



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

June 20, 2017, 2:00 P.M.

Department of Natural Resources Conference Room
Room 335, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for April 10, 2017
3. FY 2016-17 General Fund Revenue Updates
 - A. Overview (F. Rainwater)
 - B. Economic and Revenue Details (R. Martin)
4. FY 2017-18 Revenue Update
 - A. FY 2018-19 Outlook (F. Rainwater)
 - B. FY 2017-18 Estimate and Legislative Changes (R. Martin)
5. Other Items
6. 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
7. Future Meeting Schedule:
 - A. July 2017 - **No Meeting**
 - B. August 24, 2017, 2:00pm - Fiscal Year-End Report; RFA Meeting to follow
 - C. September 21, 2017, 2:00pm - WebEx possible for Members; RFA Meeting to follow
 - D. 2017 Calendar at <http://rfa.sc.gov/calendar?m=06&y=2017>
8. Adjournment

***Our appreciation to the Department of Natural Resources for the use of their conference room.**

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



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 - MAY FY 2016-17			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
Total General Fund Revenue	6,932.9	6,966.2	(33.3)	4.4	4.0
Sales Tax	2,361.5	2,381.4	(19.8)	3.0	2.1
Individual Income Tax	3,625.9	3,623.9	2.0	6.9	7.0
Corporate Income Tax	254.3	232.2	22.0	(21.6)	(23.9)
Other Revenue Sources	691.2	709.0	(17.8)	11.0	9.3
Select Tax Revenues, Sub-Total	572.4	595.0	(22.6)	12.5	8.5
Admissions Tax - Total	23.6	21.7	1.9	(4.0)	2.7
Alcoholic Liquors Tax	61.2	61.8	(0.6)	4.5	3.5
Bank Tax	45.9	31.7	14.2	35.9	96.9
Beer and Wine Tax	89.1	90.6	(1.5)	3.5	1.8
Corporation License Tax	65.3	112.3	(47.0)	29.9	(24.4)
Documentary Tax	41.3	37.0	4.3	0.7	12.4
Earnings on Investments	30.8	21.8	9.0	(4.7)	34.4
Insurance Tax	193.9	201.0	(7.1)	17.7	16.4
Tobacco Tax	21.7	21.6	0.1	(1.3)	(0.9)
Residual Revenue, Sub-Total 2/	118.8	109.5	9.3	4.6	13.5

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.

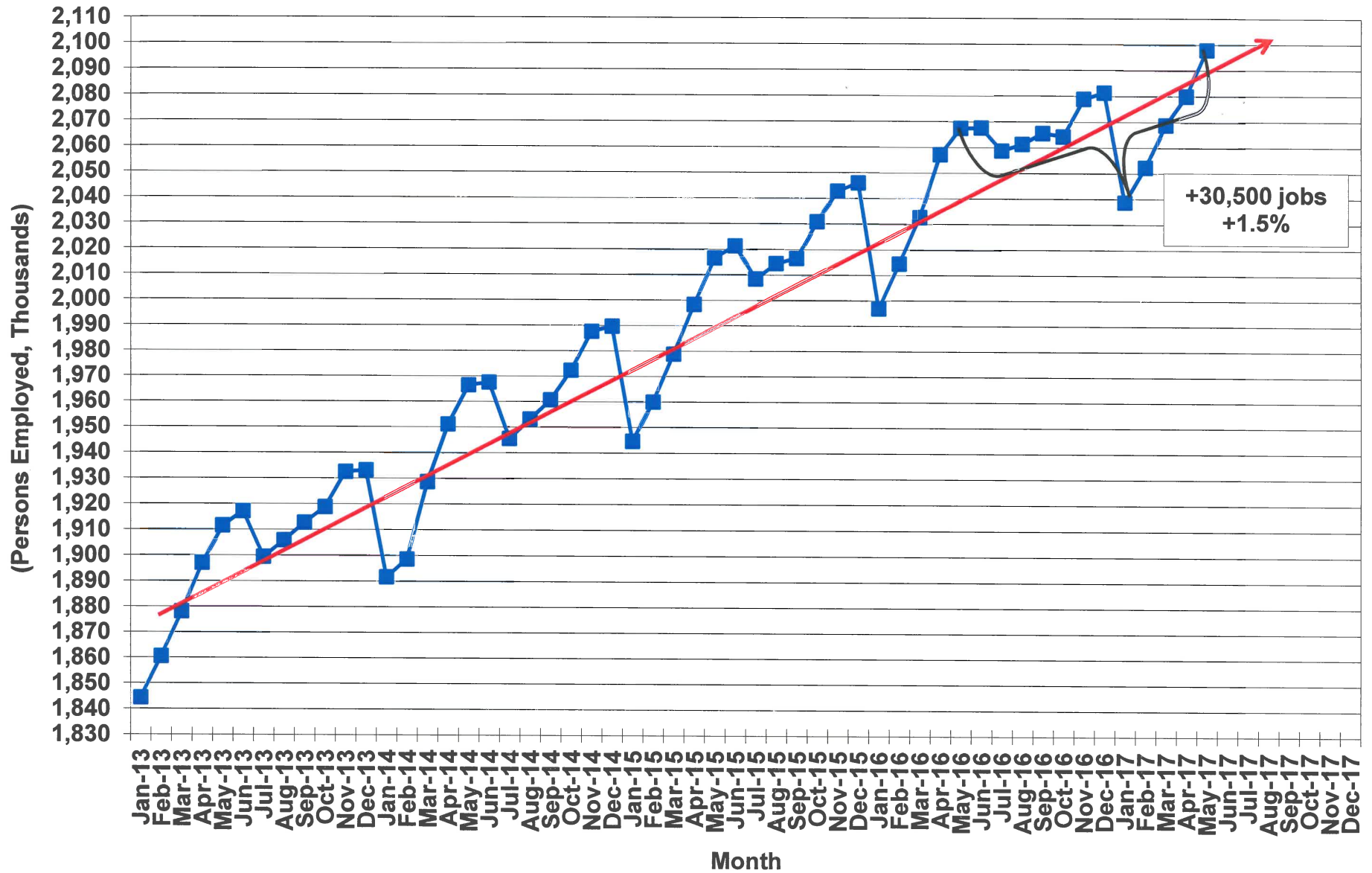
Note: Detail may not sum to total due to rounding.

OVERVIEW

- In May, the shortfall in estimated General Fund Revenues improved from (\$71.3) million to (\$33.3) million as timing differences in Individual Income Tax processing began to converge
- Withholdings recovered from a poor April and the FYTD growth is 6.3%, ahead of the annual forecast rate of 5.9%
- Declarations FYTD growth is 8.3% compared to annual estimate of 4.1%
- Refunds, even after a faster processing from a year ago, are \$6.9 million behind estimate and helping with the overall estimate
- Payments are still well below monthly estimates but we expect more receipts in June
- Sales Tax growth since February has been (3.5%) and is a concern

