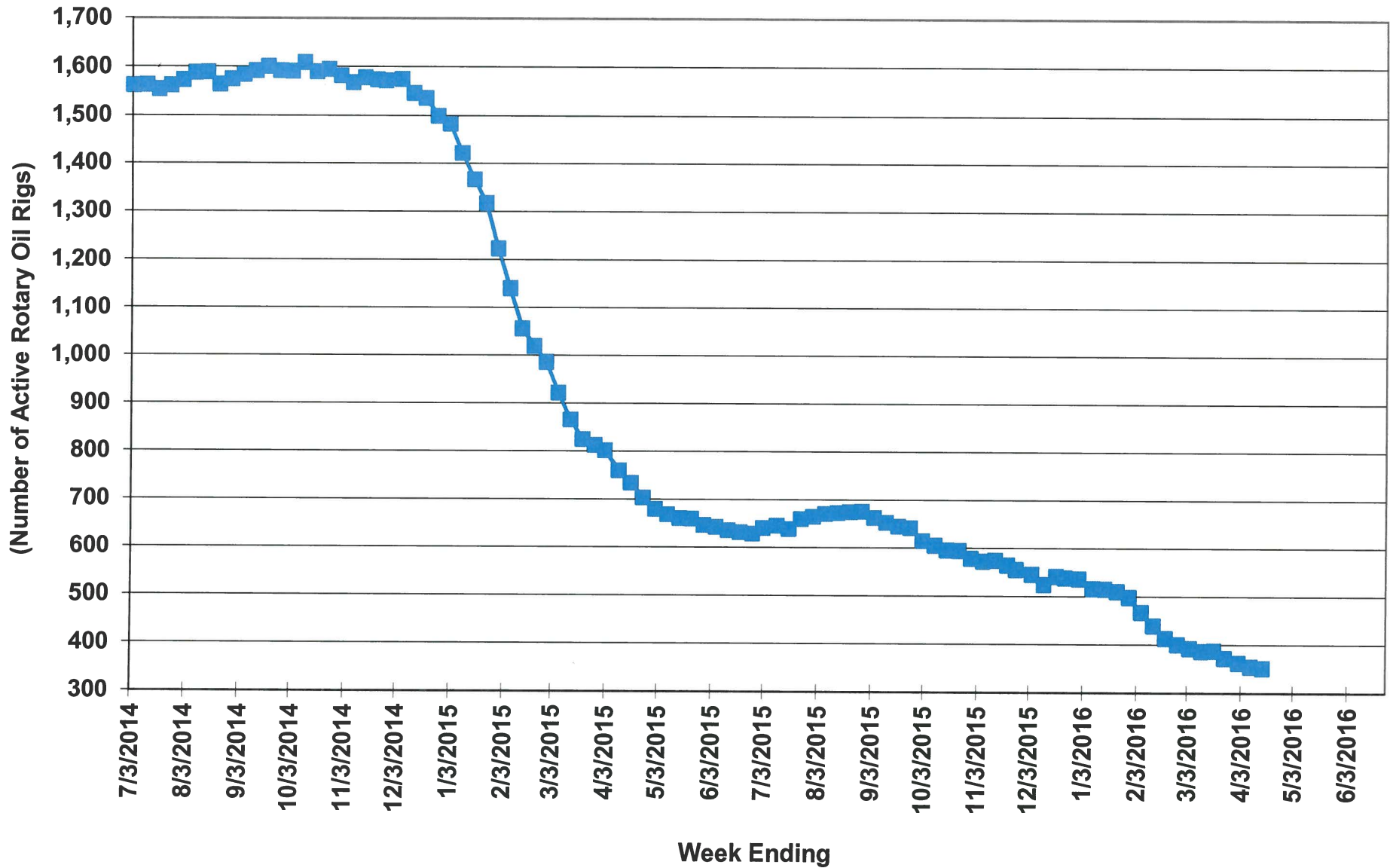


Source: Board of Economic Advisors
BEA/RWM/04/21/16

Spot Crude Oil Prices

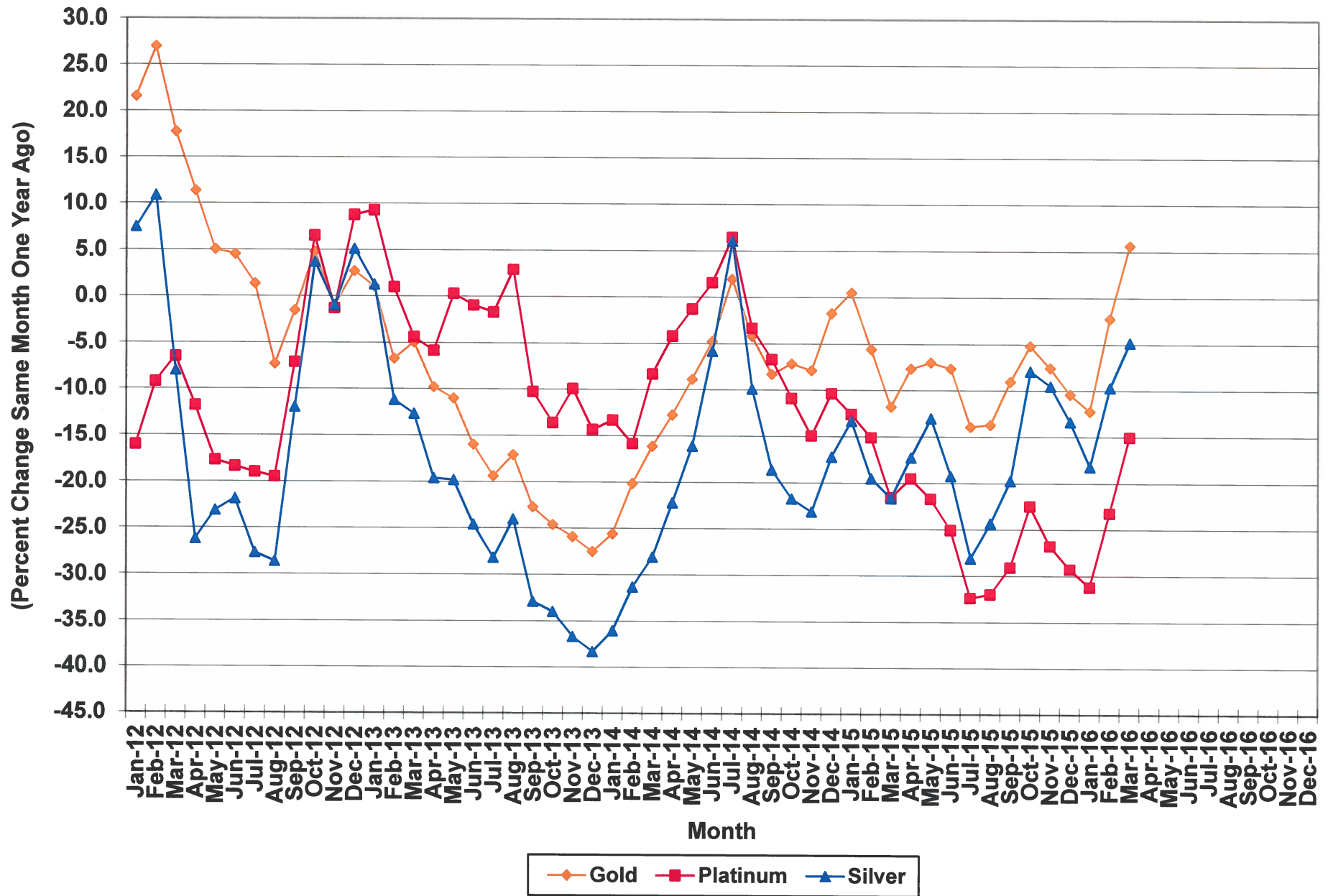


Active Oil Rotary Rig Count in the United States

