



## 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 September 19, 2016, 2:00pm Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for August 25, 2016
3. Review of August 2016
  - A. Overview (F. Rainwater)
  - B. Assumptions (R. Martin)
  - C. Revenue and Economic Discussion (R. Martin)
4. Other Items
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. October 20, 2016 11:00am – Quarterly Review
  - B. October 20, 2016, 12:45 – 3:30 – Regional Advisory Committee Meeting
  - C. November 10, 2016 at 2:00pm - Preliminary Estimate
  - D. December 15, 2016 (If necessary; Members via WebEx)
  - E. 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](http://www.rfa.sc.gov)



*South Carolina Revenue and Fiscal Affairs Office*

# OVERVIEW

AUGUST 2016

- For the first two months of the fiscal year revenues increased 3.5 percent compared to a 3.7 percent estimate based on legislative adjustments to the latest BEA forecast.
- For August, however, approximately \$31.4 million of deposits were not posted to SCEIS records which means actual revenues increased 6.6 percent instead of 3.5 percent.
- The two largest items, Sales and Withholdings increased faster than yearly estimates.

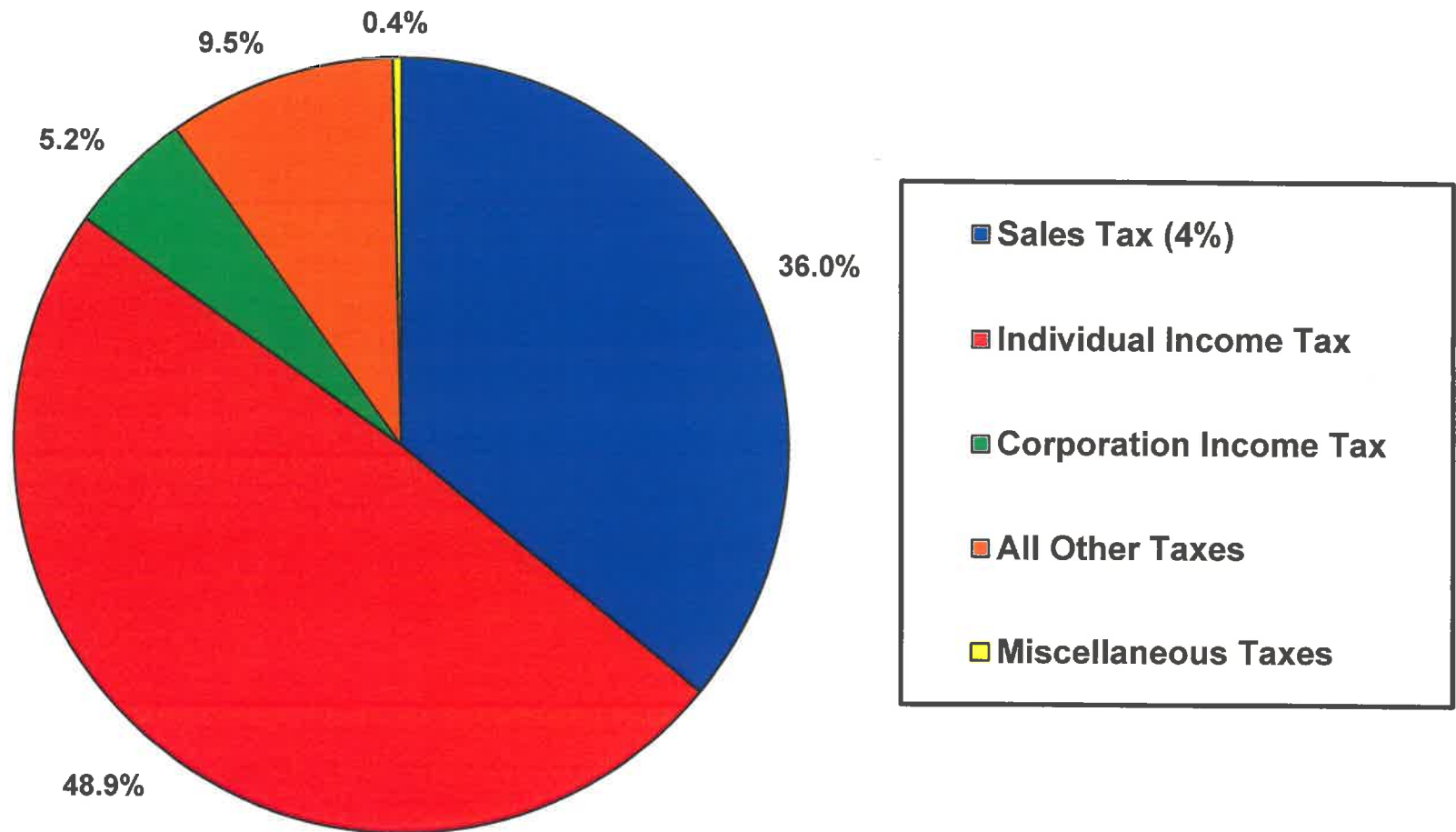


**Board of Economic Advisors  
September 2016**

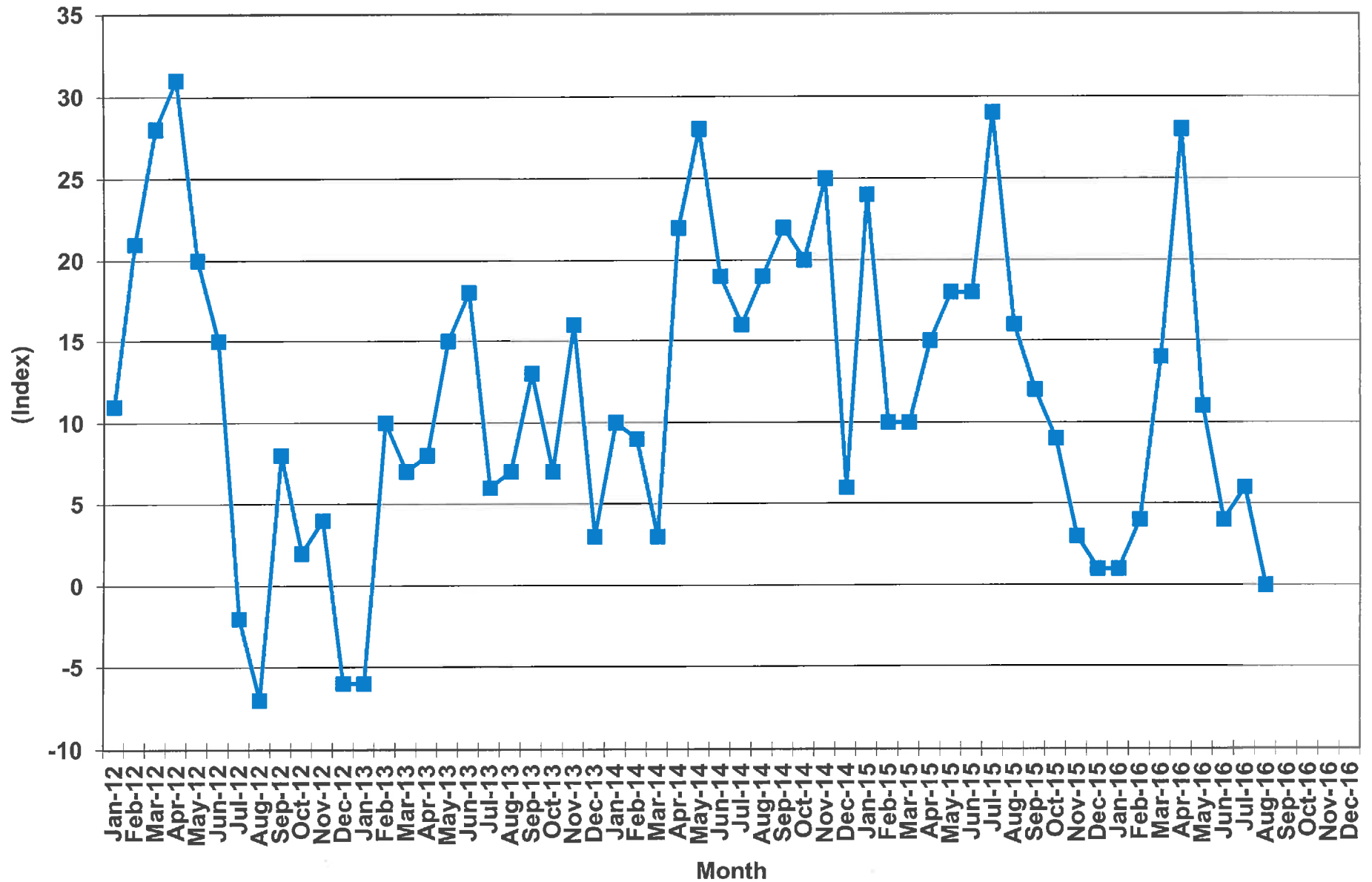
**Base Economic Assumptions**

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

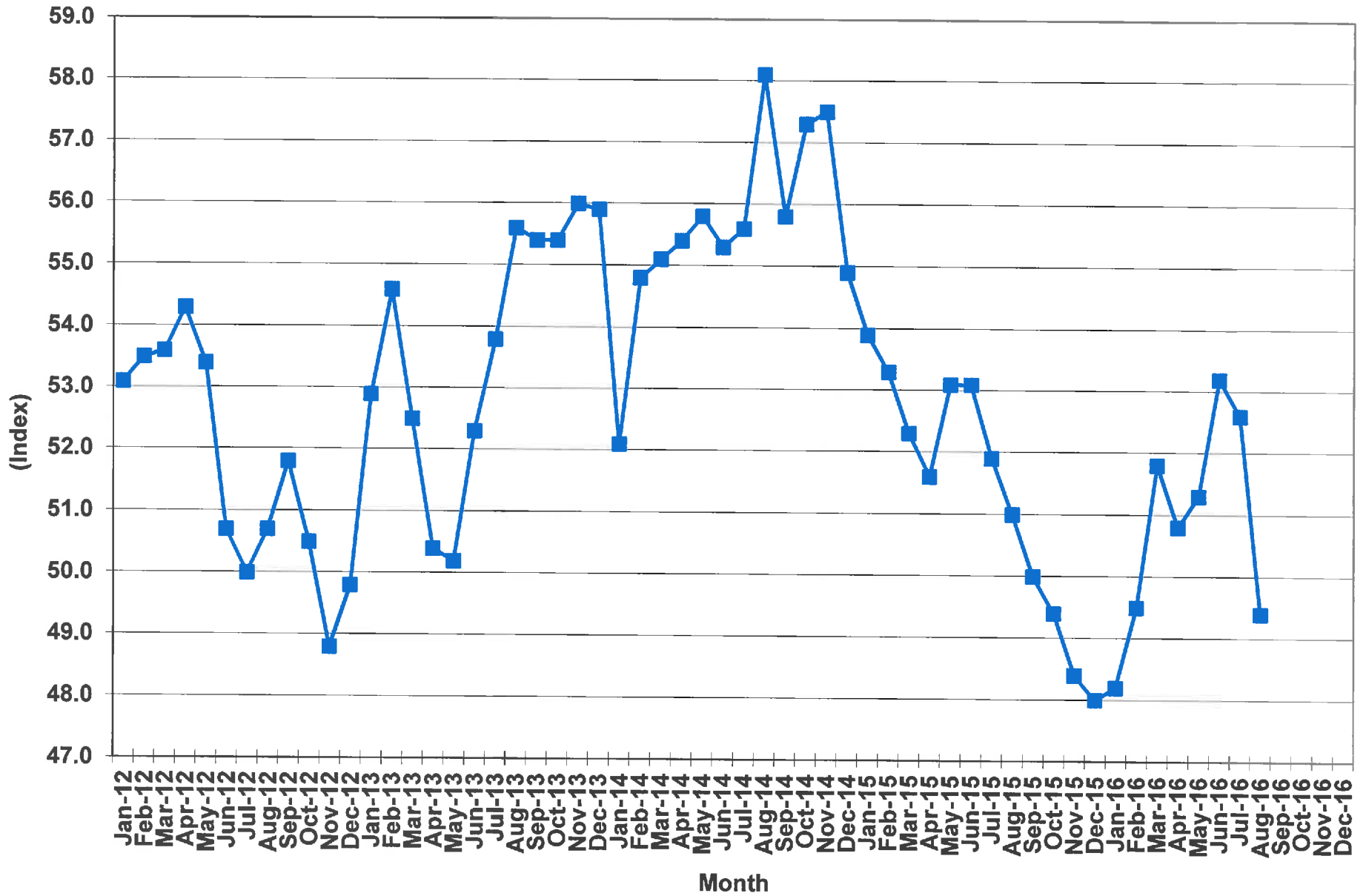
## Shares of South Carolina General Fund Revenue Fiscal Year 2015-16