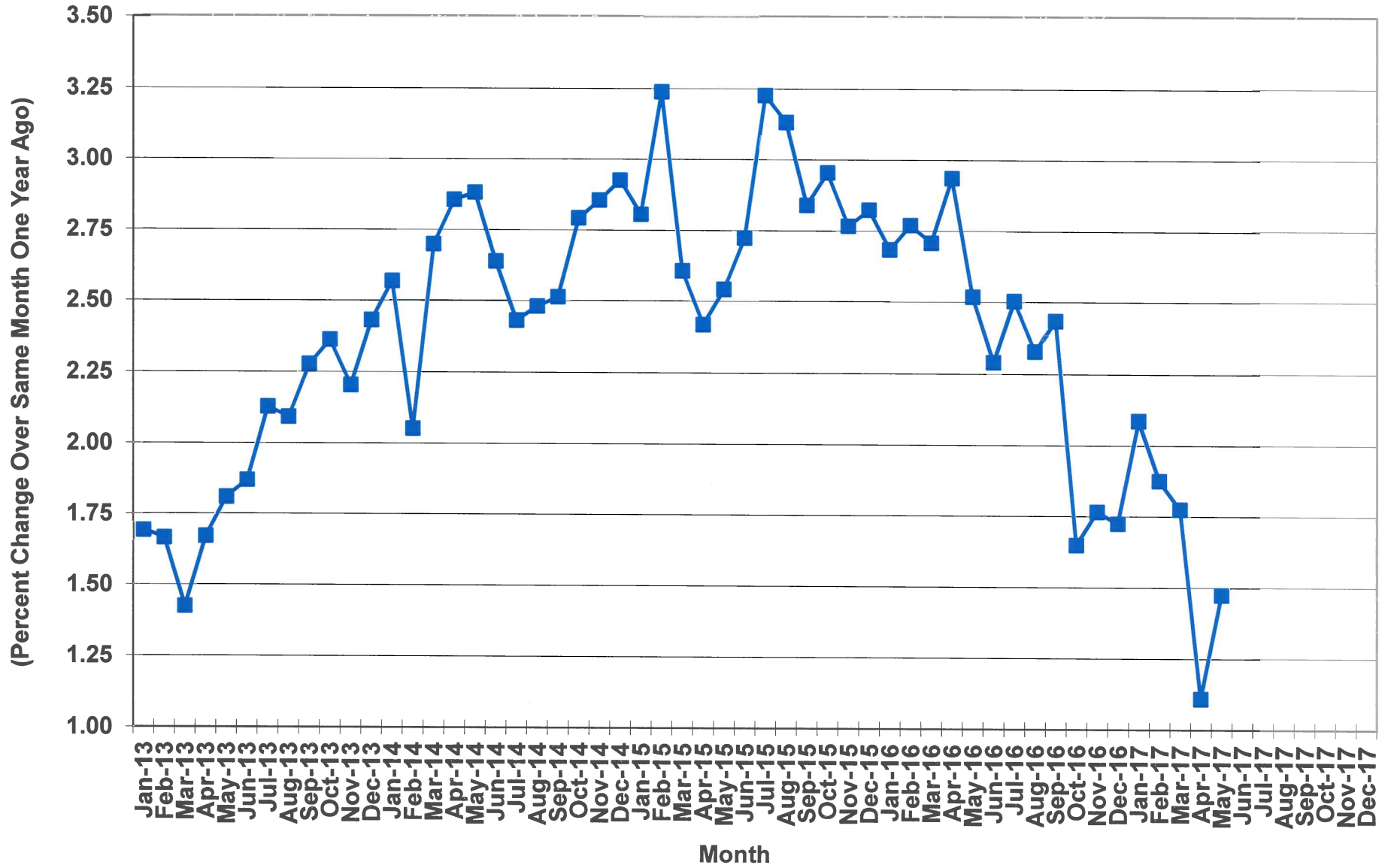


Total Nonfarm Employment in South Carolina



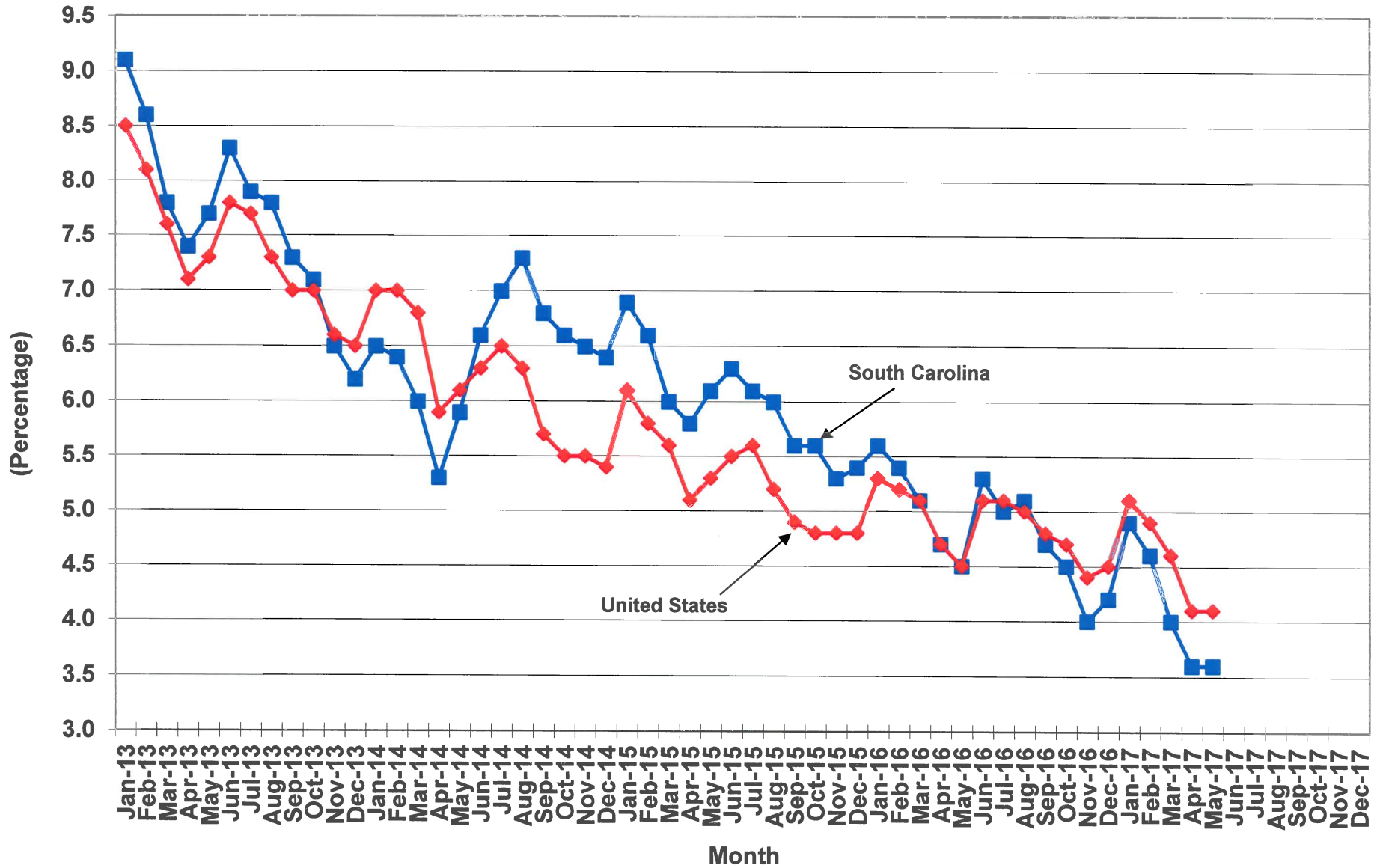
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/06/20/17

Total Nonfarm Employment Growth in South Carolina



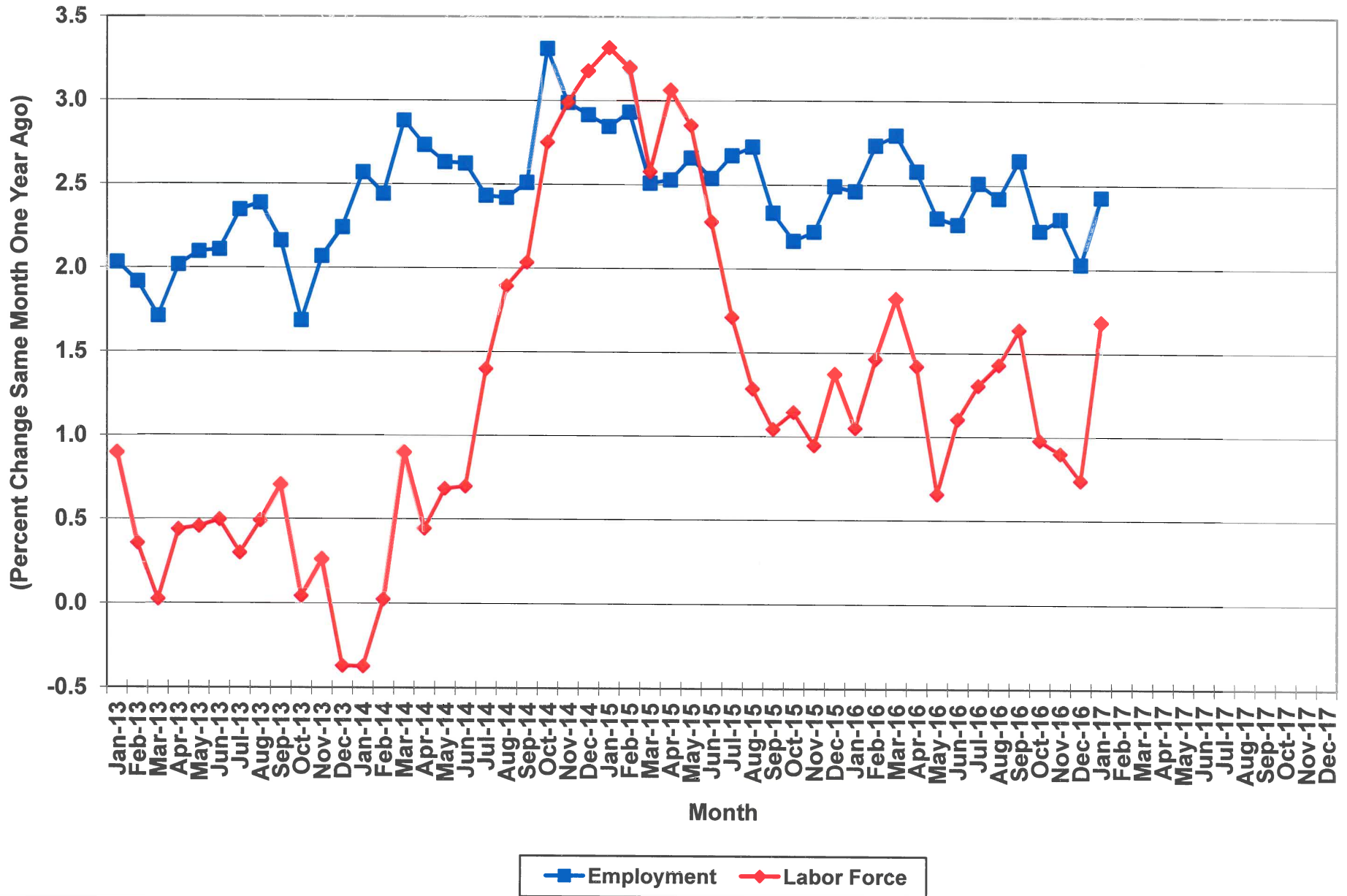
Source: U.S. Department of Labor, Bureau of Labor Statistics
 SCBEA/RWM/06/20/17

Unemployment Rate in South Carolina (Unadjusted)

