



EDWARD B. GRIMBALL, 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 April 10, 2017 2:00pm Bowers Conference Room Room 417, Rembert C. Dennis Building

1. Welcome and Opening Remarks
2. Adoption of Meeting Minutes for February 15, 2017
3. Resolution Honoring Rick Reames
4. Review of Revenues and Economic Conditions
 - A. Review of Third Quarter Results §11-9-890 (F. Rainwater)
 - B. Review of Economic Conditions and Estimate (R. Martin)
5. Consideration of FY 2016-17 and FY 2017-18 Estimate §11-9-880 (F. Rainwater)
6. Other Items (F. Rainwater)
7. 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
8. Future Meeting Schedule:
 - A. May 18, 2017, 2:00pm – Board members join via WebEx; **RFA meeting may follow**
 - B. June 15, 2017, 2:00pm – Board members join via WebEx; **RFA meeting may follow**
 - C. July 27, 2017, 2:00pm – **If Necessary**; Board members join via WebEx; **RFA meeting may follow**
 - D. 2017 Calendar at <http://rfa.sc.gov/calendar?m=04&y=2017>
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 2017

- GFR growth improved in March mainly due to timing of Individual Income Tax Refund processing
- The shortfall in monthly pattern improved from (\$137.8) in February to (\$61.8) in March
- Per §11-9-880, total revenues at the end of the quarter were within 98.9% of estimates and within the 1.5% threshold
- Estimates are expected to be good as timing differences are resolved; economy is still growing





Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. BEA 02/15/17 Estimate of \$8,186.0 Million in FY 2016-17 1/

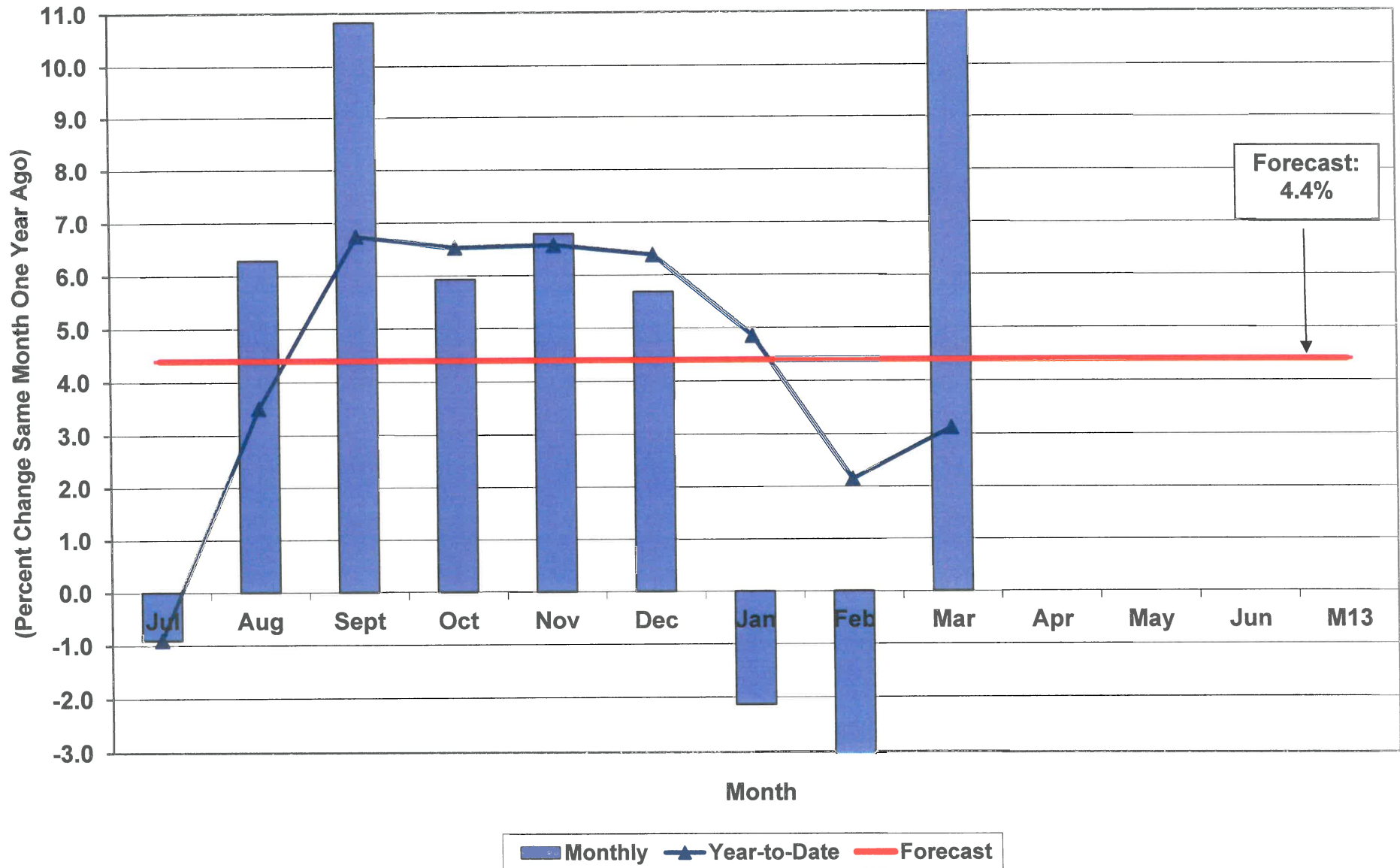
	JULY - MARCH FY 2016-17			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate	Actual
	Actual Revenues	Expected Revenues	Excess / (Shortfall)	Full Fiscal Yr.	Yr. to Date
Total General Fund Revenue	5,620.7	5,682.5	(61.8)	4.4	3.1
Sales Tax	1,855.3	1,863.7	(8.4)	3.0	2.5
Individual Income Tax	3,034.4	3,013.5	20.9	6.9	7.0
Corporate Income Tax	133.9	182.6	(48.7)	(21.6)	(47.2)
Other Revenue Sources	597.0	622.7	(25.7)	11.0	8.5
Select Tax Revenues, Sub-Total	499.4	520.1	(20.7)	12.5	9.2
Admissions Tax - Total	14.8	14.1	0.7	(4.0)	(3.2)
Alcoholic Liquors Tax	48.1	49.1	(1.0)	4.5	2.5
Bank Tax	38.5	23.0	15.5	35.9	127.4
Beer and Wine Tax	70.4	71.7	(1.3)	3.5	1.6
Corporation License Tax	57.0	106.4	(49.4)	29.9	(30.4)
Documentary Tax	32.2	29.3	2.9	0.7	10.6
Earnings on Investments	30.7	15.2	15.4	(4.7)	91.8
Insurance Tax	191.2	199.3	(8.1)	17.7	16.2
Tobacco Tax	17.0	17.1	(0.1)	(1.3)	(1.7)
Residual Revenue, Sub-Total 2/	97.6	97.5	0.1	4.6	4.7

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.

