



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

SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER
Executive Director

BOARD OF ECONOMIC ADVISORS WORKING GROUP MEETING AGENDA February 15, 2017, 4:00pm Room 417, Rembert C. Dennis Building

1. Opening Remarks by Chairman Walldorf
2. Welcome - Board Ex Officio member, Hartley Powell
3. Employee Recognition - Robert Martin, Chief Economist
4. Adoption of Meeting Minutes for November 10, 2016
5. FY 2016-17 and FY 2017-18 Forecast
 - A. Overview (F. Rainwater)
 - B. Revenue Collections and Forecasts (R. Martin)
 - C. Consideration of FY 2016-17 and FY 2017-18 Revenue Estimates (F. Rainwater)
6. Other Items - (F. Rainwater)
7. 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
8. Future Meeting Schedule:
 - A. March 23, 2017, 2:00pm (Board Members will join via WebEx)
 - B. April 10, 2017, 2:00pm - Quarterly Review; RFA Meeting Follows
 - C. May 18, 2017, 2:00pm - (Board Members will join via WebEx)
 - D. 2017 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





Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. BEA 11/10/16 Estimate of \$8,157.5 Million in FY 2016-17 1/

	JULY - JANUARY FY 2016-17			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate	Actual
	Actual Revenues	Expected Revenues	Excess / (Shortfall)	Full Fiscal Yr.	Yr. to Date
Total General Fund Revenue	5,029.5	5,054.7	(25.2)	4.1	4.9
Sales Tax	1,427.8	1,412.6	15.2	2.0	3.1
Individual Income Tax	3,079.1	3,074.5	4.6	6.0	6.8
Corporate Income Tax	72.0	162.3	(90.3)	(5.7)	(56.0)
Other Revenue Sources	450.6	405.3	45.3	7.0	23.3
Select Tax Revenues, Sub-Total	371.5	331.4	40.2	6.8	26.9
Admissions Tax - Total	10.7	10.7	(0.0)	10.2	0.3
Alcoholic Liquors Tax	35.8	34.5	1.4	0.7	4.7
Bank Tax	34.6	13.6	21.0	14.9	192.4
Beer and Wine Tax	55.6	54.1	1.5	0.7	3.5
Corporation License Tax	44.2	39.3	4.9	18.9	33.8
Documentary Tax	26.1	23.4	2.7	2.3	14.1
Earnings on Investments	21.6	9.2	12.4	(32.5)	96.2
Insurance Tax	130.2	130.3	(0.1)	13.2	27.4
Tobacco Tax	13.1	13.1	0.0	(12.1)	(1.1)
Residual Revenue, Sub-Total 2/	79.1	77.2	1.9	8.1	8.6

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

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

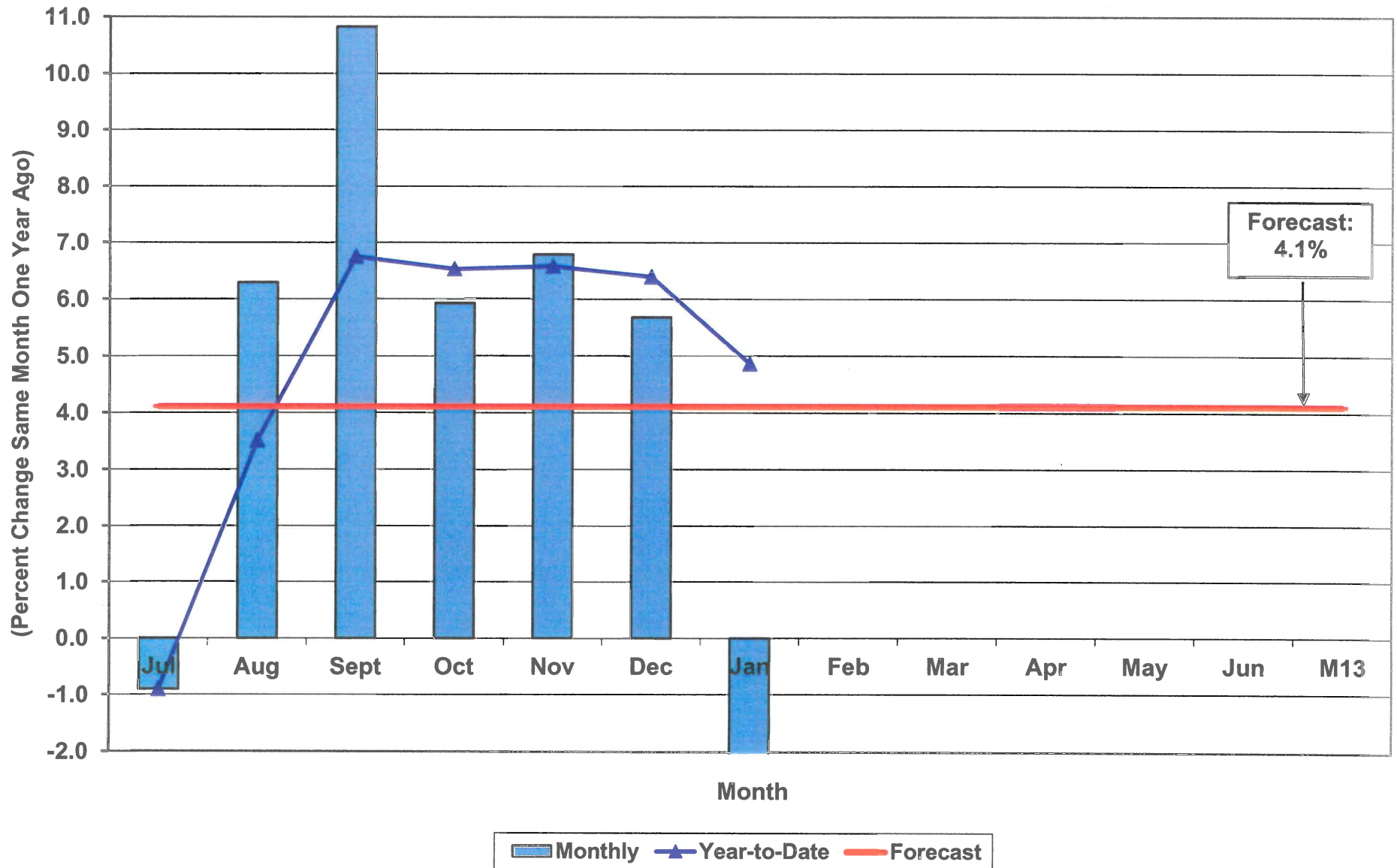
Note: Detail may not sum to total due to rounding.

NOTES ON FY 2016-17 REVENUES

- Through January, total General Fund revenues are \$25.2 million BELOW expectations.
- This shortfall, however, is misleading as the underlying economy and collections are performing better than expected.
- The \$25.2 million shortfall is affected by timing issues and unexpectedly large corporate tax refunds.
- Growth in other taxes, notably Sales and Income Tax, has made up for the FY16 shortfall, tax changes, and large Corporate Tax refunds.

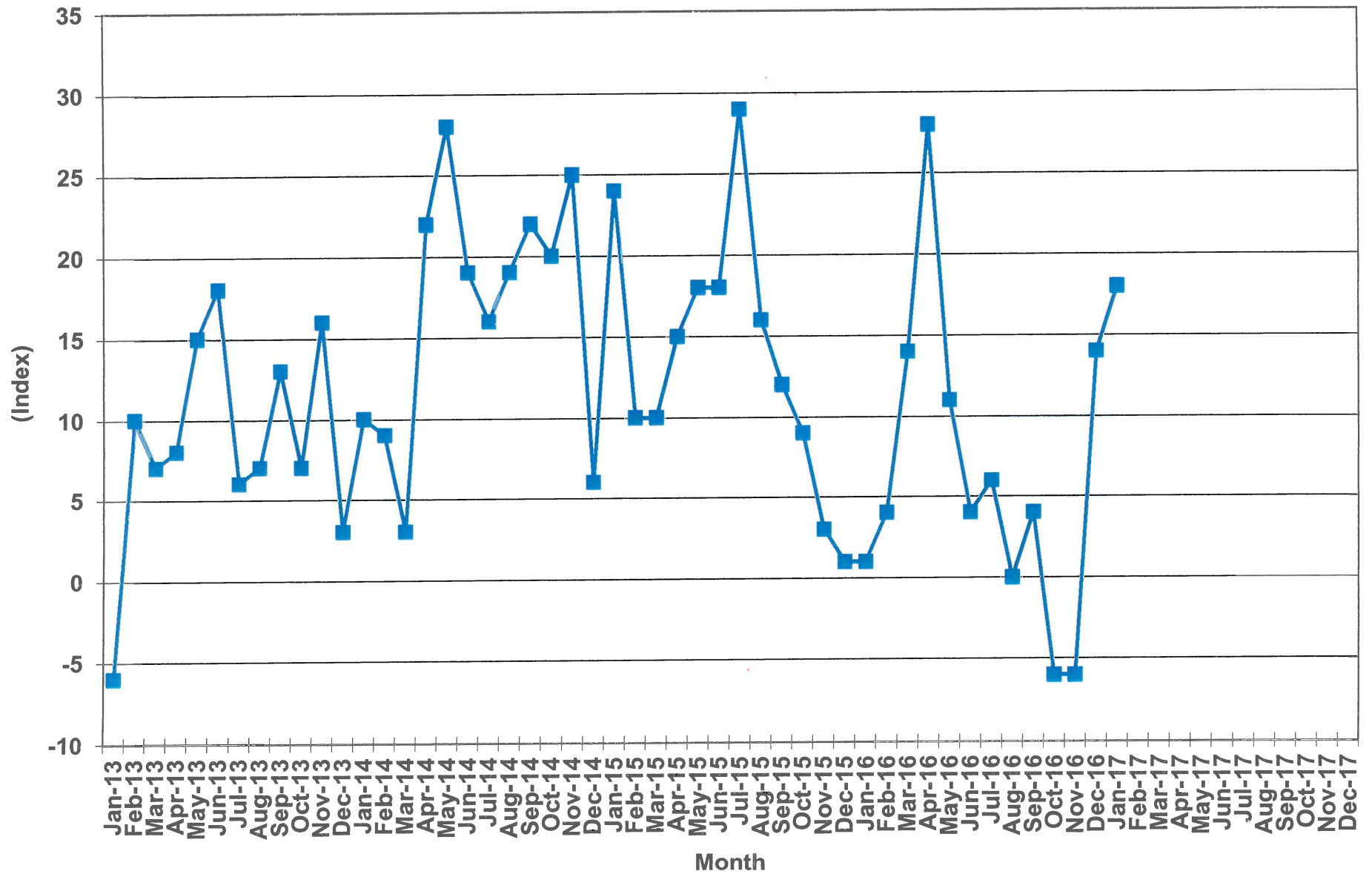


Growth in Total General Fund Revenue Collections FY2017 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/02/15/17

General Business Conditions in the Carolinas





January 2017

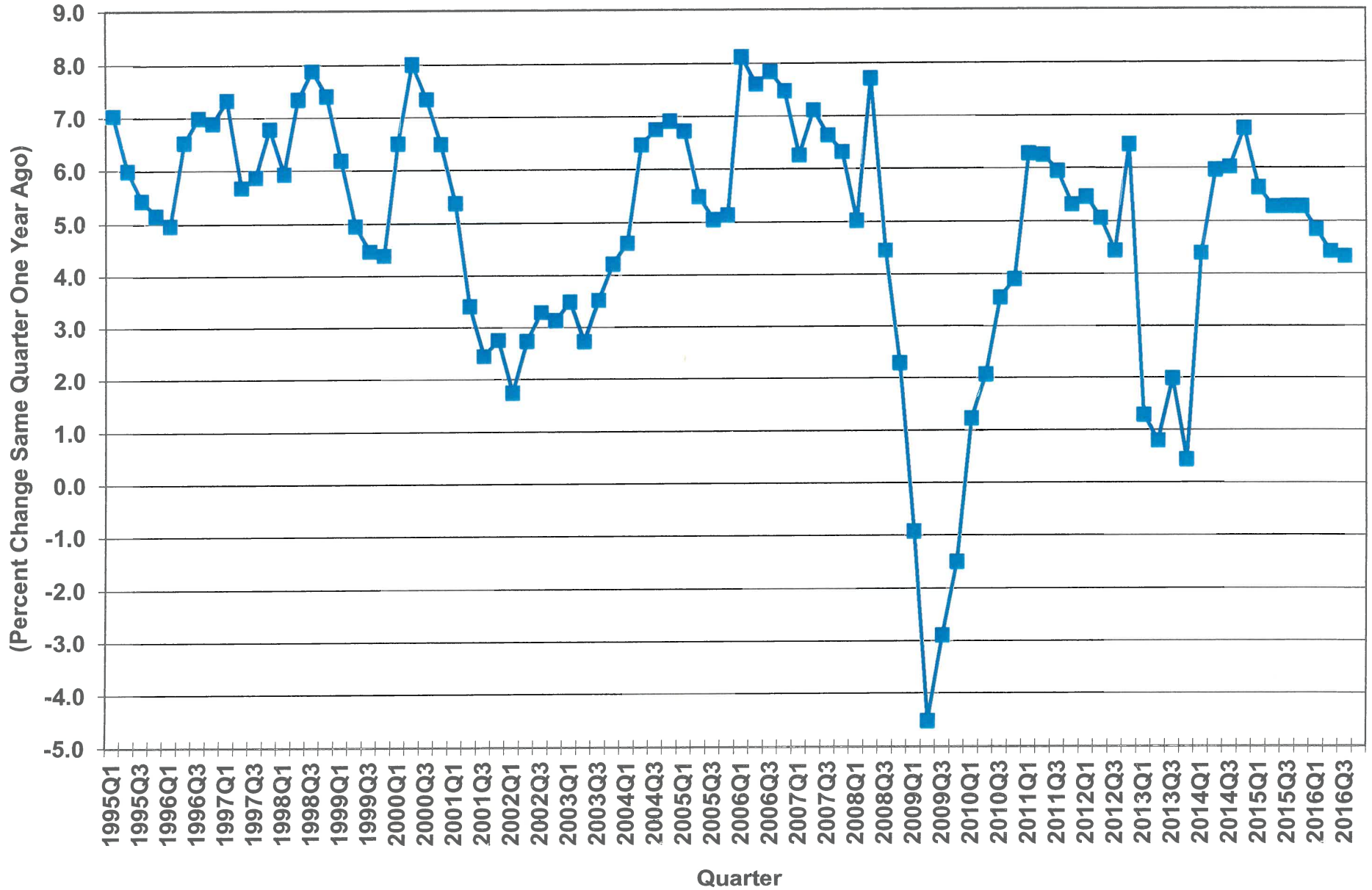
South Carolina Board of Economic Advisors Comparison of Base Economic Assumptions

Variable	Actual FY2015-16	Most Recent 2/	Current 1/ Forecast Rates FY2016-17	Current 1/ Forecast Rates FY2017-18
S.C. Personal Income	4.9%	4.32%	4.75%	4.75%
S.C. Employment	2.7%	1.8%	2.3%	1.8%
Inflation Rate (CPI-U)	0.7%	2.1%	< 2.0%	2.0%
Sales Tax	6.1%	3.1%	2.0%	4.9%
Individual Income Tax	4.7%	6.8%	6.0%	4.4%

Notes: 1/ Current forecast rates as of November 10, 2016 (the last official BEA forecast estimate).
 2/ Growth rate as of the most recent time period, e.g., month, quarter.
 N/A - Not Available.