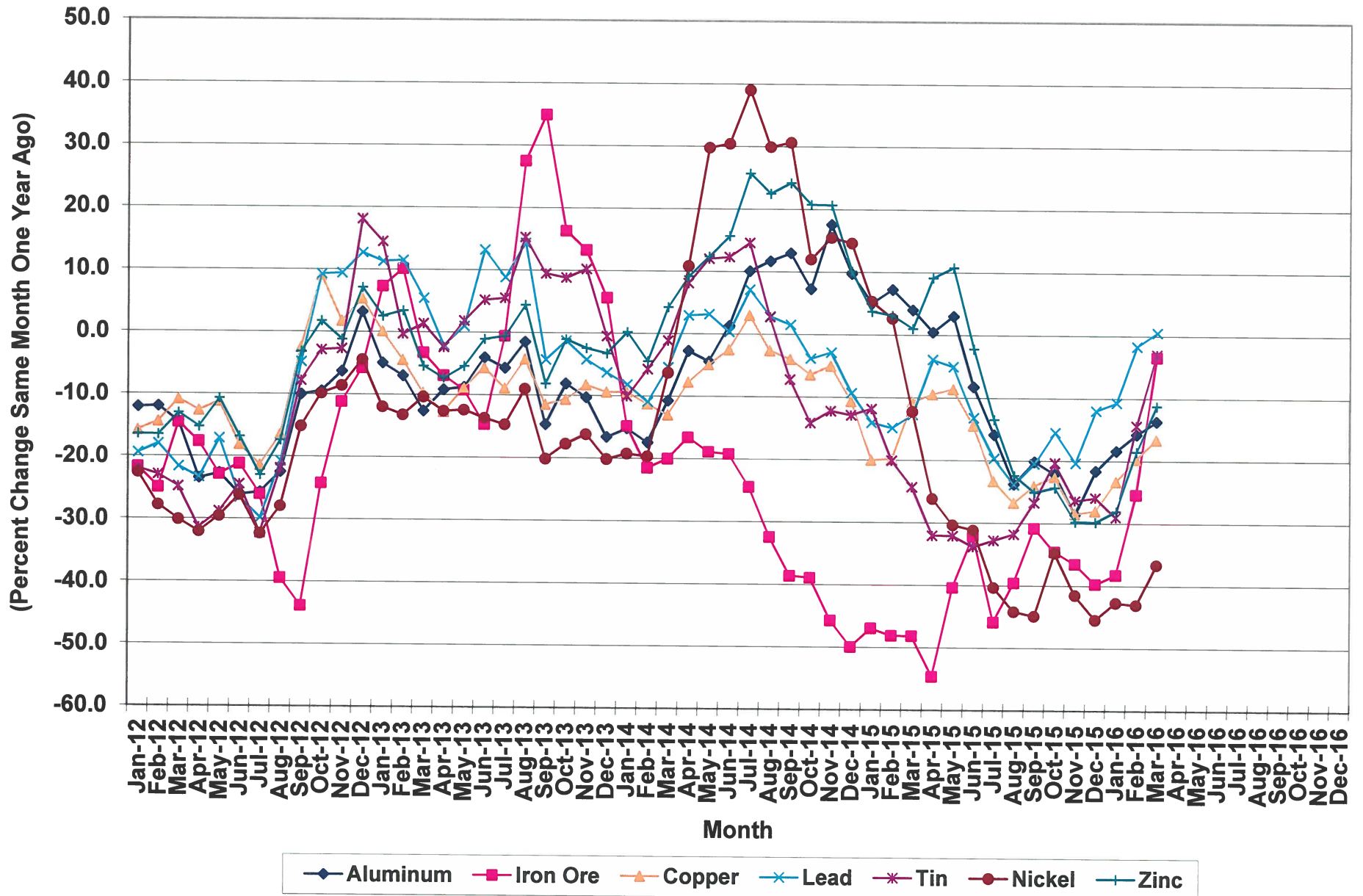


Source: Baker Hughes
BEA/RWM/04/15/16

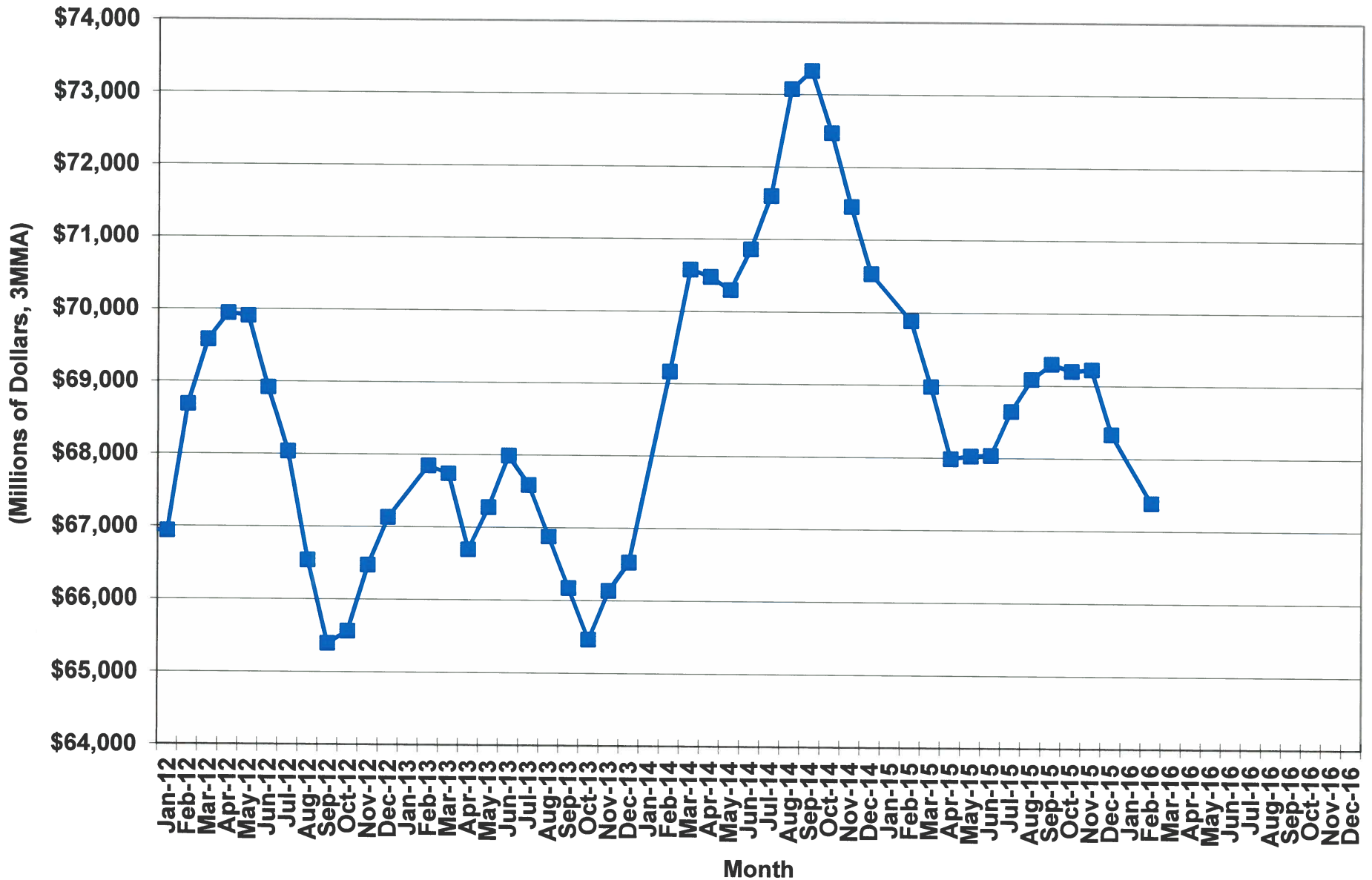
Growth in Precious Metals Prices



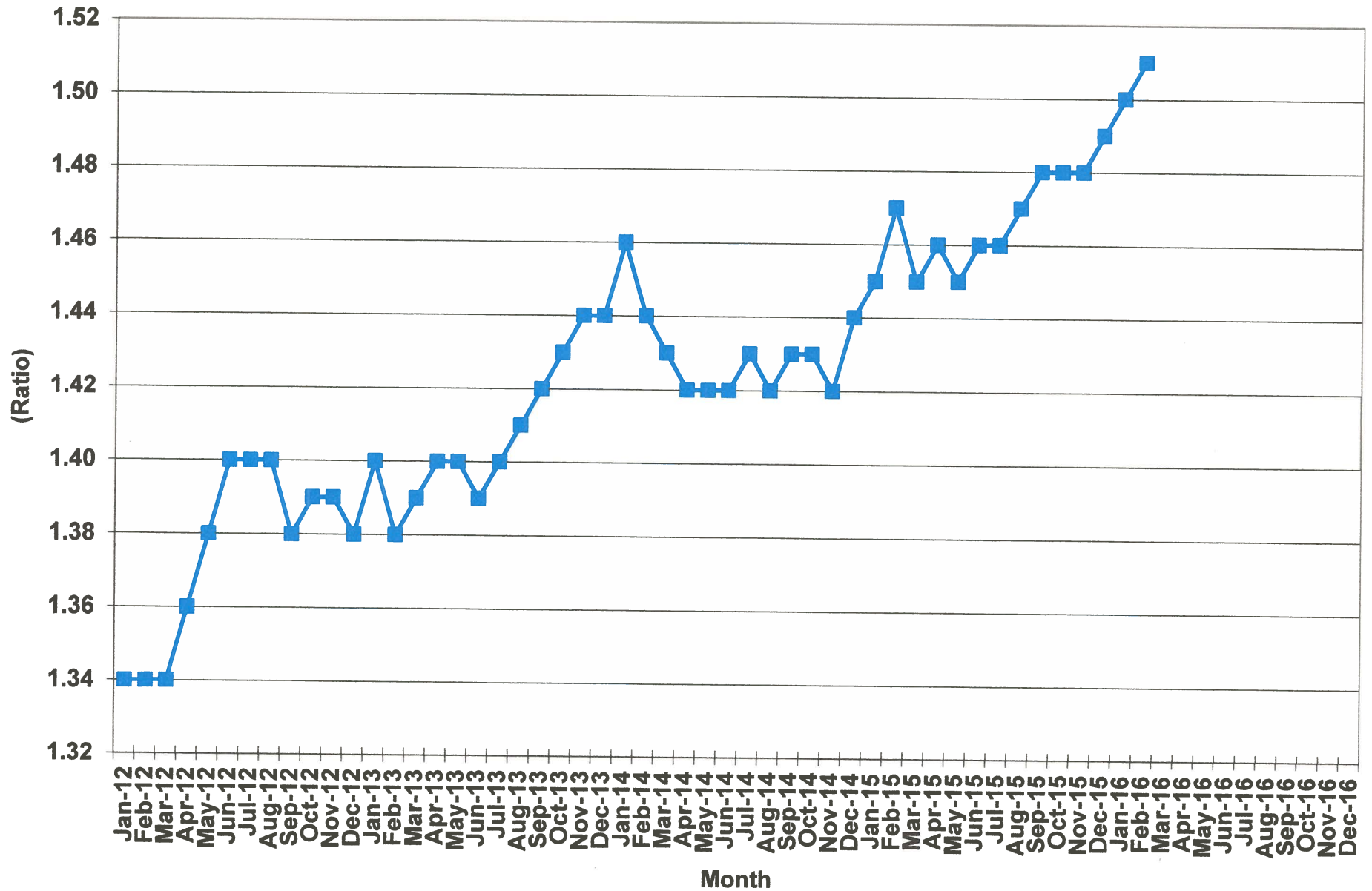