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





March 2017

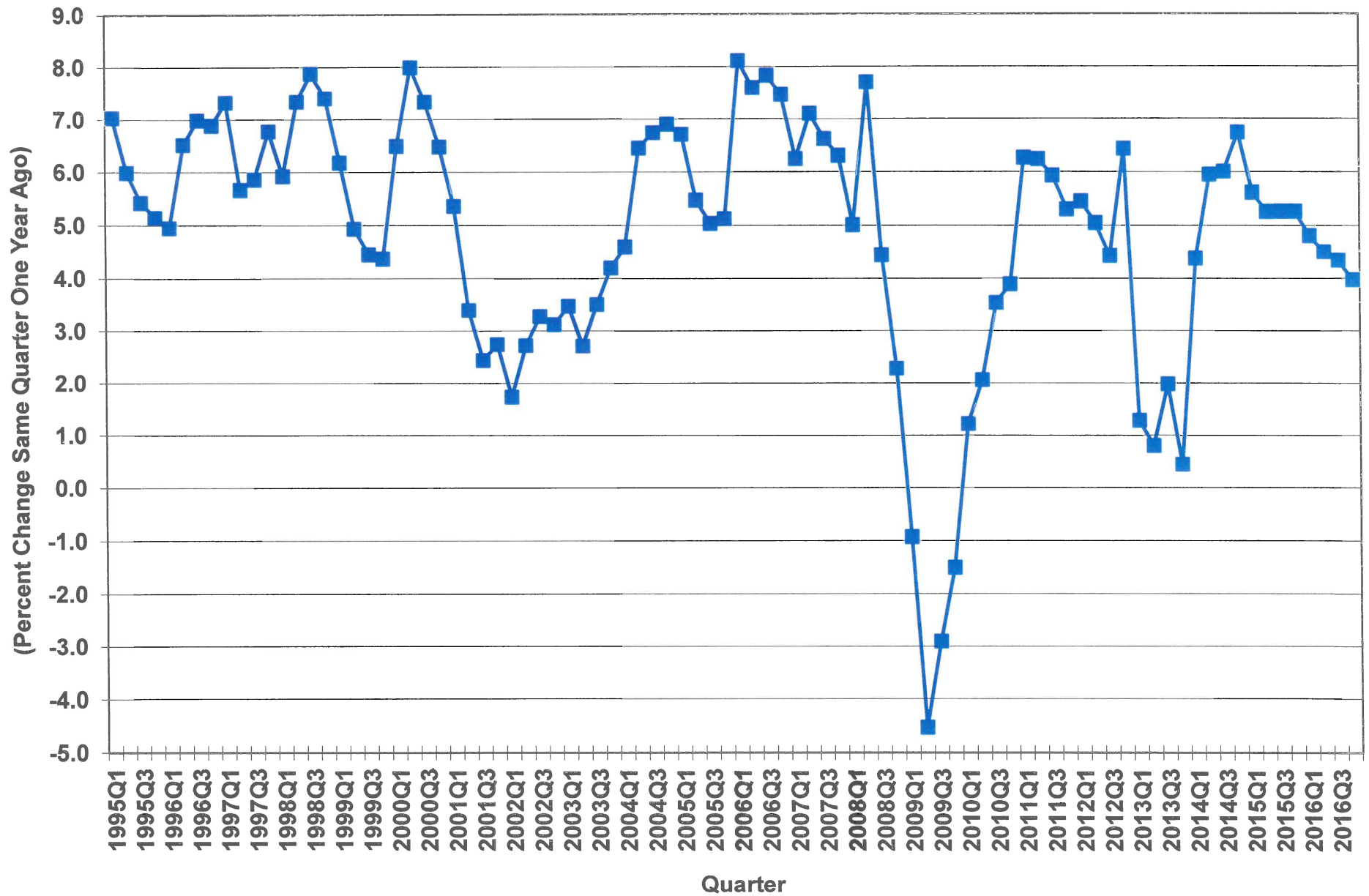
South Carolina Board of Economic Advisors Comparison of Base Economic Assumptions

Variable	Actual FY2015-16	Most Recent 2/	Current 1/ Forecast Rates FY2016-17	Current 1/ Forecast Rates FY2017-18
S.C. Personal Income	5.0%	3.97%	4.75%	4.75%
S.C. Employment	2.8%	1.8%	2.3%	1.8%
Inflation Rate (CPI-U)	0.7%	2.7%	< 2.0%	2.0%
Sales Tax	6.1%	2.5%	3.0%	4.8%
Individual Income Tax	4.7%	7.0%	6.9%	4.9%

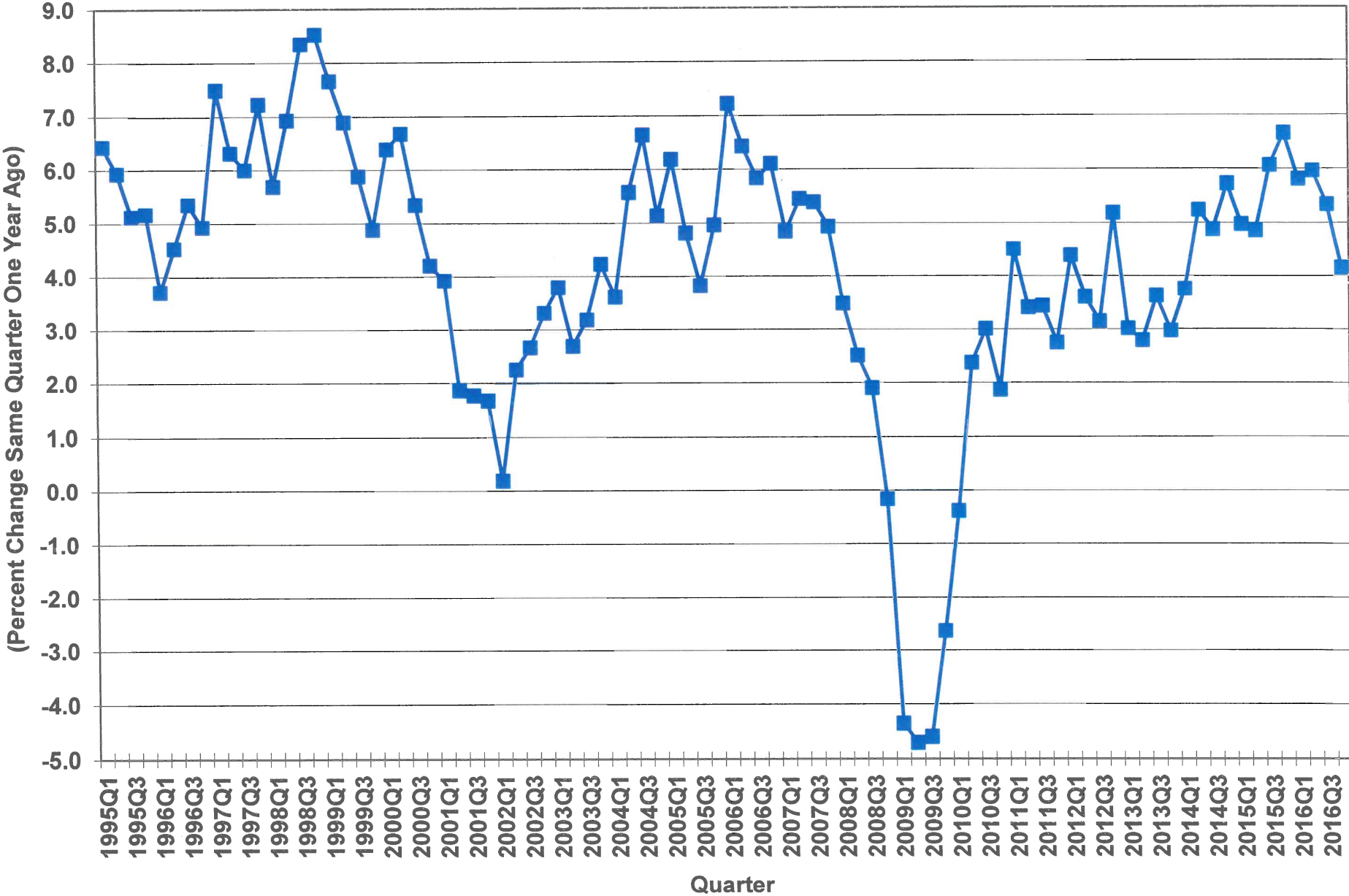
Notes: 1/ Current forecast rates as of February 15, 2017 (the last official BEA forecast estimate).
2/ Growth rate as of the most recent time period, e.g., month, quarter.
N/A - Not Available.