# General Business Conditions in the Carolinas

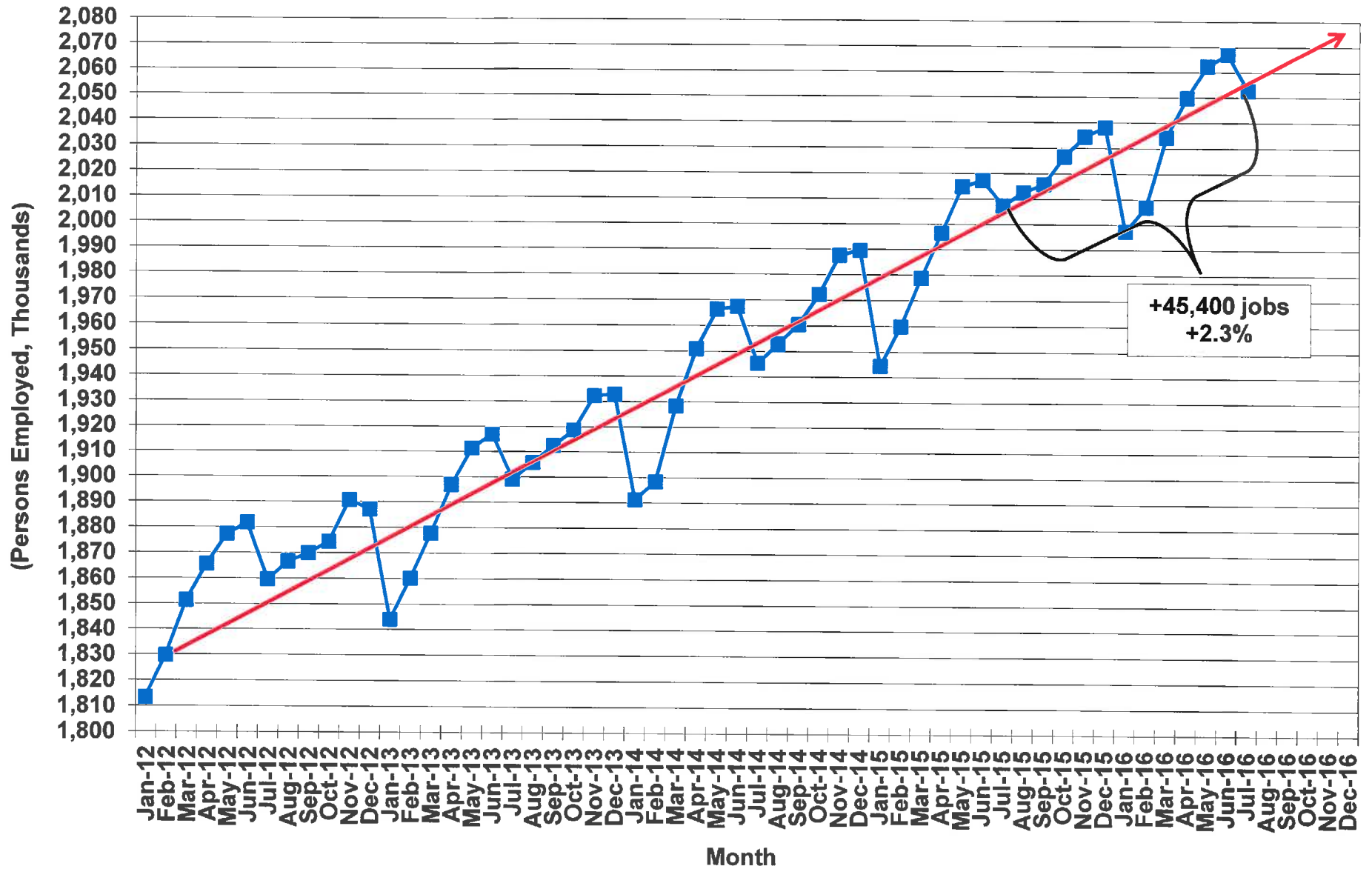


# Index of Manufacturing Purchasing Managers Index (NAPM)



Source: The Institute for Supply Management  
 SCBEA/RWM/09/19/16

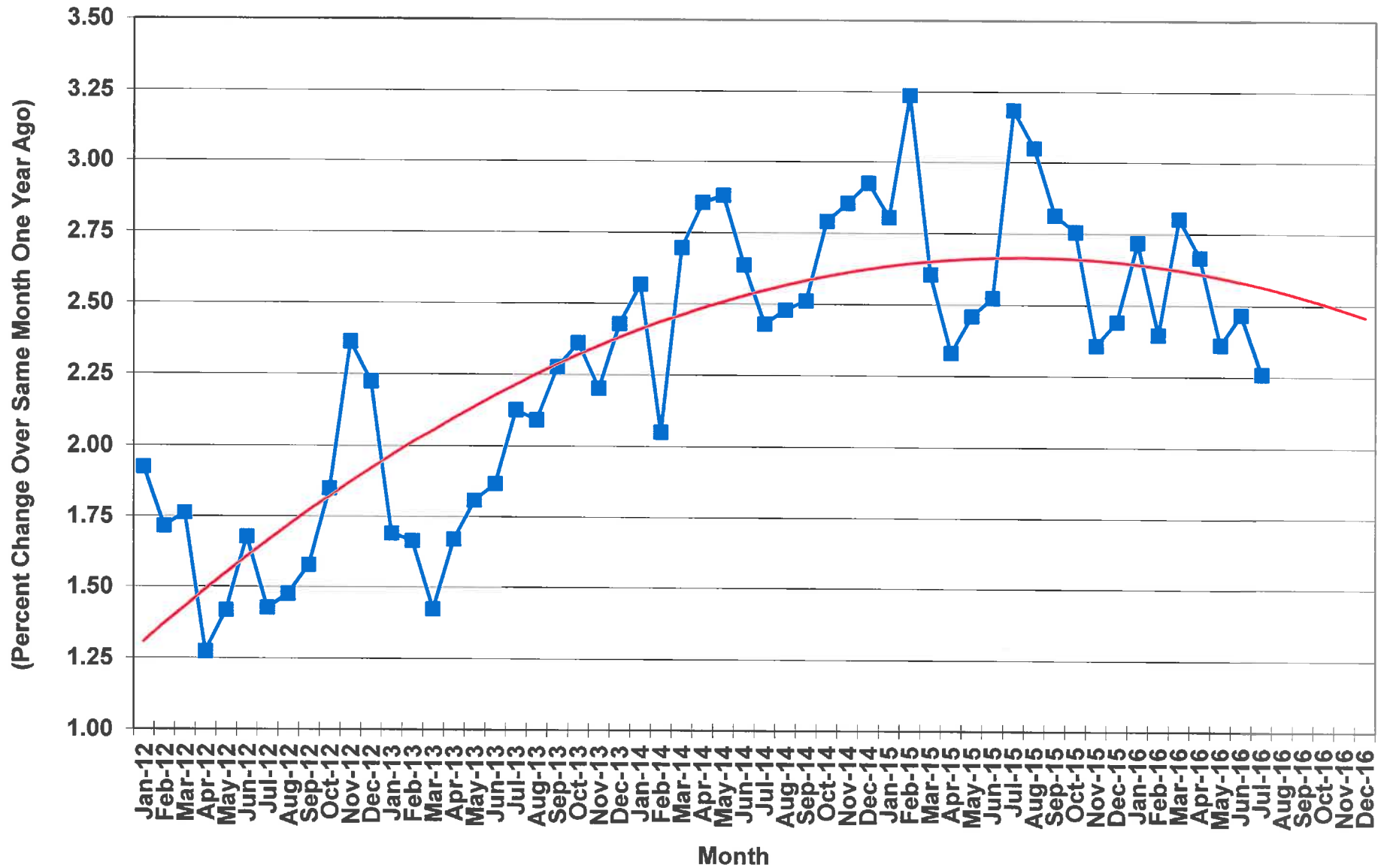
# Total Nonfarm Employment in South Carolina



Source: U.S. Department of Labor, Bureau of Labor Statistics  
SCBEA/RWM/09/19/16