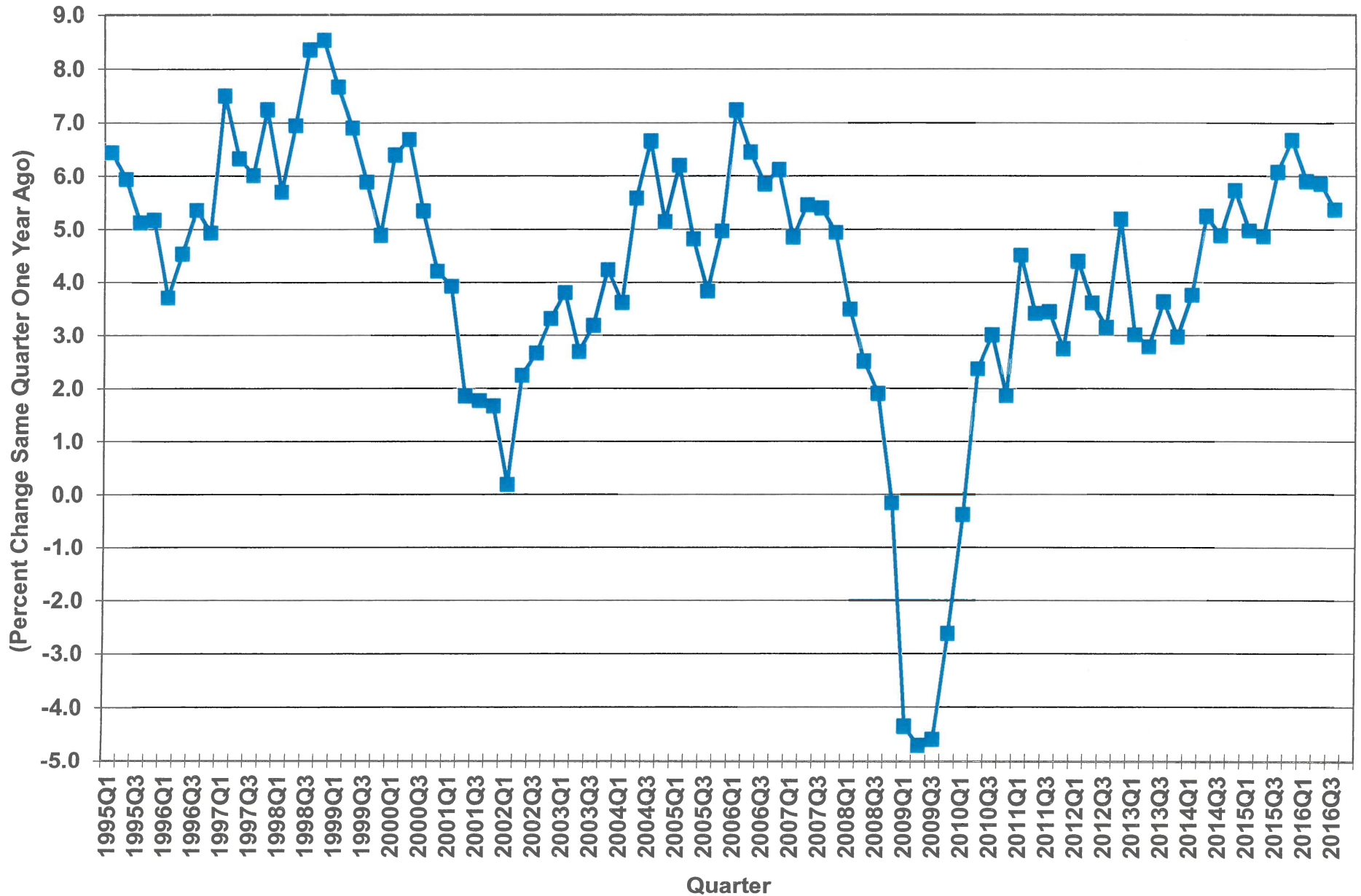
Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.
 U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
 S.C. Board of Economic Advisors, Columbia, S.C.

Growth in Personal Income in South Carolina

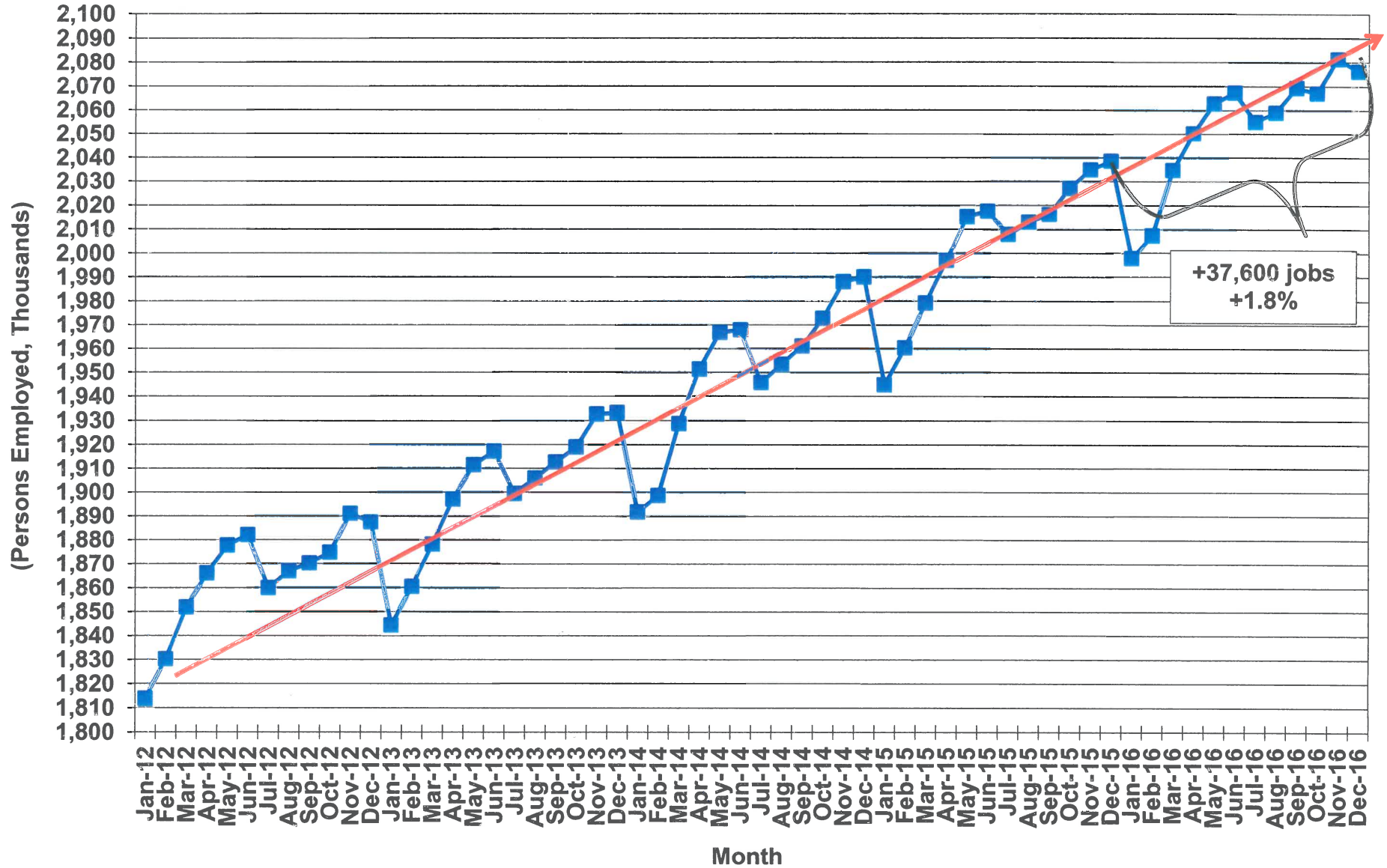


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Growth in Wages and Salaries in South Carolina

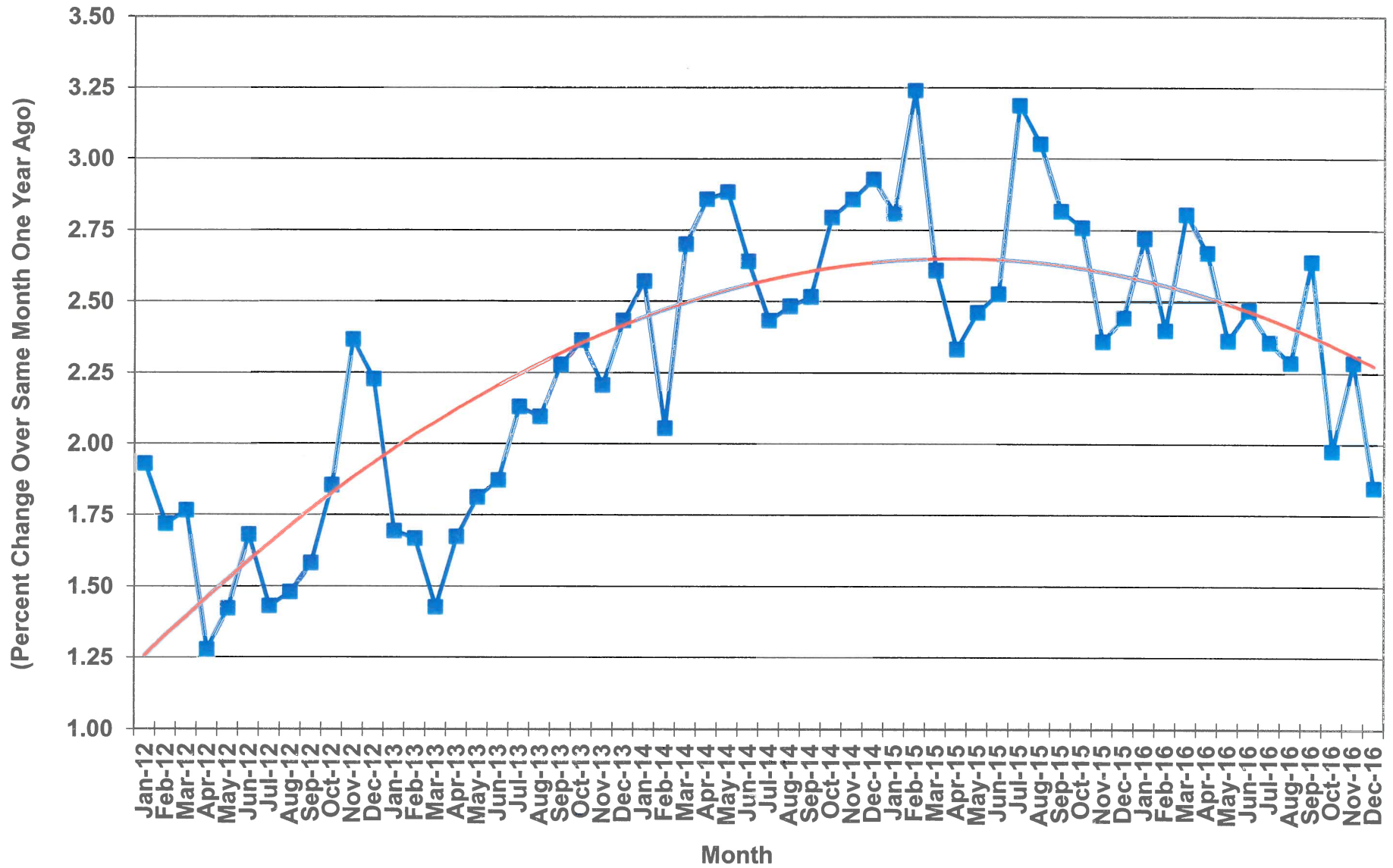


Total Nonfarm Employment in South Carolina



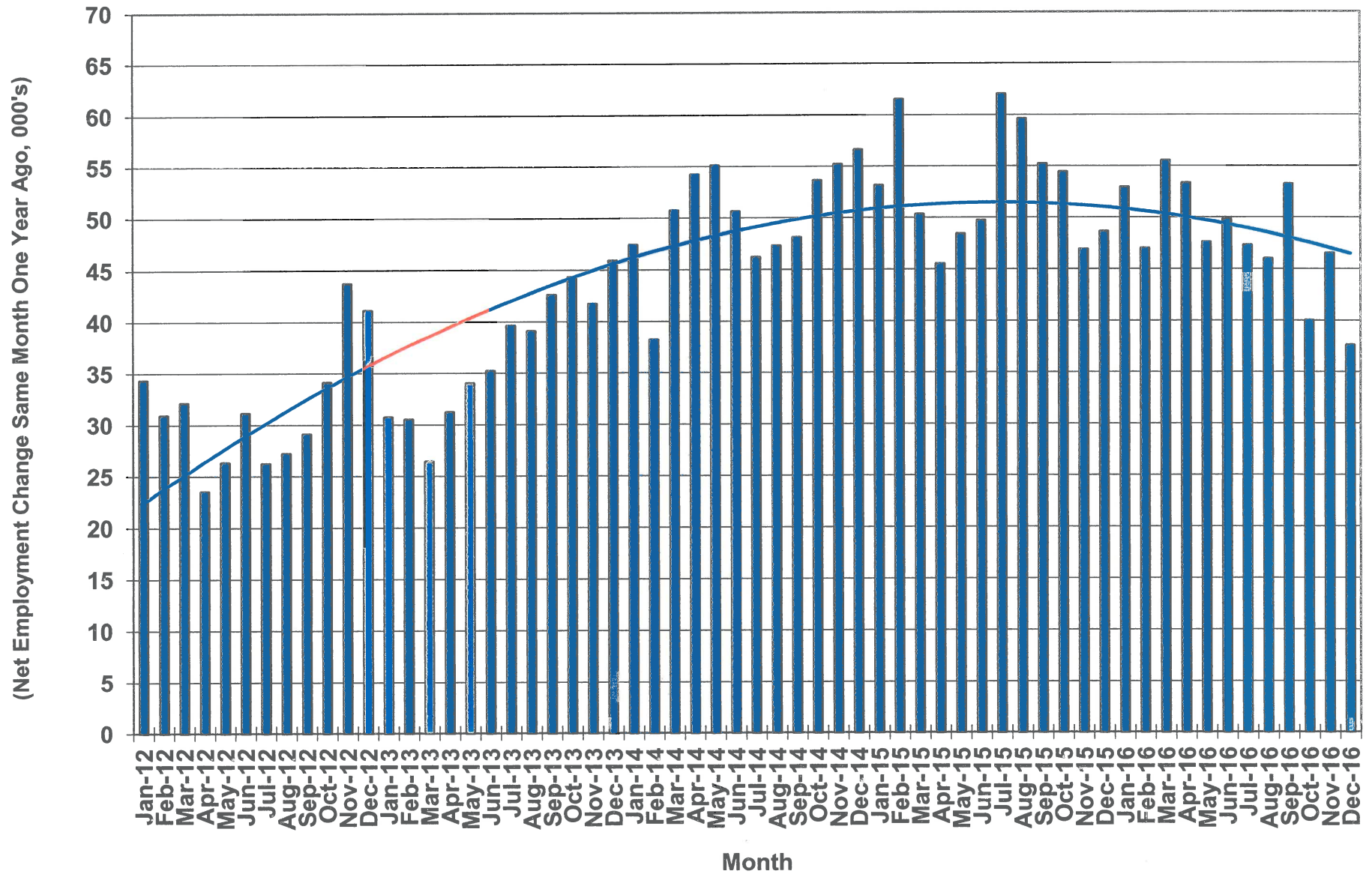
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/01/24/17