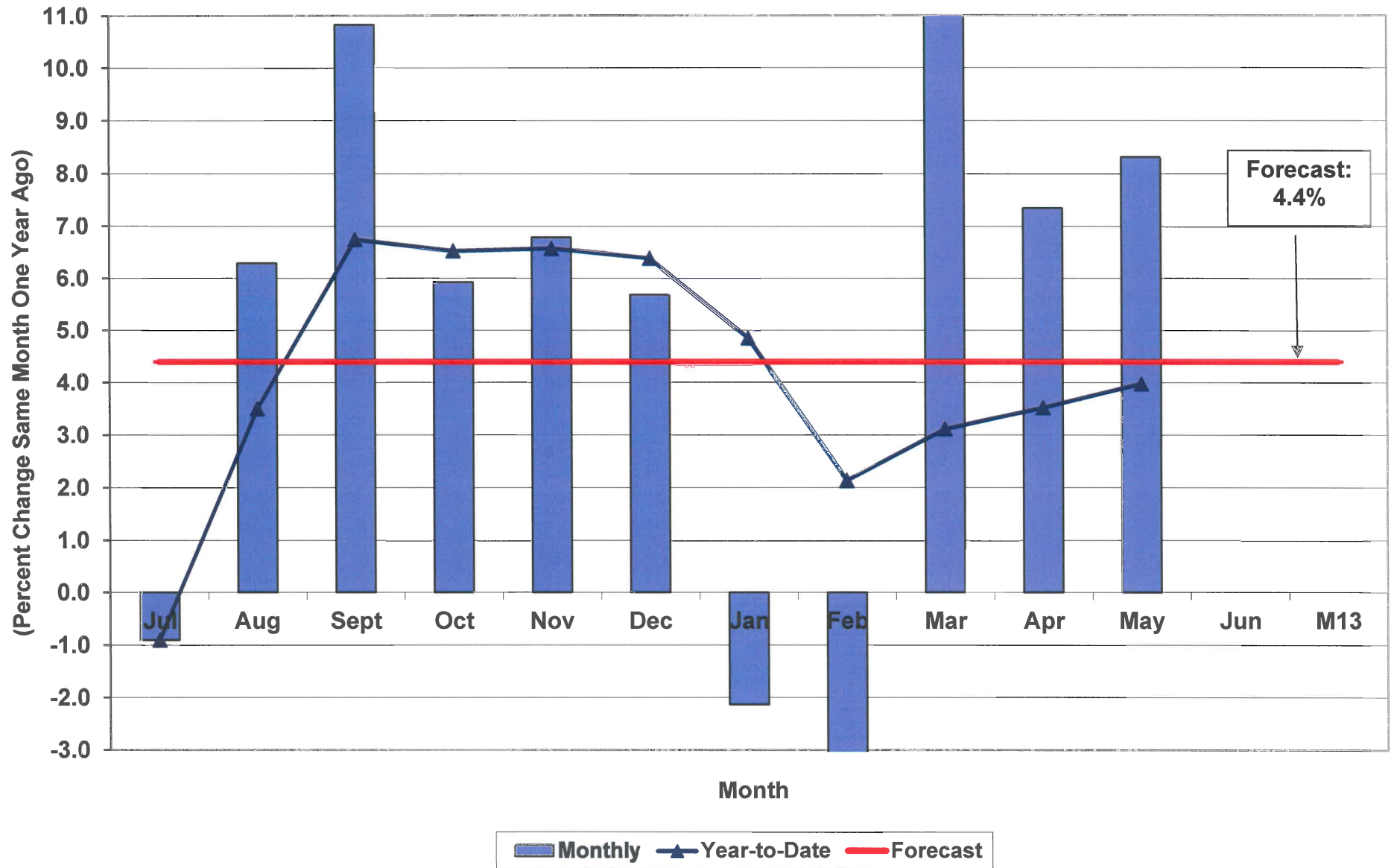


Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/06/20/17

Change in the Labor Force in South Carolina



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



Source: Board of Economic Advisors
BEA/RWM/06/20/17



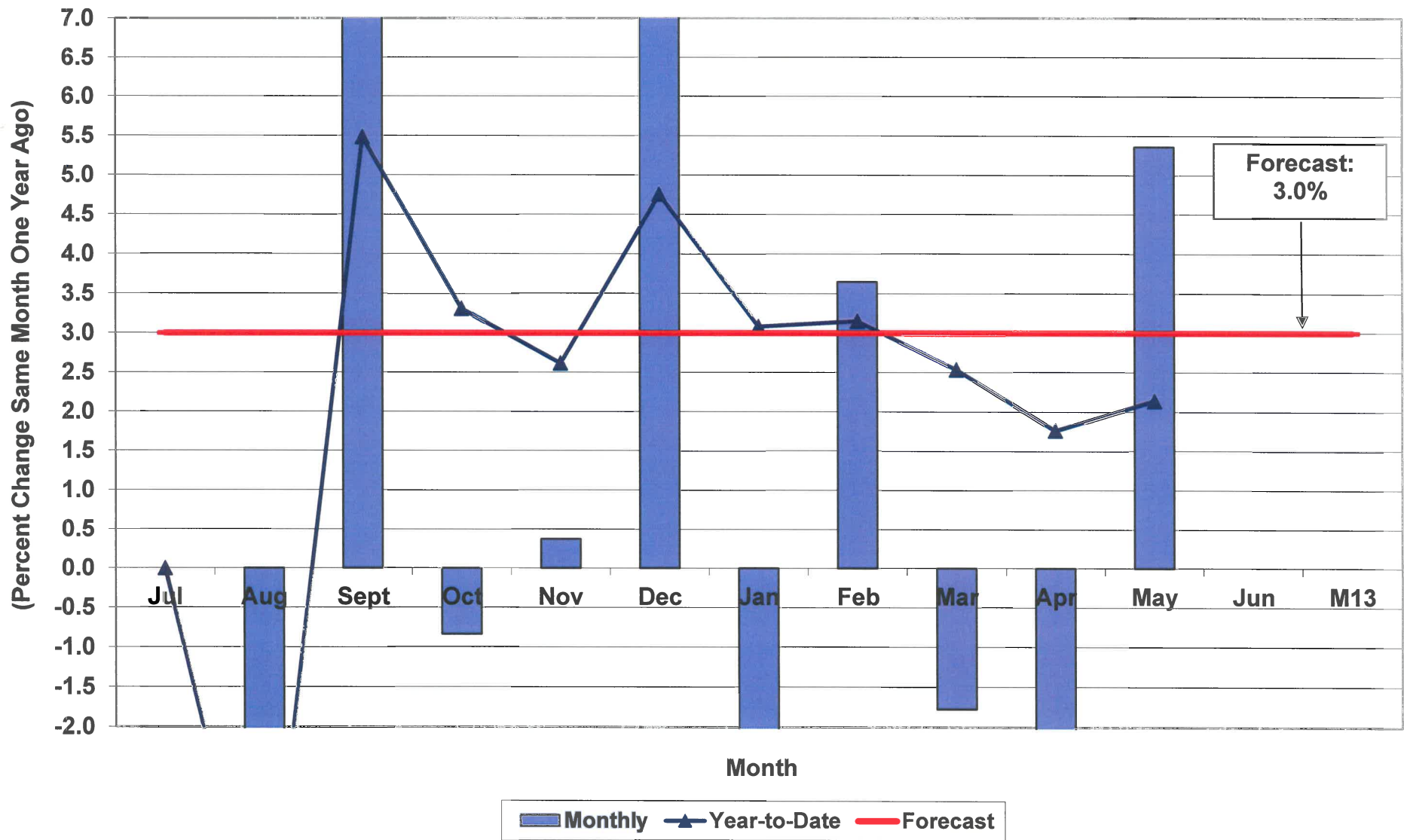
May 2017

Sales Tax

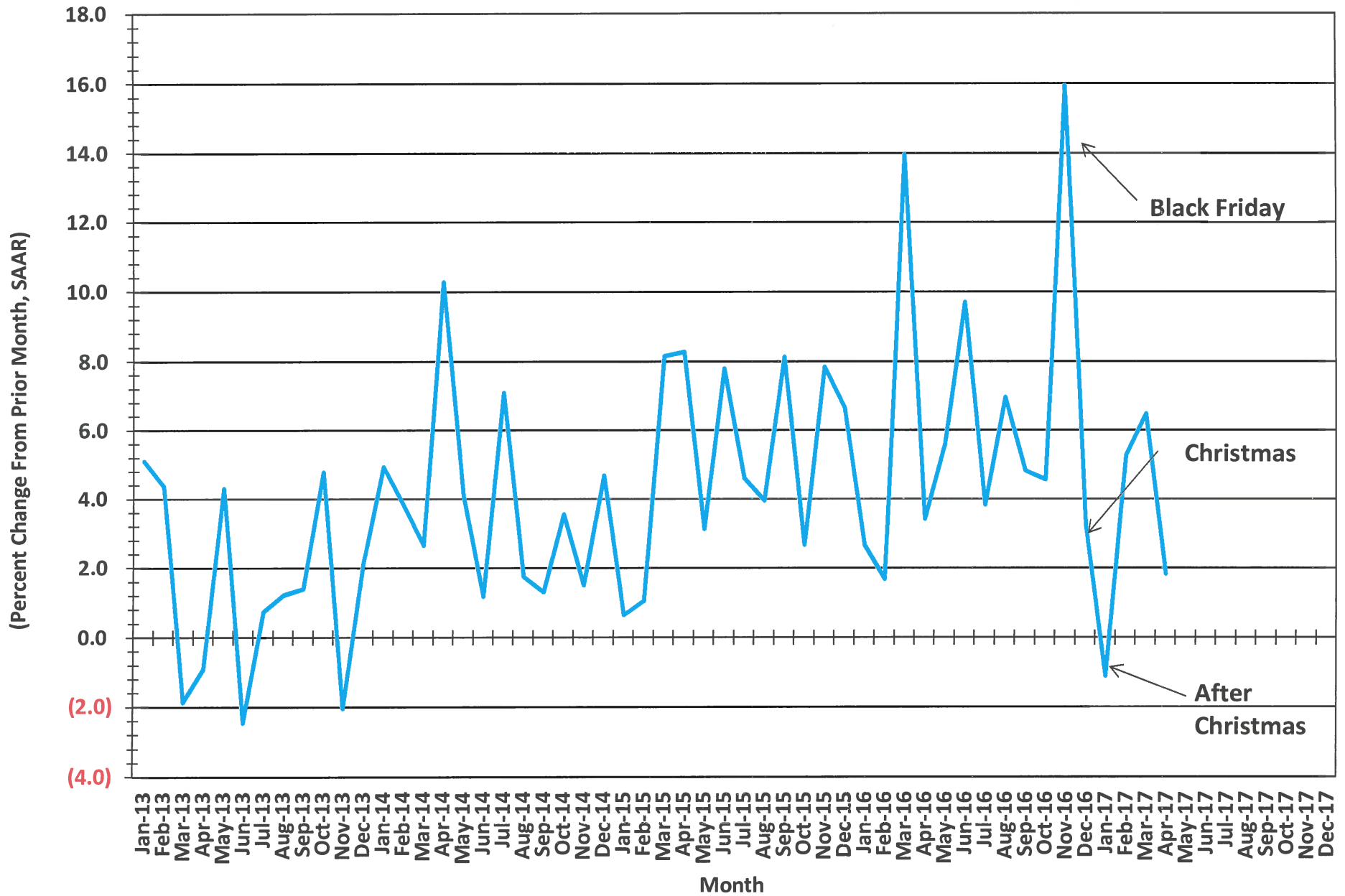
- Easter sales helped boost May sales tax collections after two months of declining revenue. Year-to-date growth is 2.1%. (FY2016-17 estimate is 3.0%)
- Consumer's use of credit cards has slowed since Christmas
- U.S. car sales posted five consecutive months of declining growth
- \$8.8 million in sales tax clearing account