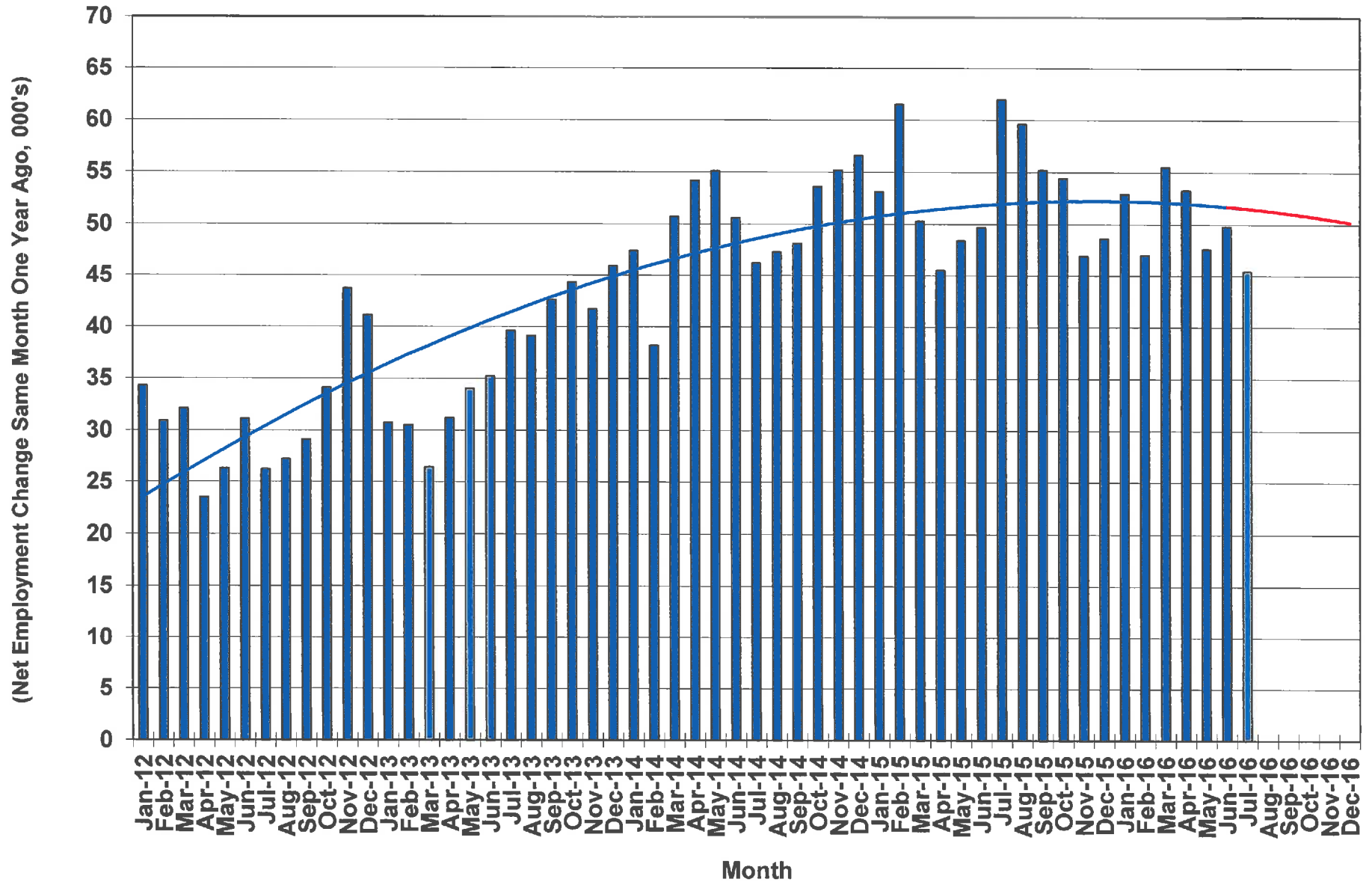


# Total Nonfarm Employment Growth in South Carolina



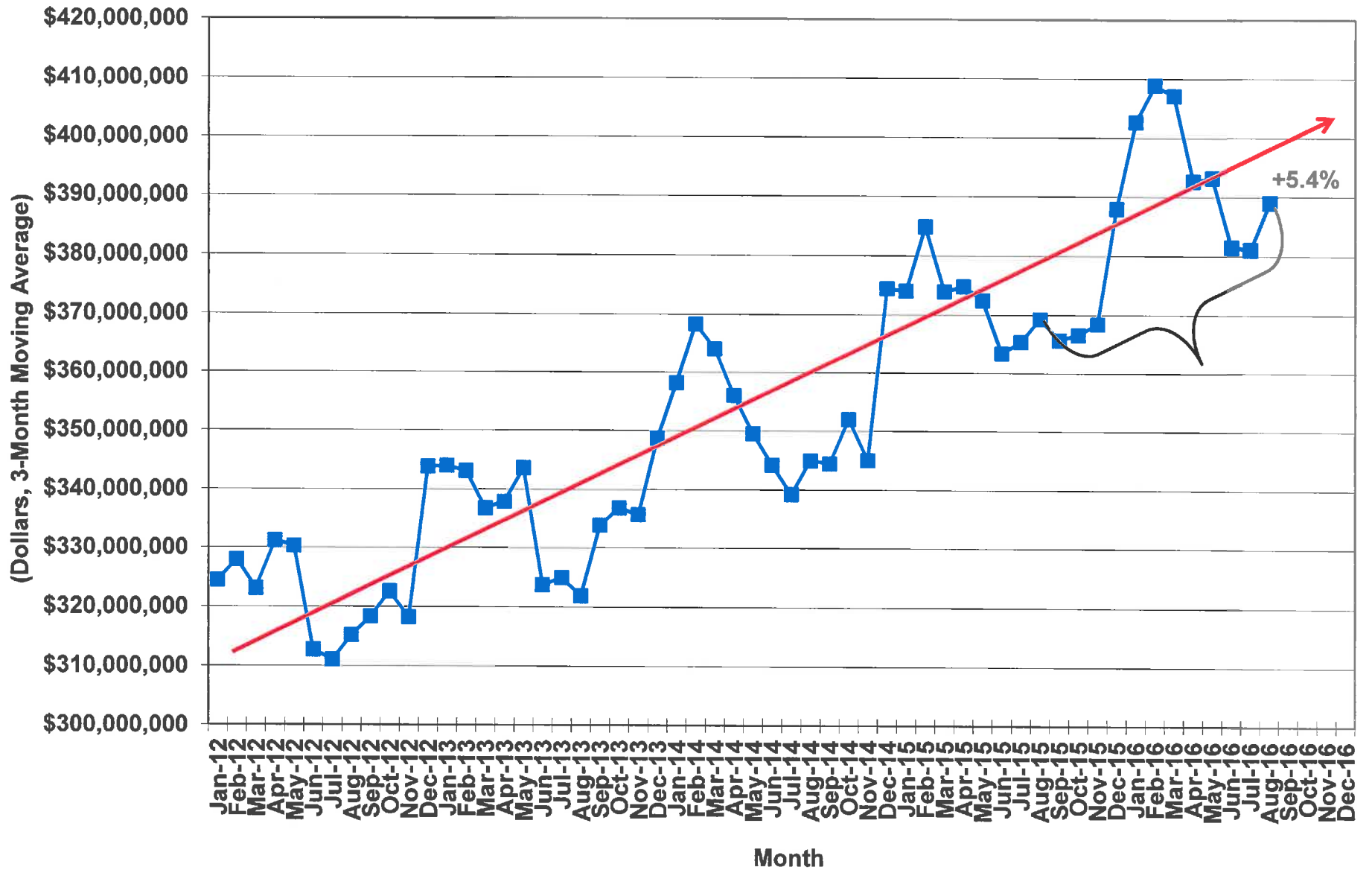
Source: U.S. Department of Labor, Bureau of Labor Statistics  
SCBEA/RWM/09/19/16

## Net Nonfarm Employment Increase/Decrease in South Carolina



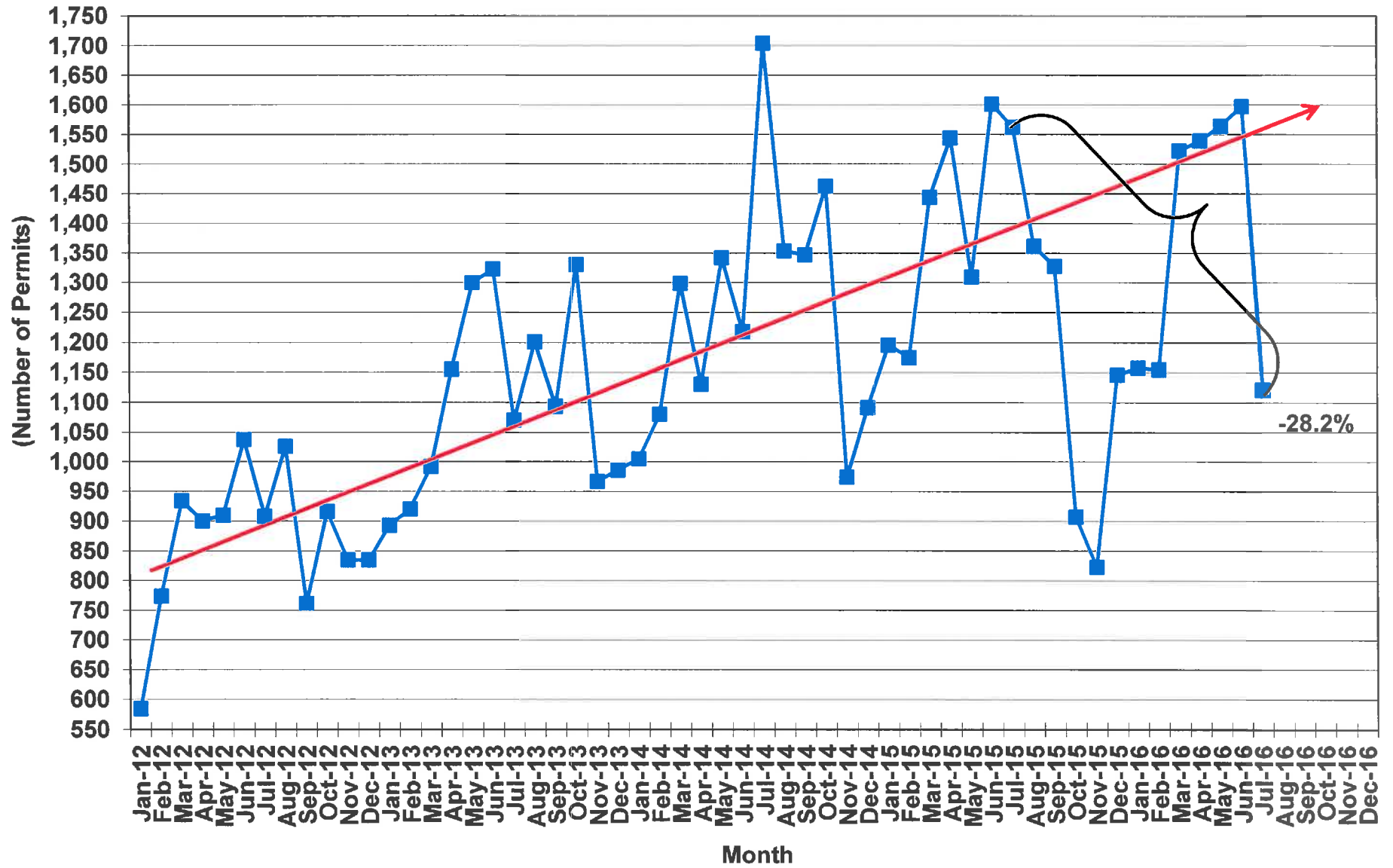
Source: U.S. Department of Labor, Bureau of Labor Statistics  
 SCBEA/RWM/09/19/16

# South Carolina Income Tax Withholdings



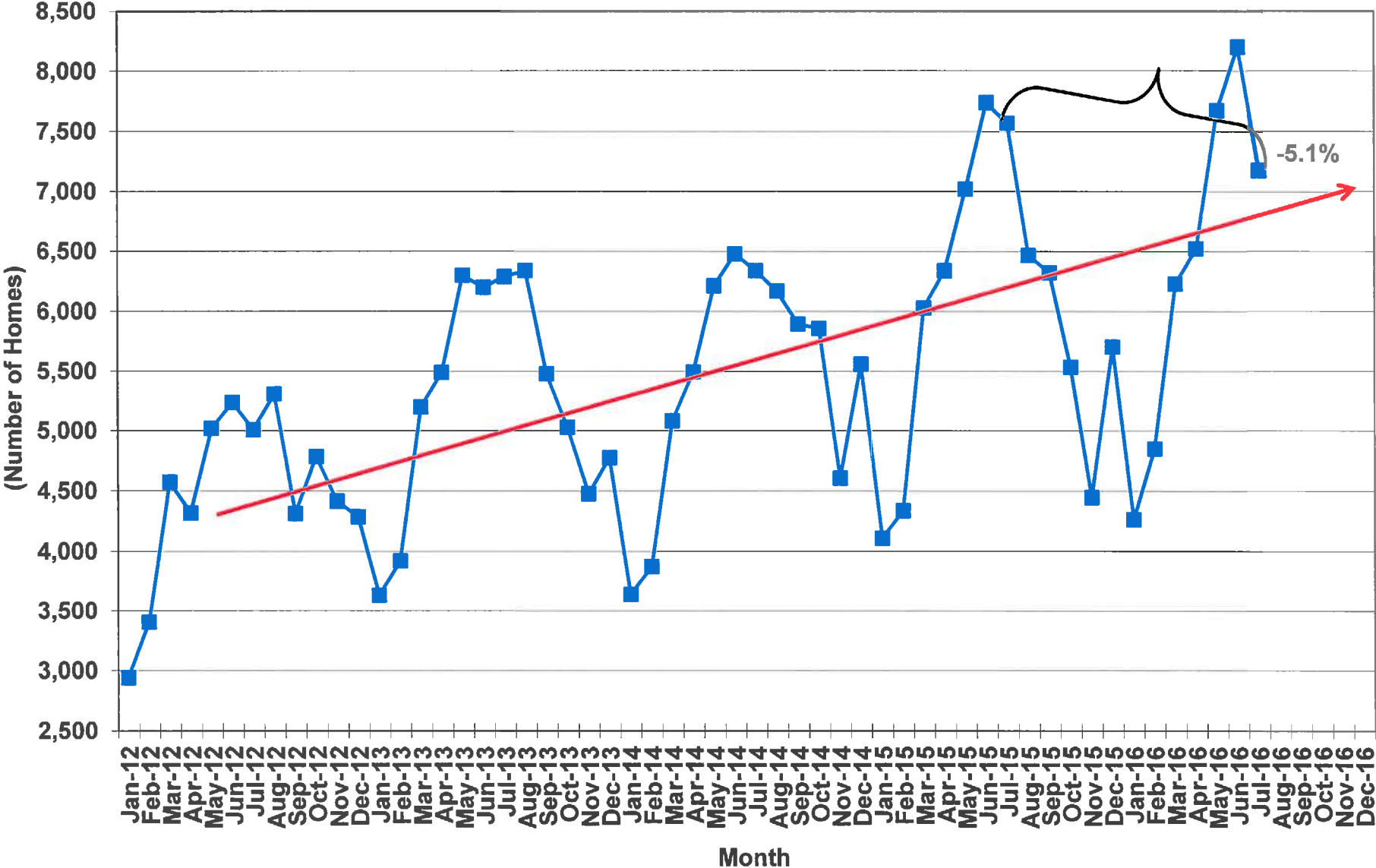
Source: South Carolina Department of Revenue  
SCBEA/RWM/09/19/16