Total Nonfarm Employment Growth in South Carolina



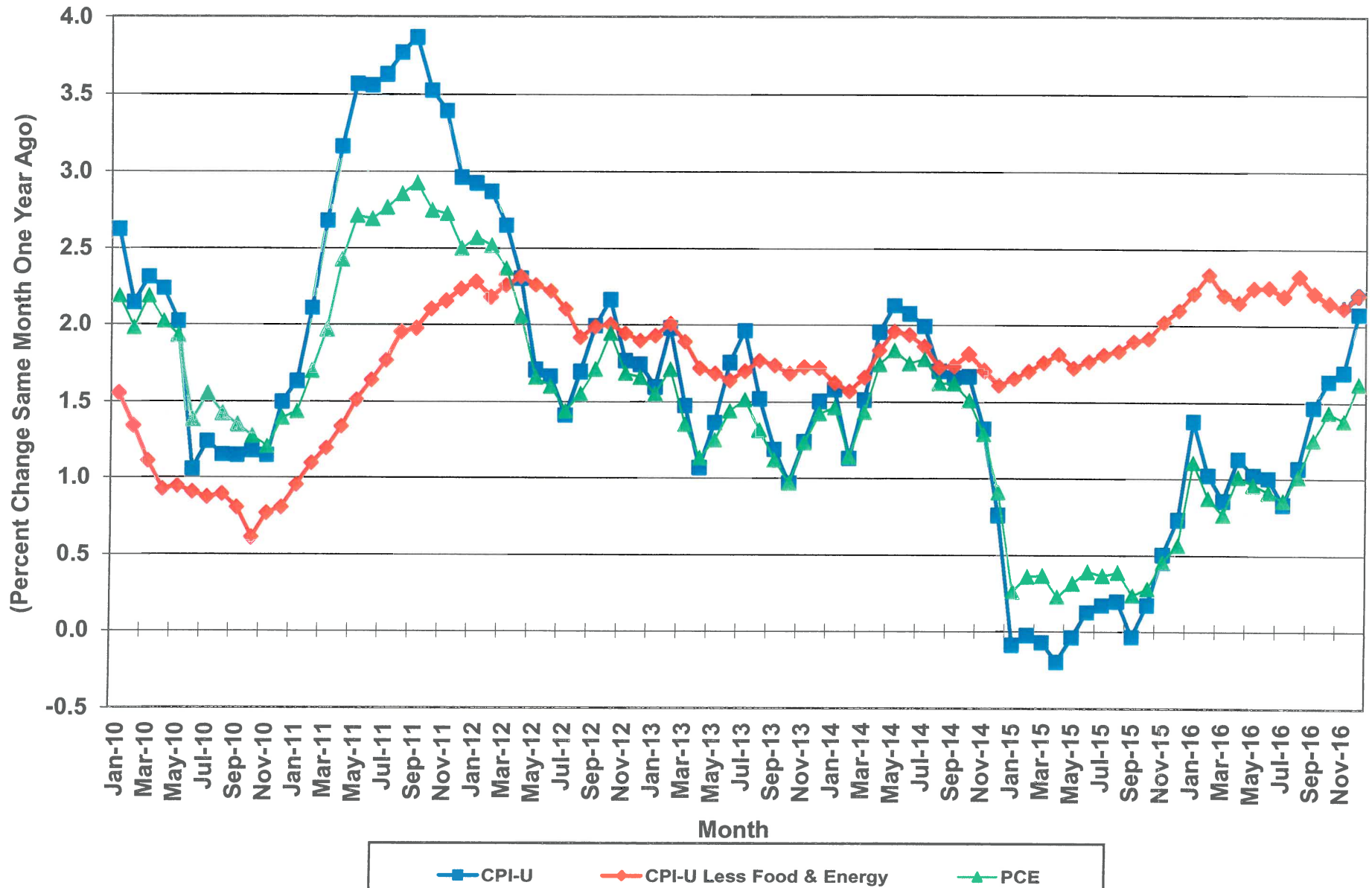
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/01/24/17

Net Nonfarm Employment Increase in South Carolina



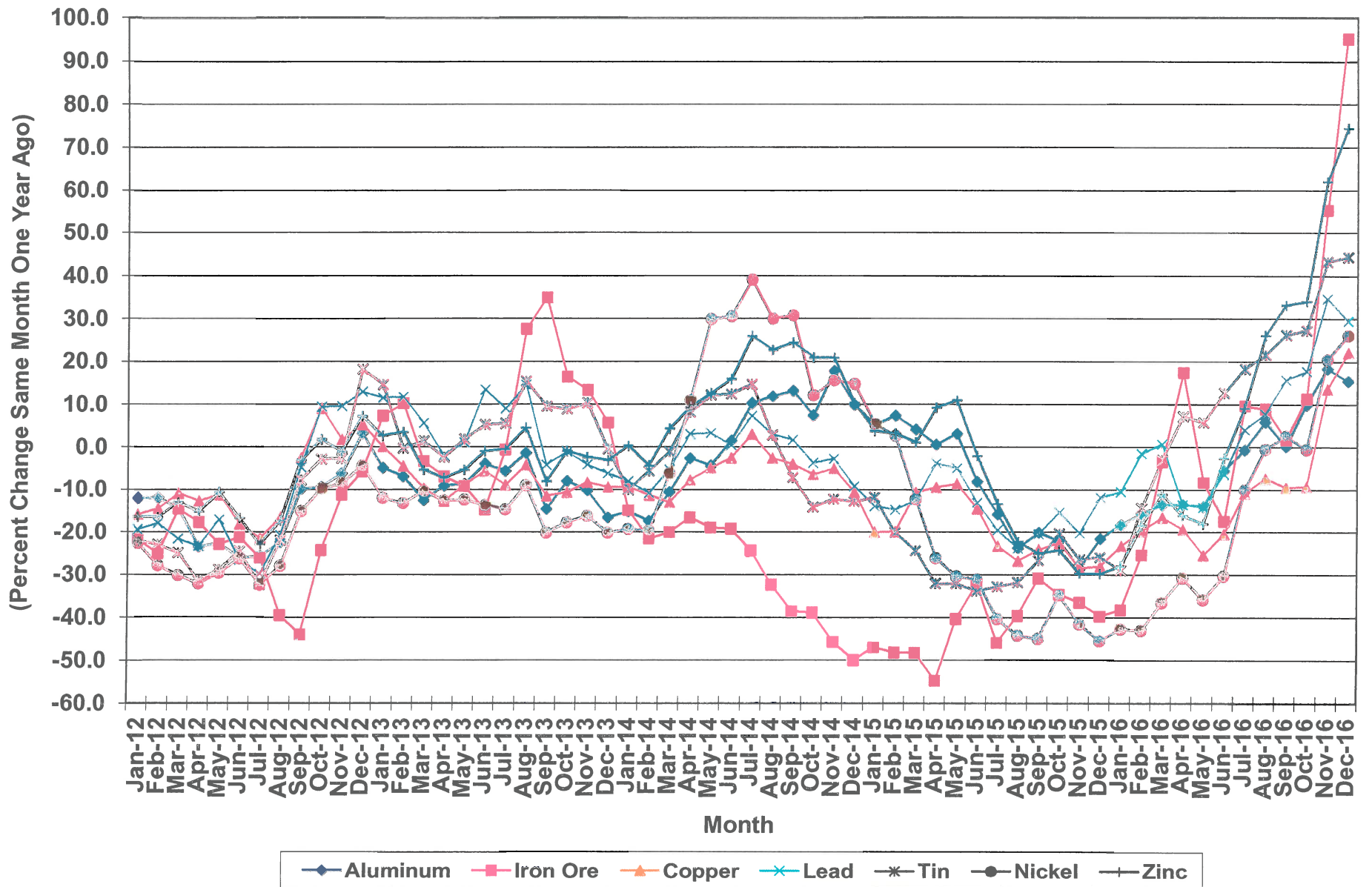
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/01/24/17

Inflation in the United States



Source: U.S. Department of Labor, Bureau of Labor Statistics

Growth in Industrial Metals Prices



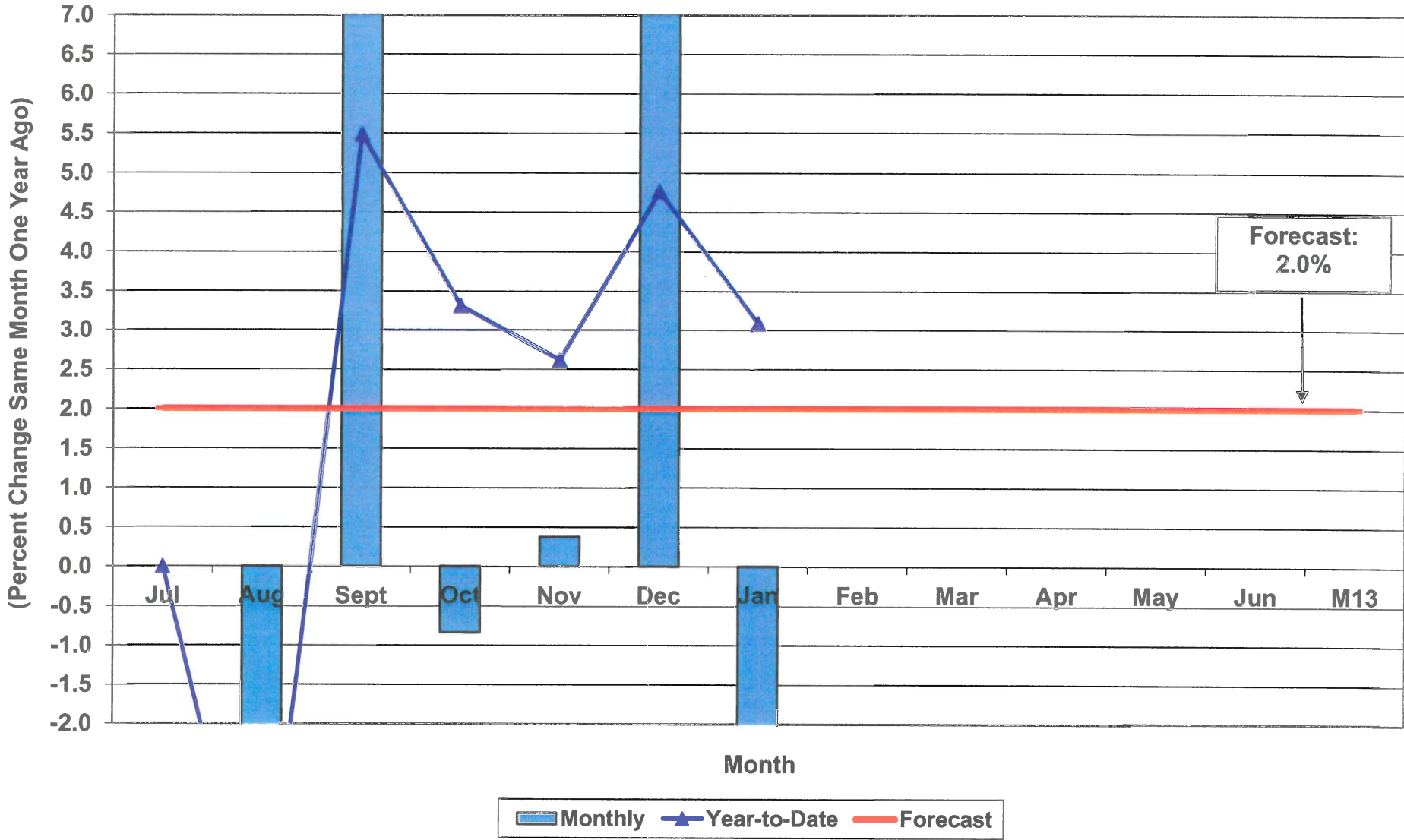


January 2017

Sales Tax

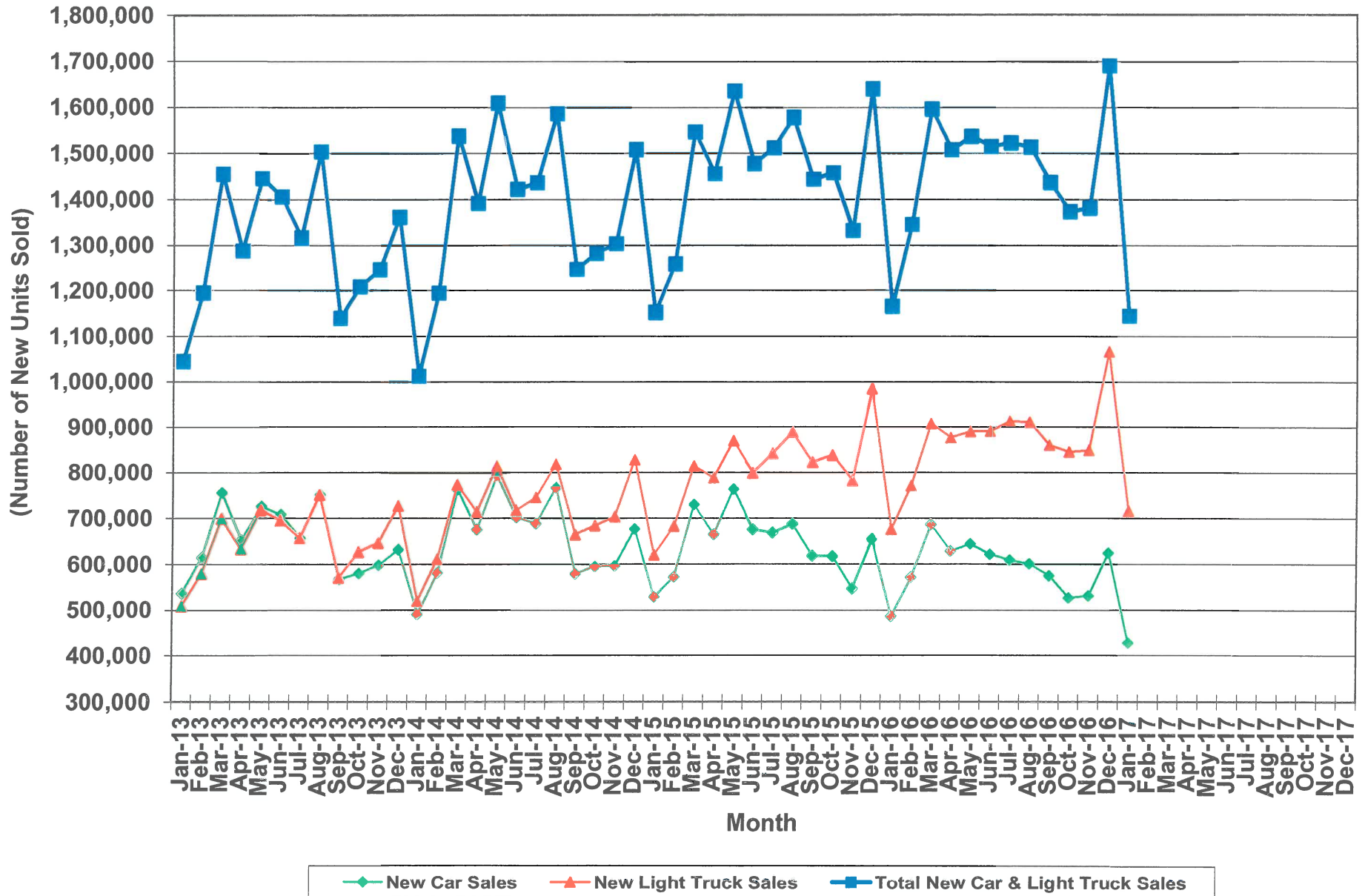
- Car Tax Transfer (100% of car sales revenue to SC DOT)
- \$6.7 million recordation reversal
- \$14.7 million in clearing account
- Good Black Friday sales
- Strong credit card increase in November 2016
- Internet sales

Growth in Total Sales & Use Tax Revenue Collections FY2017 Monthly and Year-to-Date