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

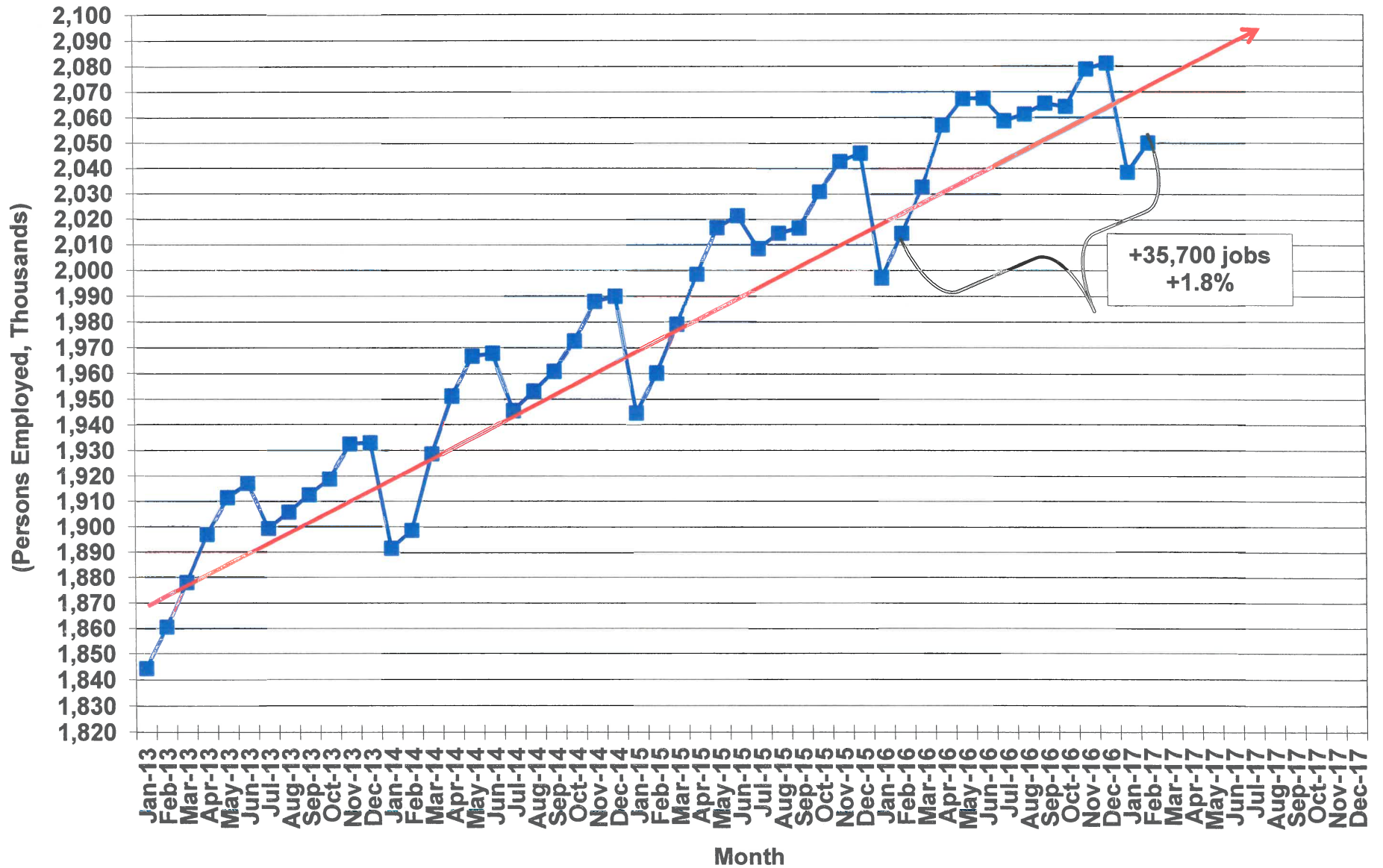


Growth in Wages and Salaries in South Carolina



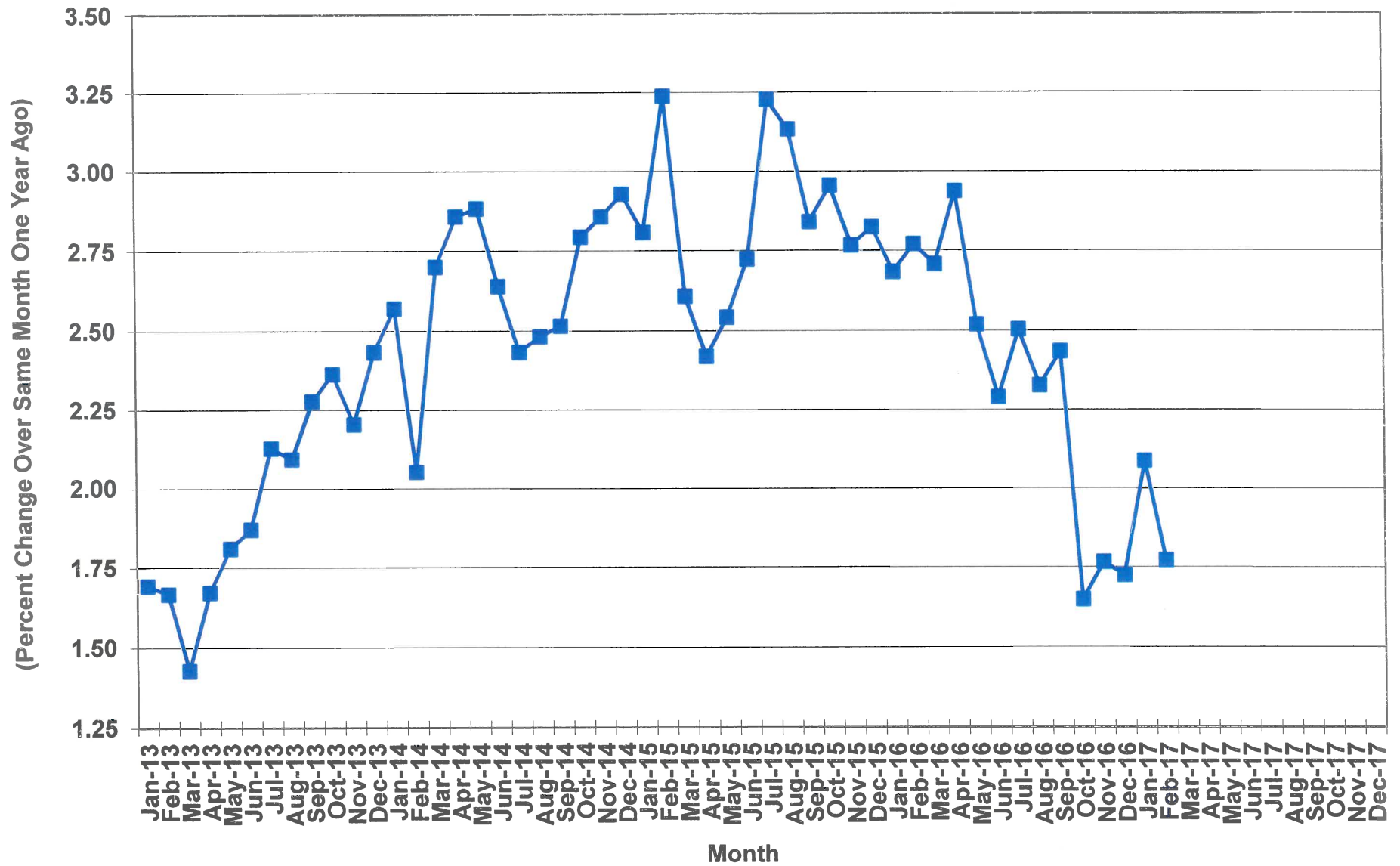
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Total Nonfarm Employment in South Carolina



Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/04/10/17

Total Nonfarm Employment Growth in South Carolina



Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/04/10/17

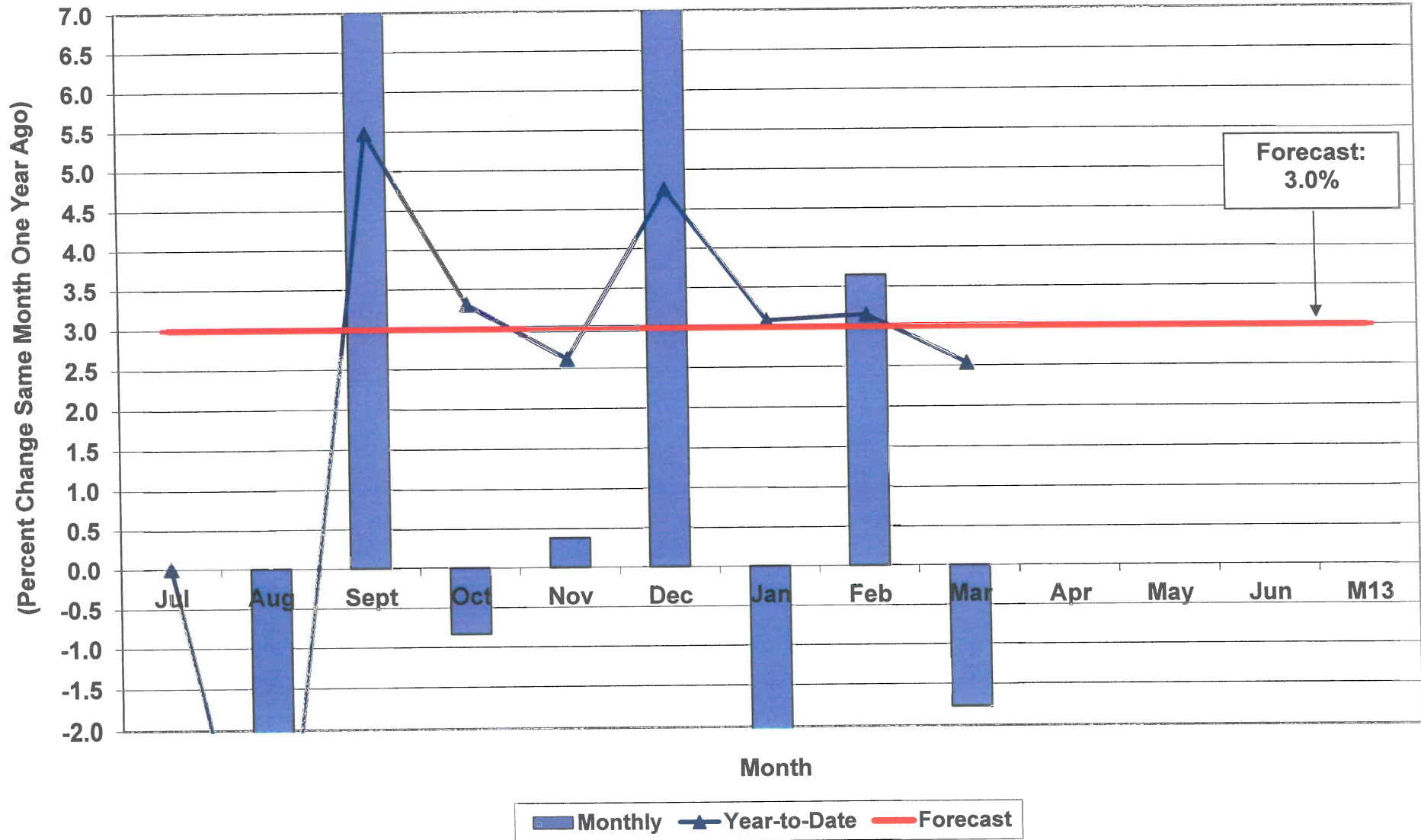


March 2017

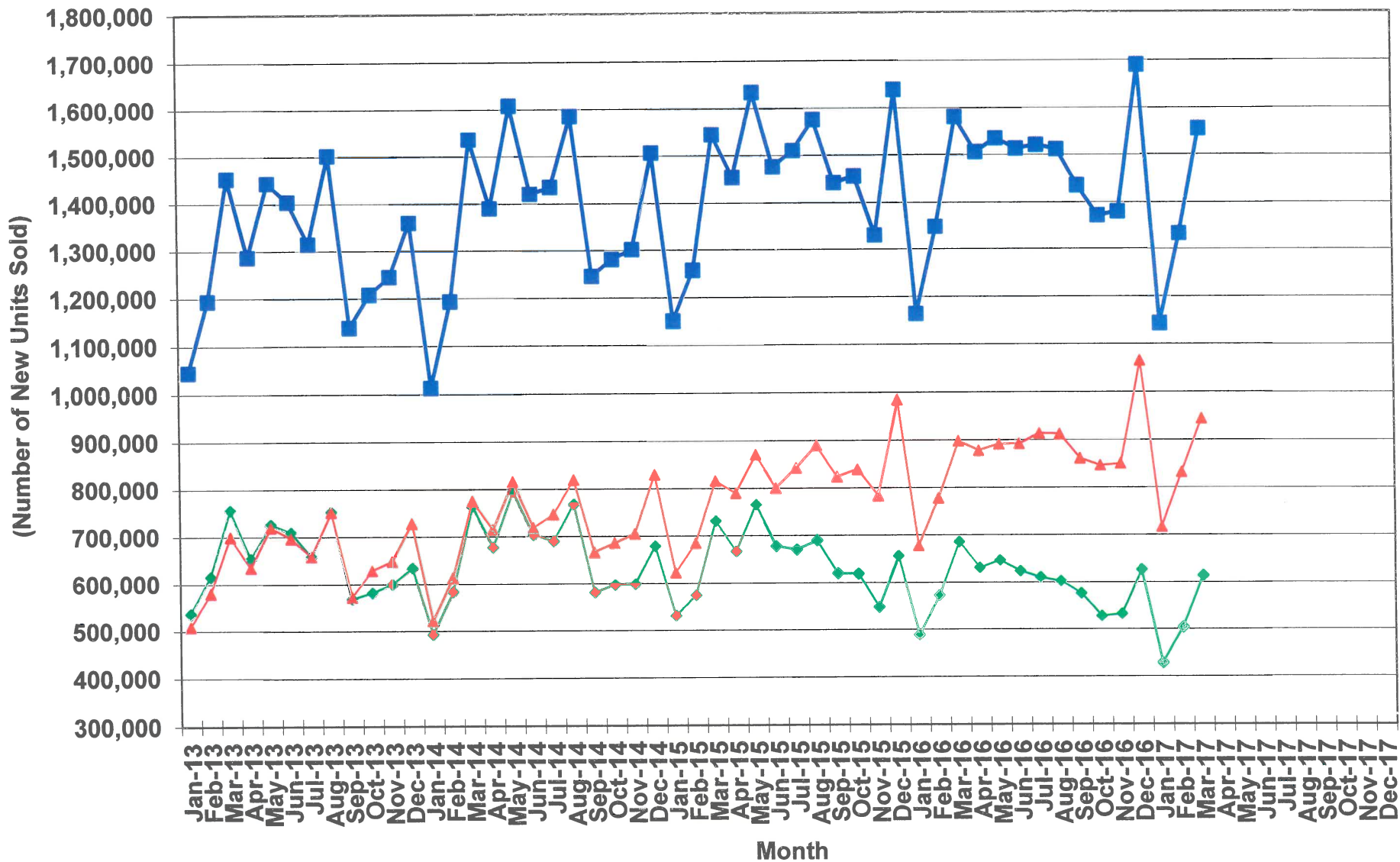
Sales Tax

- Car Tax Transfer (100% of car sales revenue to SC DOT)
- U.S. car sales are slowing
- \$9.3 million in clearing account
- Easter is 3 weeks later this year – April 2017 vs. March 2016
- Internet sales

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

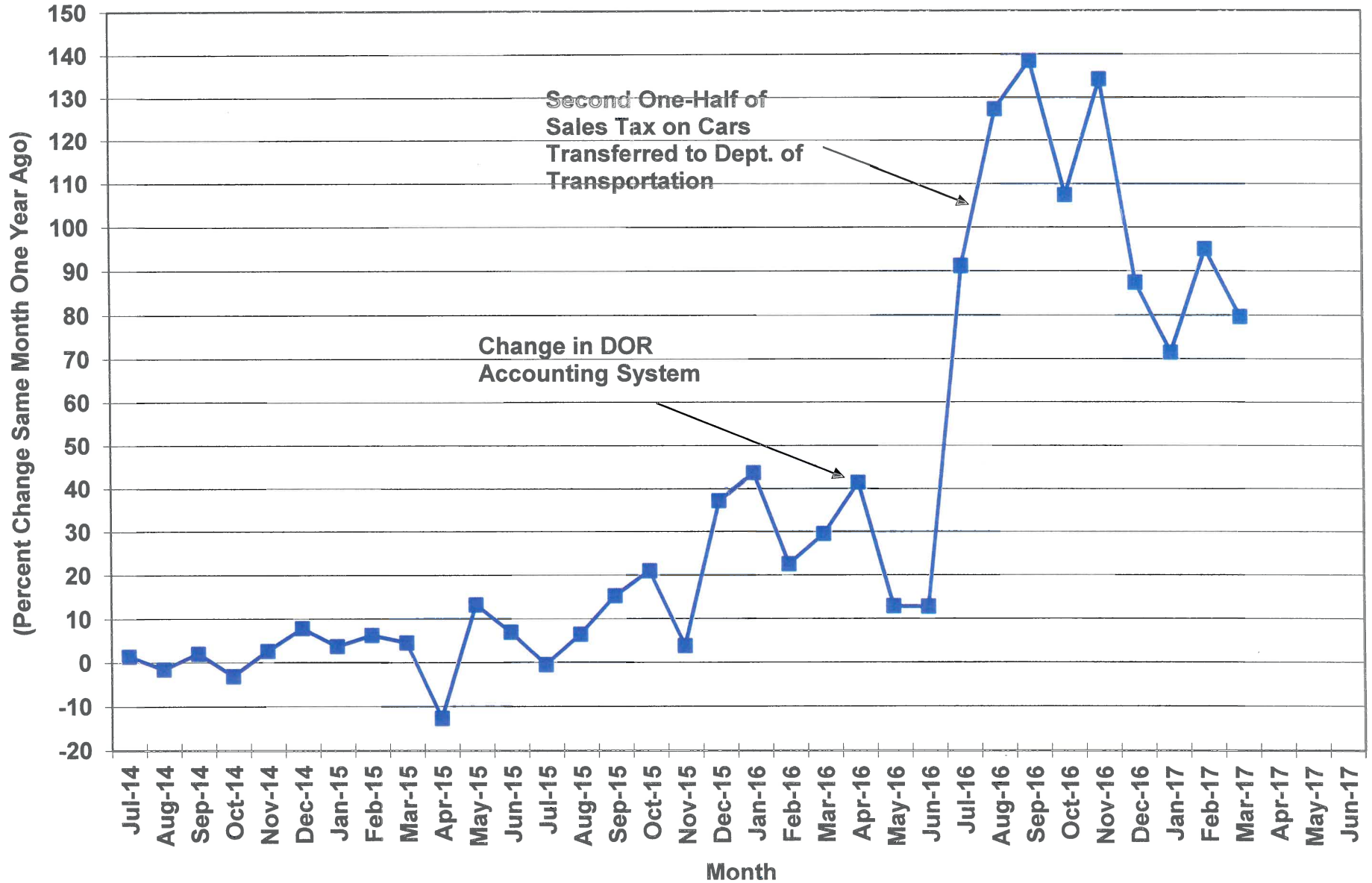


Total New Car & Light Truck Sales in the U.S.