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

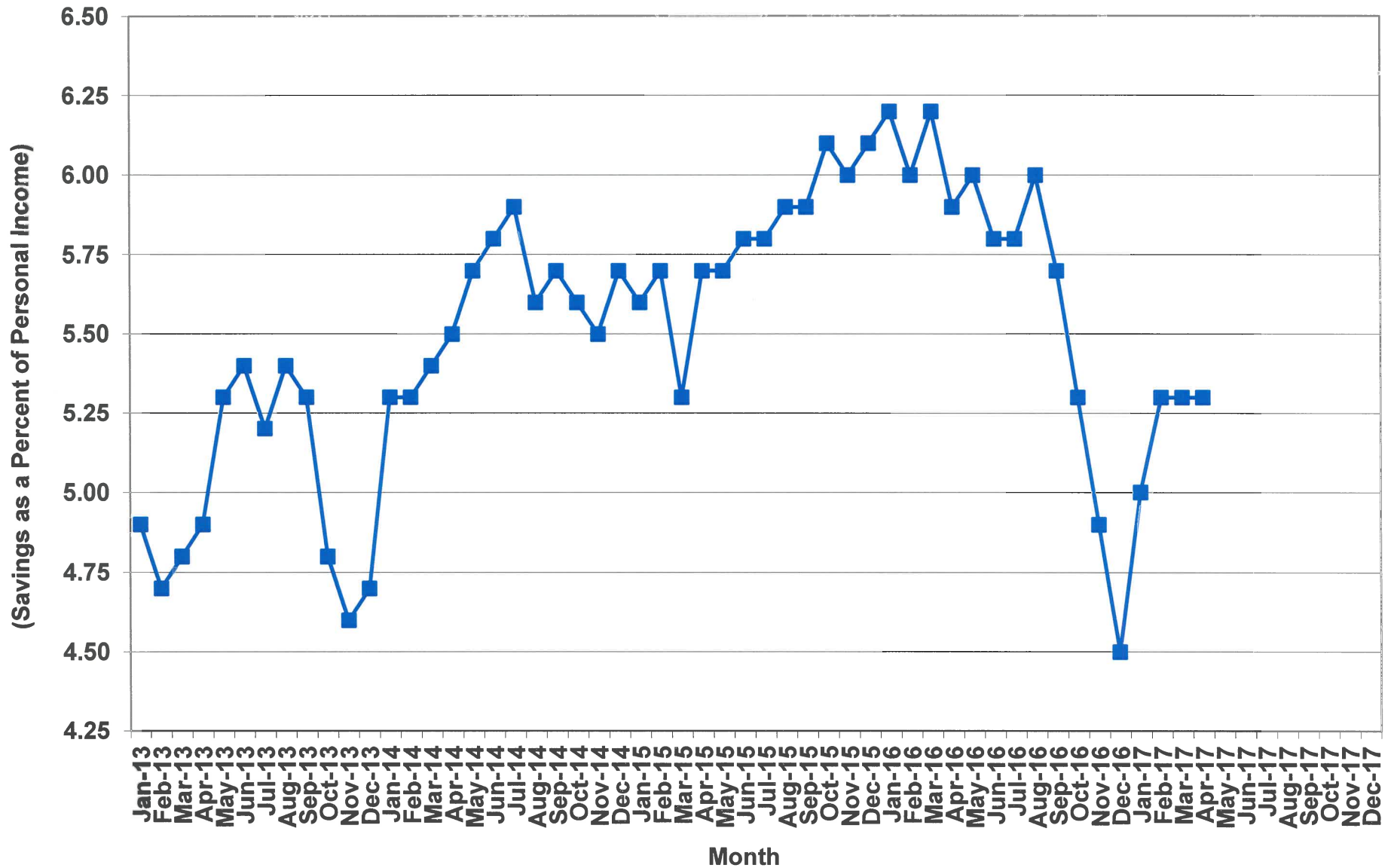


Growth in Outstanding Credit Card Debt in the United States



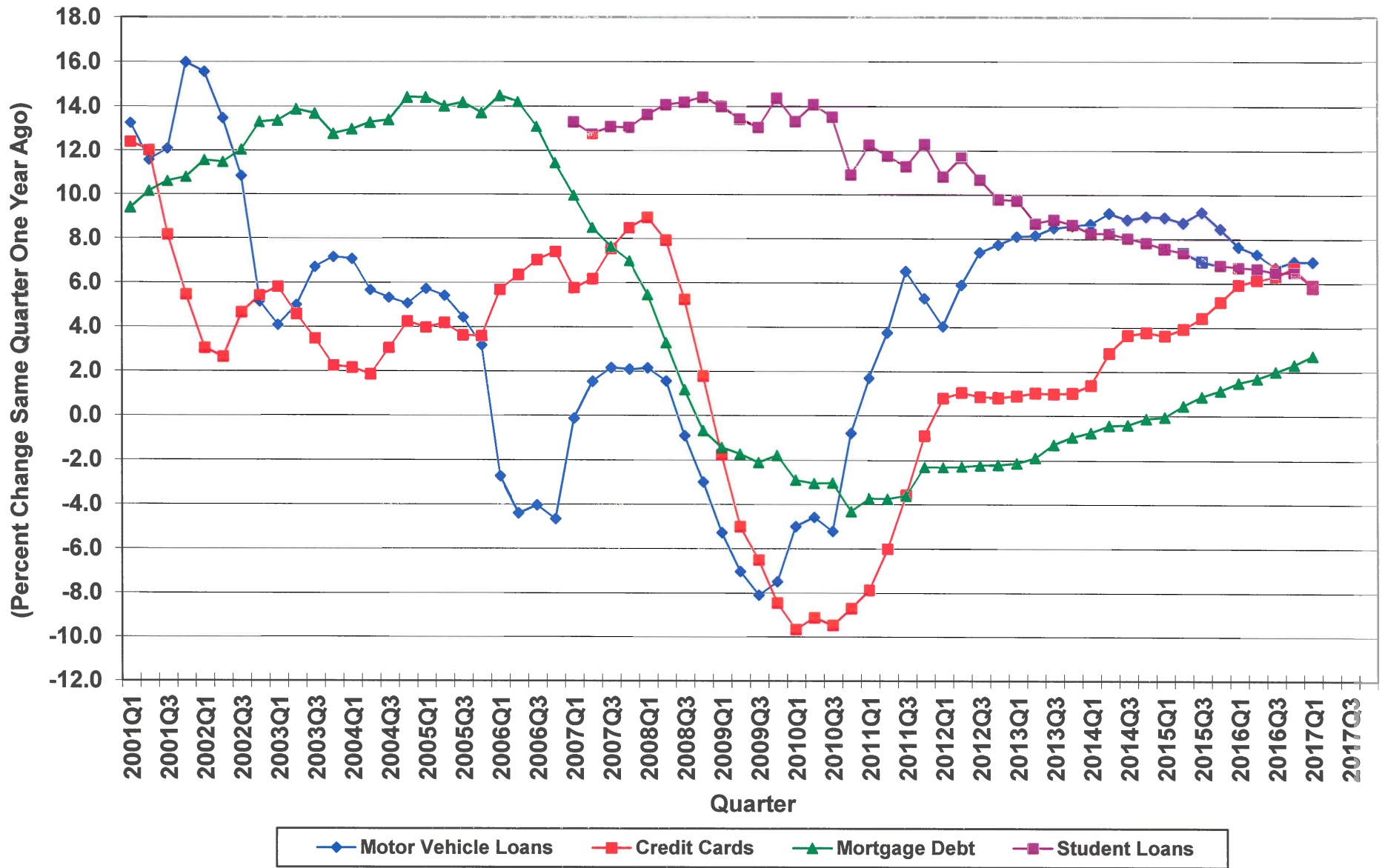
Source: Board of Governors of the Federal Reserve System, Washington, D.C.

Personal Savings Rate in the U.S.



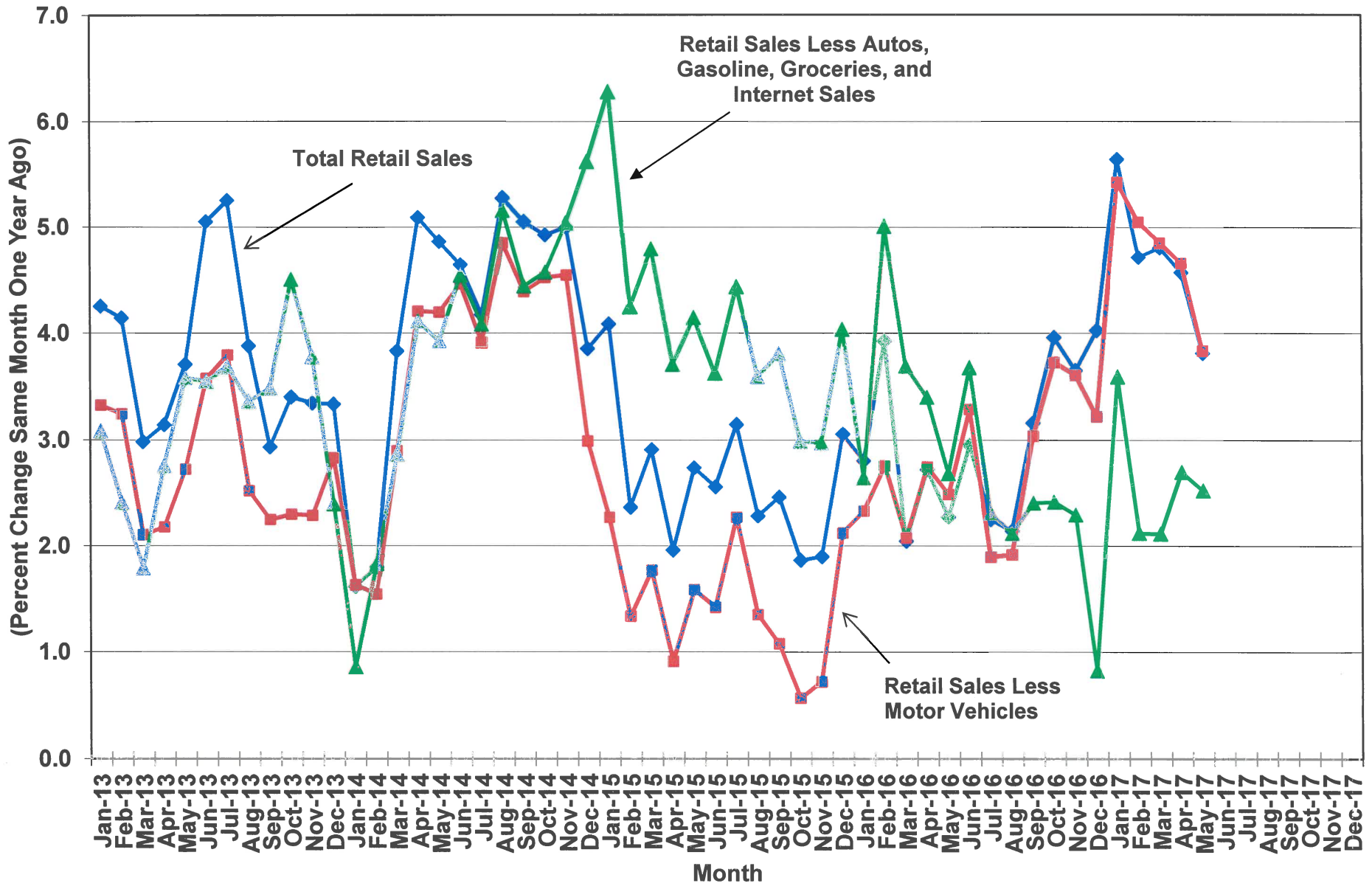
Source: U.S. Department of Commerce, Bureau of Economic Analysis
SCBEA/RWM/06/20/17

Growth in Major Types of Household Debt



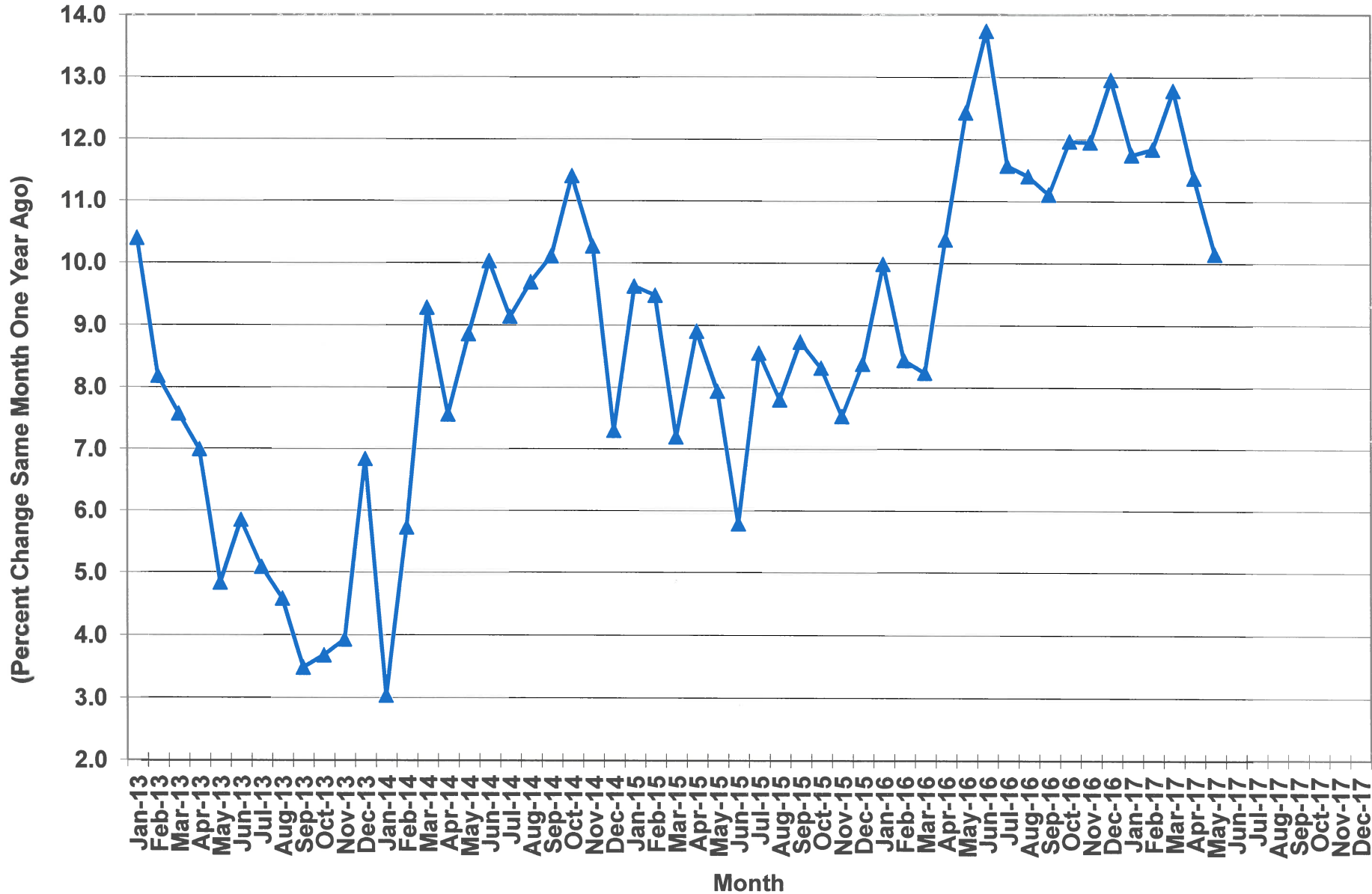
Source: The Board of Governors of the Federal Reserve System
BEA/RWM/06/20/17