# Residential Building Permits in South Carolina



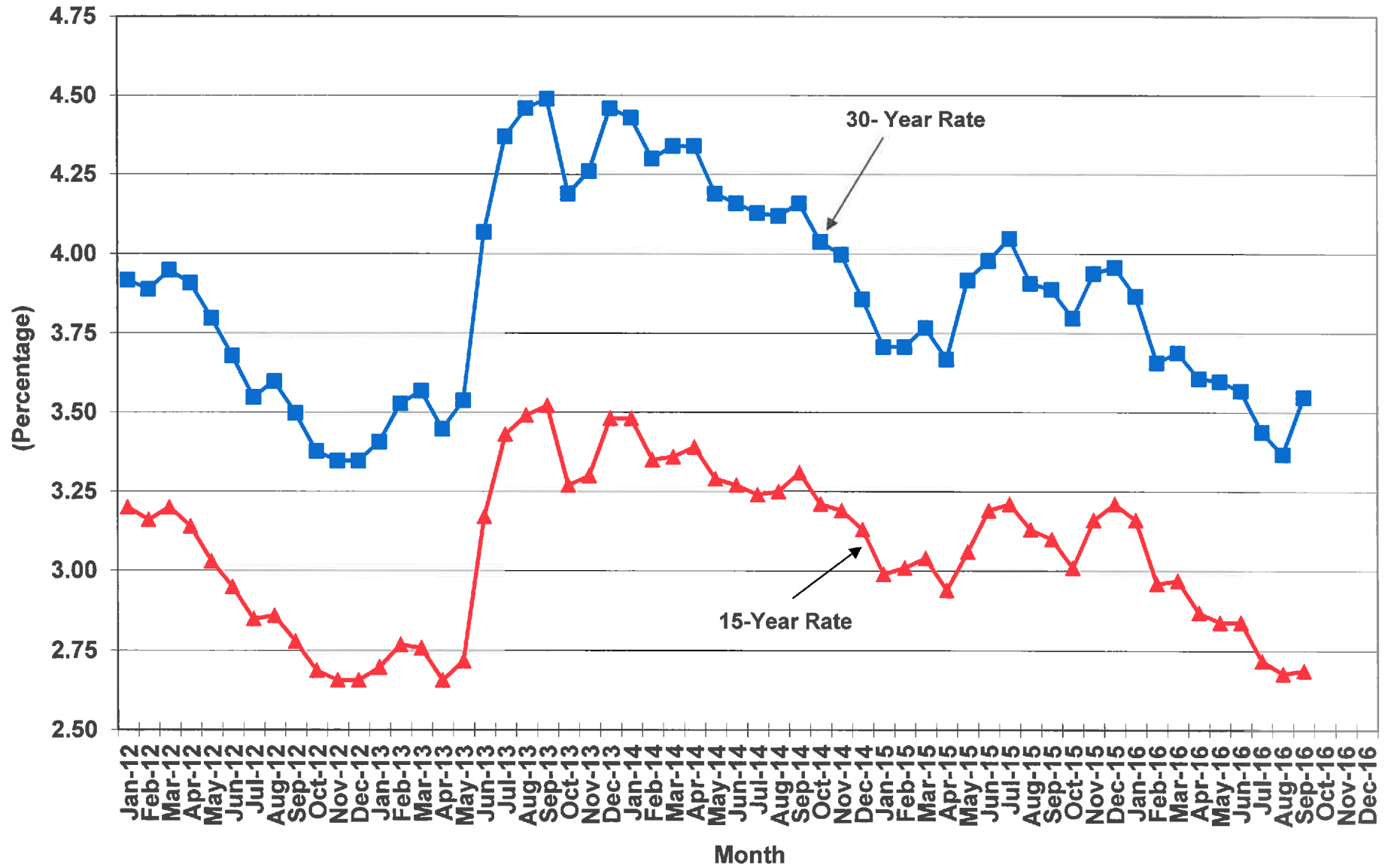
Source: U.S. Department of Commerce, Bureau of the Census  
 SCBEA/RWM/09/19/16

# Number of Homes Sold in South Carolina



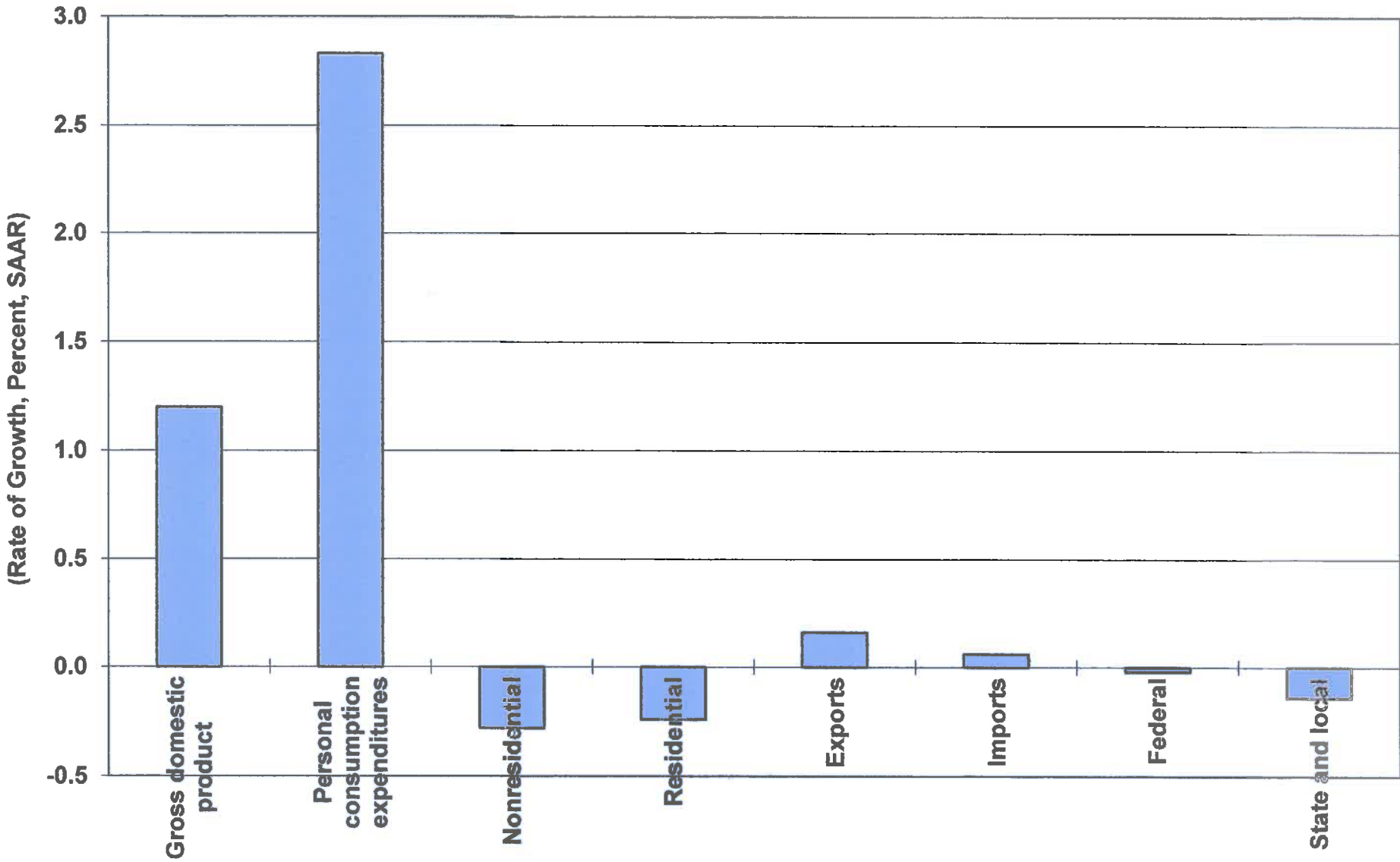
Source: South Carolina Association of Realtors  
 SCBEA/RWM/09/19/16

# Mortgage Rates



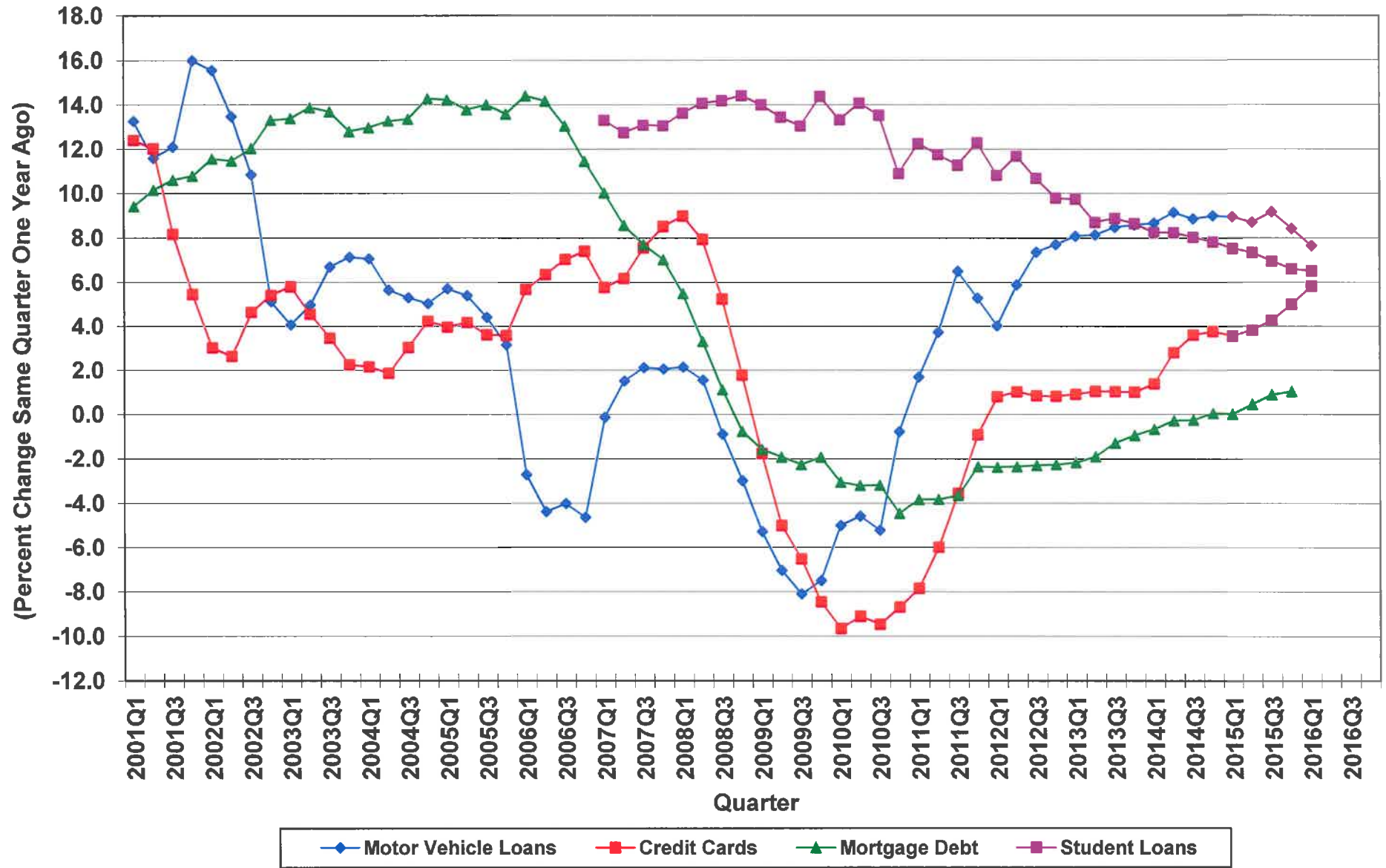
Source: The Board of Governors of the Federal Reserve System  
 SCBEA/RWM/09/19/16