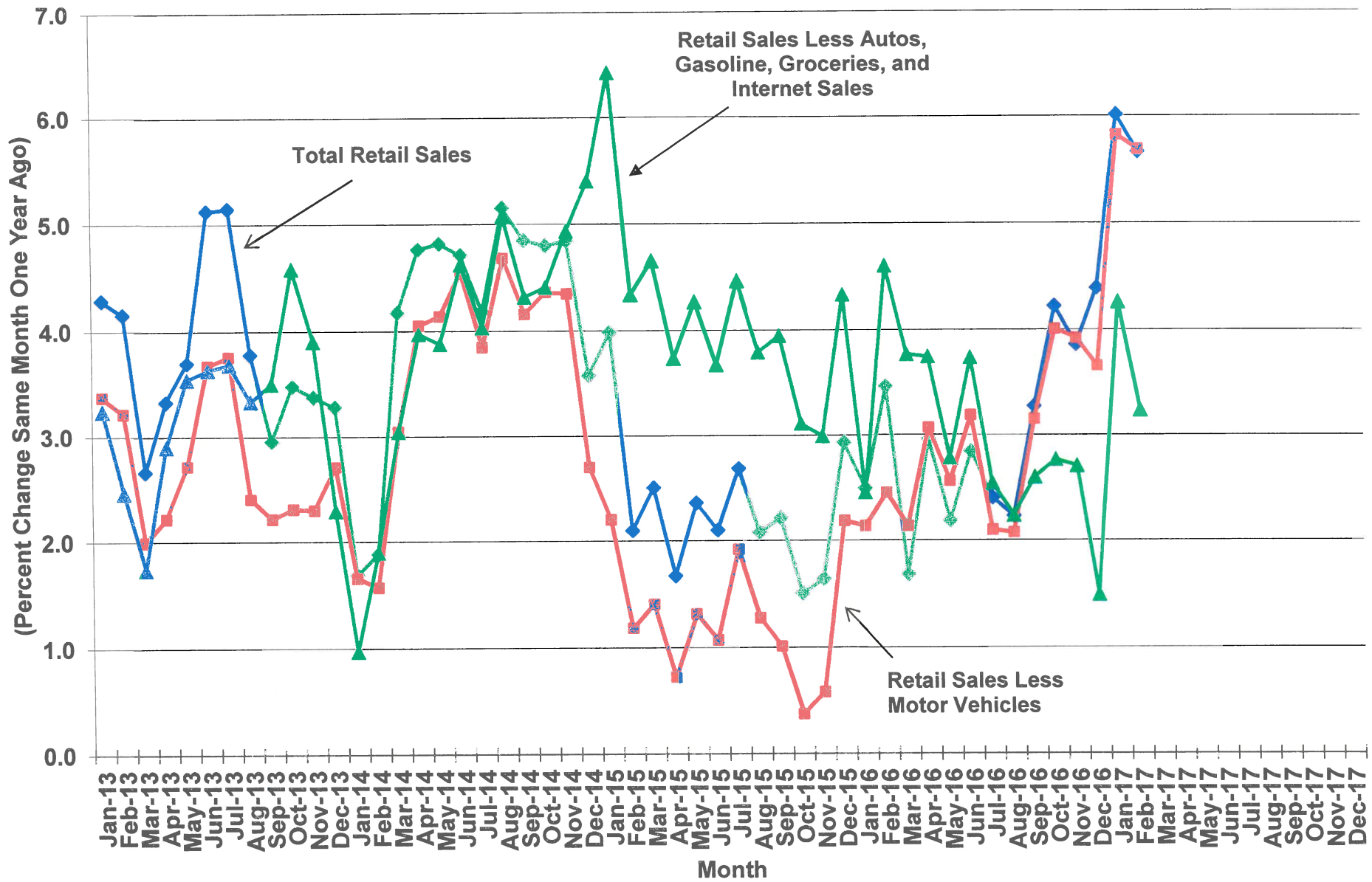


◆ New Car Sales
 ▲ New Light Truck Sales
 ■ Total New Car & Light Truck Sales

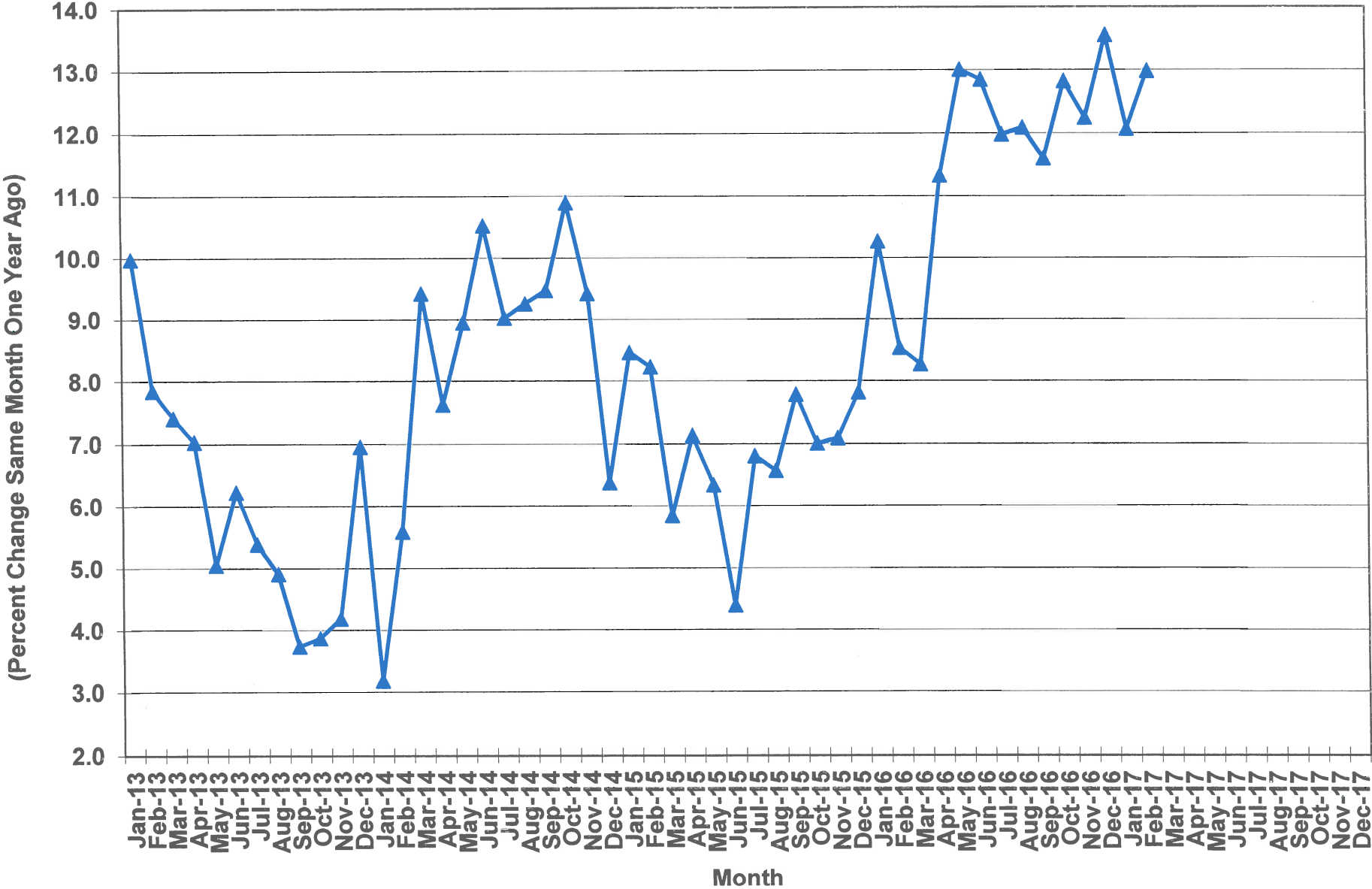
Growth in Car Tax Revenue Transfers to the SC DOT