Growth in Industrial Metals Prices



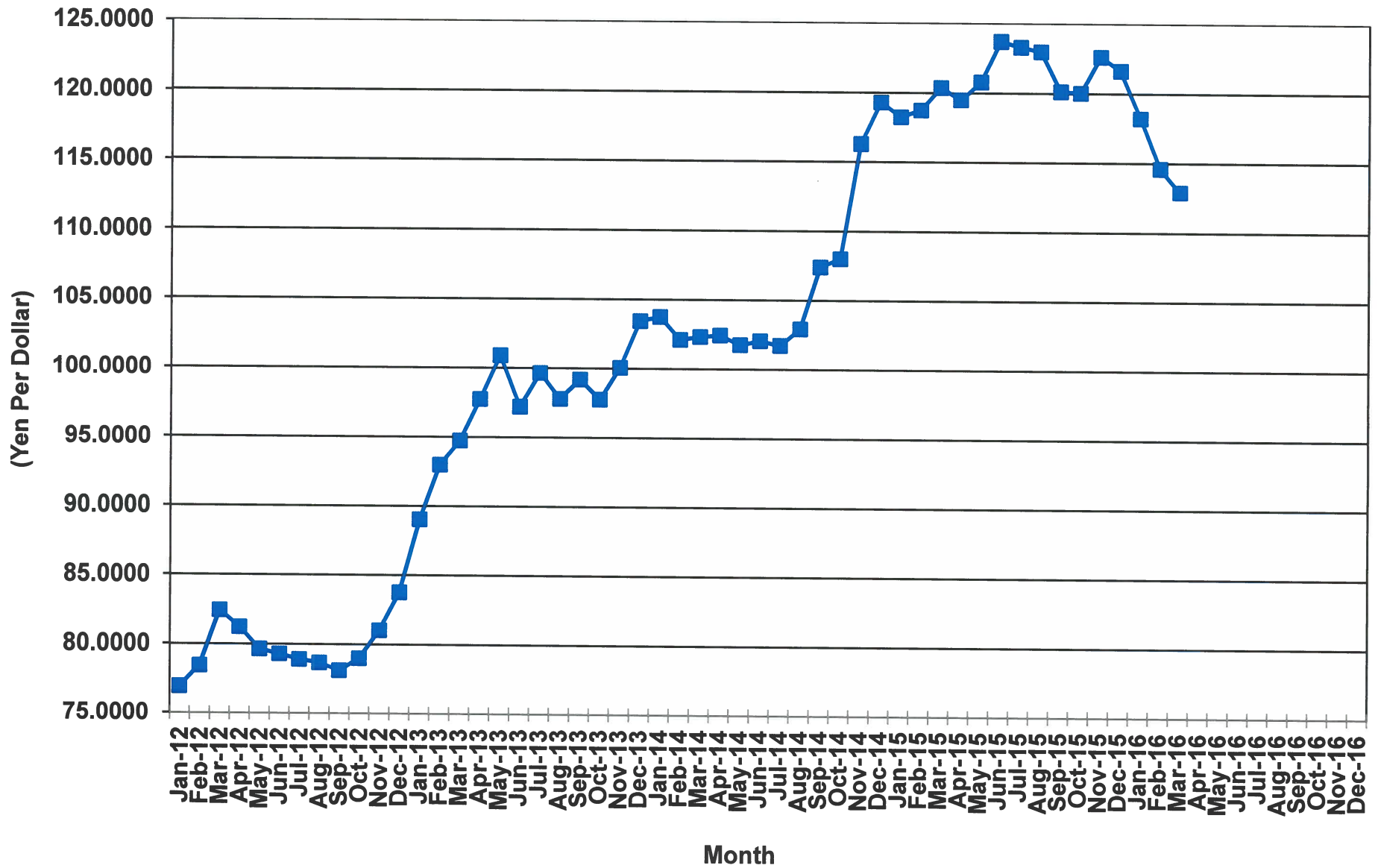
Total Manufacturer's New Orders of Nondefense Capital Goods Excluding Aircraft in the U.S.



Retailers Inventory to Sales Ratio in the U.S.