# Contributions to Real Gross Domestic Product in the U.S. 2016, Second Quarter, (Advance Estimate)



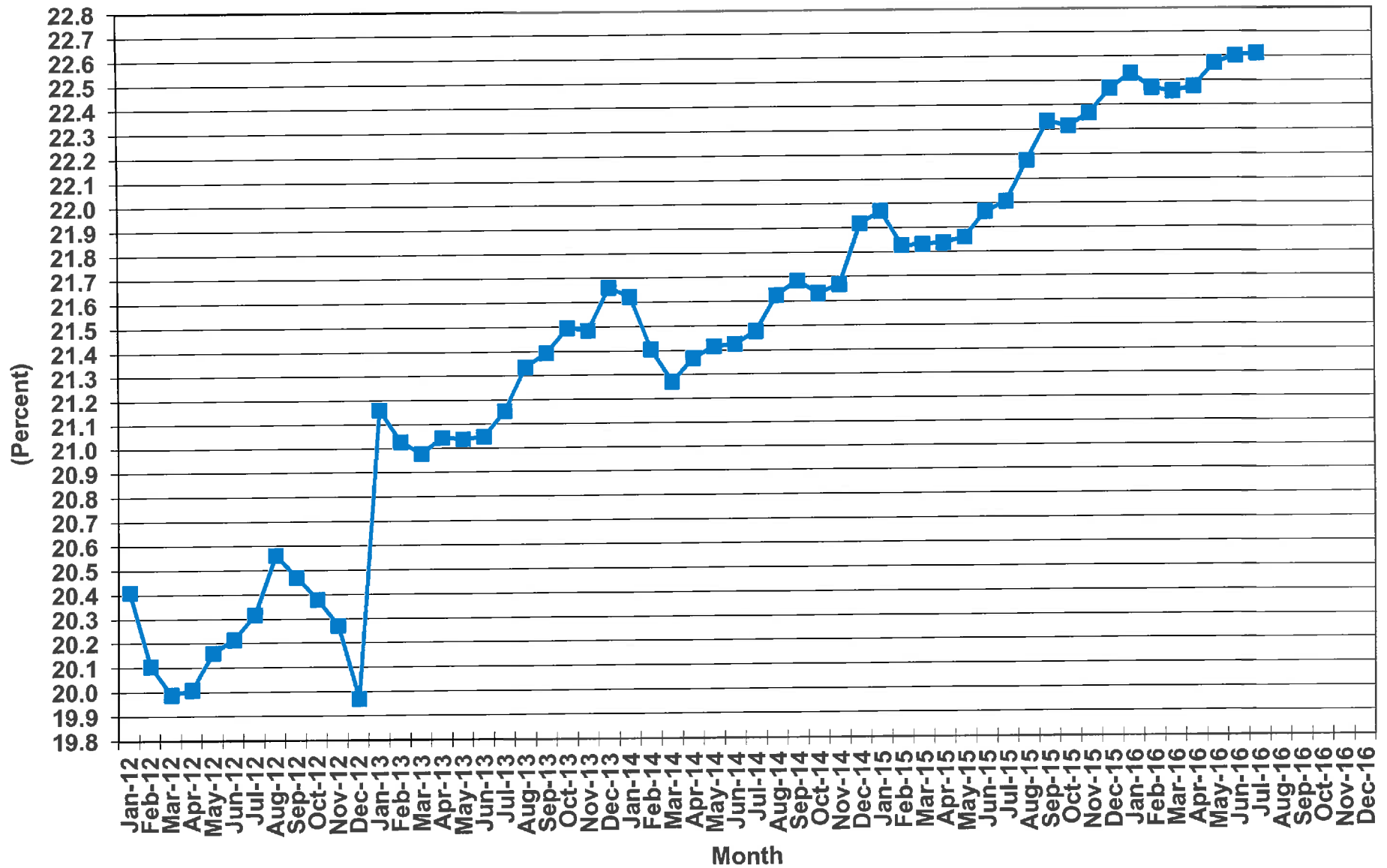
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.  
BEA/RWM/08/10/16

# Growth in Major Types of Household Debt



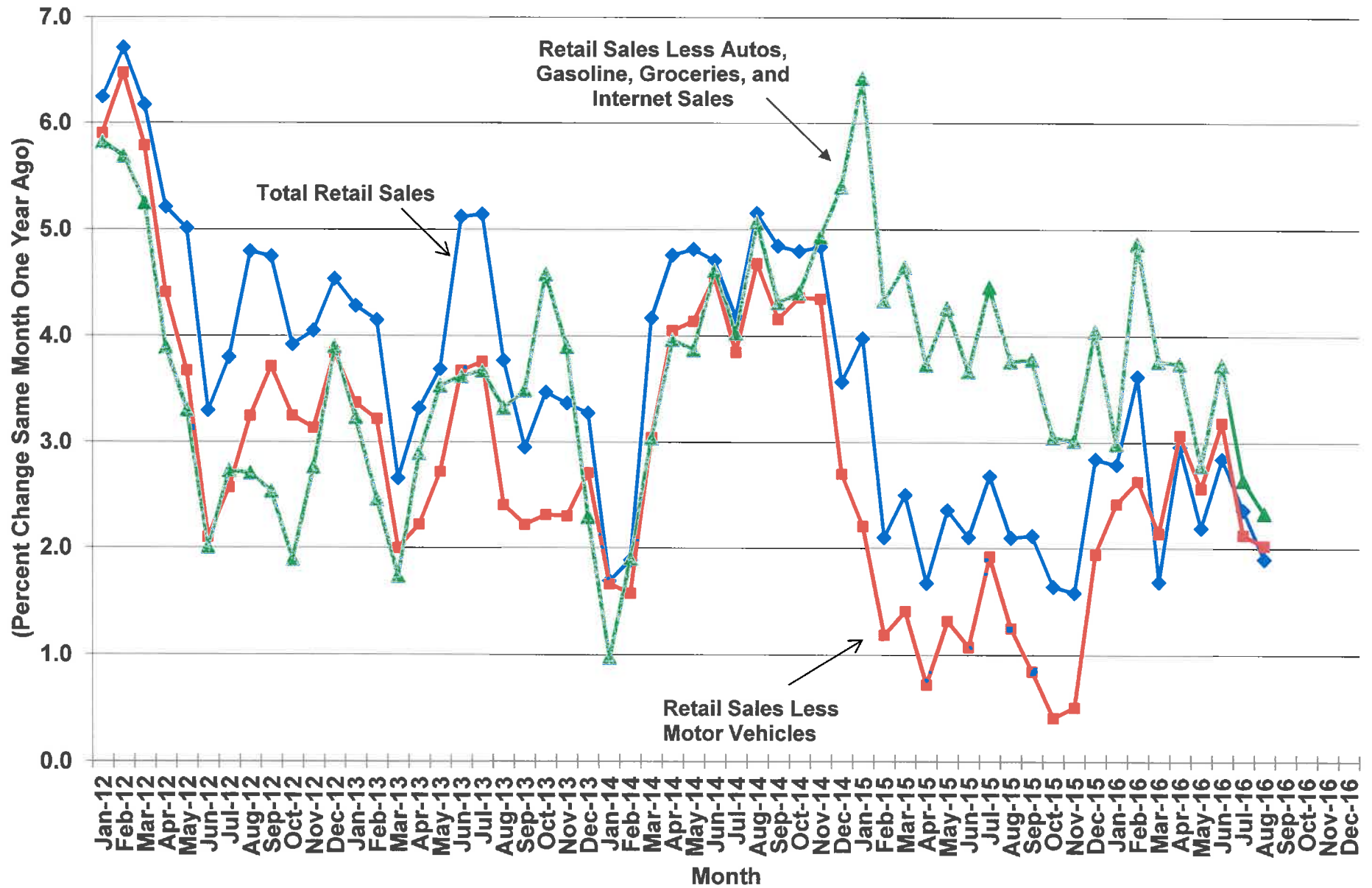


# Total Credit Outstanding as a Percent of Personal Income



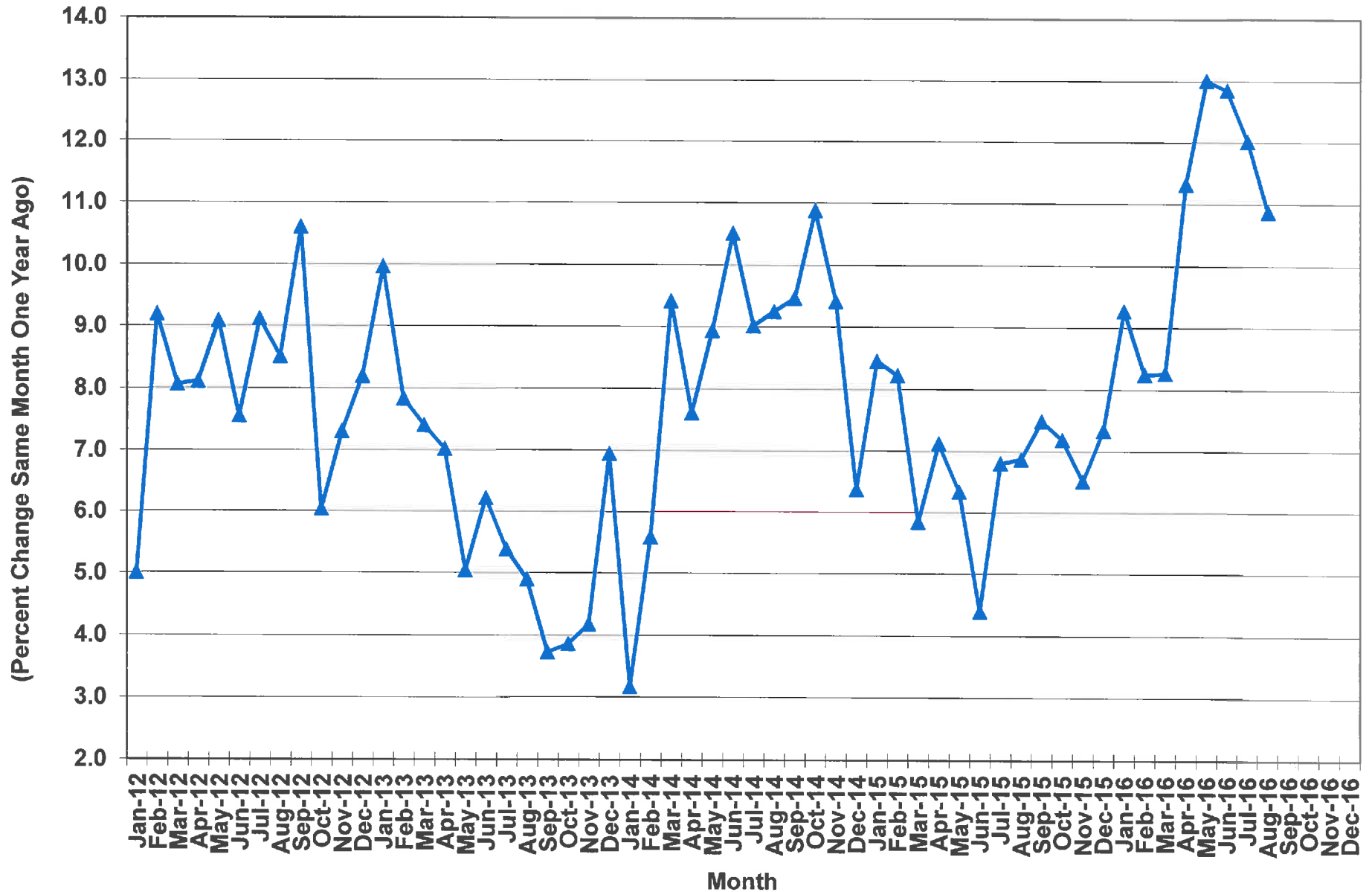
Sources: Federal Reserve System; U.S. Department of Commerce, Bureau of Economic Analysis