U.S. Retail & Food Service Sales

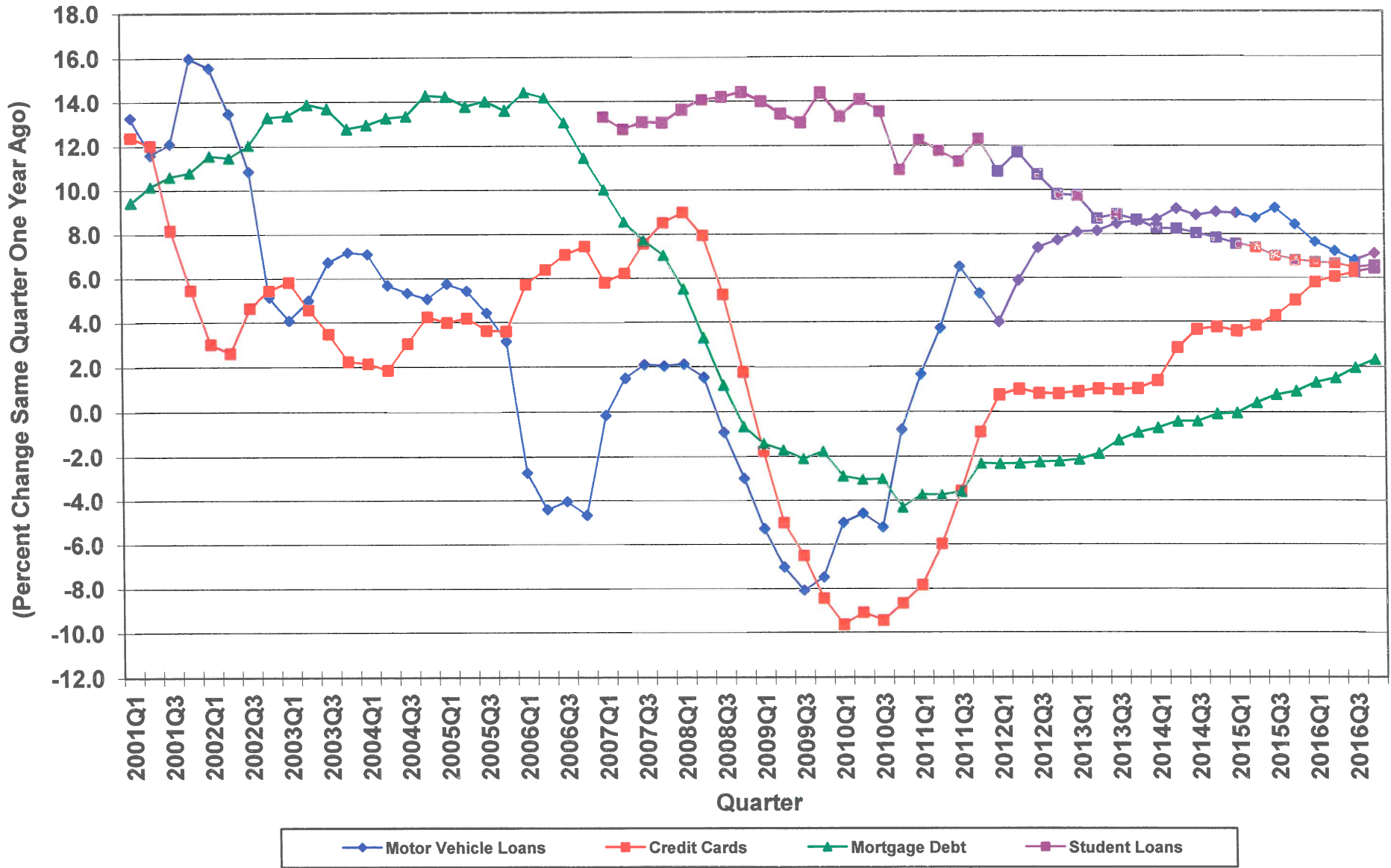


Nonstore Retail Sales in the U.S.



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

Growth in Major Types of Household Debt



Source: The Board of Governors of the Federal Reserve System
BEA/RWM/04/10/17

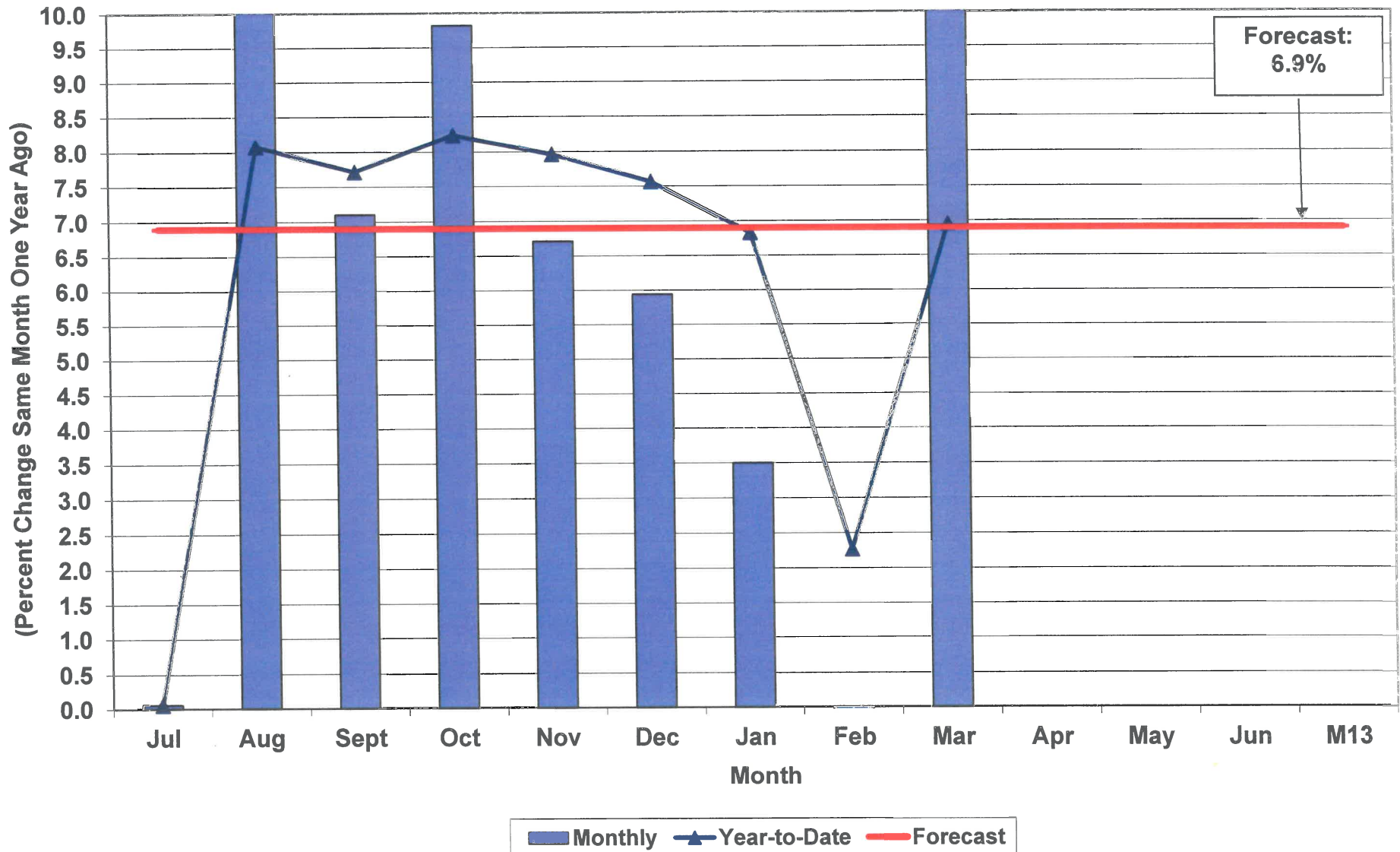


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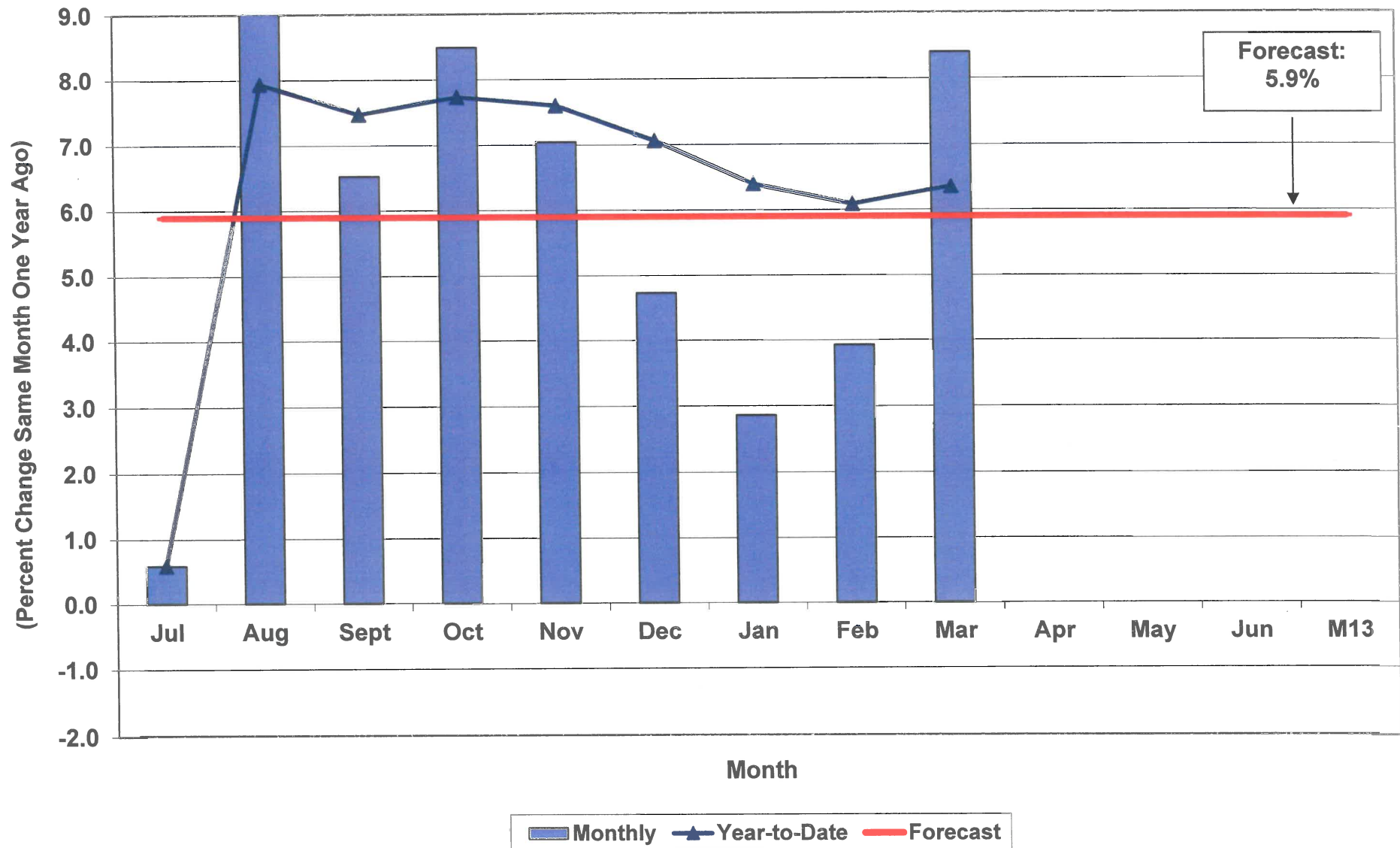
Individual Income Tax