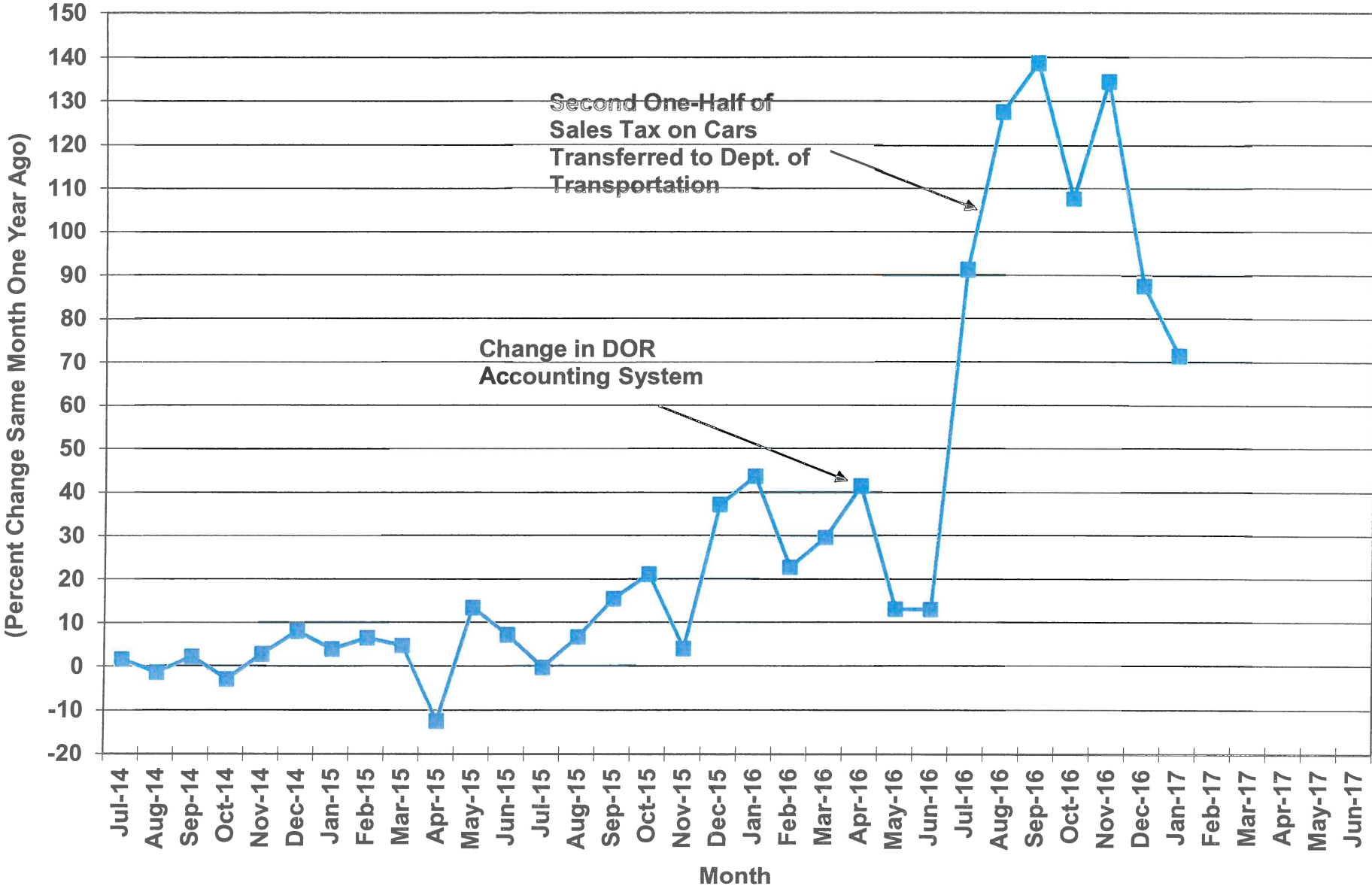


Source: Board of Economic Advisors
BEA/RWM/02/15/17

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

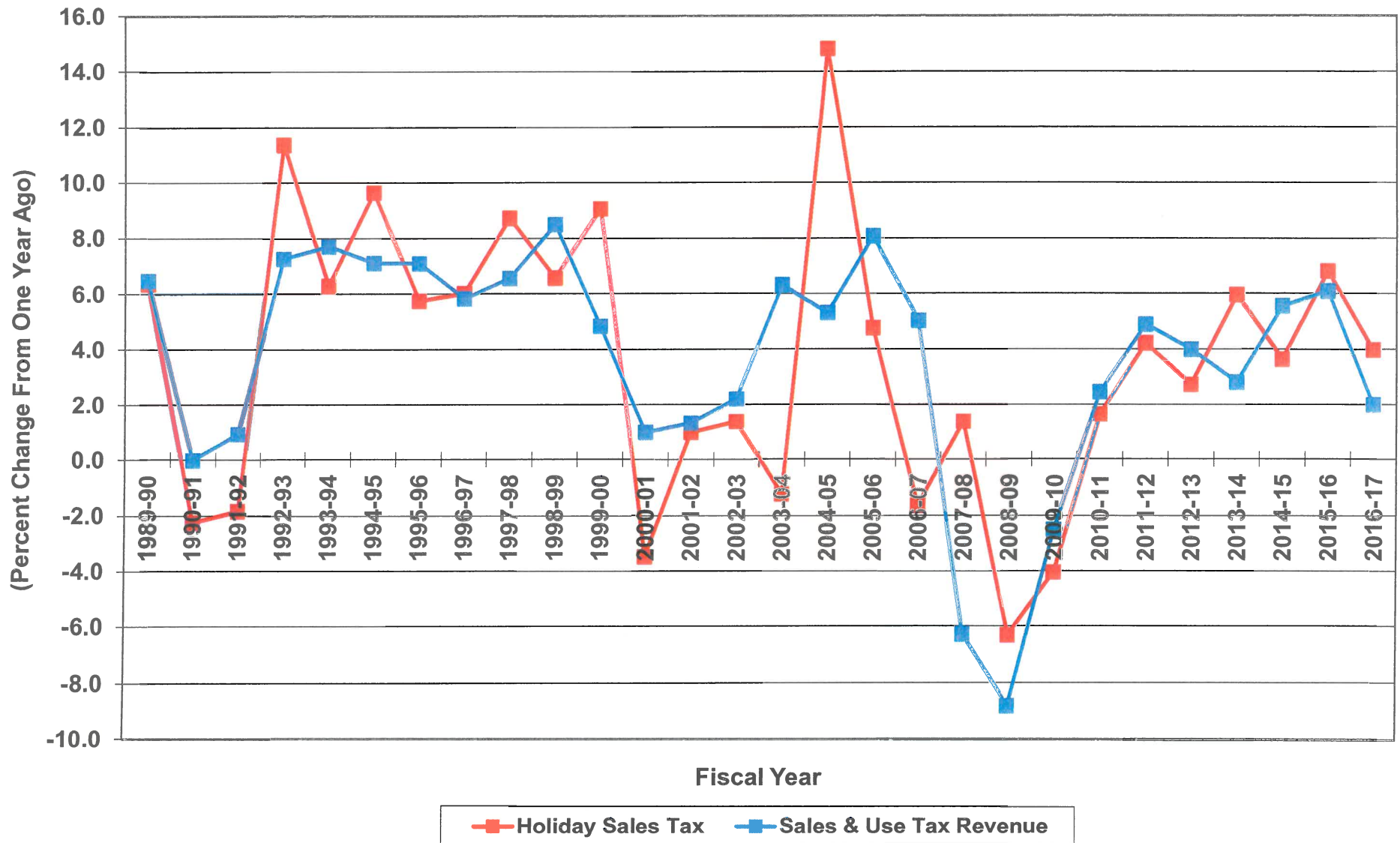


Growth in Car Tax Revenue Transfers to the SC DOT

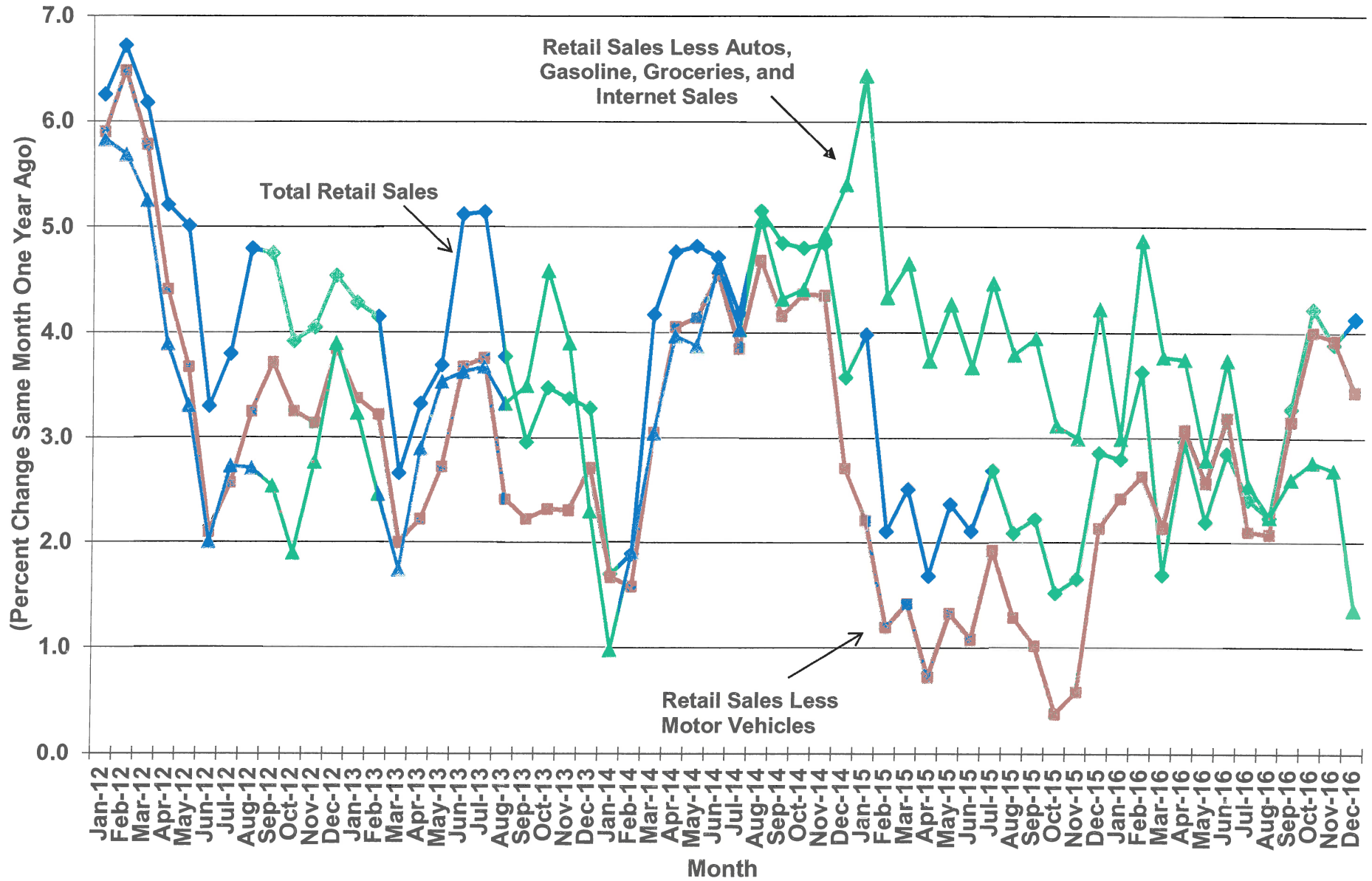


Source: South Carolina Department of Revenue

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

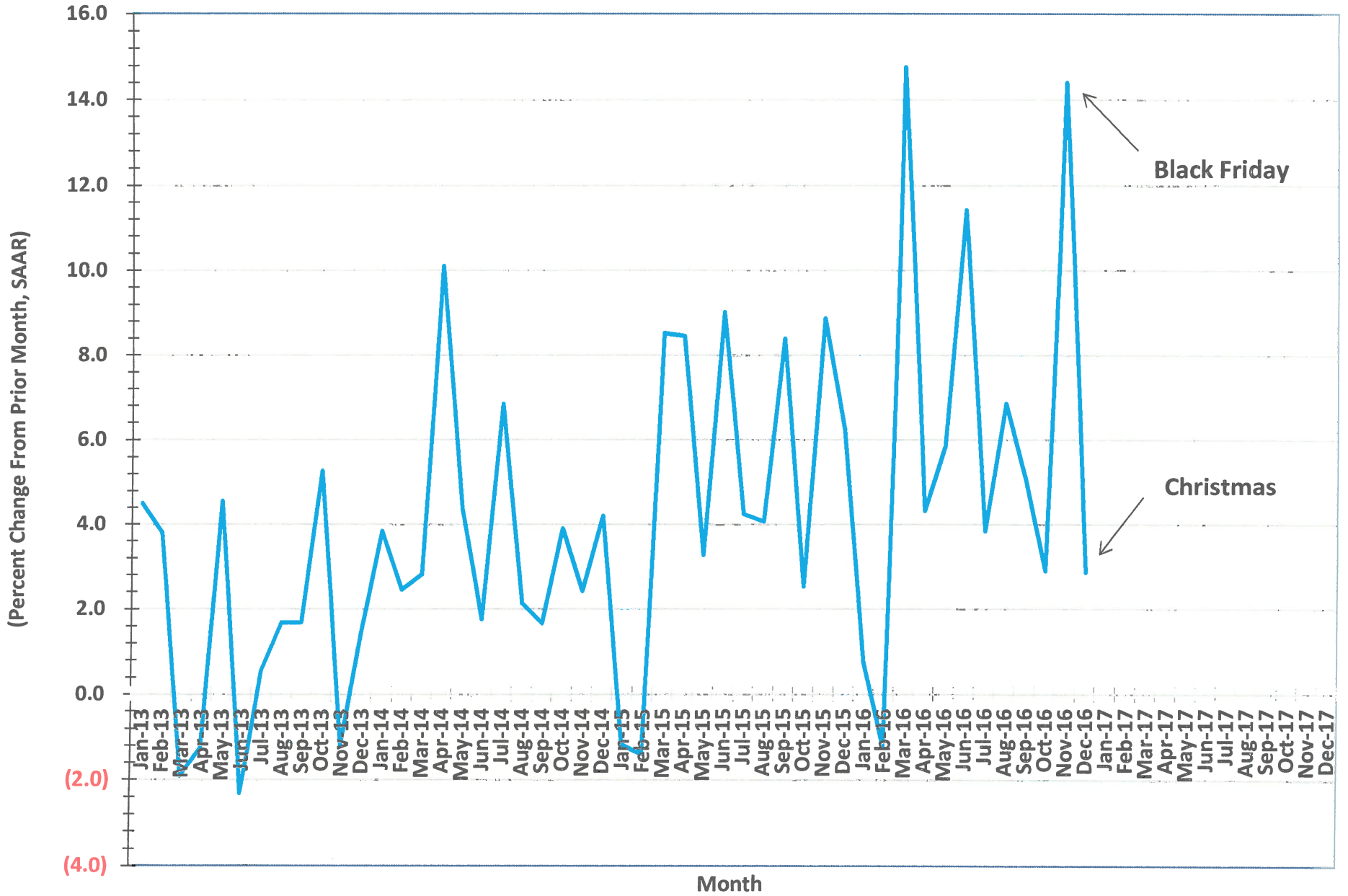


U.S. Retail & Food Service Sales



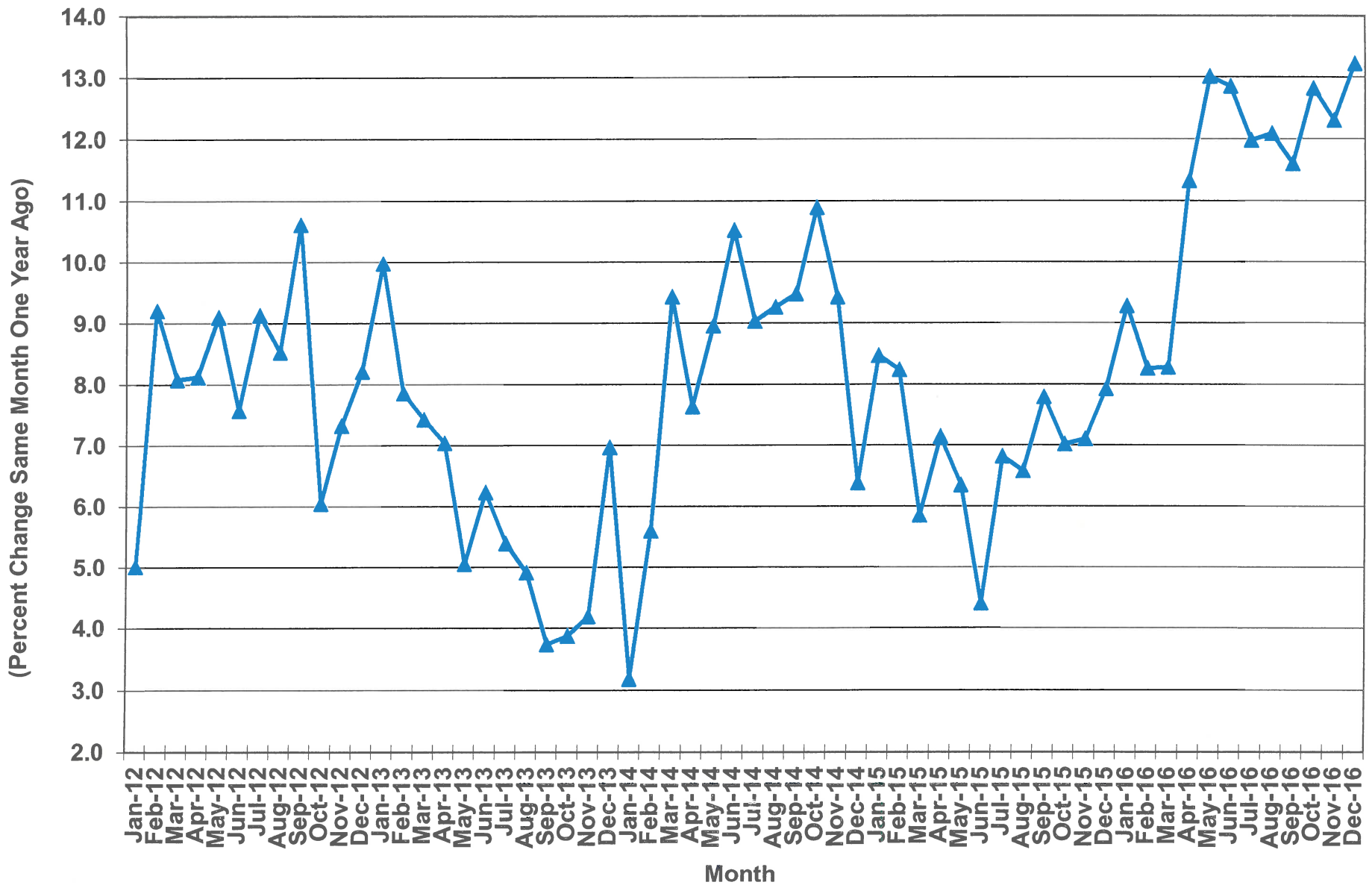
Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

Growth in Outstanding Credit Card Debt in the United States

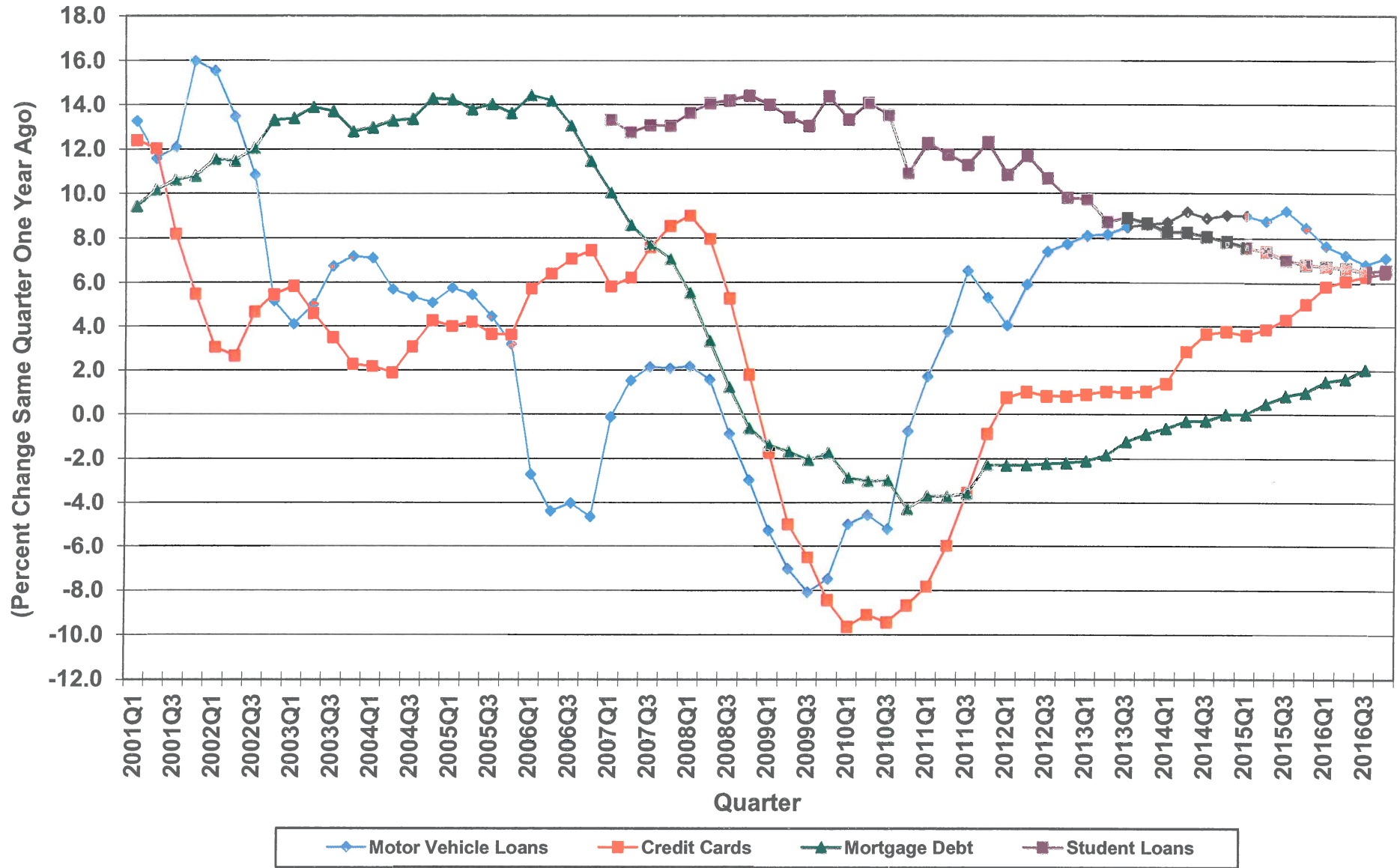