U.S. Retail & Food Service Sales



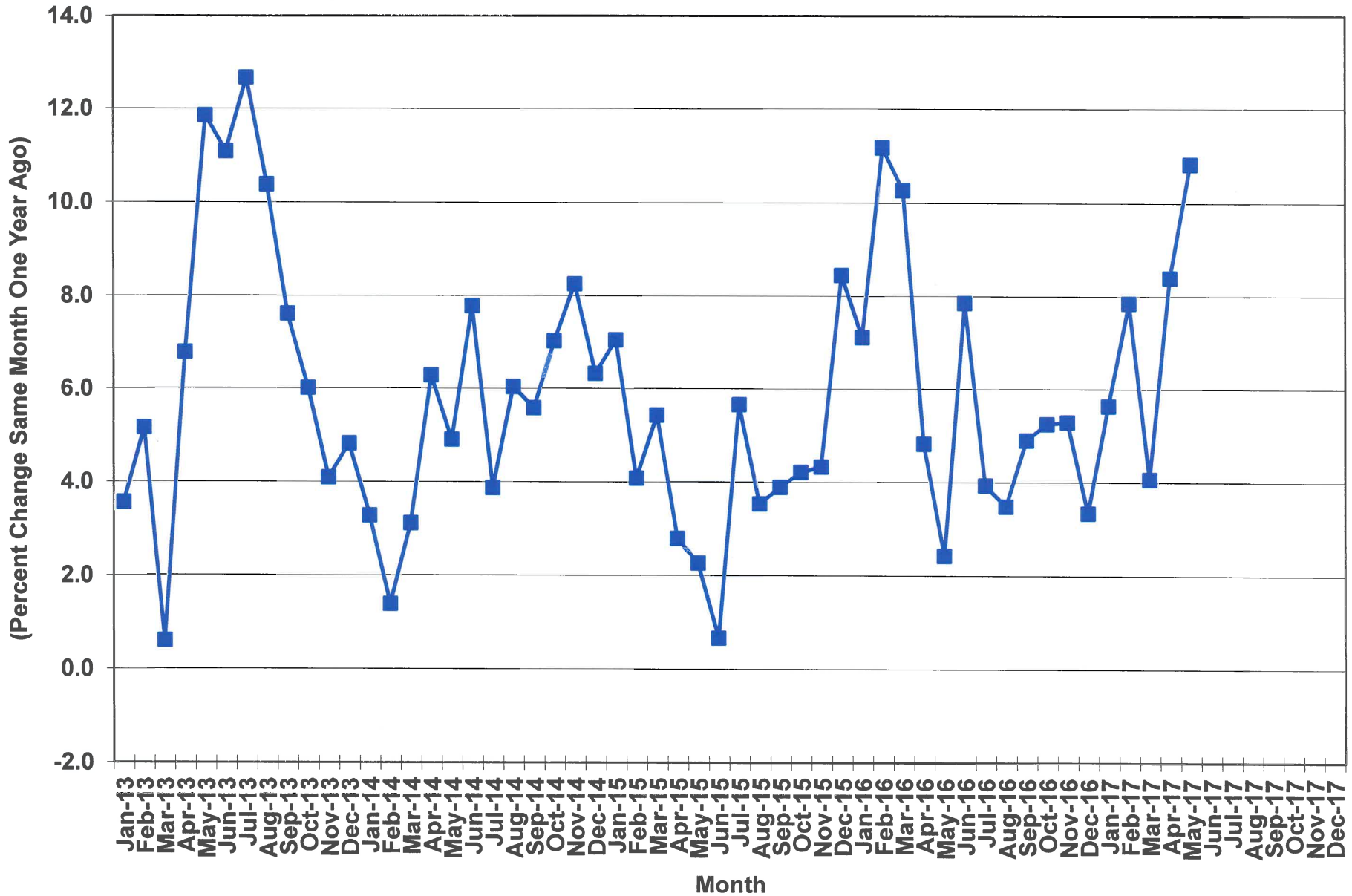
Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

Nonstore Retail Sales in the U.S.