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

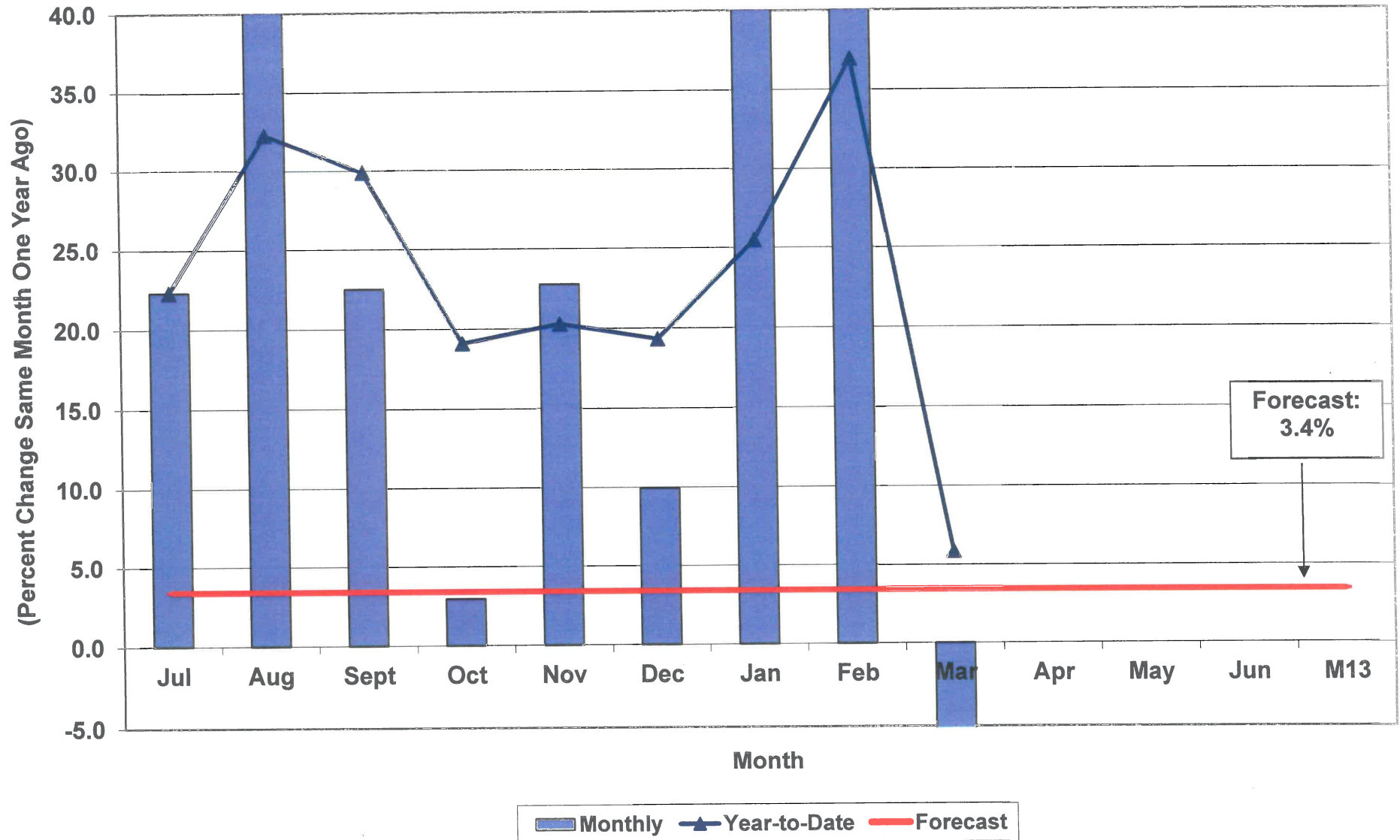
Growth in Total Individual Income Tax Revenue Collections FY2017 Monthly and Year-to-Date



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



Growth in Individual Income Tax Refunds in South Carolina FY2017 Monthly and Year-to-Date