Source: Board of Governors of the Federal Reserve System, Washington, D.C.

Nonstore Retail Sales in the U.S.



Growth in Major Types of Household Debt



Source: The Board of Governors of the Federal Reserve System
BEA/RWM/02/08/17

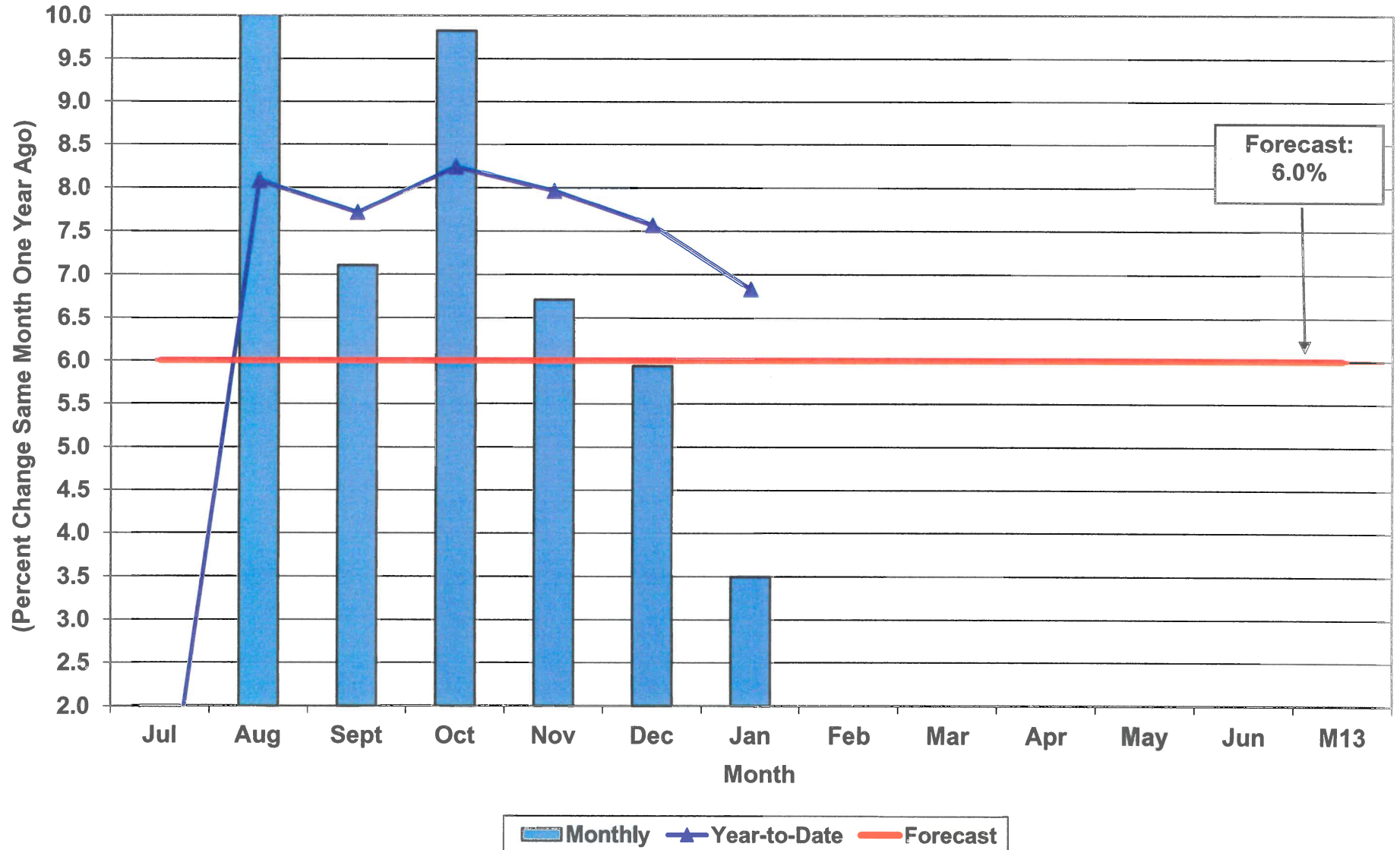


January 2017

Individual Income Tax

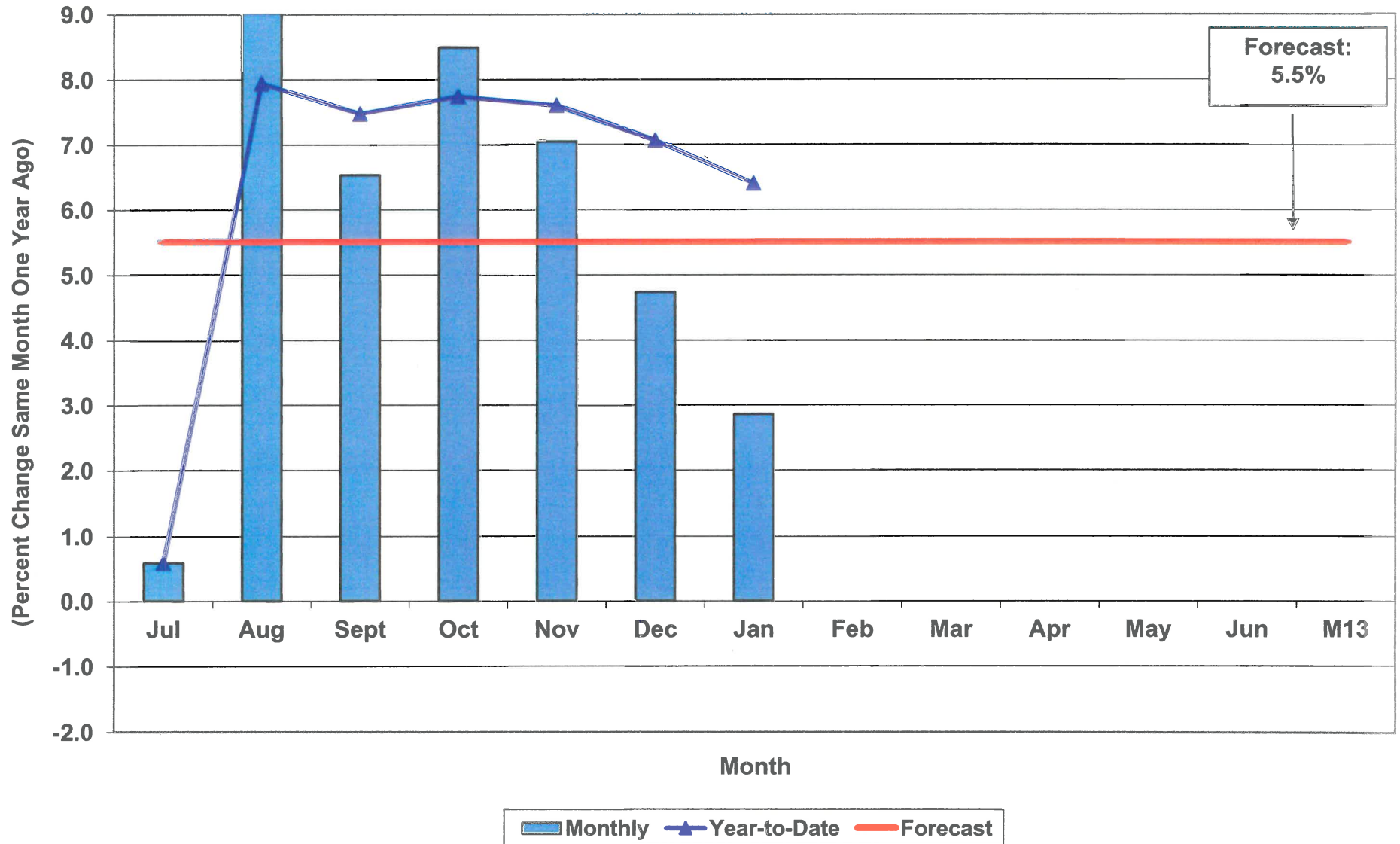
- Strong withholding growth – mirrors employment growth
- Increase in tax refunds
- FY2016 – DOR issued tax refunds in February
- FY2017 – DOR began processing tax returns about eight days earlier this year

Growth in Total Individual Income Tax Revenue Collections FY2017 Monthly and Year-to-Date