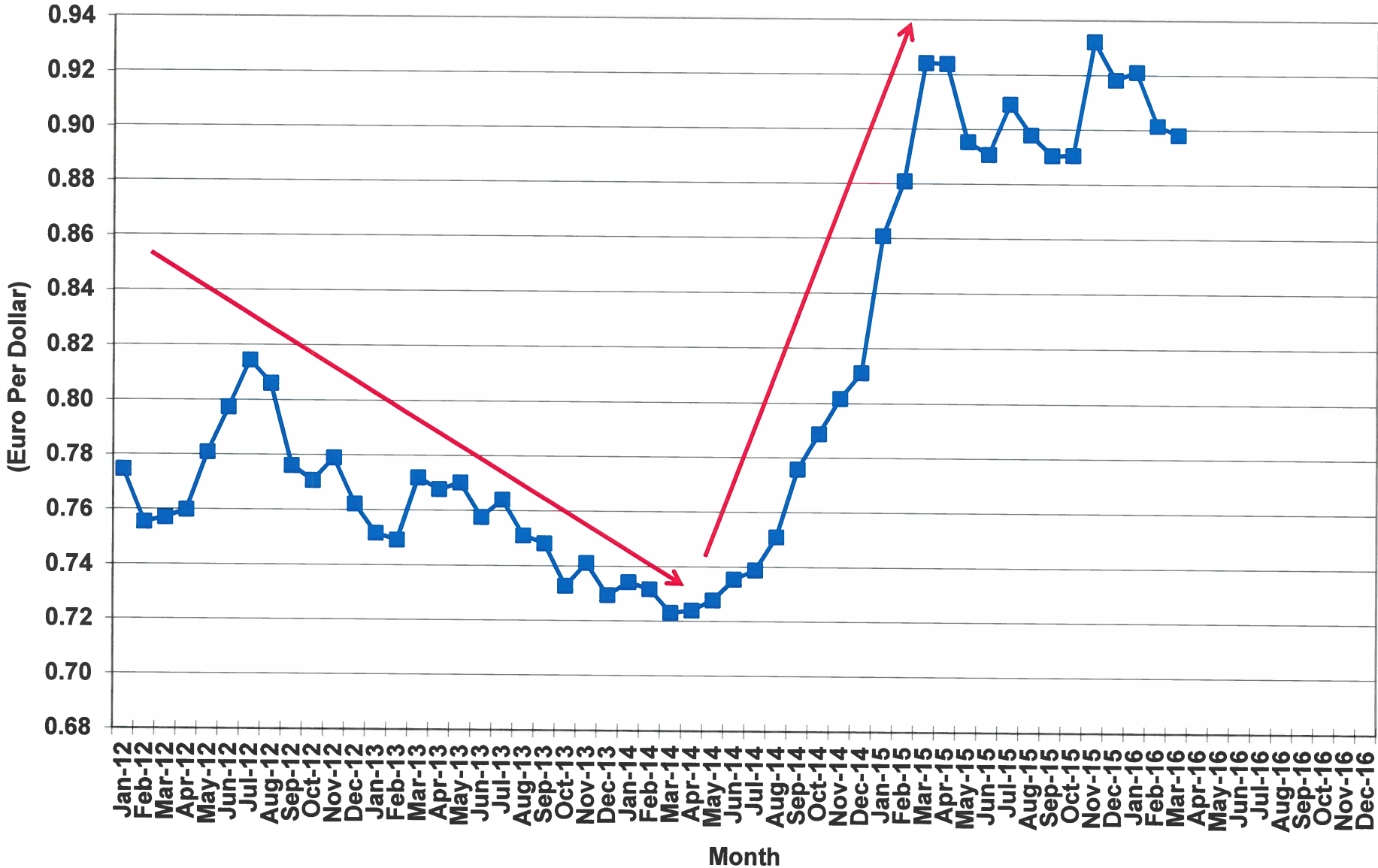


Value of the Yen vs. the U.S. Dollar



Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/04/21/16

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



Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/04/21/16

TRENDS AND ANALYSIS

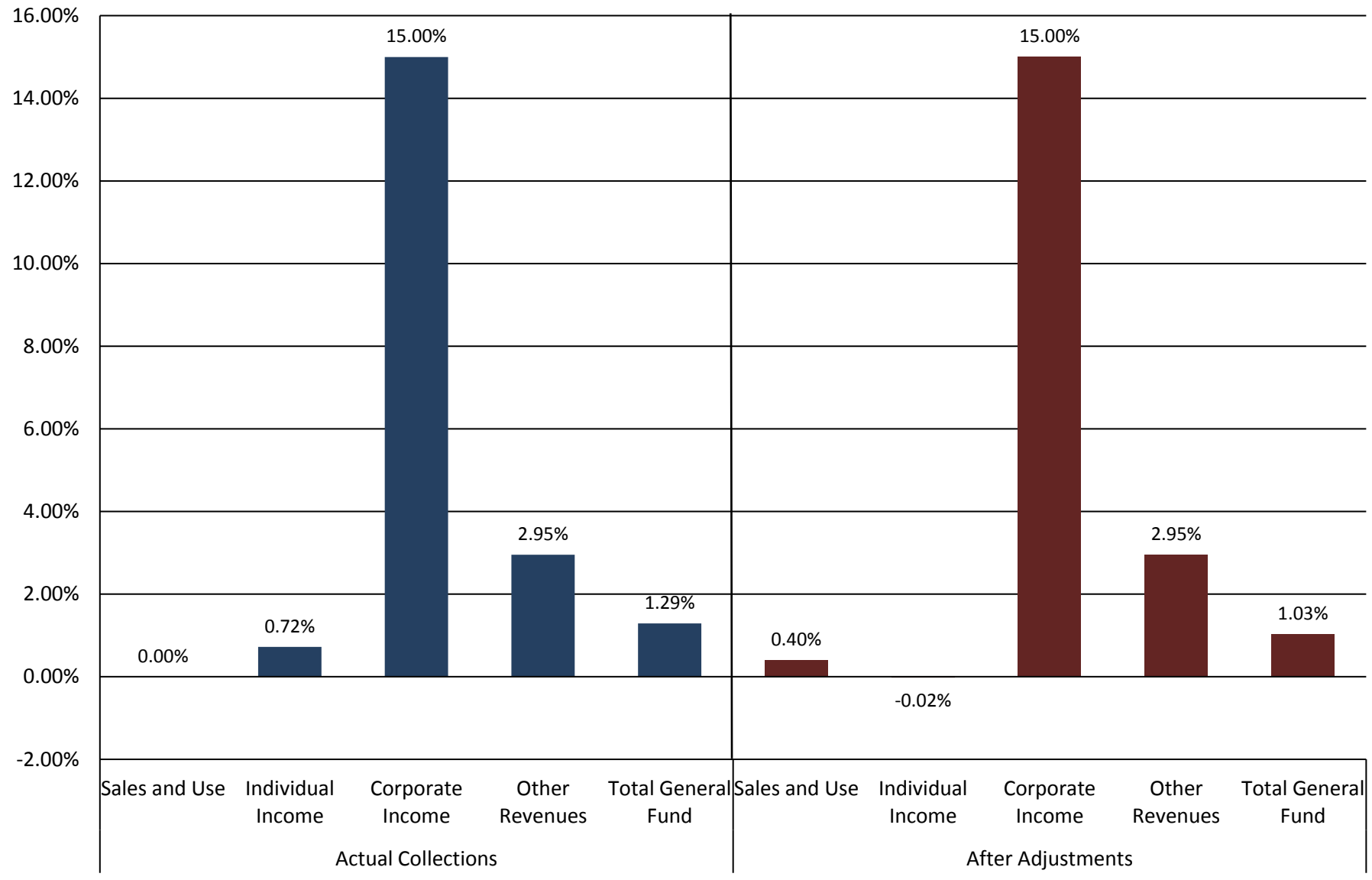
Fiscal Year Through March*

- Total Revenue is 1.03% above estimate
- Sales Tax is 0.4% above estimate
- Individual Income is 0.02% below estimate
- Corporate Tax is 15.00% above estimate
- Other Revenues are 2.95% above estimate