# U.S. Retail & Food Service Sales



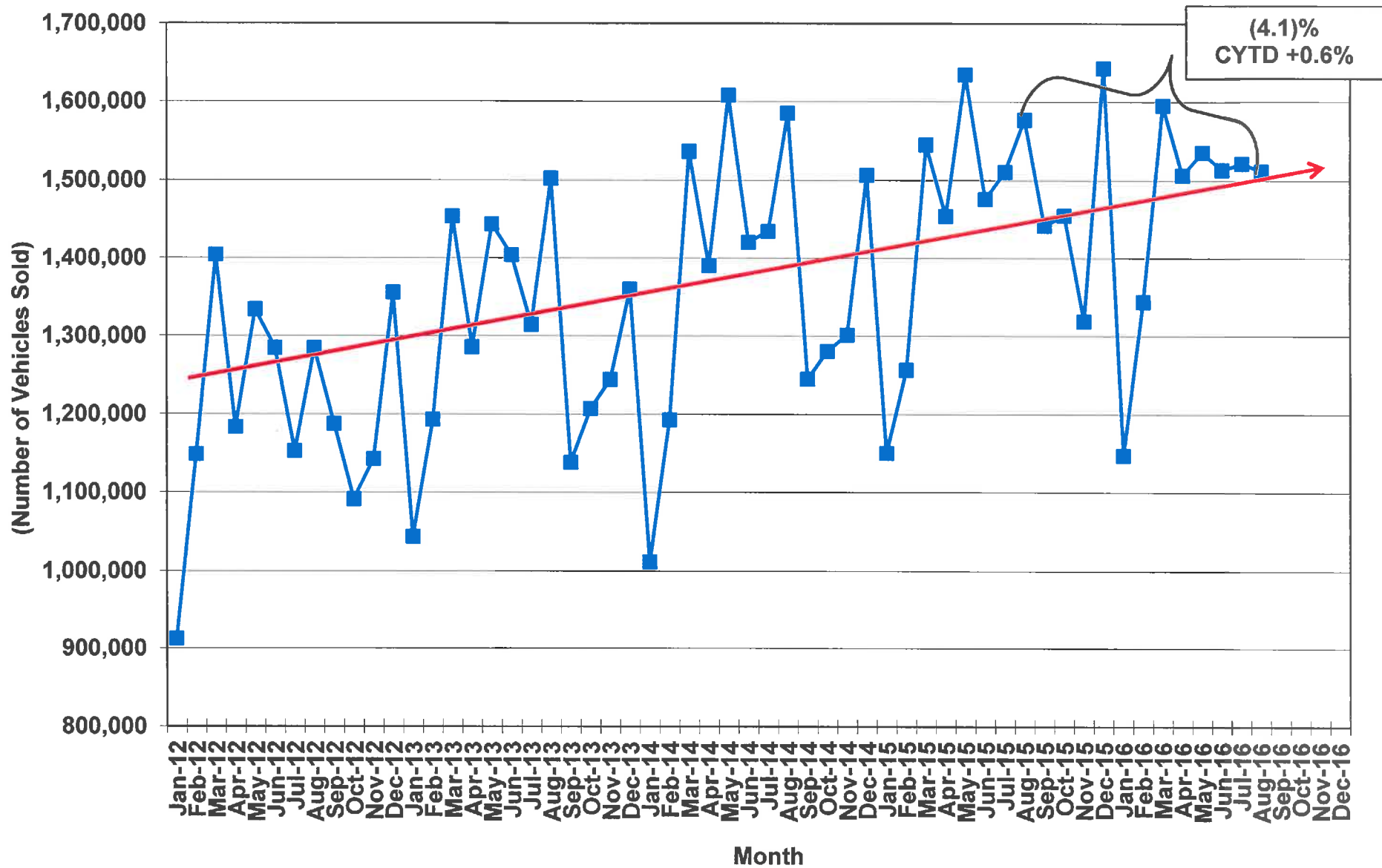
Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

# Nonstore Retail Sales in the U.S.



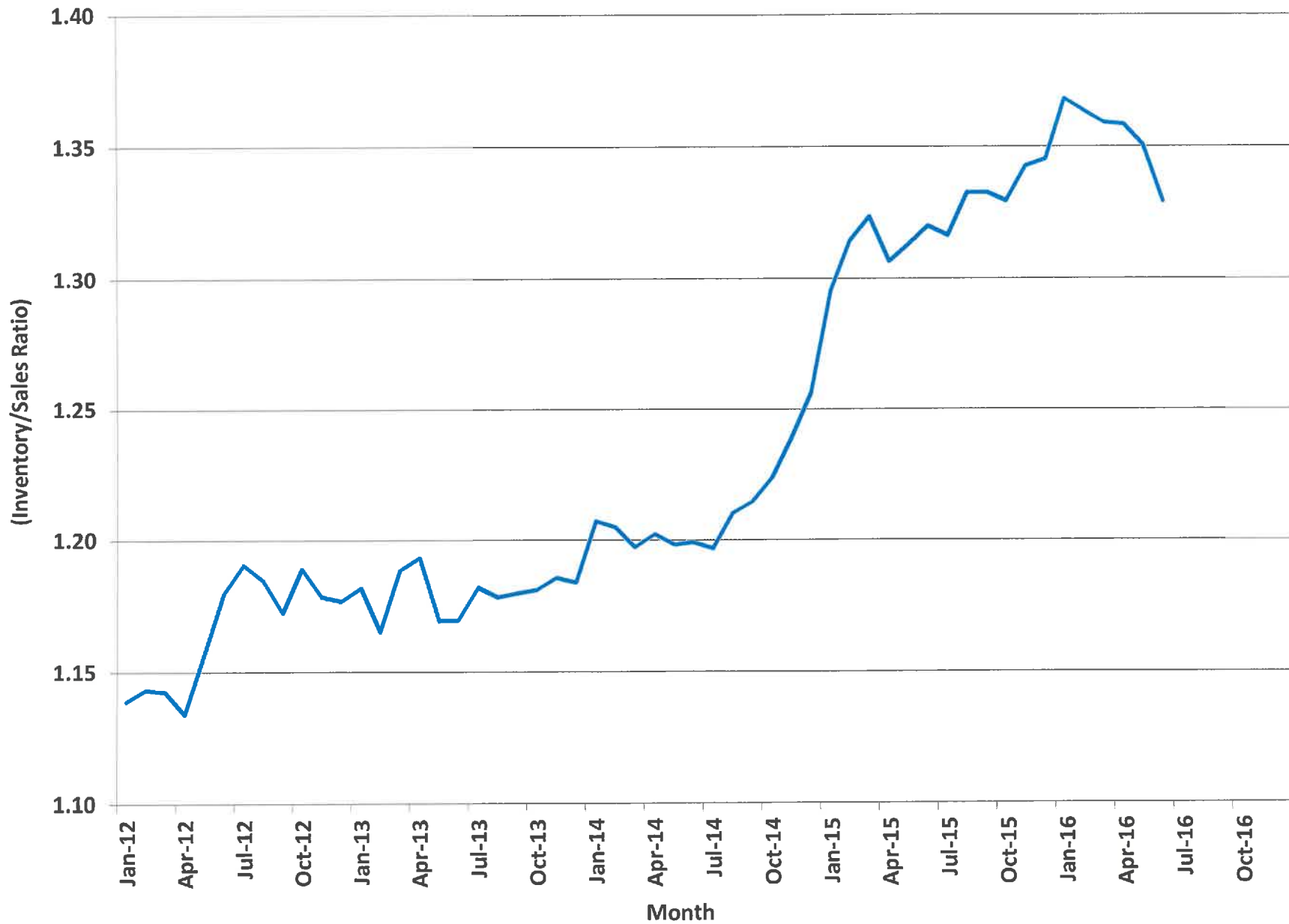
Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

# Total Light Vehicle Sales in the United States



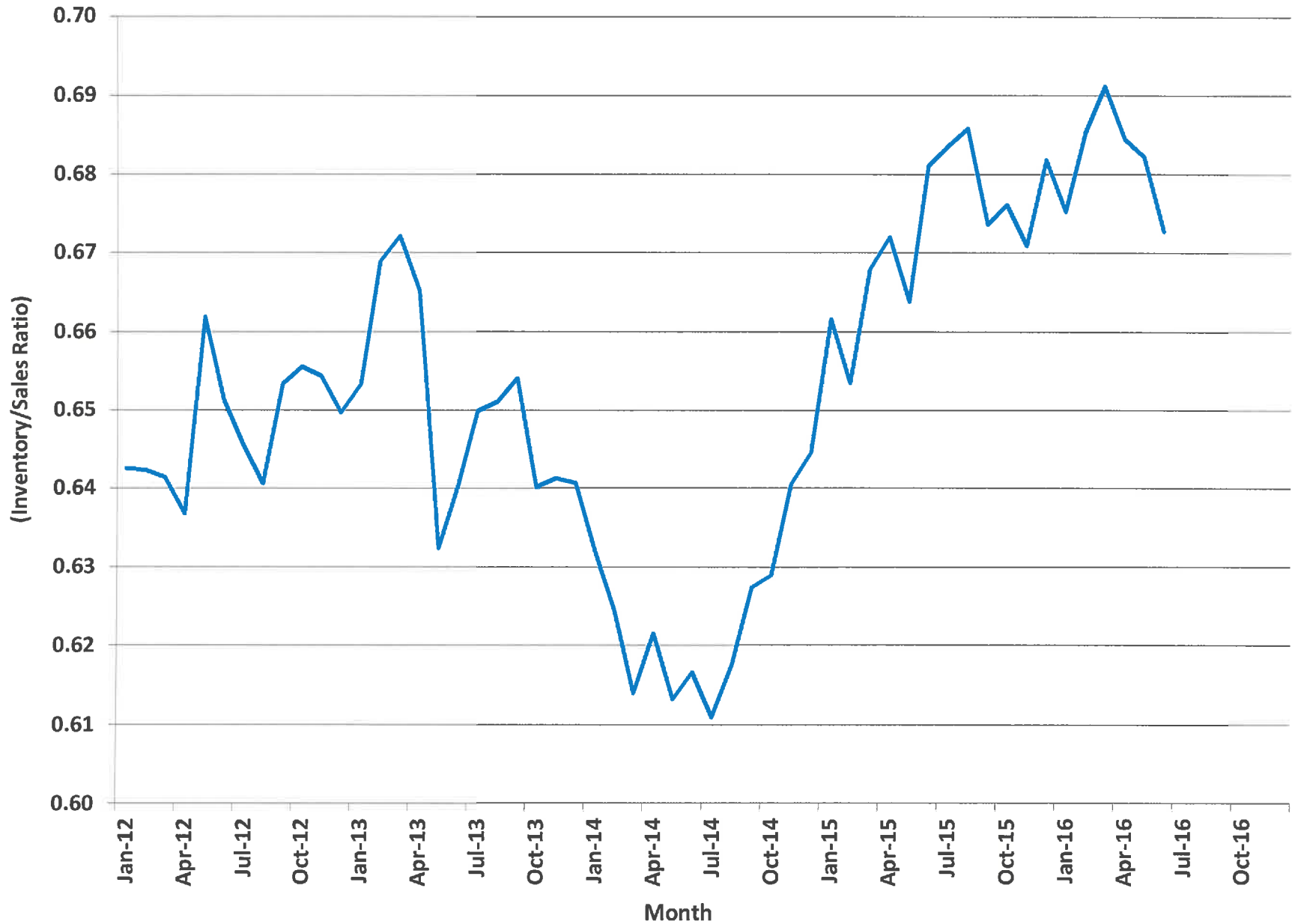
Source: Autodata Corporation and WardsAuto  
SCBEA/RWM/09/19/16