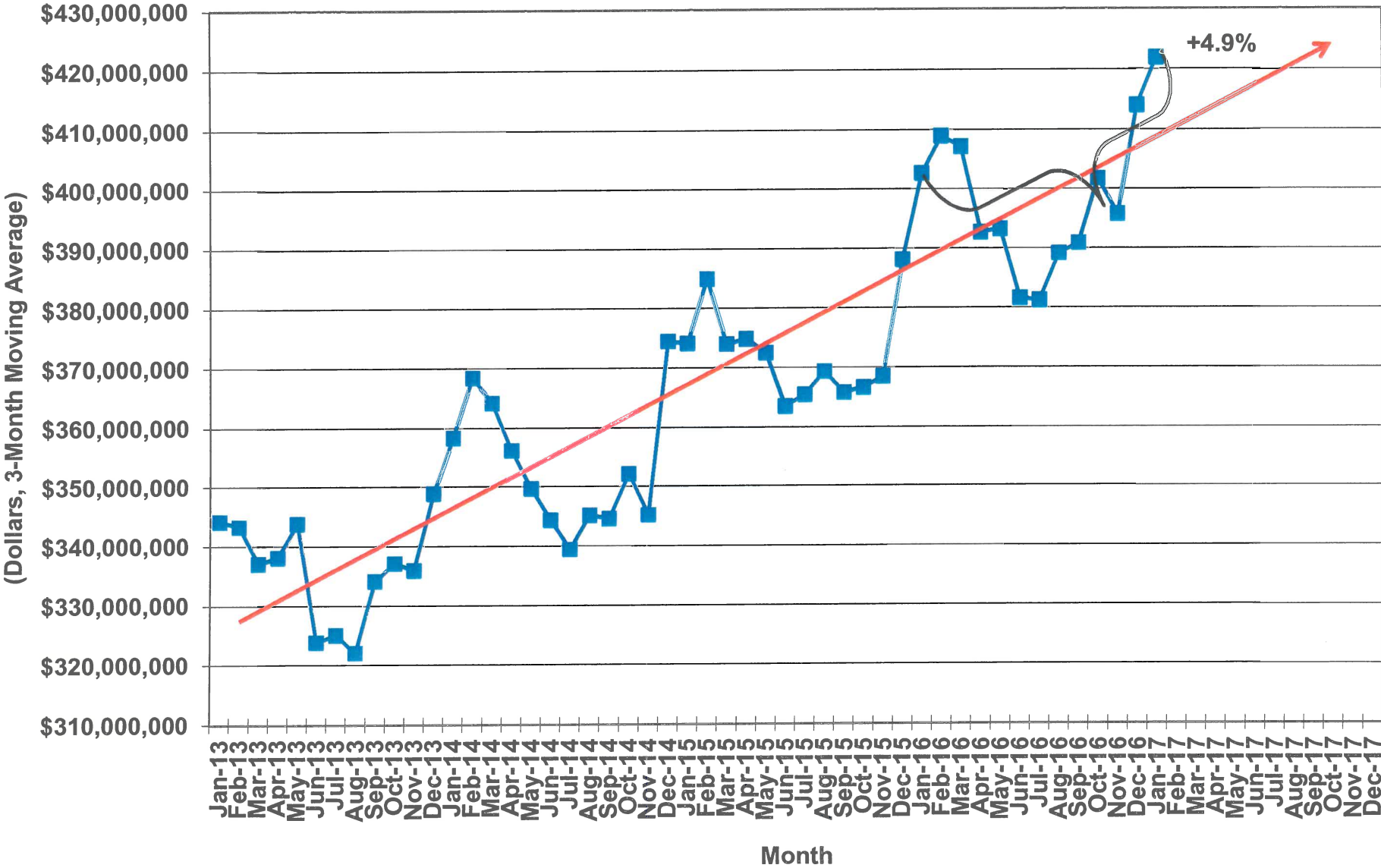


Source: Board of Economic Advisors
BEA/RWM/02/15/17

Growth in Individual Income Tax Withholding Revenue FY2017 Monthly and Year-to-Date



South Carolina Income Tax Withholdings



Source: South Carolina Department of Revenue
SCBEA/RWM/02/15/17

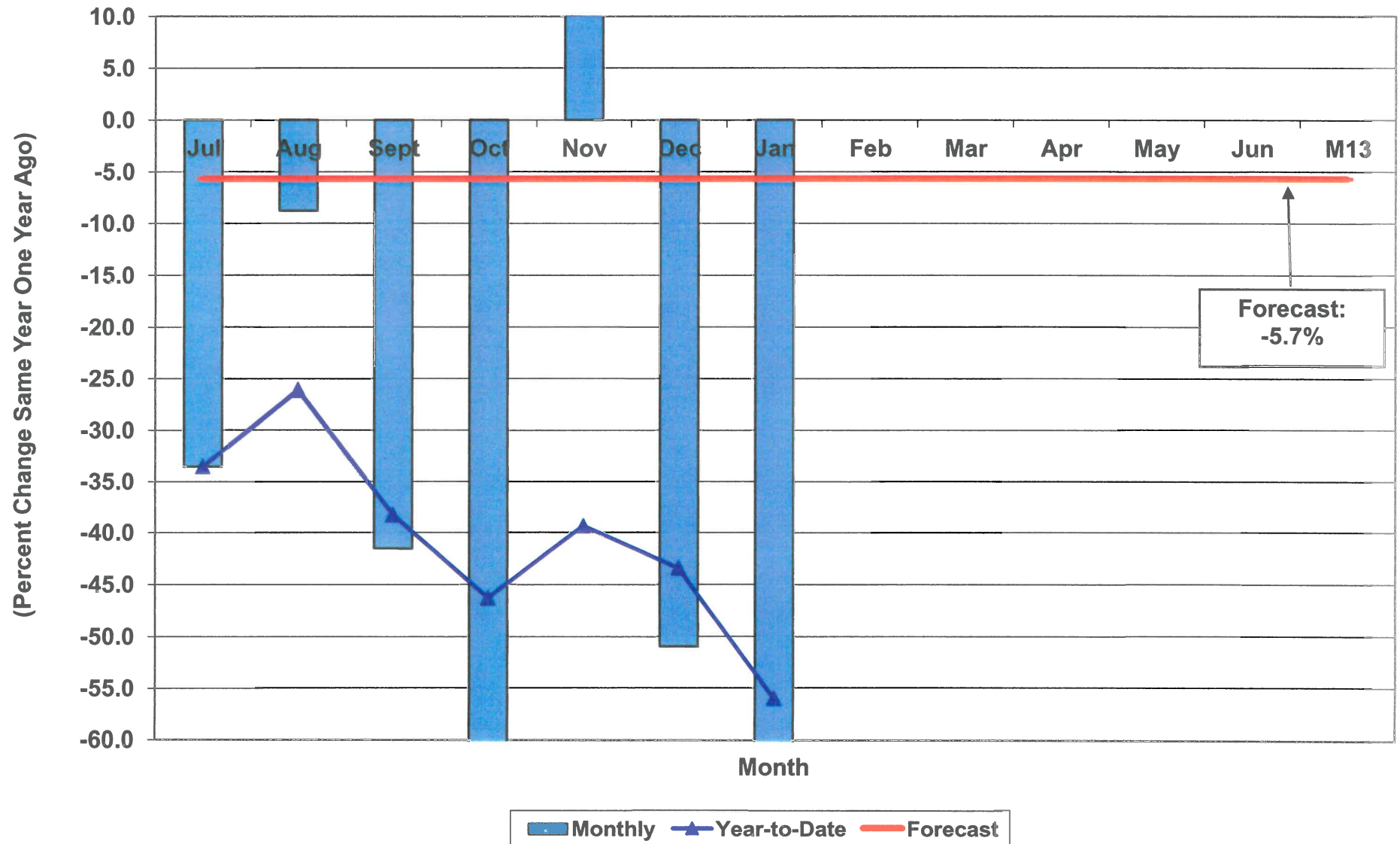


January 2017

Corporate Income Tax

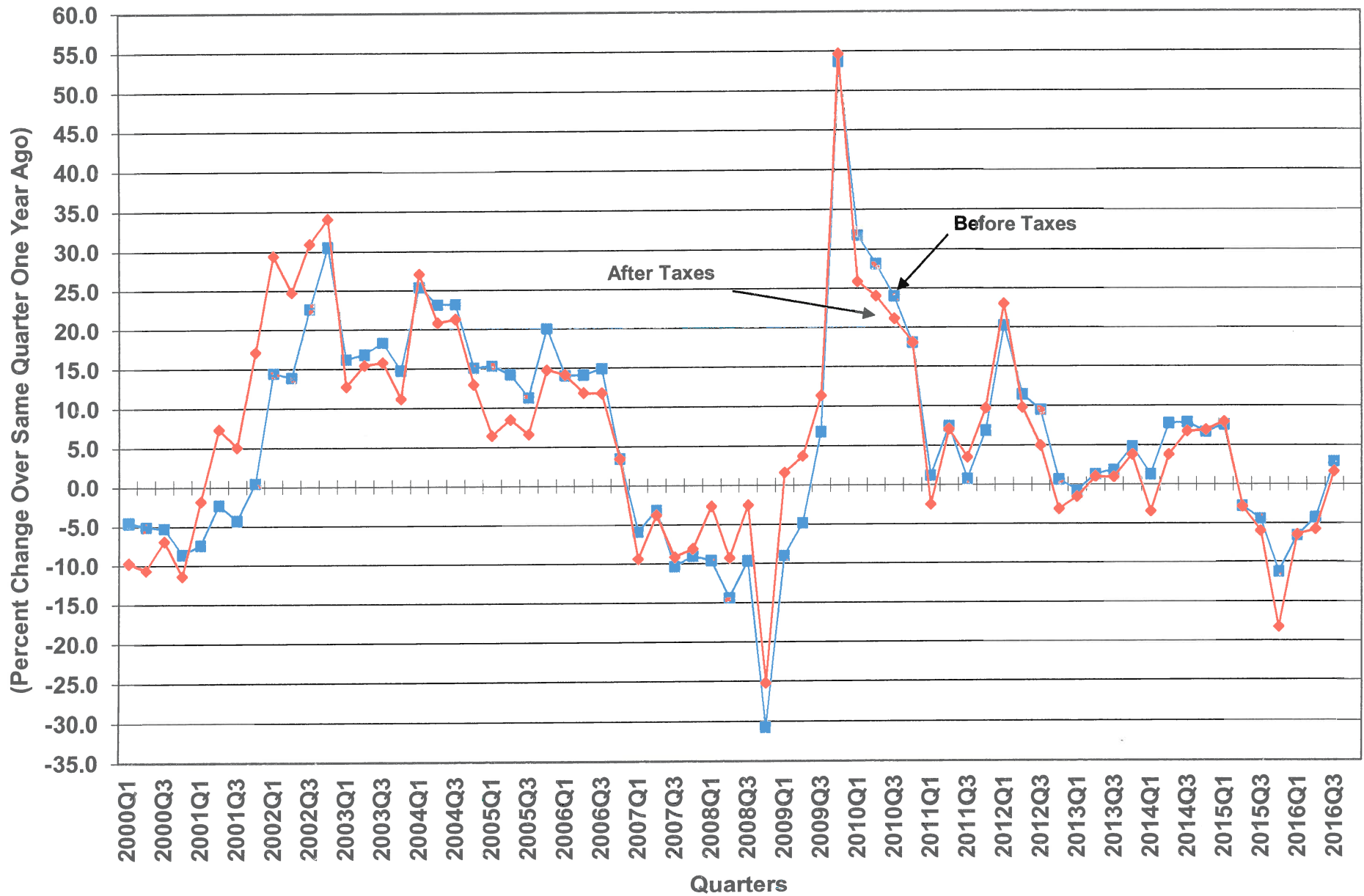
- Three large tax refunds totaling \$72.2 million
- Corporate earnings/profits improving

Growth in Total Corporation Income Tax Revenue Collections FY2017 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/02/15/17