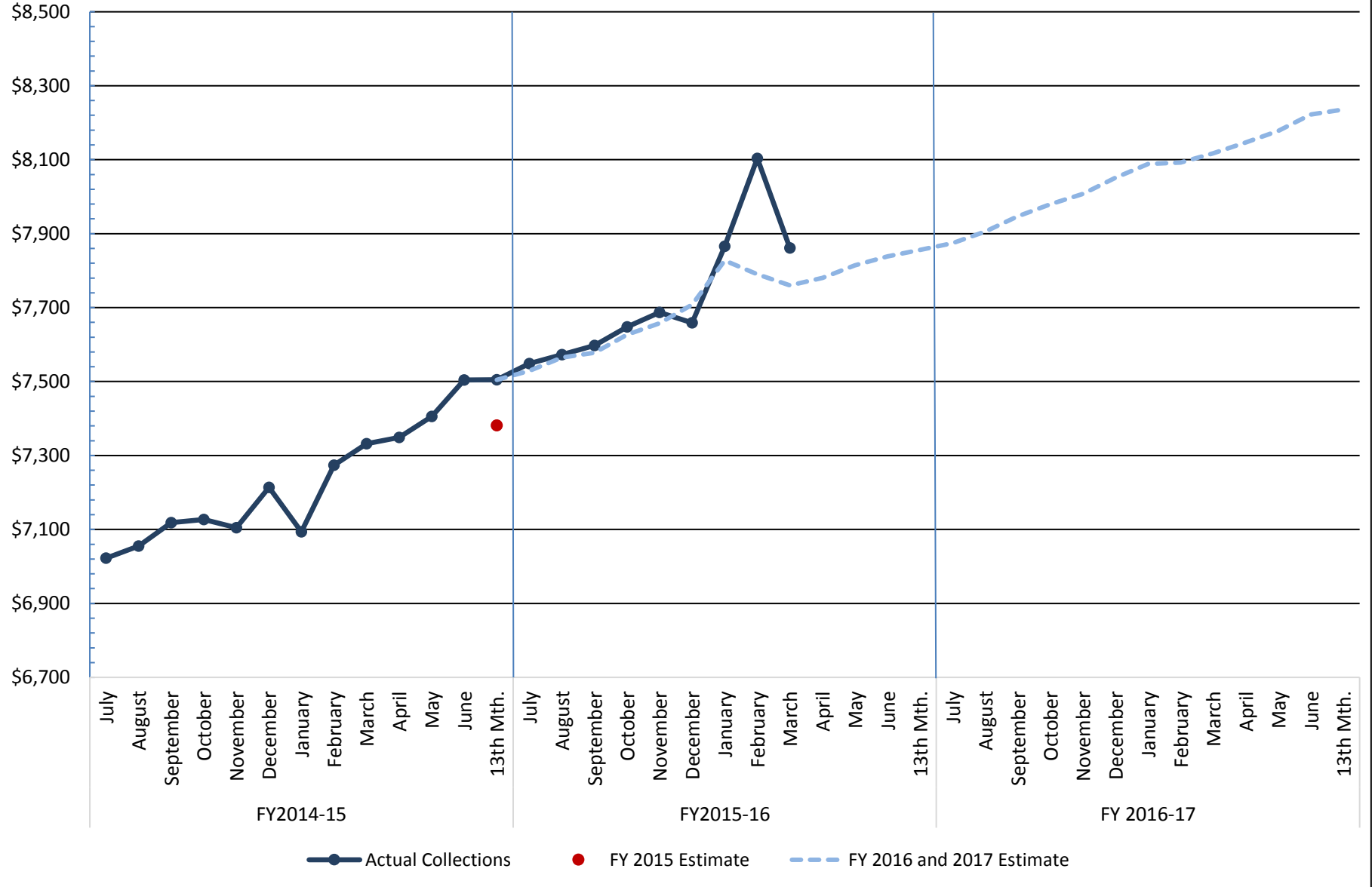
*Adjusting for accounting and timing

FY 2016-17 FORECAST ACCURACY THROUGH MARCH

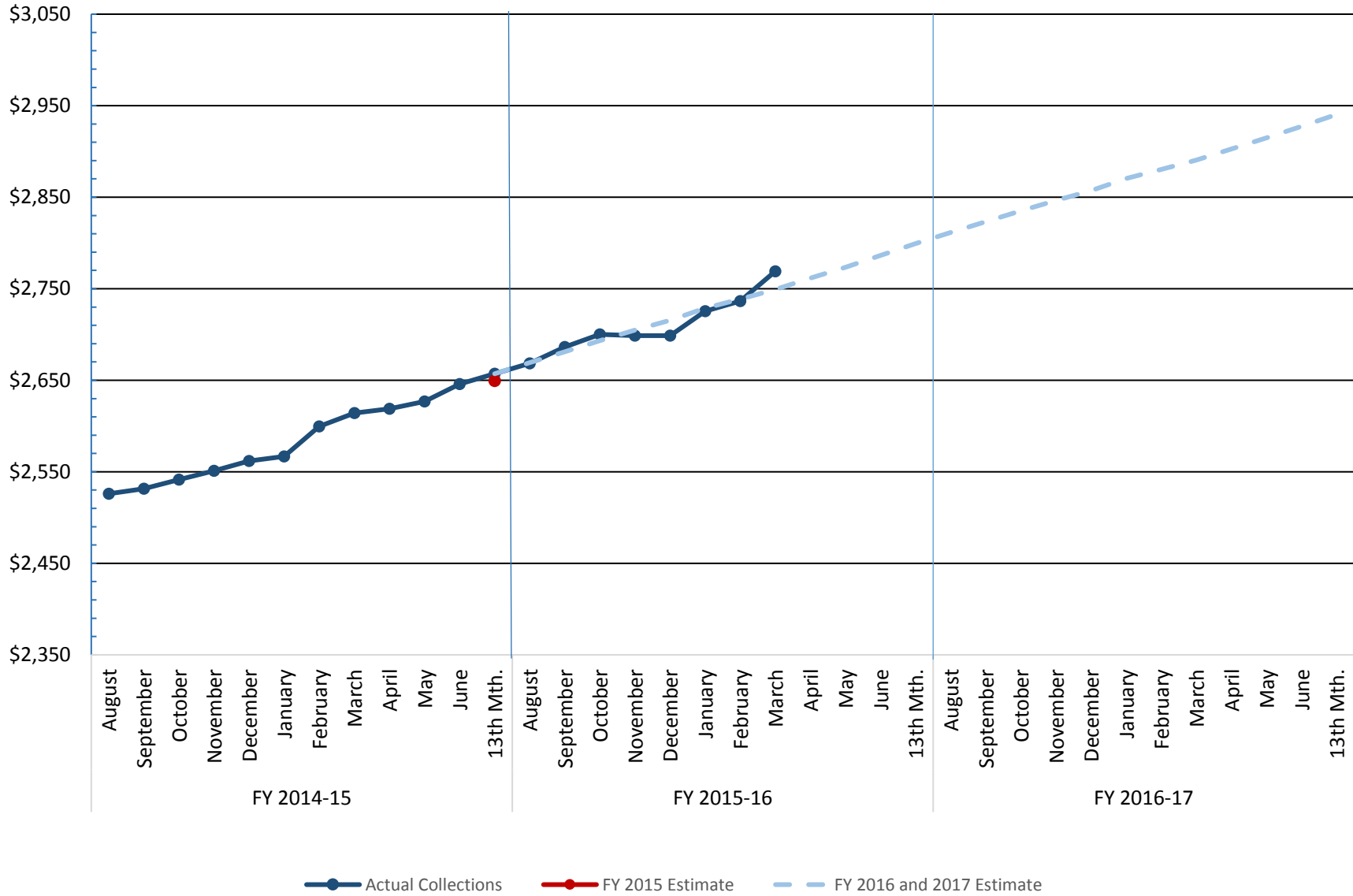