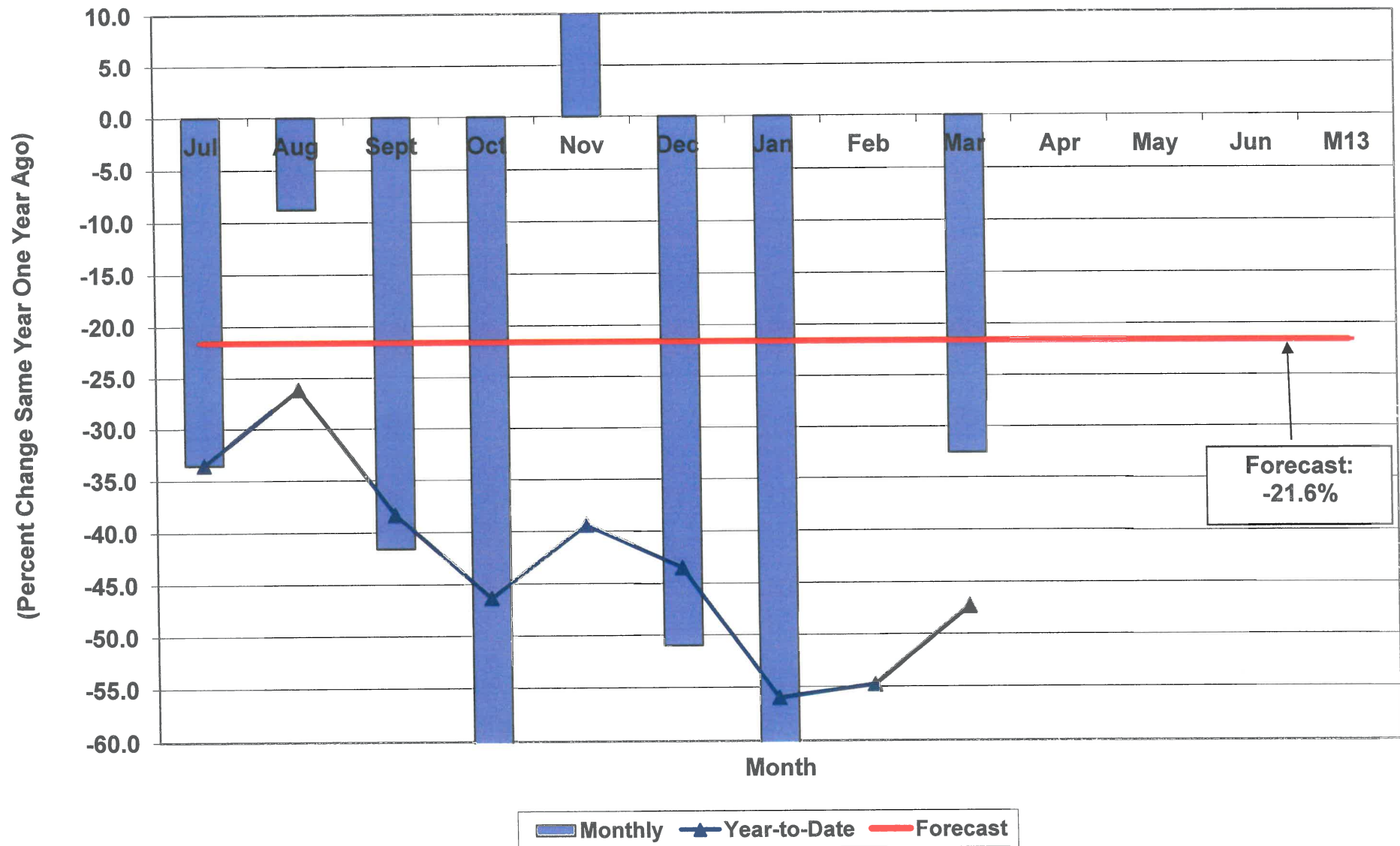


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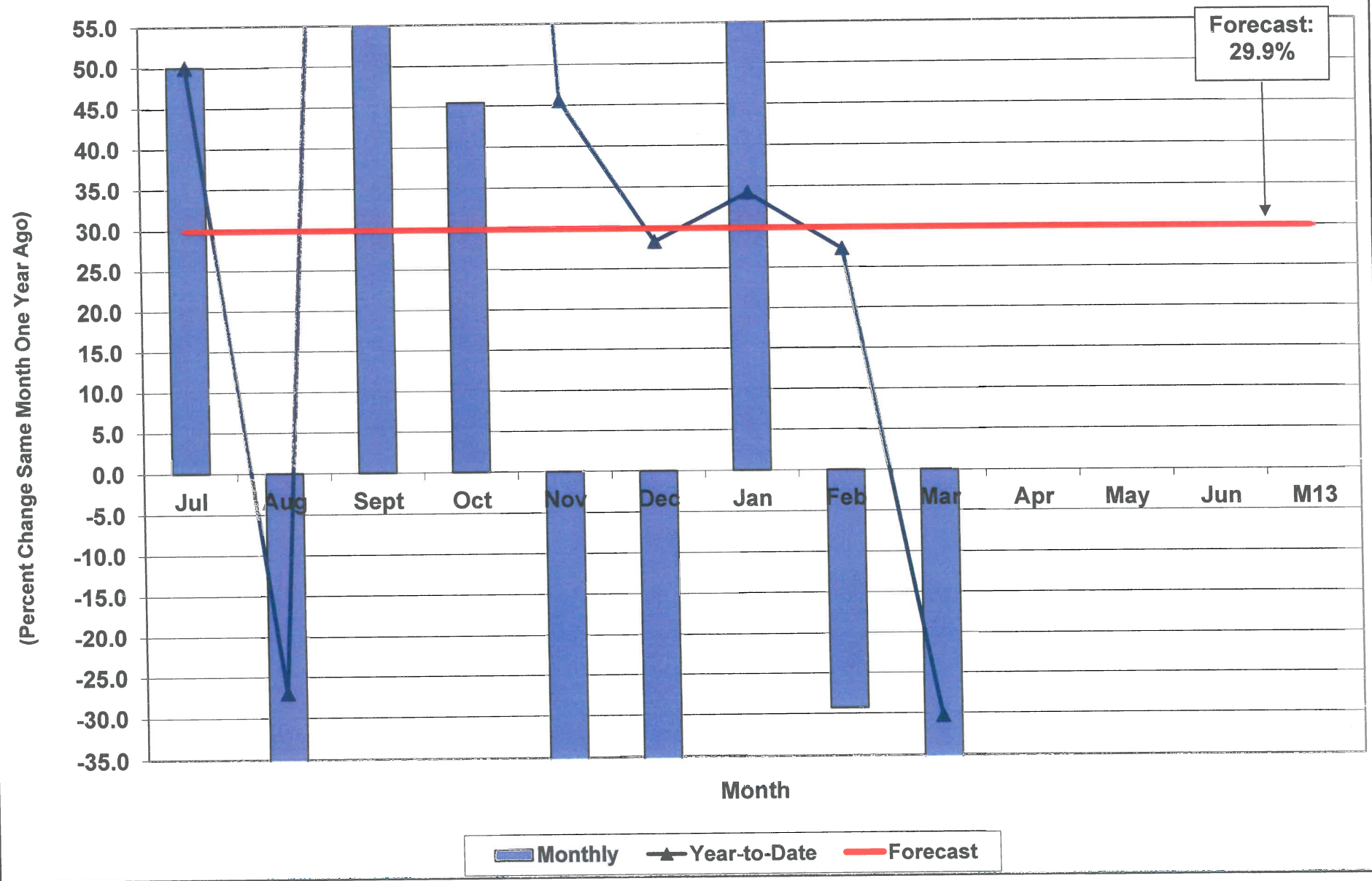
Corporate Income Tax

- Corporate earnings/profits improving
- Tax conformity – payment due date moved from March to April (affects corporate income, corporate license, bank, and savings and loans taxes)

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

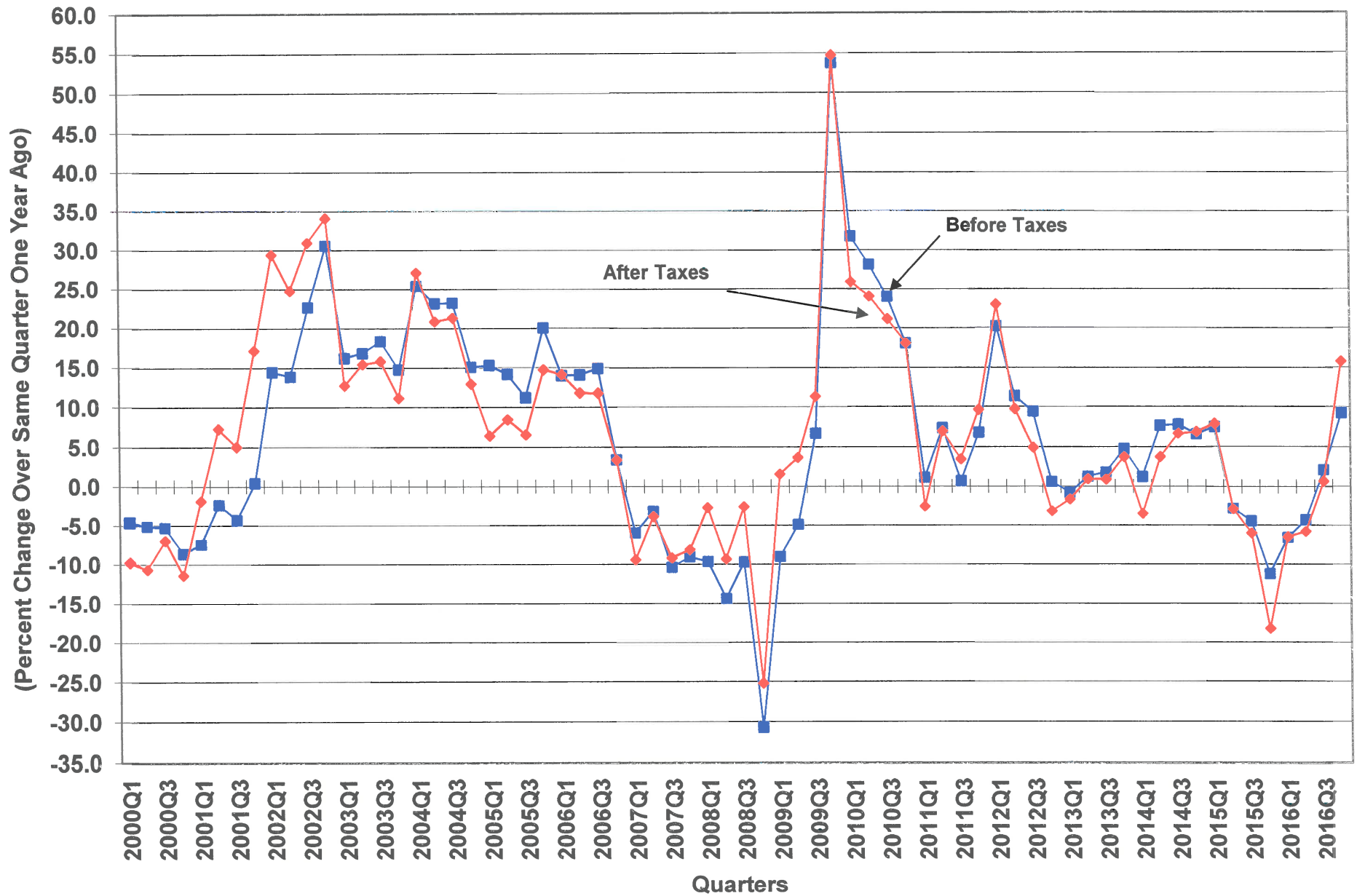


Growth in Total Corporate License Tax Revenue in South Carolina FY2017 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/04/10/17

U.S. Corporate Profits Before and After Taxes



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



March 2017

Other Tax Issues

- SLED record search fees to be transferred in April
- Treasurer will deposit Uncashed Checks by year-end
- Earnings on Investments has exceeded fiscal year estimate
- Insurance Tax on target to meet revenue estimate