## Total Merchant Wholesale Inventory/Sales Ratio in the U.S.

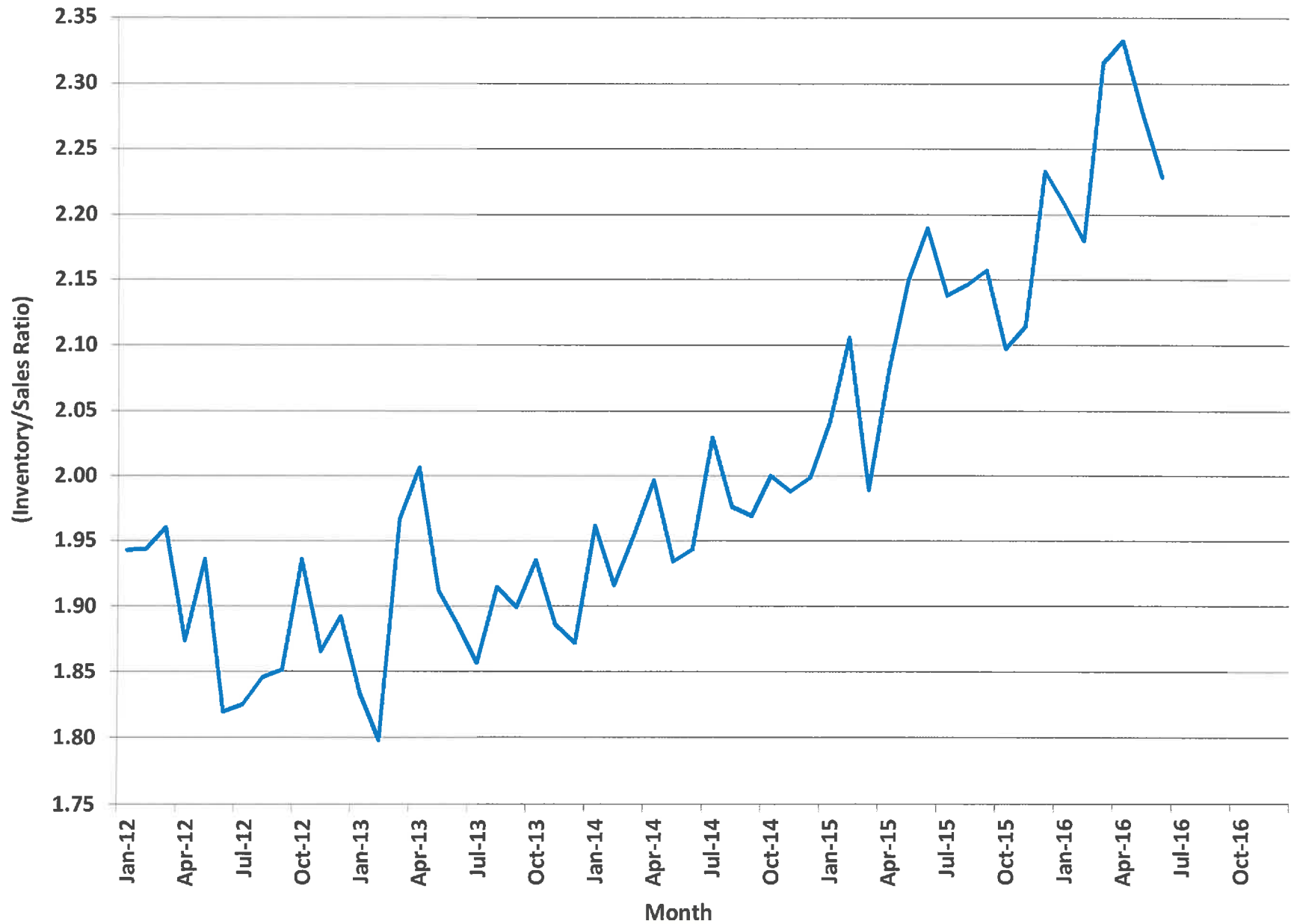


Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

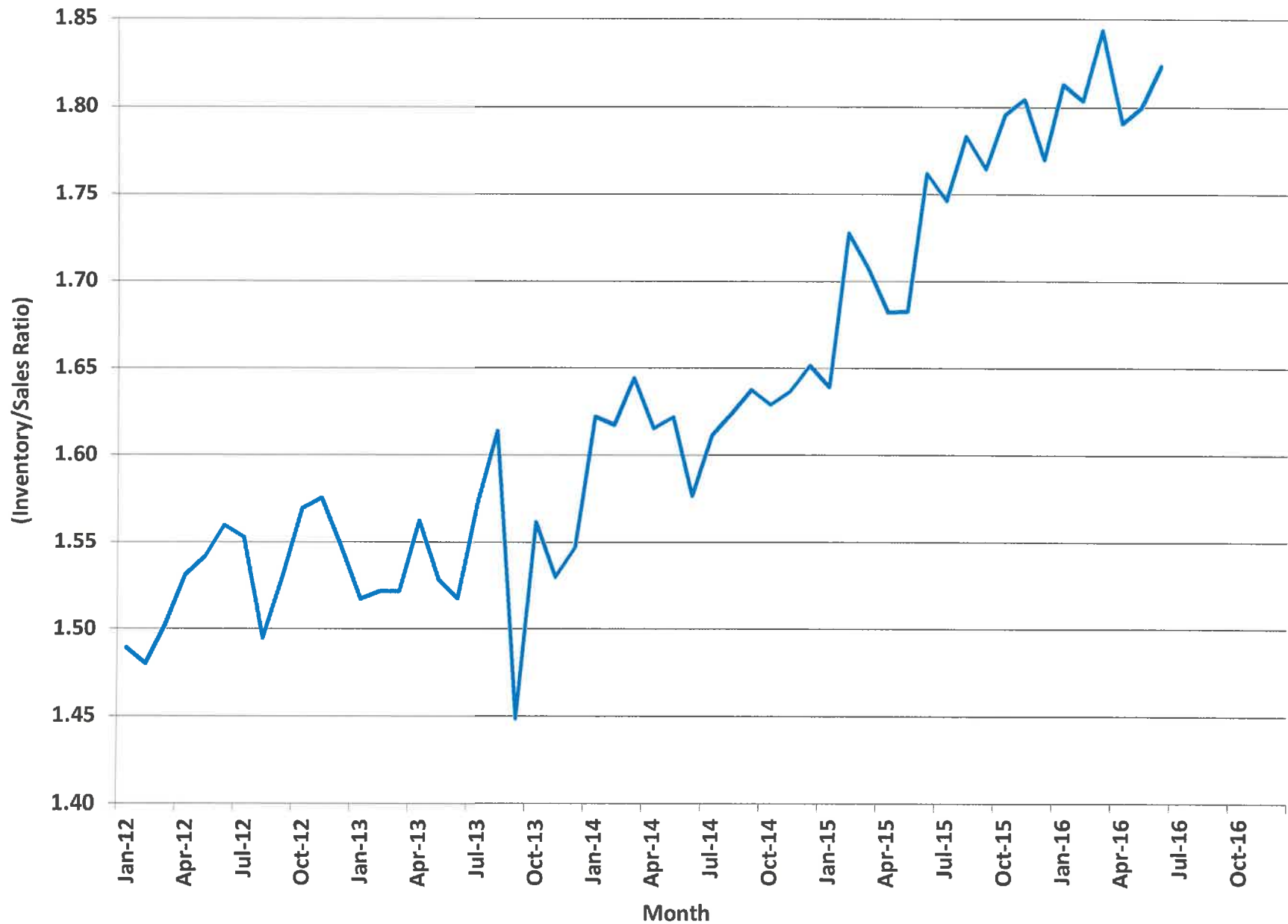
## Merchant Wholesale Inventory/Sales Ratio - Groceries Group