As a Percentage Above/Under Forecast



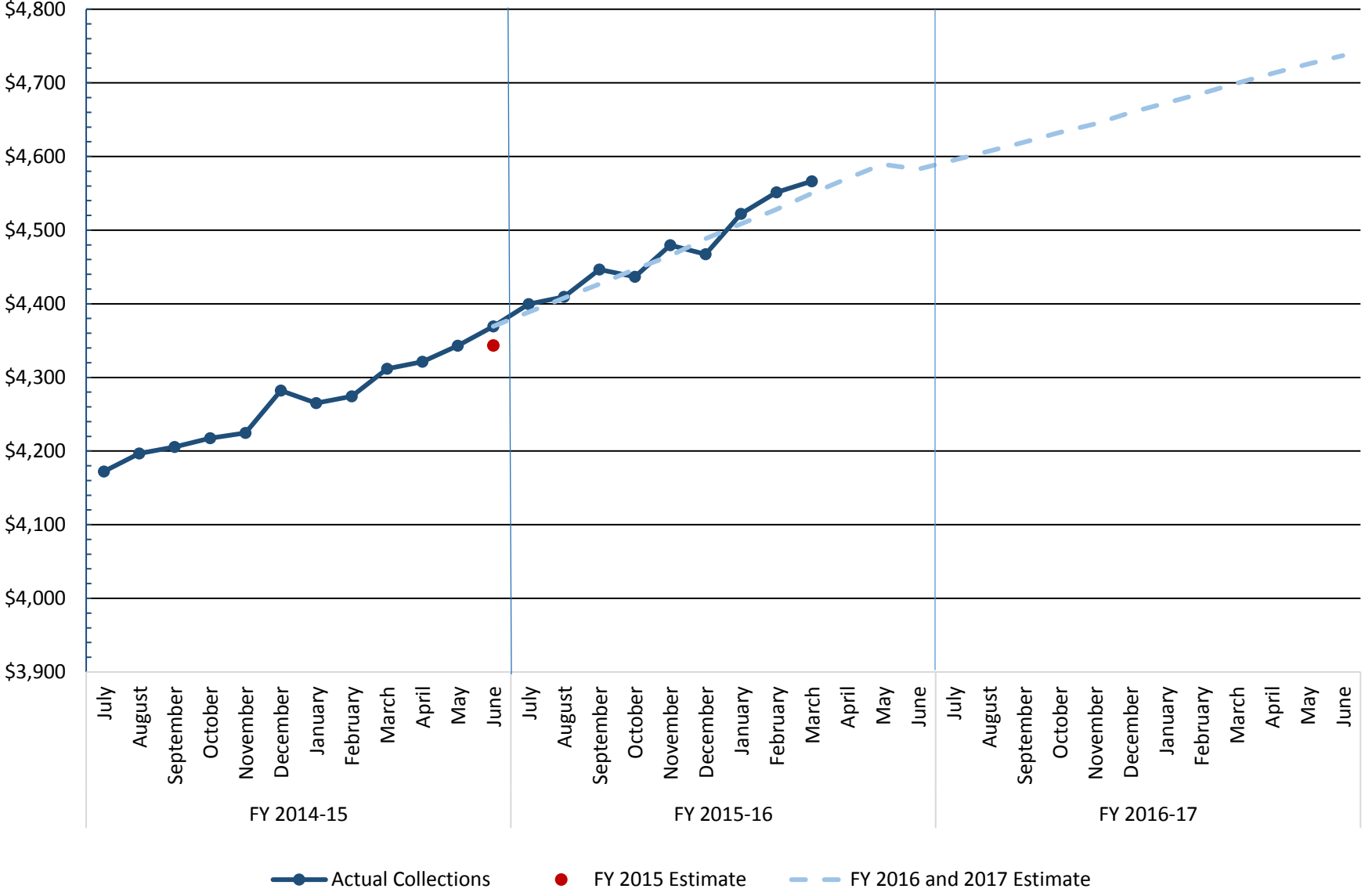
General Fund Revenue (Rolling Fiscal Year Totals)