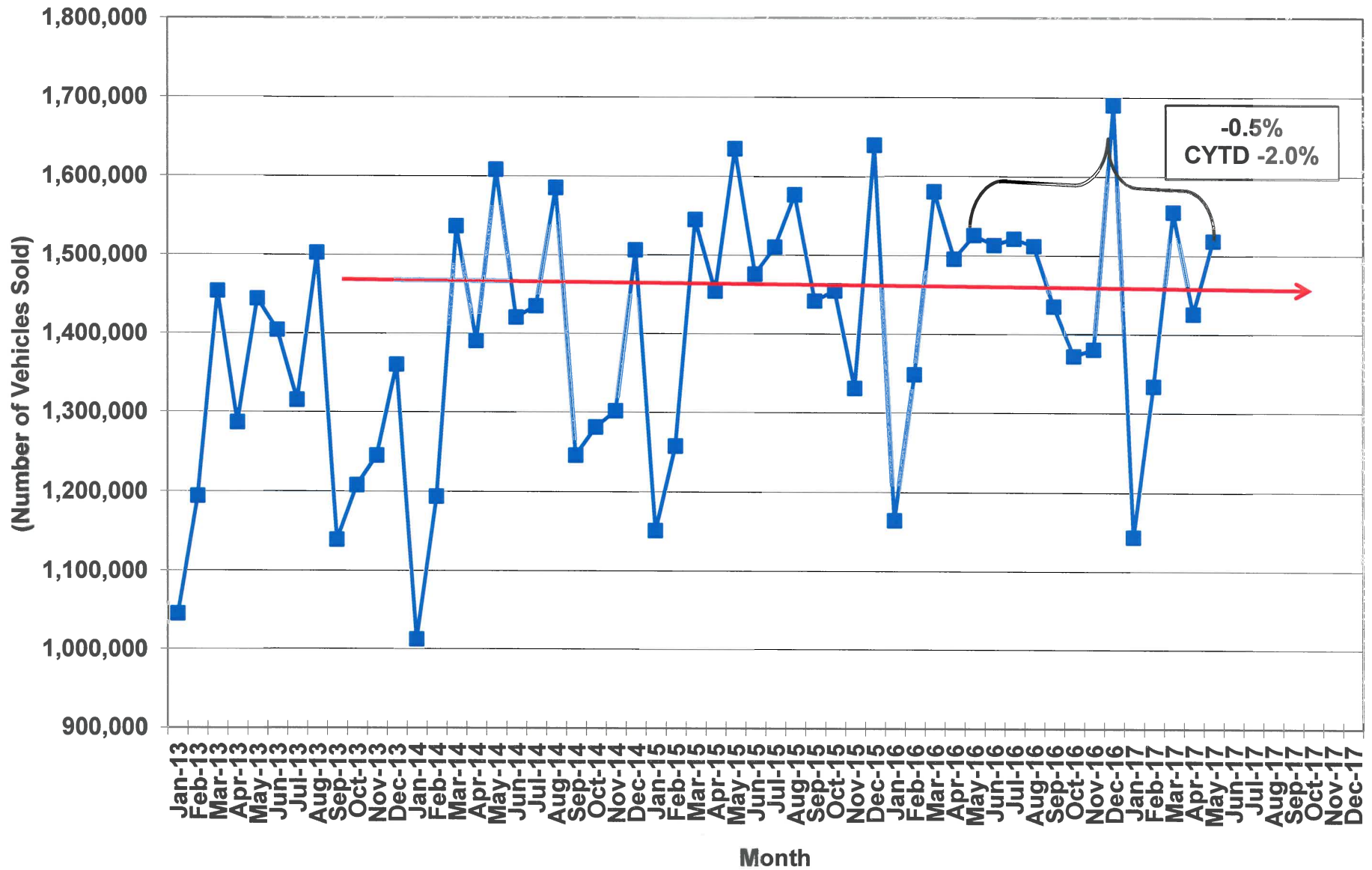


Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

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

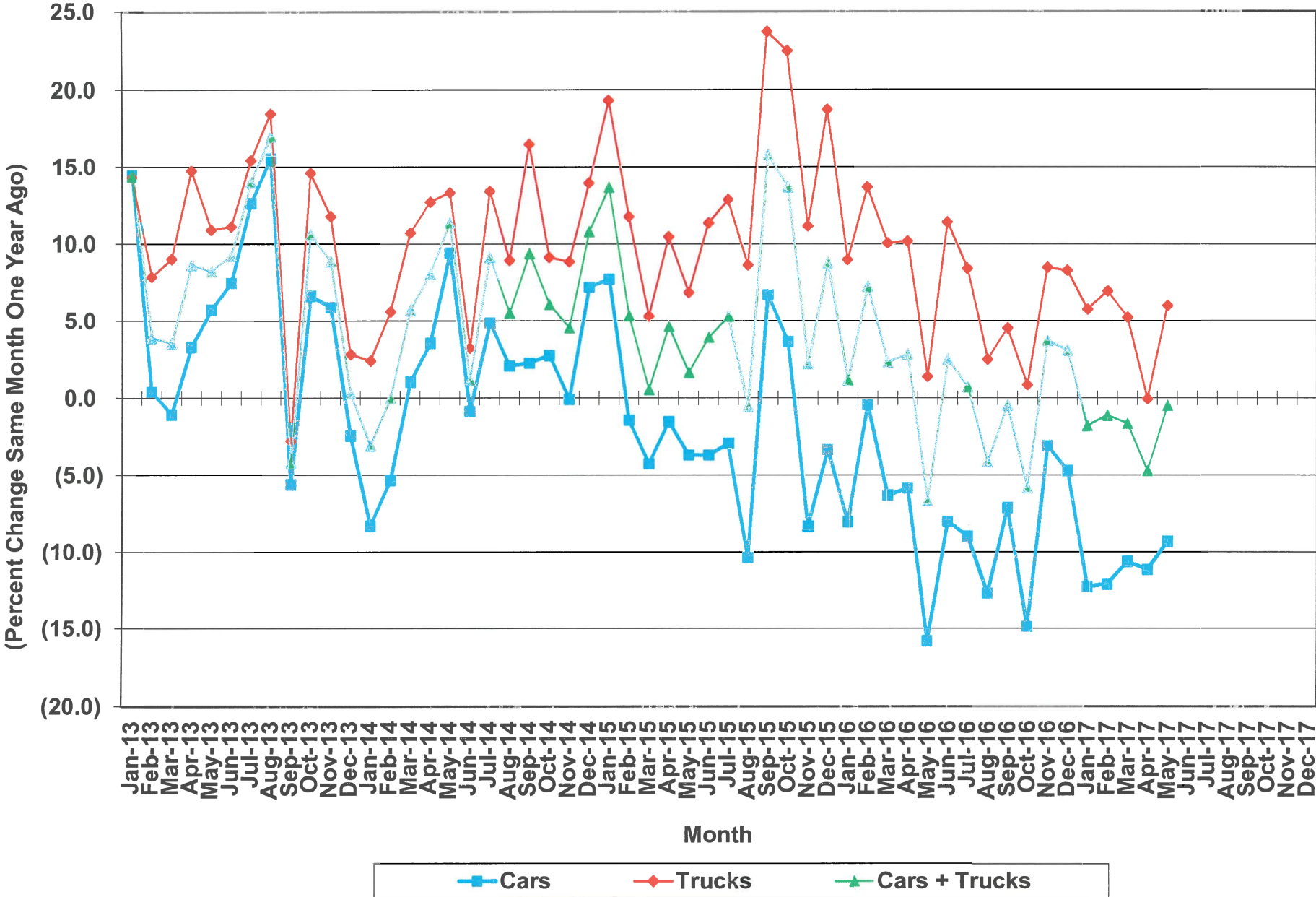


Total Light Vehicle Sales in the United States



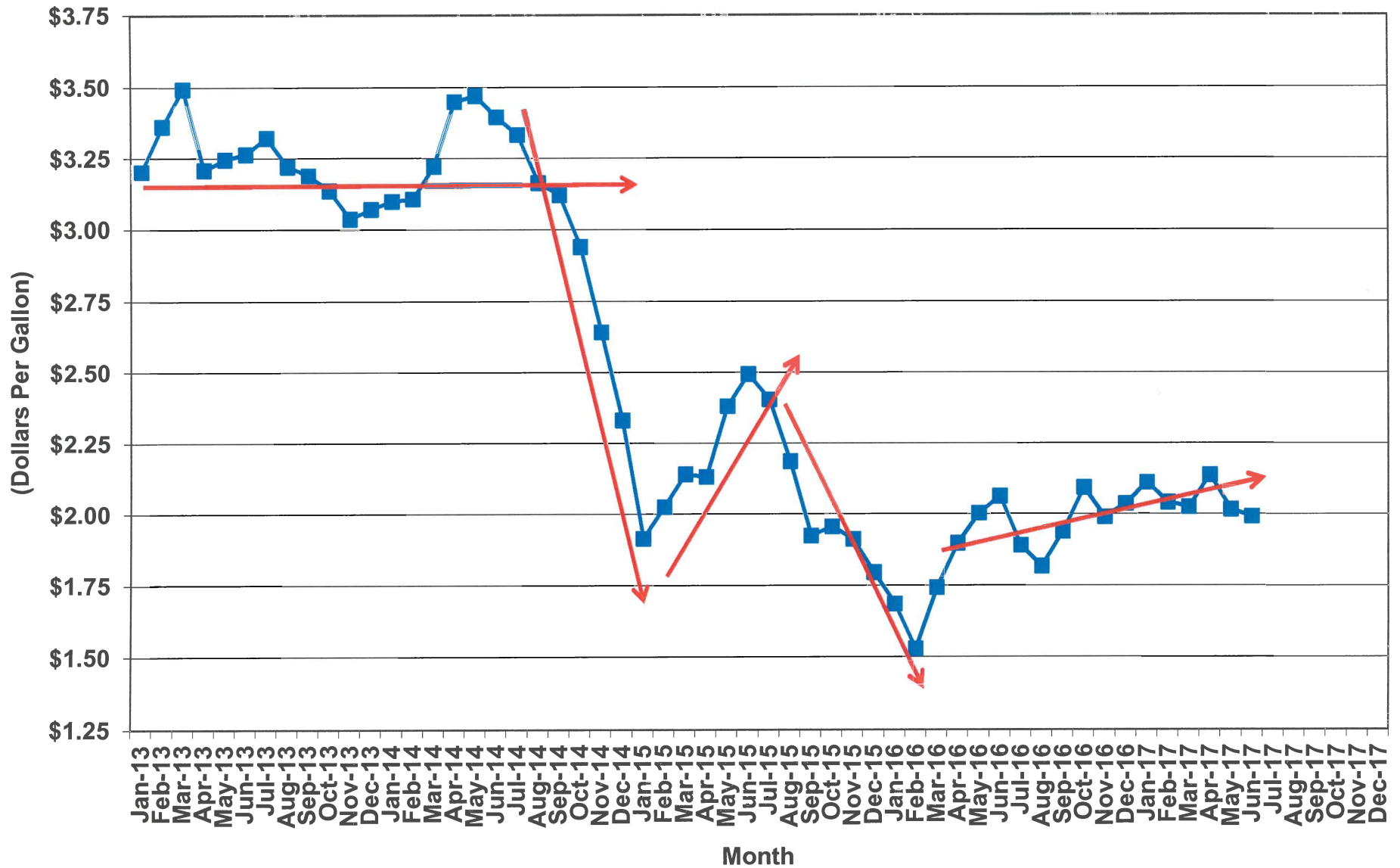
Source: Autodata Corporation and WardsAuto
SCBEA/RWM/06/20/17

Growth in Car and Truck Sales in the U.S.



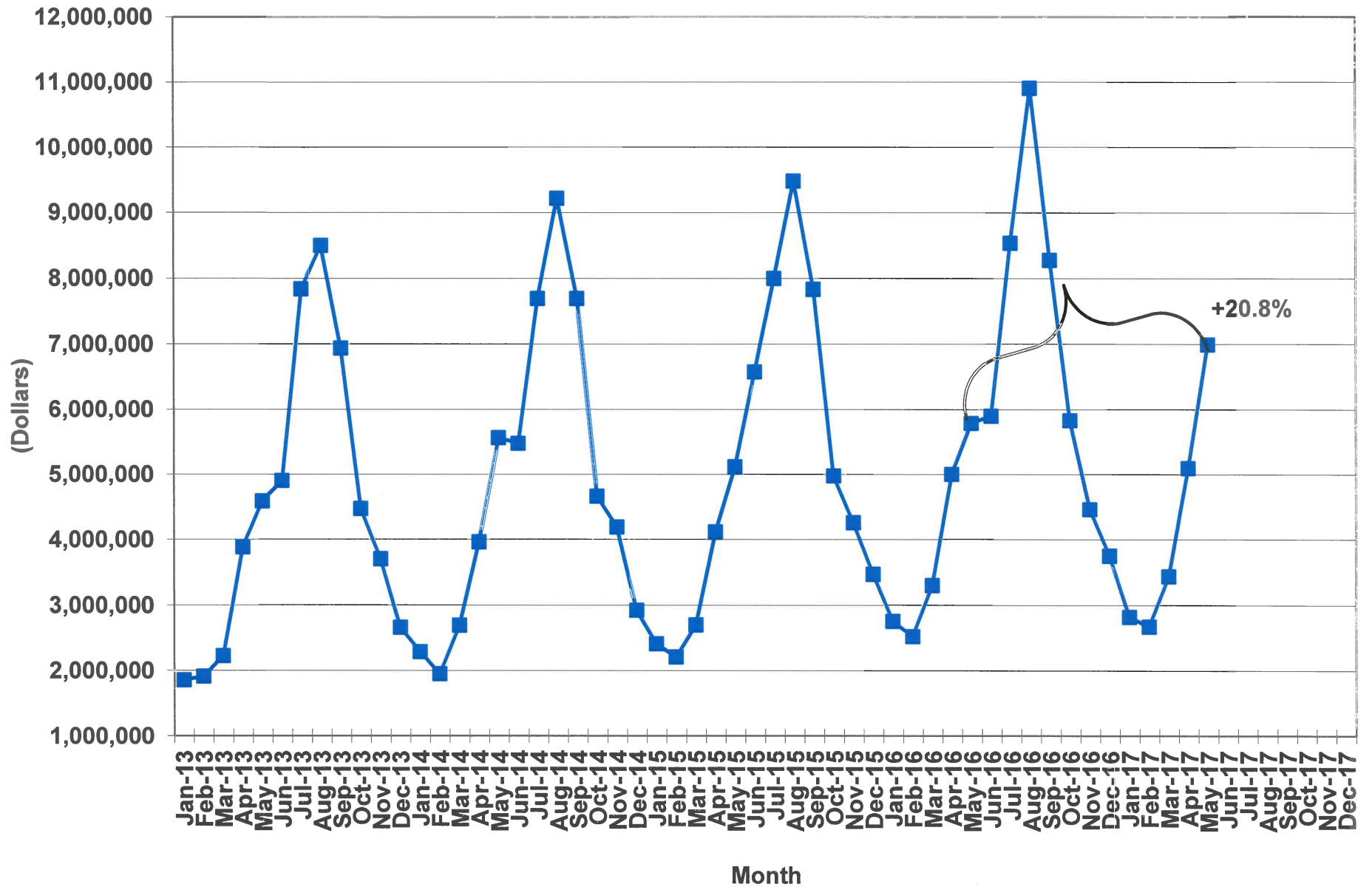
Sources: Autodata Corporation; Ward's Automotive Group