U.S. Corporate Profits Before and After Taxes



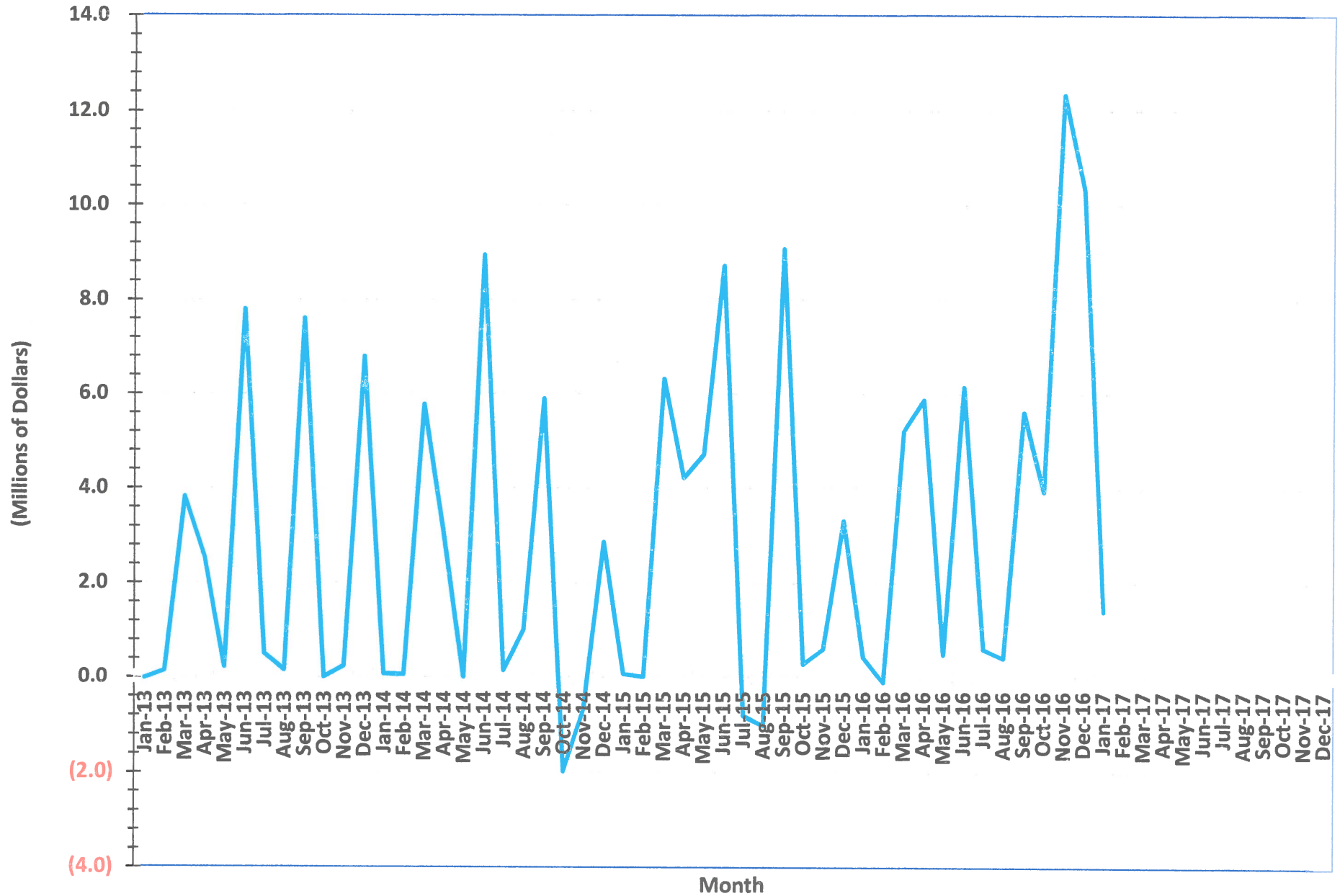


January 2017

Other Taxes

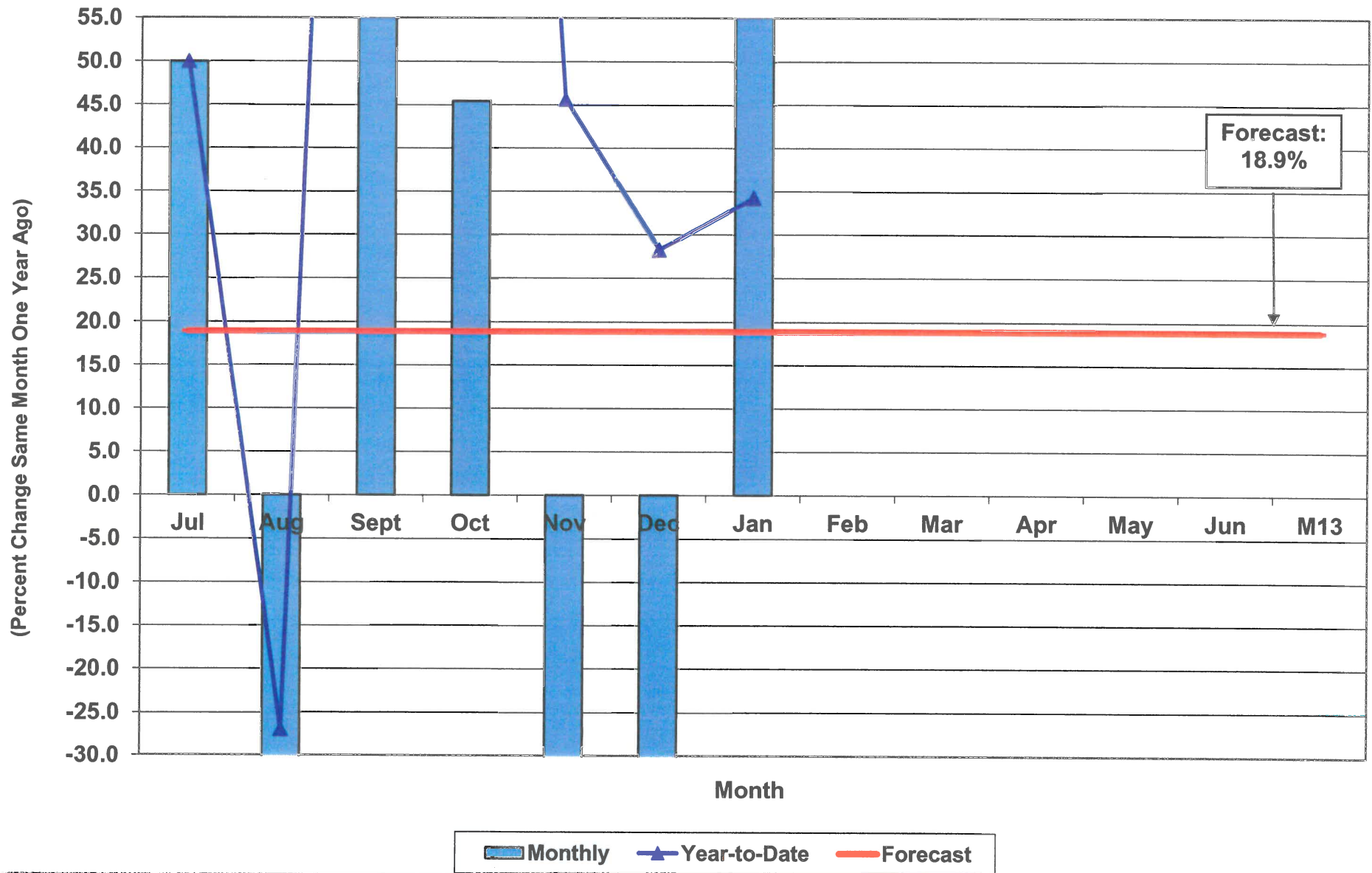
- Bank Tax
- Corporate License Tax
- Documentary Stamp Tax
- Earnings on Investments
- Insurance Tax

General Fund Bank Tax Revenue in South Carolina



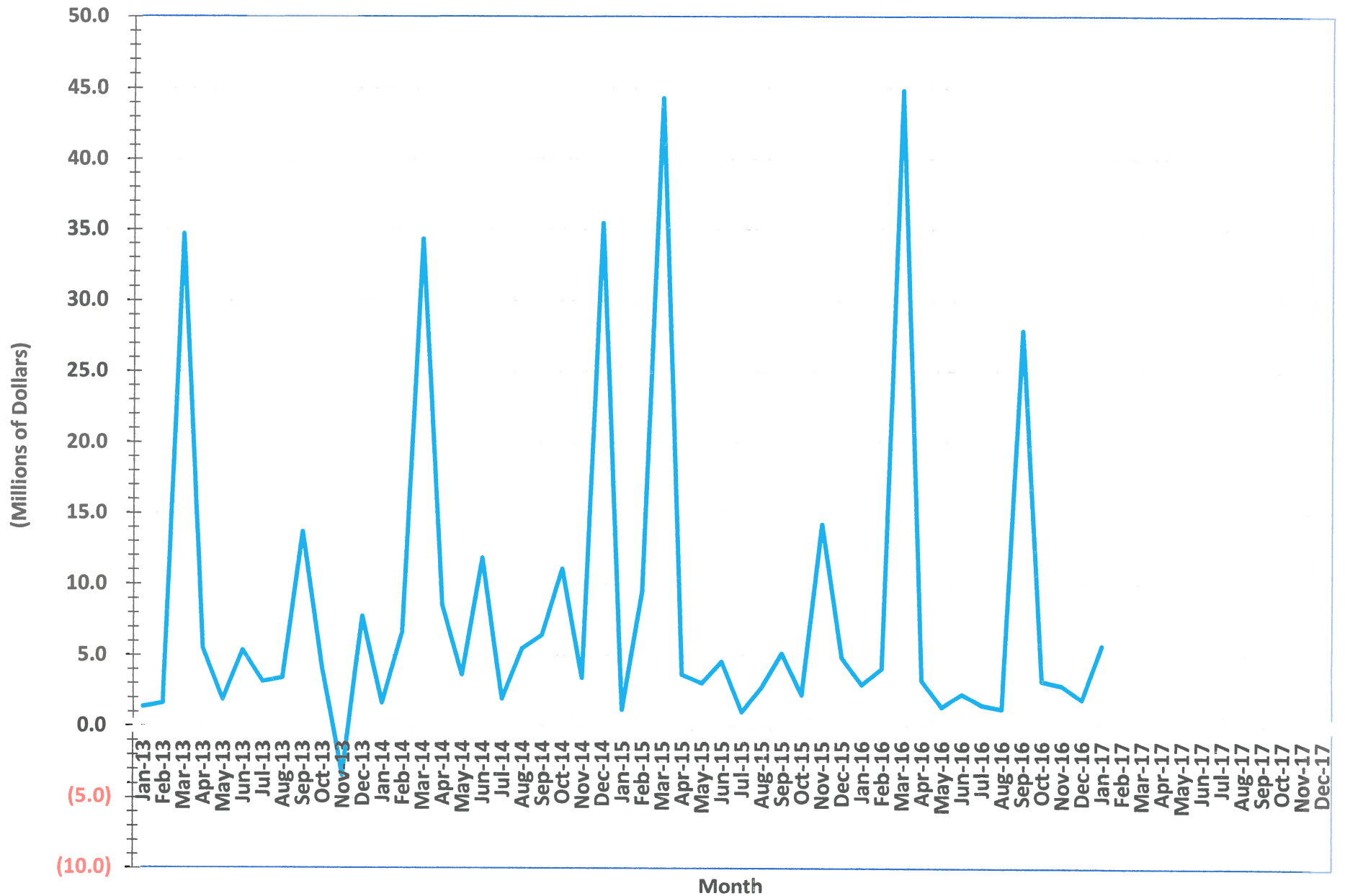
Source: Board of Economic Advisors

Growth in Total Corporate License Tax Revenue in South Carolina FY2017 Monthly and Year-to-Date



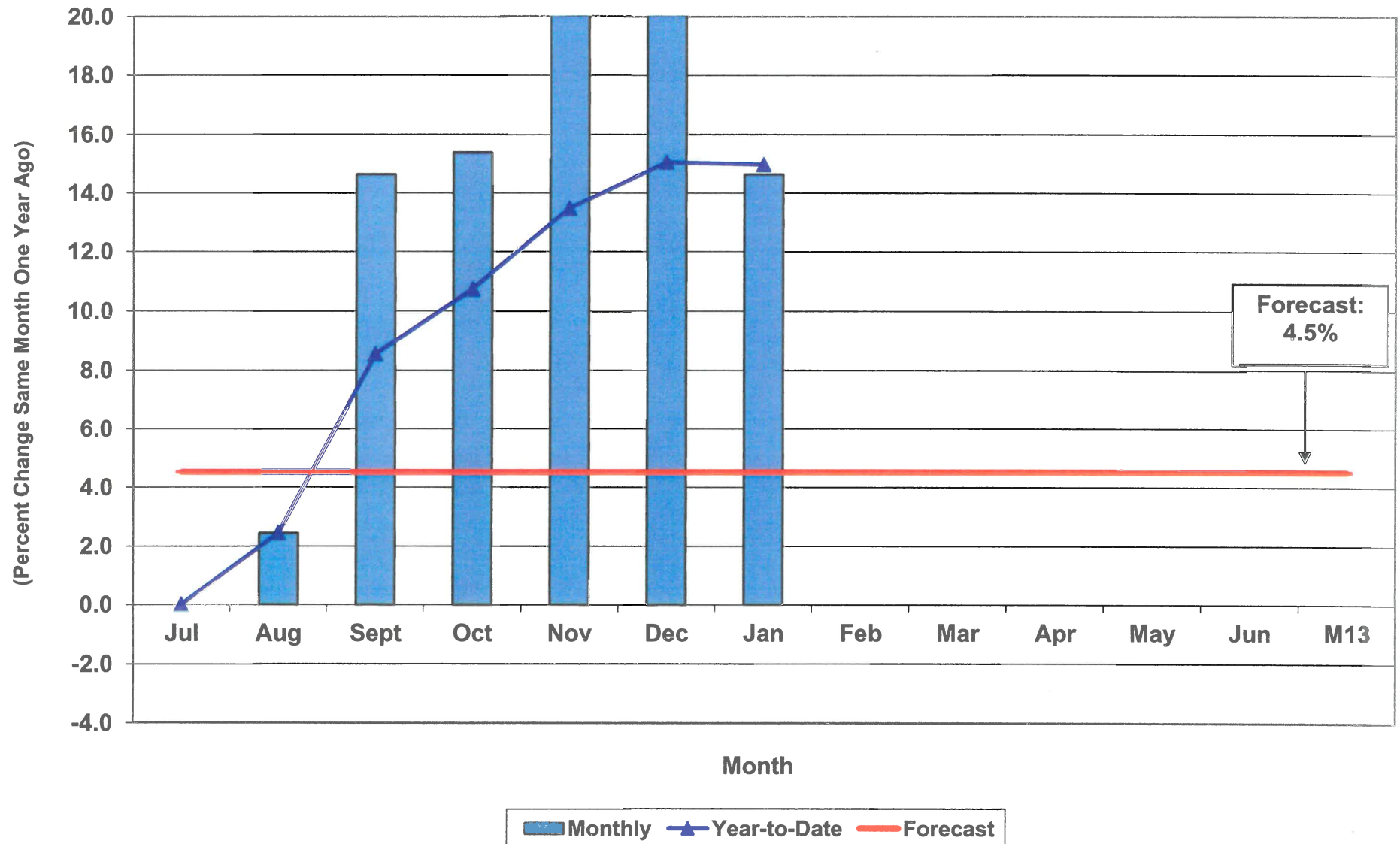
Source: Board of Economic Advisors
BEA/RWM/02/15/17

General Fund Corporate License Tax Revenue in South Carolina

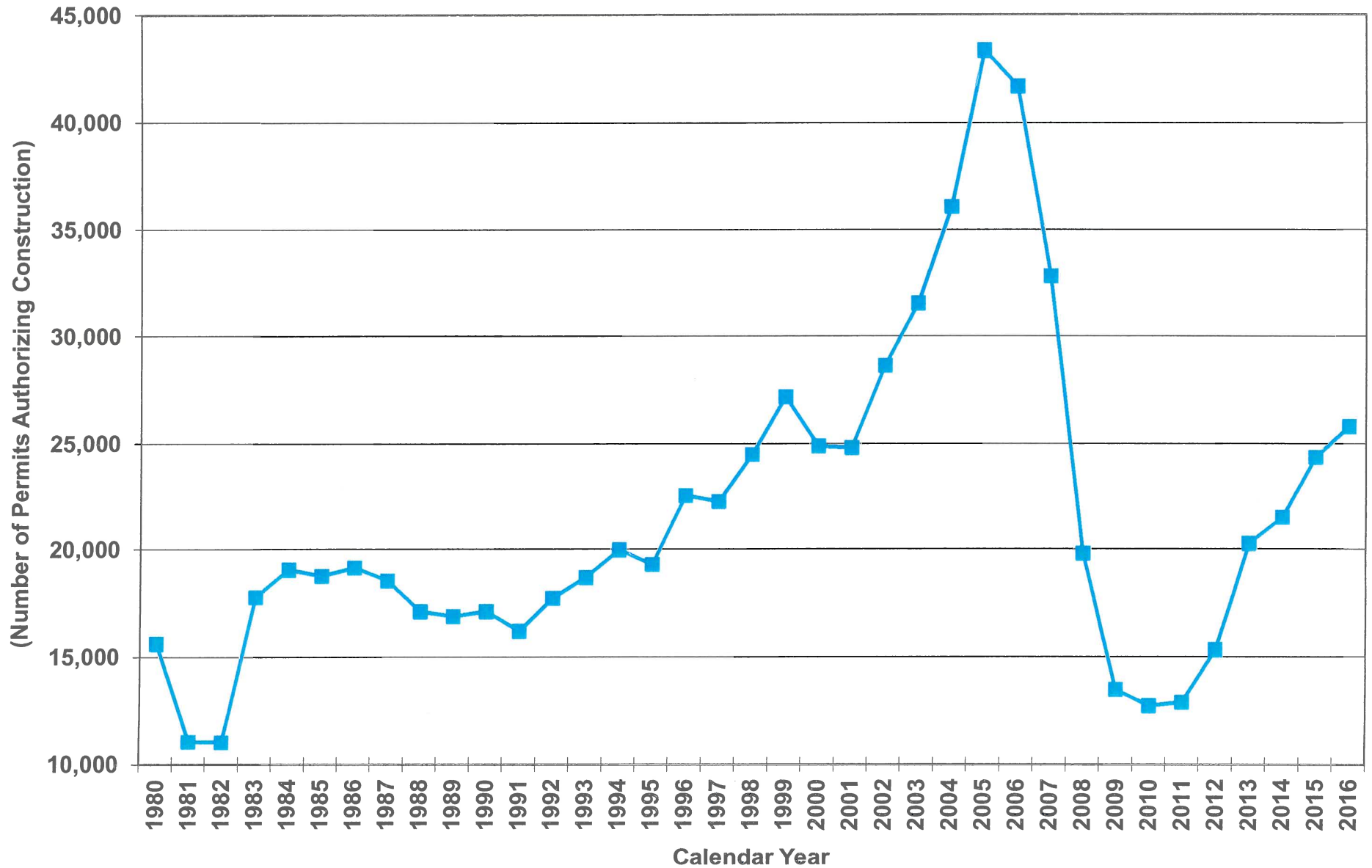


Source: Board of Economic Advisors

Growth in Documentary Stamp Tax Revenue in South Carolina FY2017 Monthly and Year-to-Date