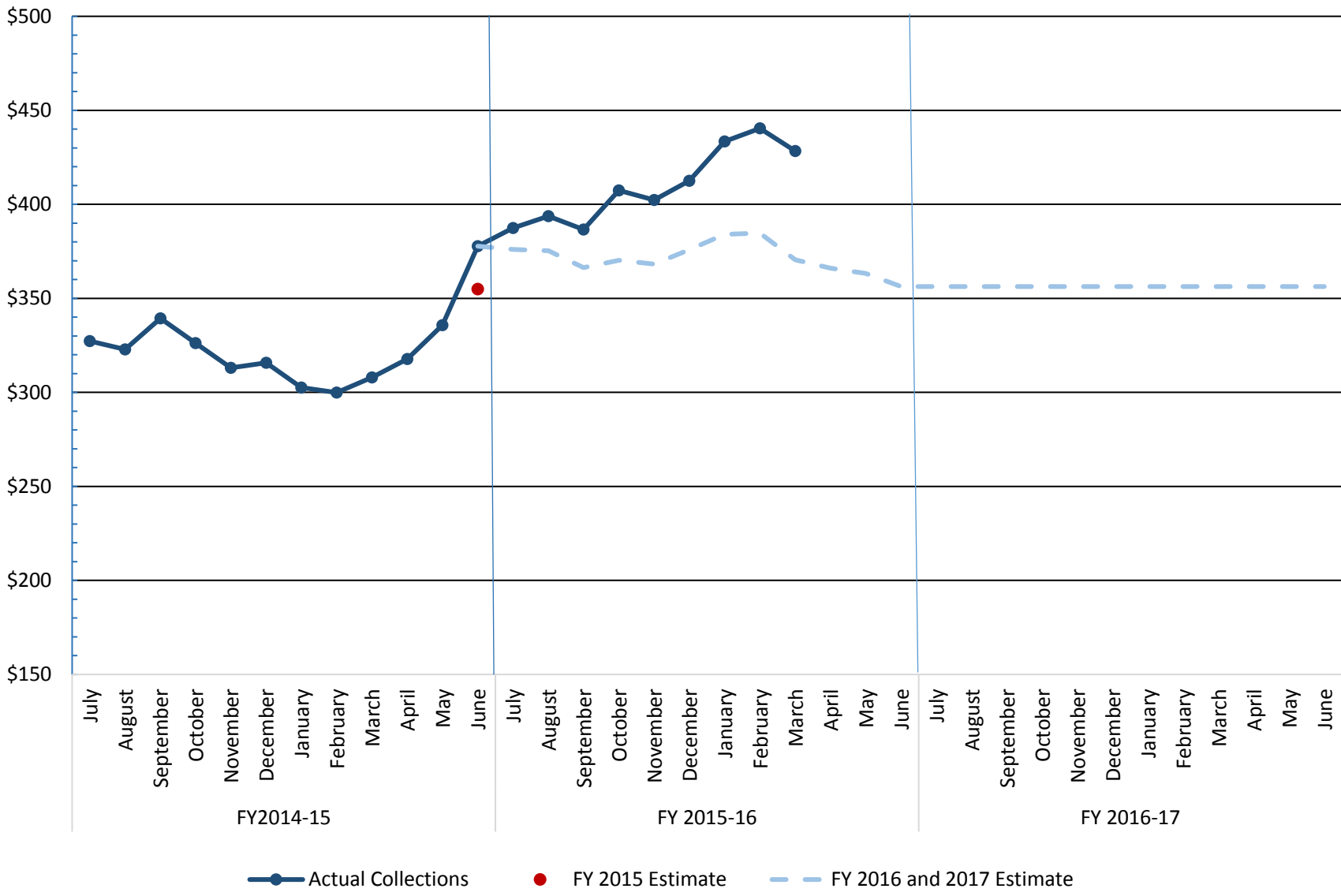
Sales and Use Tax (Rolling Fiscal Year Totals)



Individual Withholdings (Rolling Fiscal Year Totals)



Corporate Income Tax (Rolling Fiscal Year Totals)



TRENDS AND ANALYSIS

Outlook for Final Quarter

- The last quarter will be dependent on Individual Income Tax Payments, Declarations, and Refunds as well as Corporate Income Tax
- With 25% of the fiscal year remaining, we still anticipate:
 - ~35% of Individual Income Declarations
 - ~32% of Individual Refunds
 - ~63% of Individual Income Payments
 - ~44% of Corporate Income Tax





April 15, 2016 Release

General Fund Revenue

March

Fiscal Year 2015-16



General Fund revenue for the month of March 2016 is down 44.9 percent from last March. The decline from the previous year is due to the timing of individual income tax refund processing by the Department of Revenue. The \$12.5 million of delayed deposits in February for Sales and Use tax has been reduced to \$7.3 million in March.

Revenues for the fiscal year have grown 6.0 percent and the \$272.6 million surplus from last month has decreased to a \$69.4 million surplus. Most of the timing concerns throughout this fiscal year are beginning to resolve as revenues begin to align with the FY 2016-17 estimate.