Gasoline Prices in South Carolina



Source: AAA of the Carolina's
SCBEA/RWM/06/20/17

State (2%) Accommodations Tax in South Carolina



Source: South Carolina Department of Revenue
SCBEA/RWM/06/20/17



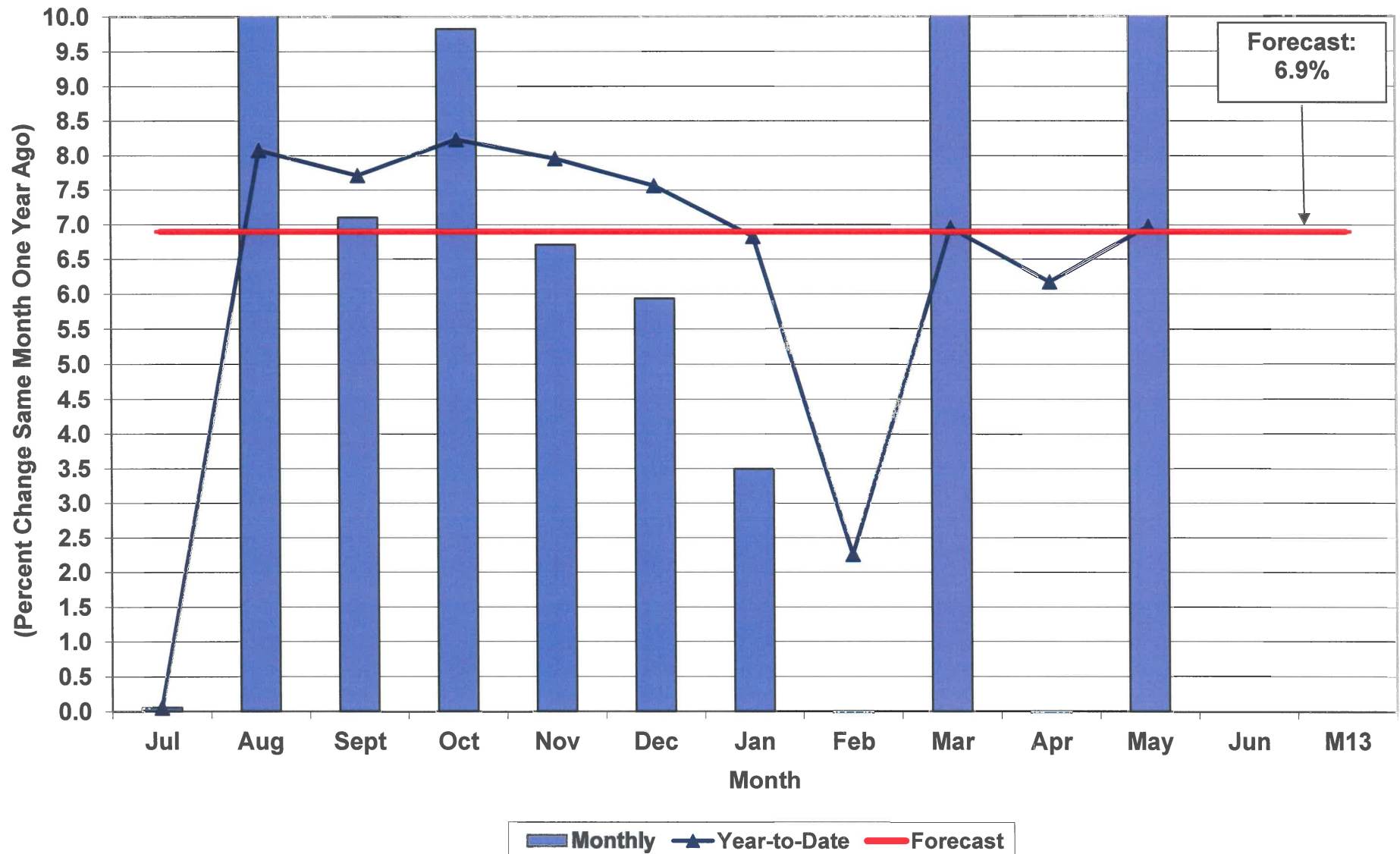
May 2017

Individual Income Tax

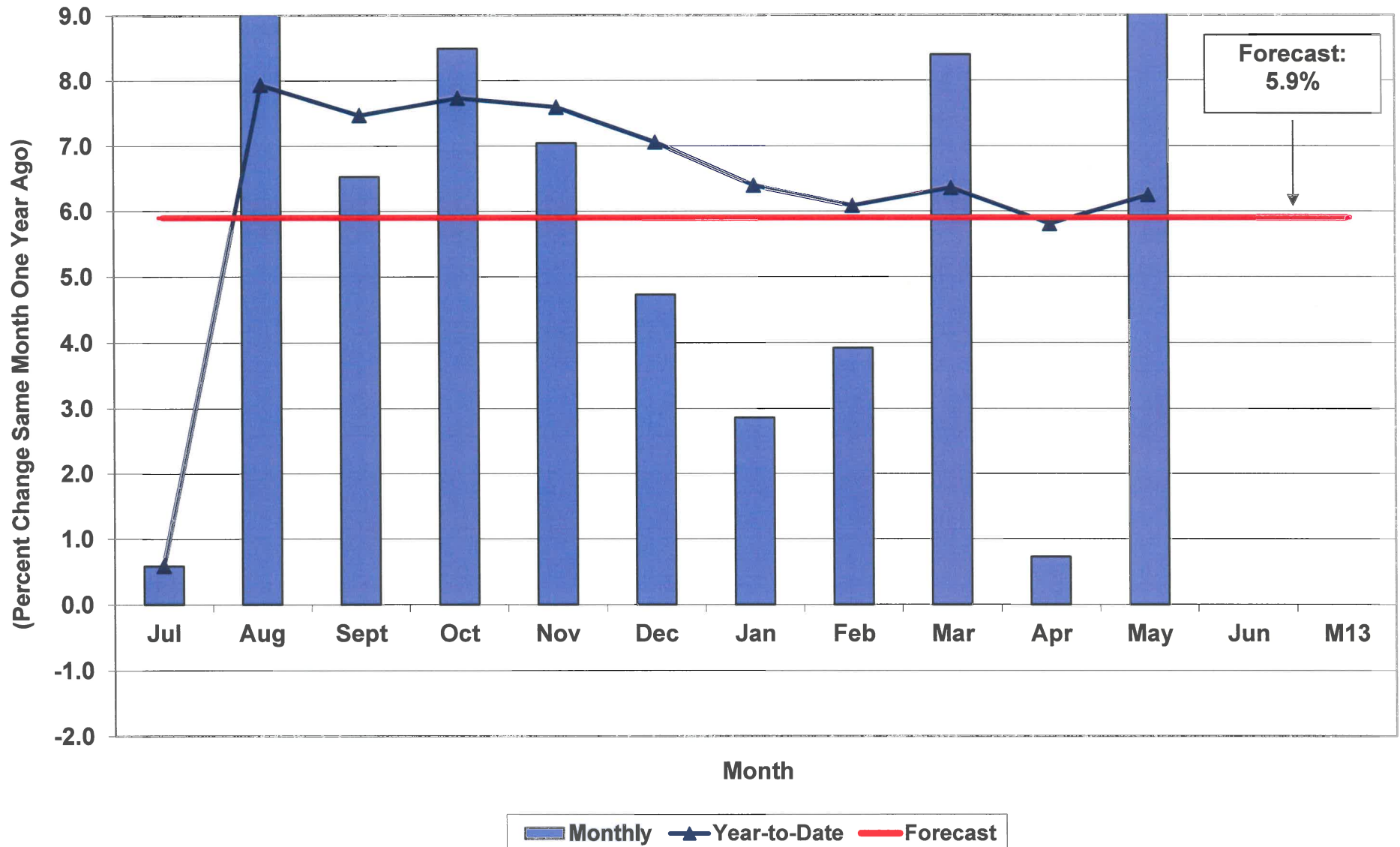
- Withholdings exceeded monthly estimate by \$18.4 million. Only second time in past six months withholdings have exceeded monthly estimate
- Fewer payments with tax returns (checks) processed
- More income tax refunds than last fiscal year, but total dollar amount of refunds is lower than revenue estimate



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

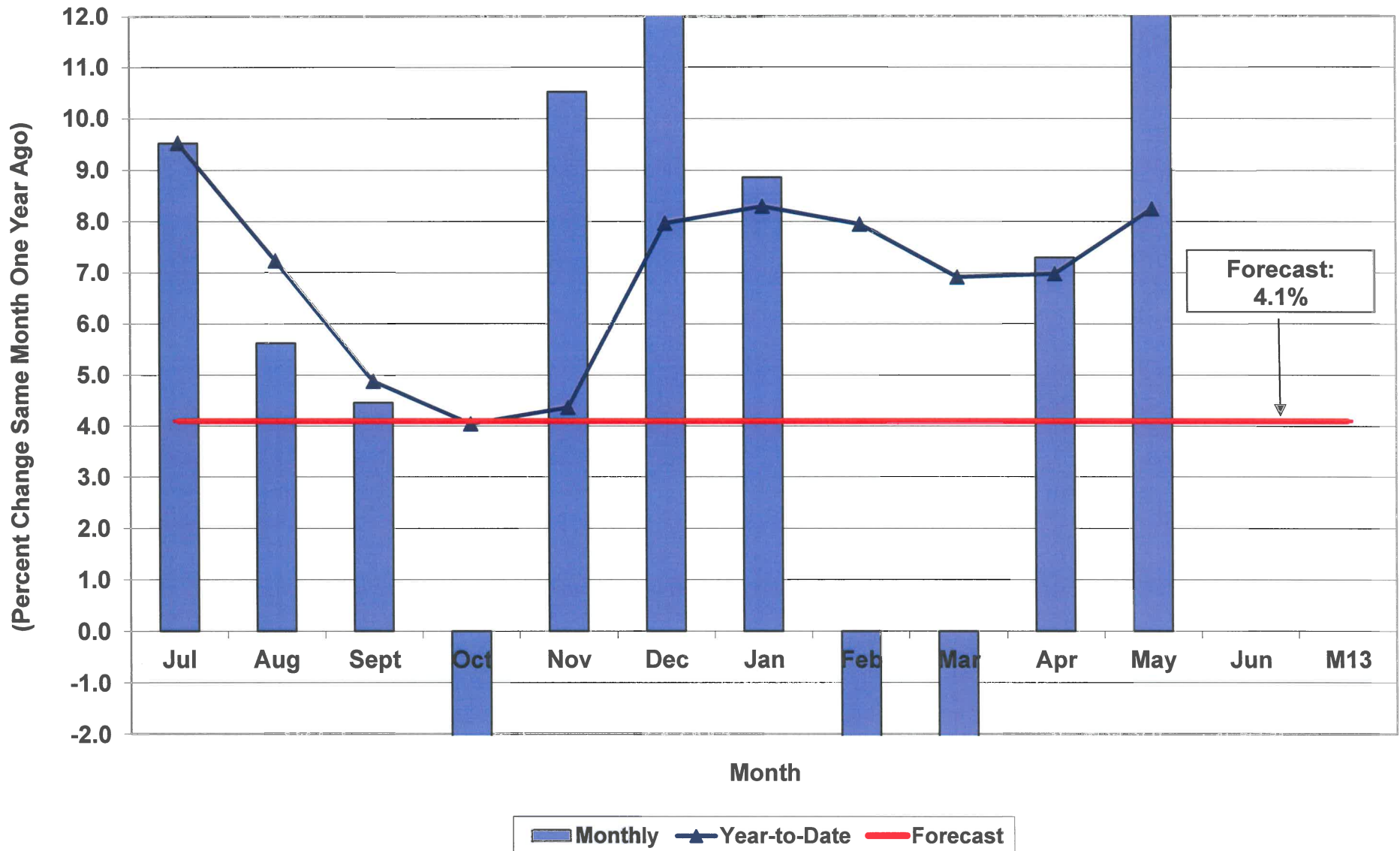


Growth in Individual Income Tax Withholding Revenue FY2017 Monthly and Year-to-Date