## Merchant Wholesale Inventory/Sales Ratio - Apparel Group

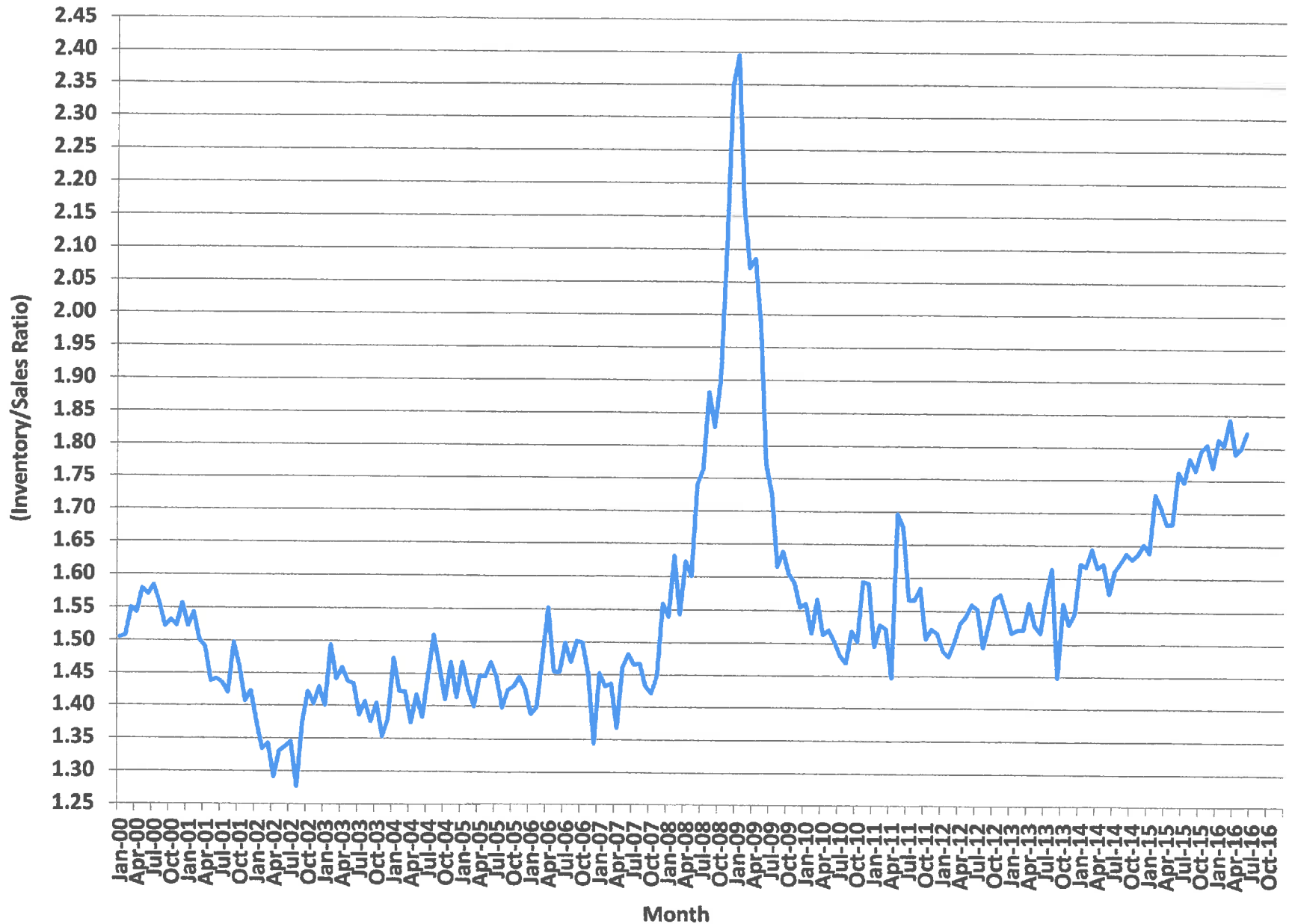


## Merchant Wholesale Inventory/Sales Ratio - Automotive Group

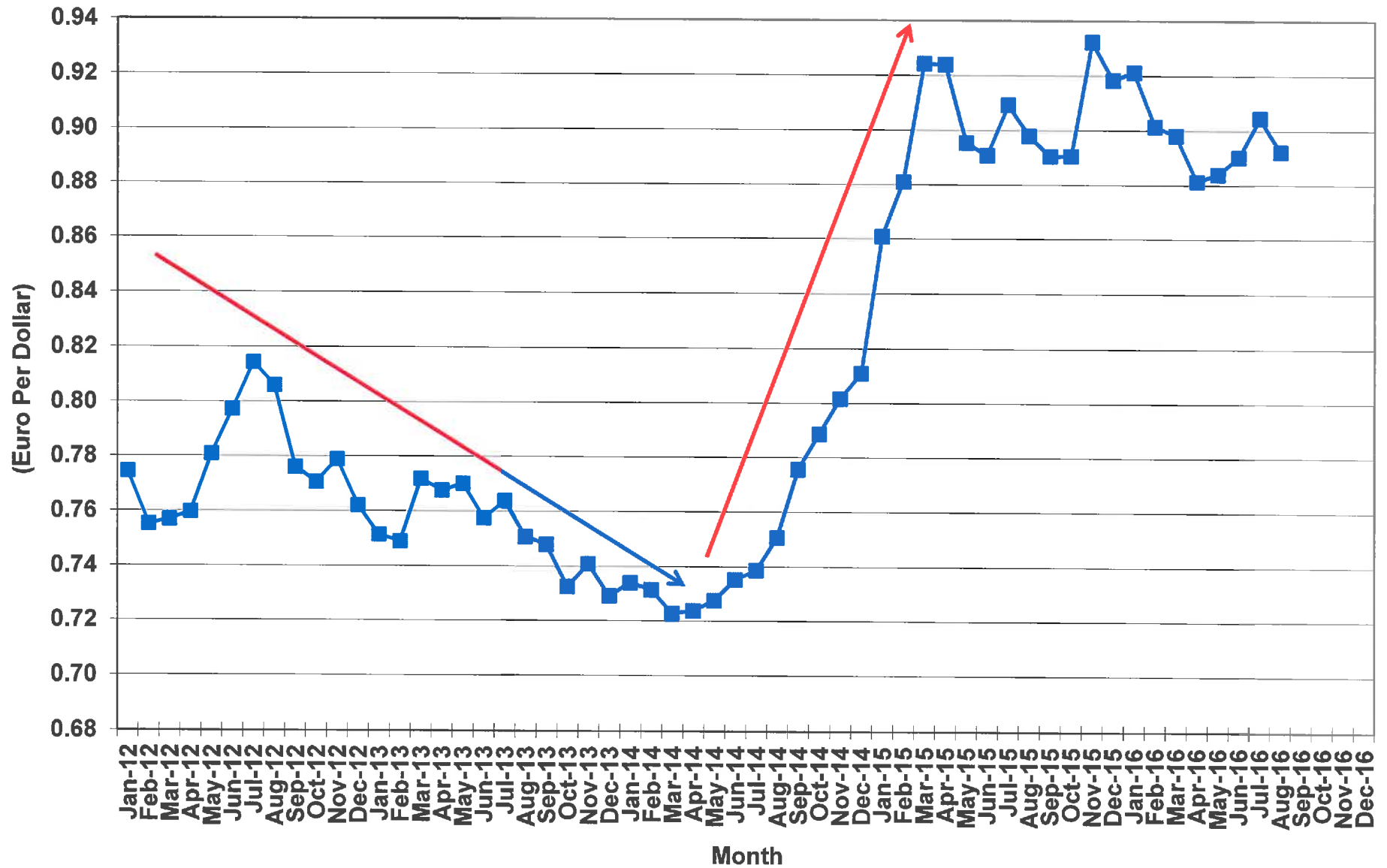




## Merchant Wholesale Inventory/Sales Ratio - Automotive Group

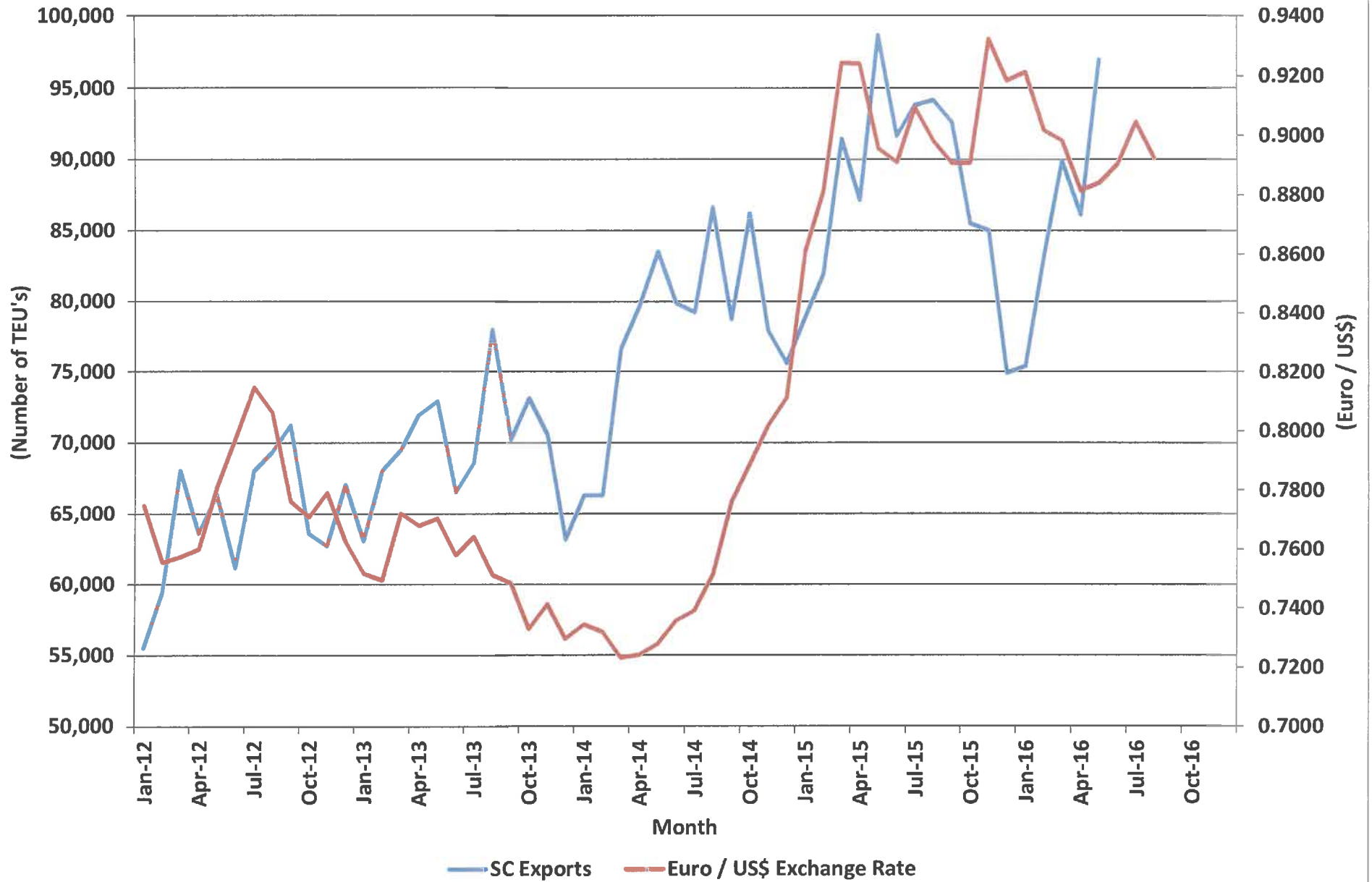


## Value of the Euro vs. the U.S. Dollar



Source: The Board of Governors of the Federal Reserve System  
 SCBEA/RWM/09/19/16

## S.C. Exports vs. Euro / US\$ Exchange Rate



Sources: South Carolina State Ports Authority, Charleston, S.C.  
The Board of Governors of the Federal Reserve System



September 19, 2016

# General Fund Revenue

August  
Fiscal Year 2016-17





# Revenue Digest

## August 2016

General Fund revenue for the month of August 2016 is up 6.3 percent from last year. Most of the growth stemmed from unusually large Individual Income tax withholding collections. Revenues for the first two months of the fiscal year have grown 3.5 percent year-to-date.

Revenue Category	Month-to-Date Growth (% Change)	Year-to-Date Growth (% Change)
Sales and Use Tax	-5.2	-5.2
Individual Income Tax	16.7	8.1
Corporate Income Tax	-9.3	-26.1
Corporate License Tax	-55.5	-27.7
Other Revenues	-15.8	-13.7
<b>Total General Fund</b>	<b>6.3</b>	<b>3.5</b>

- Sales and Use tax revenue declined 5.2 percent for the month of August and also declined 5.2 percent for the fiscal year. The majority of the decline is the result of automobile sales taxes being transferred from the General Fund to the Department of Transportation. The Department of Revenue also encountered a computer programming problem resulting in a delay in posting of some sales receipts. After adjusting for \$31.4 million of delayed sales tax deposits, Sales and Use tax revenue growth is 8.0 percent for the fiscal year.
- Individual Income tax revenue grew 16.7 percent in August primarily from an increase in Individual Income tax withholdings of 15.8 percent. The Individual Income tax growth year-to-date is 8.1 percent.
- Corporate Income tax revenue declined 9.3 percent in August and has posted a 26.1 percent decline for the fiscal year.
- Other Revenues declined 15.8 percent in August from one year ago and have declined 13.7 percent year-to-date.

### Summary

The official BEA General Fund revenue projection is for 4.8 percent growth in FY2016-17. After accounting for the \$16.8 million revenue shortfall in FY2015-16, another \$78.2 million in revenue reductions accounted for in the FY2016-17 Appropriation Act, and \$19.8 million in revenue reduction passed by separate legislation after the budget was completed, the adjusted revenue projection is for 3.7 percent growth in FY2016-17. After adjusting for the delayed deposits in Sales and Use tax revenue, the total General Fund revenue may be adjusted from 3.5 percent growth year-to-date to 6.6 percent year-to-date through August. September will be an influential month as it is a quarter-end and affected by quarterly filings.





Table 1

August

General Fund Revenue	FY 2015-16	FY 2016-17	\$ Change	% Change
Sales and Use Tax	\$238,338,086	\$226,017,766	(\$12,320,320)	(5.2)
Individual Income Tax	353,197,765	412,275,375	59,077,610	16.7
Corporation Income Tax	5,709,138	5,191,086	(518,052)	(9.1)
Insurance Taxes	4,796,446	1,574,284	(3,222,162)	(67.2)
Admissions Tax	(4,142,714)	(4,122,251)	20,463	0.5
Aircraft Tax	0	0	0	---
Alcoholic Liquor Tax	6,478,833	7,020,209	541,376	8.4
Bank Tax	(1,025,762)	407,165	1,432,927	139.7
Beer and Wine Tax	9,664,588	9,595,297	(69,291)	(0.7)
Bingo Tax	320,228	229,142	(91,086)	(28.4)
Business Filing Fees	444,223	479,664	35,441	8.0
Circuit/Family Court Fines	604,932	1,080,527	475,595	78.6
Corporation License Tax	2,728,447	1,213,590	(1,514,857)	(55.5)
Documentary Tax	4,129,579	4,150,569	20,990	0.5
Earned on Investments	1,334,294	2,574,428	1,240,134	92.9
Indirect Cost Recoveries	670,252	155,684	(514,568)	(76.8)
Motor Vehicle Licenses	791,967	803,367	11,400	1.4
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	282,734	282,734	0	0.0
Private Car Lines Tax	50,131	2,871	(47,260)	(94.3)
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	(2,000)	0	2,000	100.0
Security Dealer Fees	0	0	0	---
Surcharge on Vehicle Rentals	30	50,535	50,505	168,350.0
Tobacco Tax	2,321,401	1,741,497	(579,904)	(25.0)
Uncashed Checks	4,757,961	0	(4,757,961)	(100.0)
Unclaimed Property Fund	0	0	0	---
Workers' Comp. Insurance Tax	(999,525)	(940,166)	59,359	5.9
Other Source Revenues	734,797	1,193,259	458,462	62.4
<b>Gross General Fund Revenue</b>	<b>\$631,185,830</b>	<b>\$670,976,630</b>	<b>\$39,790,800</b>	<b>6.3</b>

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 - August

General Fund Revenue	FY 2015-16	FY 2016-17	\$ Change	% Change
Sales and Use Tax	\$238,338,086	\$226,017,808	(\$12,320,278)	(5.2)
Individual Income Tax	734,103,461	793,343,544	59,240,083	8.1
Corporation Income Tax	19,076,344	14,095,903	(4,980,441)	(26.1)
Insurance Taxes	6,526,167	2,630,730	(3,895,437)	(59.7)
Admissions Tax	(4,142,714)	(4,122,251)	20,463	0.5
Aircraft Tax	281	0	(281)	(100.0)
Alcoholic Liquor Tax	4,988,579	5,557,053	568,474	11.4
Bank Tax	(1,844,304)	1,013,355	2,857,659	154.9
Beer and Wine Tax	9,945,286	9,777,812	(167,474)	(1.7)
Bingo Tax	332,228	240,142	(92,086)	(27.7)
Business Filing Fees	692,790	744,820	52,030	7.5
Circuit/Family Court Fines	1,315,614	1,306,028	(9,586)	(0.7)
Corporation License Tax	3,712,293	2,684,034	(1,028,259)	(27.7)
Documentary Tax	4,129,579	4,150,569	20,990	0.5
Earned on Investments	2,849,253	4,746,963	1,897,710	66.6
Indirect Cost Recoveries	1,099,557	303,953	(795,604)	(72.4)
Motor Vehicle Licenses	526,184	319,502	(206,682)	(39.3)
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	565,468	565,468	0	0.0
Private Car Lines Tax	48,296	15,443	(32,853)	(68.0)
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	8,025	564,000	555,975	6,928.0
Security Dealer Fees	0	0	0	---
Surcharge on Vehicle Rentals	1,853	51,733	49,880	2,691.9
Tobacco Tax	2,321,401	1,741,497	(579,904)	(25.0)
Uncashed Checks	4,757,961	0	(4,757,961)	(100.0)
Unclaimed Property Fund	0	0	0	---
Workers' Comp. Insurance Tax	(1,799,175)	(1,740,166)	59,009	3.3
Other Source Revenues	2,219,391	1,934,117	(285,274)	(12.9)
<b>Gross General Fund Revenue</b>	<b>\$1,029,771,904</b>	<b>\$1,065,942,057</b>	<b>\$36,170,153</b>	<b>3.5</b>

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.