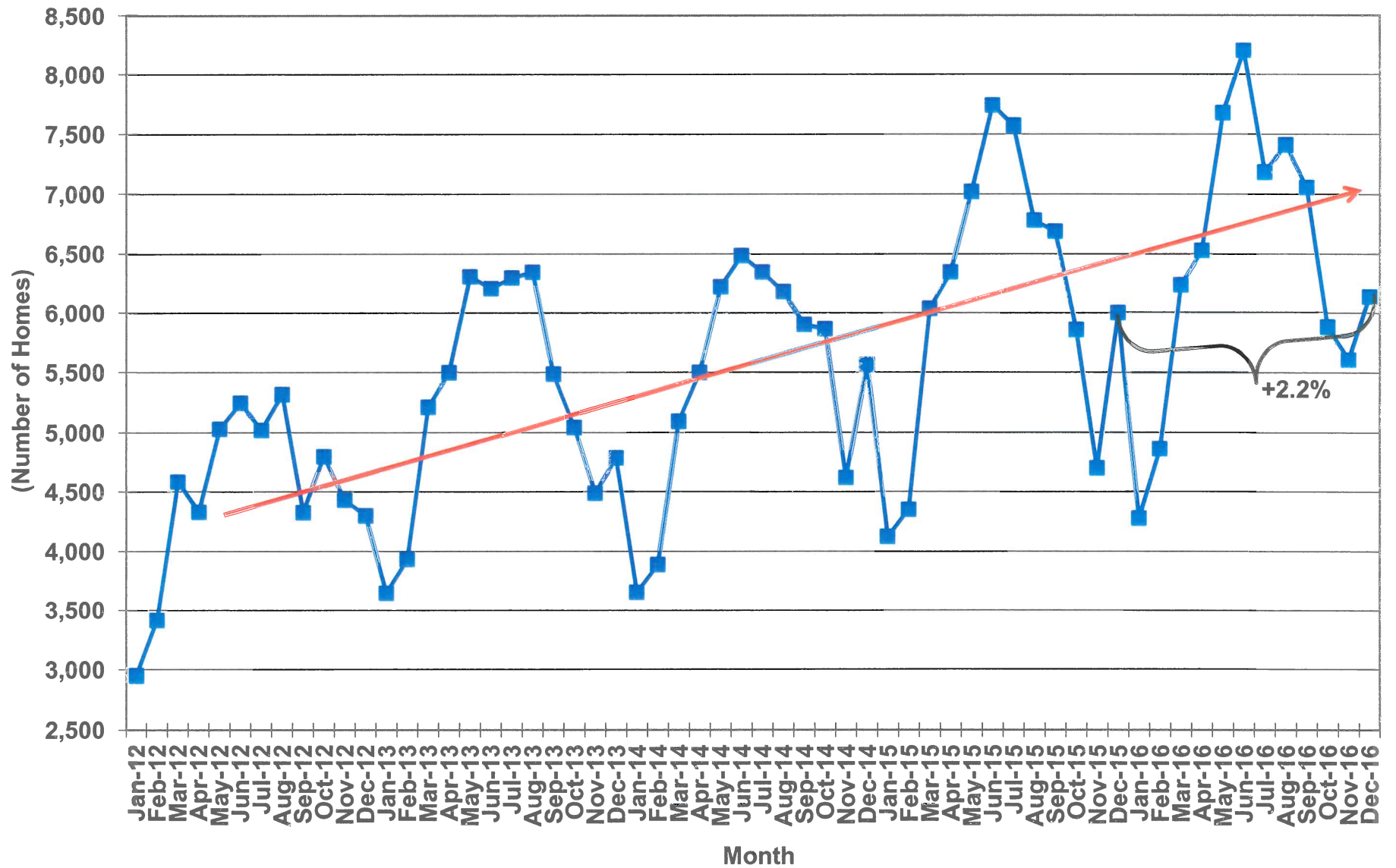


South Carolina Single-Family Building Permits



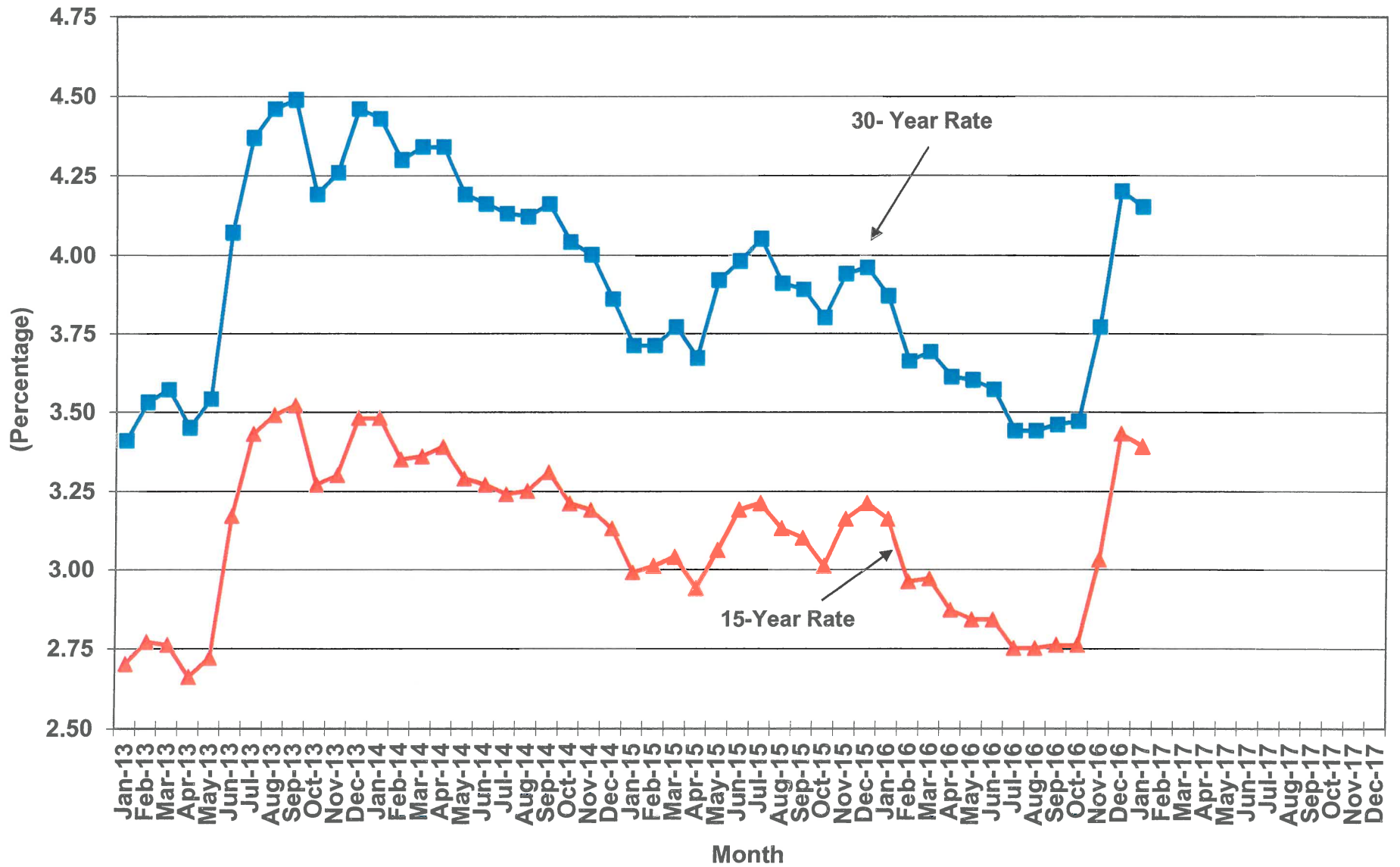
Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

Number of Homes Sold in South Carolina



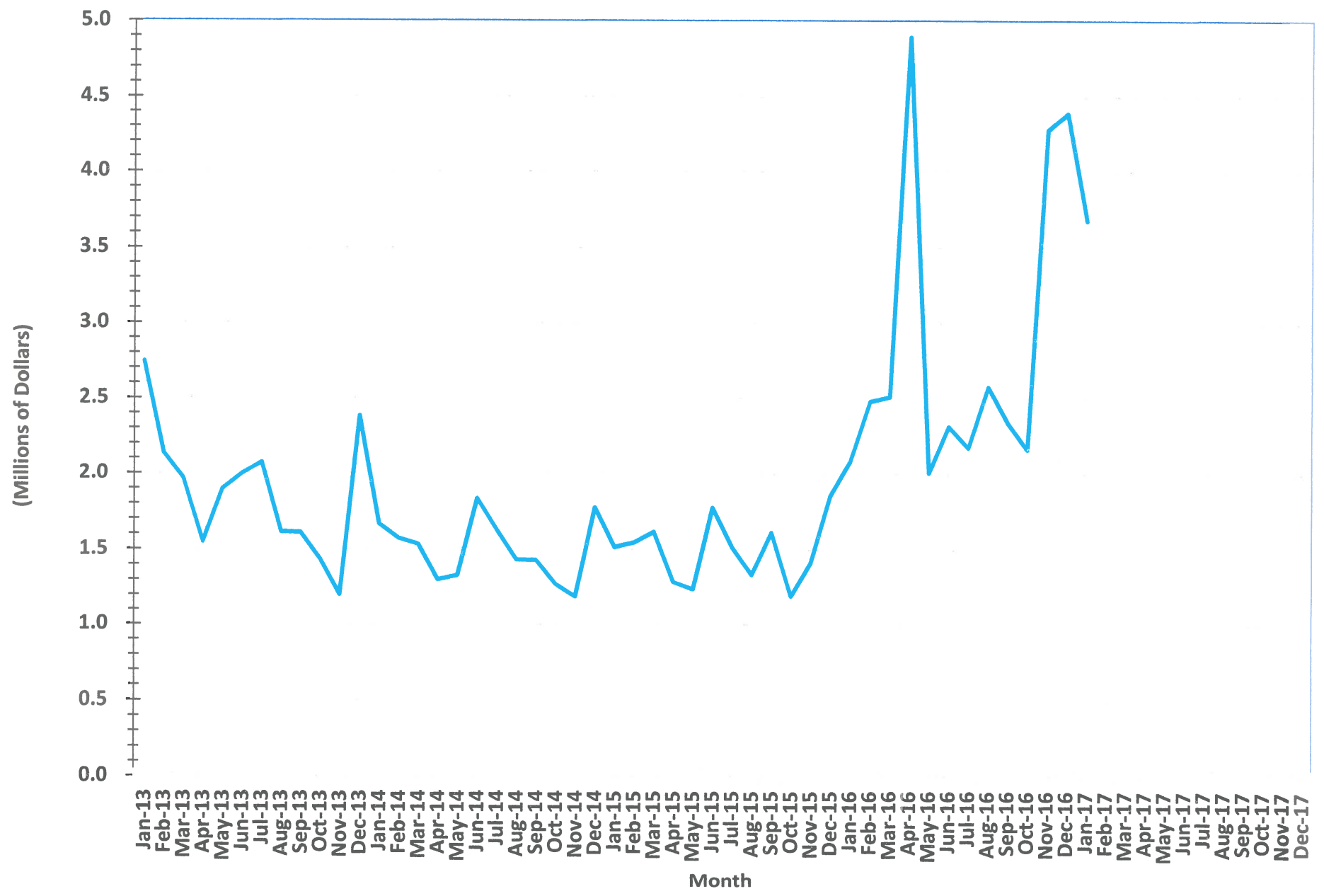
Source: South Carolina Association of Realtors
 SCBEA/RWM/01/26/17

Mortgage Rates



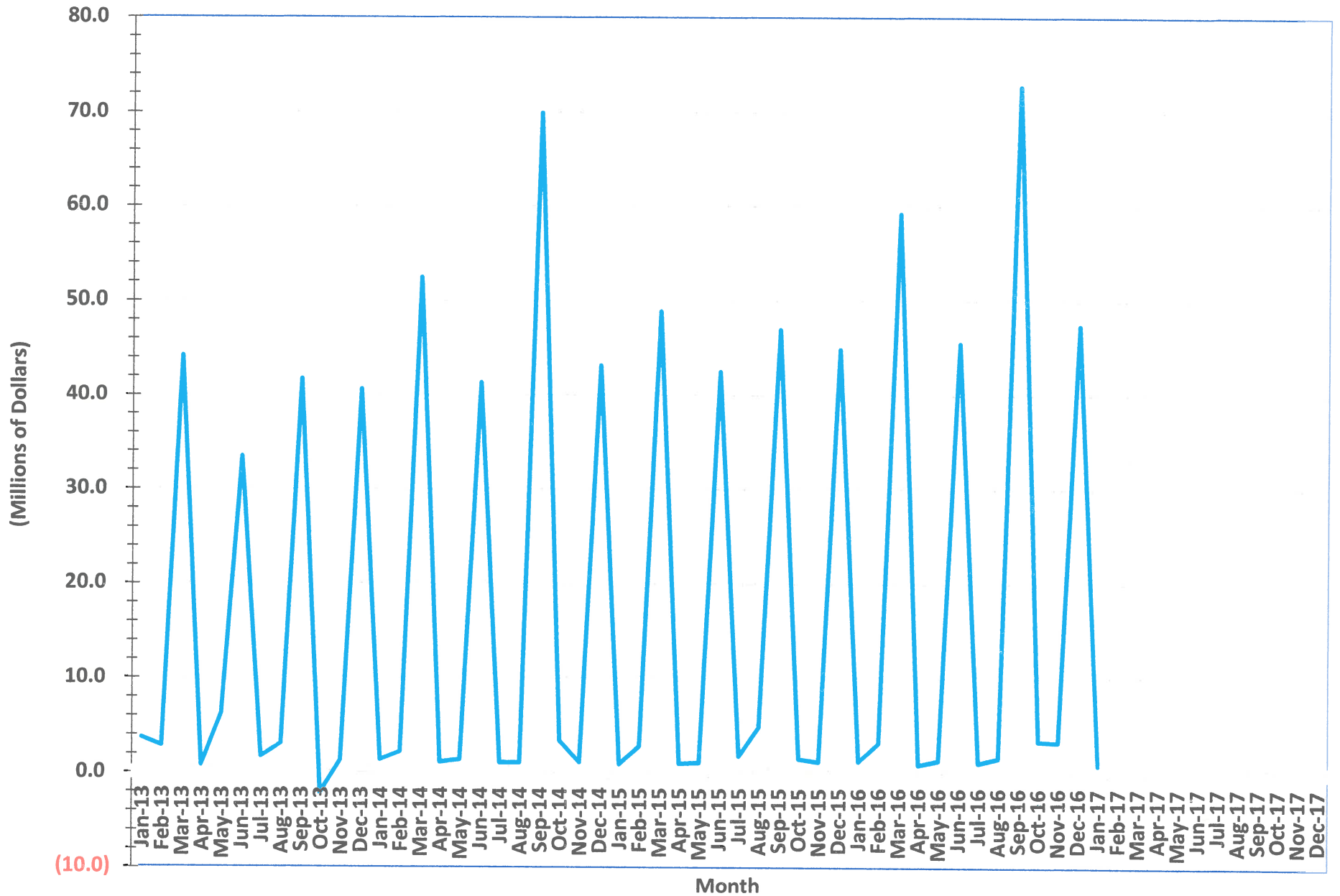
Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/02/15/17

General Fund Earnings on Investments Revenue in South Carolina



Source: Board of Economic Advisors

General Fund Insurance Tax Revenue in South Carolina



Source: Board of Economic Advisors



January 2017

Summary of Proposed Changes to General Fund Revenue Forecast FY 2016-17 and FY 2017-18 (Millions)

Category	FY16-17	FY17-18
Sales & Use	\$28.6	\$25.8
Individual Income	\$35.8	\$56.3
Corporate Income	(\$65.2)	(\$58.1)
Bank	\$6.2	(\$0.2)
Corporate License	\$9.7	\$19.0
Documentary Stamp	(\$0.7)	(\$4.2)
Earnings on Investments	\$3.0	\$2.0
Insurance	\$9.5	\$4.2
Other Taxes	\$1.5	\$2.9
Total General Fund	<u>\$28.5</u>	<u>\$47.8</u>