Revenue Category	Month-to-Date Growth (% Change)	Year-to-Date Growth (% Change)
Sales and Use Tax	16.8	5.4
Individual Income Tax	---	7.4
Corporate Income Tax	-12.3	24.9
Corporate License Tax	1.2	-31.0
Other Revenues	12.4	1.6
Total General Fund	-44.9	6.0

- Sales and Use tax revenue grew 16.8 percent for the month of March and 5.4 percent for the fiscal year. After adjusting for the \$7.3 million of delayed deposits, Sales and Use tax revenue growth is 5.8 percent for the fiscal year and \$7.3 million ahead of the estimate.
- Individual Income tax revenue growth year-to-date is 7.4 percent. Refunds for the year were \$289.5 million behind in February and are now down \$18.5 million for the fiscal year due to the delayed refund processing by the Department of Revenue.
- Other Revenues are up 12.4 percent from last February and up 1.6 percent year-to-date.

Summary

The 44.9 percent decline in revenue growth seen in the month of March is a result of the delayed processing of Individual Income tax refunds. After adjusting for timing issues, revenue collections are in line with the FY 2016-17 estimate.



Table 1

March

General Fund Revenue	FY 2014-15	FY 2015-16	\$ Change	% Change
Sales and Use Tax	194,195,128	226,906,423	32,711,295	16.8
Individual Income Tax	111,186,522	(163,577,501)	(274,764,023)	---
Corporation Income Tax	98,513,138	86,418,196	(12,094,942)	(12.3)
Insurance Taxes	48,823,213	59,203,191	10,379,978	21.3
Admissions Tax	2,130,627	2,171,618	40,991	1.9
Aircraft Tax	0	0	0	---
Alcoholic Liquor Tax	5,507,080	6,536,135	1,029,055	18.7
Bank Tax	6,314,625	5,210,801	(1,103,824)	(17.5)
Beer and Wine Tax	6,843,039	7,853,631	1,010,592	14.8
Bingo Tax	388,455	410,199	21,744	5.6
Business Filing Fees	477,187	481,519	4,332	0.9
Circuit/Family Court Fines	812,427	844,202	31,775	3.9
Corporation License Tax	44,276,163	44,795,607	519,444	1.2
Documentary Tax	2,484,475	3,424,081	939,606	37.8
Earned on Investments	1,616,893	2,507,647	890,754	55.1
Indirect Cost Recoveries	478,368	573,628	95,260	19.9
Motor Vehicle Licenses	954,493	658,811	(295,682)	(31.0)
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	282,734	282,734	0	0.0
Private Car Lines Tax	1,788	27,522	25,734	1,439.3
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	4,461,000	4,461,000	0	0.0
Savings and Loan Assoc. Tax	193,584	261,053	67,469	34.9
Security Dealer Fees	820,656	755,050	(65,606)	(8.0)
Surcharge on Vehicle Rentals	28,057	98,647	70,590	251.6
Tobacco Tax	2,123,078	2,027,370	(95,708)	(4.5)
Uncashed Checks	0	0	0	---
Unclaimed Property Fund	3,750,000	0	(3,750,000)	(100.0)
Workers' Comp. Insurance Tax	3,526,113	4,588,991	1,062,878	30.1
Other Source Revenues	(159,286)	910,195	1,069,481	---
Gross General Fund Revenue	\$540,029,557	\$297,830,750	(\$242,198,807)	(44.8)

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.



Table 2

July - March

General Fund Revenue	FY 2014-15	FY 2015-16	\$ Change	% Change
Sales and Use Tax	1,717,204,281	1,809,299,684	92,095,403	5.4
Individual Income Tax	2,641,047,696	2,837,031,125	195,983,429	7.4
Corporation Income Tax	203,225,943	253,846,702	50,620,759	24.9
Insurance Taxes	172,046,070	164,576,637	(7,469,433)	(4.3)
Admissions Tax	15,724,637	12,977,591	(2,747,046)	(17.5)
Aircraft Tax	4,492,414	4,123,311	(369,103)	(8.2)
Alcoholic Liquor Tax	44,244,901	46,972,226	2,727,325	6.2
Bank Tax	13,633,996	16,937,447	3,303,451	24.2
Beer and Wine Tax	67,527,718	69,289,494	1,761,776	2.6
Bingo Tax	2,172,835	2,259,803	86,968	4.0
Business Filing Fees	3,459,948	3,747,551	287,603	8.3
Circuit/Family Court Fines	6,104,681	5,849,015	(255,666)	(4.2)
Corporation License Tax	118,619,189	81,900,816	(36,718,373)	(31.0)
Documentary Tax	25,559,695	29,091,916	3,532,221	13.8
Earned on Investments	13,408,761	15,986,283	2,577,522	19.2
Indirect Cost Recoveries	5,923,462	5,427,959	(495,503)	(8.4)
Motor Vehicle Licenses	6,511,299	6,897,951	386,652	5.9
Nursing Home Fees	0	0	0	0.0
Parole and Probation Fees	2,544,606	2,544,606	0	0.0
Private Car Lines Tax	4,010,072	4,322,934	312,862	7.8
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	4,461,000	4,461,000	0	0.0
Savings and Loan Assoc. Tax	1,544,673	597,697	(946,976)	(61.3)
Security Dealer Fees	21,645,939	22,848,777	1,202,838	5.6
Surcharge on Vehicle Rentals	1,907,594	3,033,777	1,126,183	59.0
Tobacco Tax	16,934,426	17,340,983	406,557	2.4
Uncashed Checks	0	3,432,881	3,432,881	- - -
Unclaimed Property Fund	11,250,000	0	(11,250,000)	(100.0)
Workers' Comp. Insurance Tax	4,329,347	5,693,584	1,364,237	31.5
Other Source Revenues	(152,944)	7,174,682	7,327,626	- - -
Gross General Fund Revenue	\$5,141,481,142	\$5,450,844,987	\$309,363,845	6.0

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.



General Fund Revenue Estimate vs. Actual Collections July 2015 - March 2016

11/10/15 Estimate of \$7,856.2 Million	(\$ in Millions)		Excess/ (Shortfall)	Growth Rate (%)	
	Actual	Estimate		Full Fiscal Year Estimate	Year-to-Date Actual
Total General Fund Revenue	5,450.8	5,381.4	69.4	4.6	6.0
Sales Tax	1,809.3	1,809.3	0.0	5.4	5.4
Individual Income Tax	2,837.0	2,816.6	20.4	6.2	7.4
Corporate Income Tax	253.8	220.7	33.1	4.1	24.9
Other Revenue Sources	550.6	534.8	15.8	(5.1)	(5.1)
Total Admissions Tax	15.2	17.7	(2.5)	1.9	(14.9)
Alcoholic Liquors Tax	47.0	45.4	1.6	2.6	6.2
Bank Tax	17.1	14.2	3.0	4.0	25.7
Beer and Wine Tax	69.3	68.5	0.7	1.5	2.6
Corporation License Tax	81.9	94.3	(12.4)	(20.5)	(31.0)
Documentary Tax	29.1	28.1	1.0	10.1	13.8
Earnings on Investments	16.0	12.1	3.9	(9.7)	19.2
Insurance Tax	164.5	158.0	6.5	(5.1)	(4.4)
Tobacco Tax	17.3	16.7	0.7	(1.5)	2.4
Remaining Categories	94.2	79.7	14.4	(7.7)	4.5

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