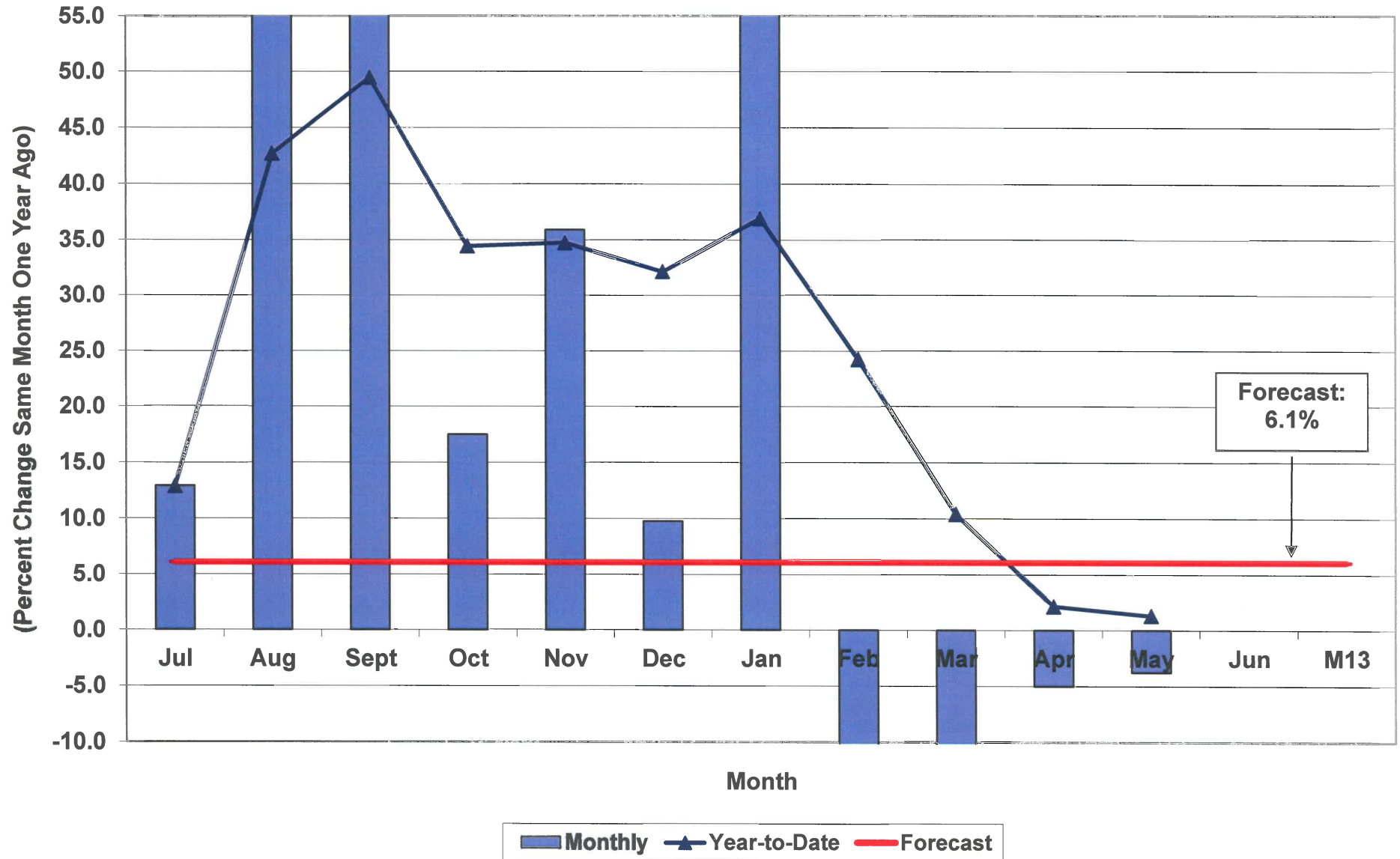
Source: Board of Economic Advisors
BEA/RWM/06/20/17

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



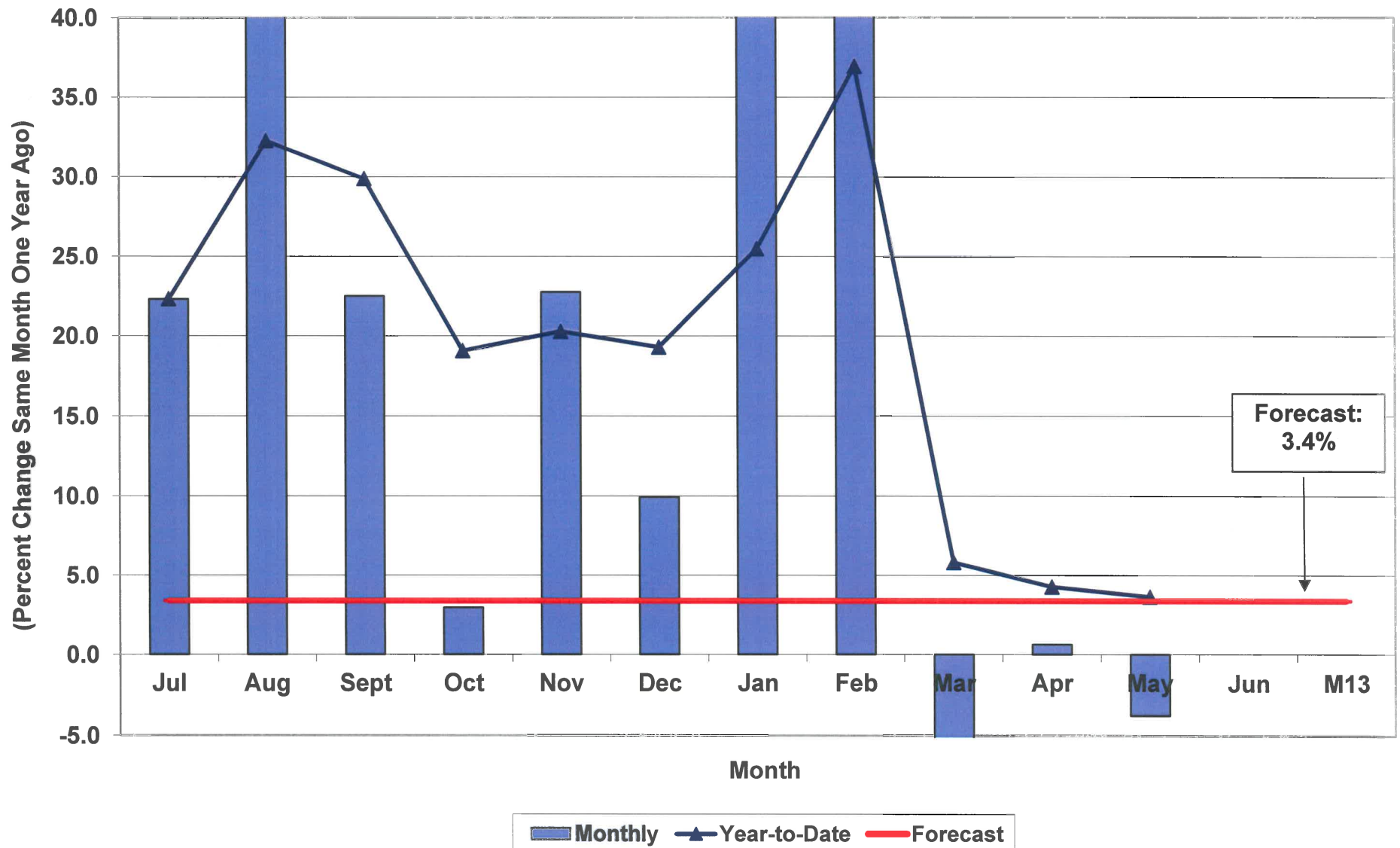
Source: Board of Economic Advisors
BEA/RWM/06/20/17

Growth in Individual Income Tax Paid With Returns in South Carolina FY2017 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/06/20/17

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



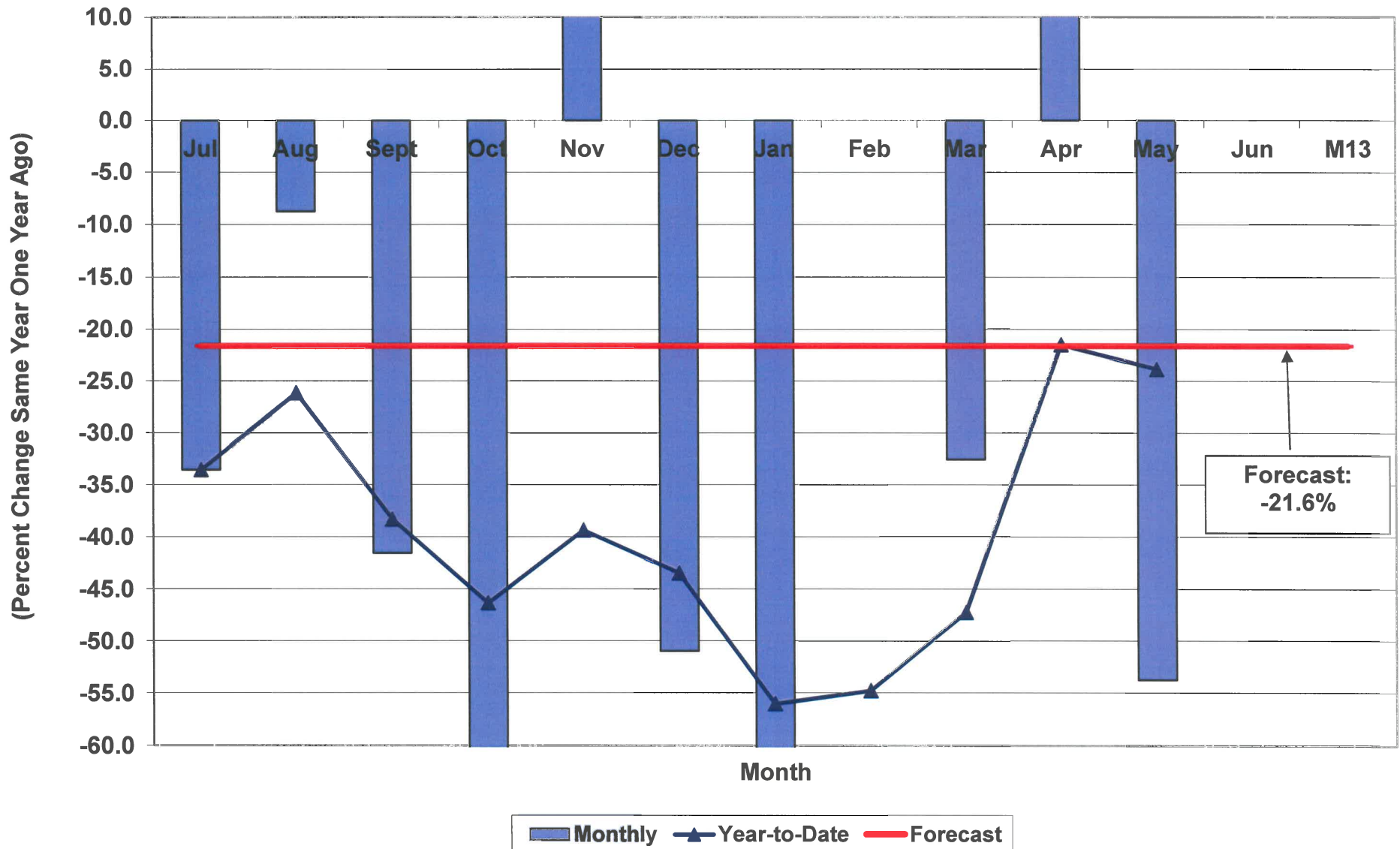


May 2017

Corporate Income Tax

- Corporate earnings/profits improving
- Corporate income taxes affected by timing of revenue collections
- Strong corporate income tax refunds
- Weak corporate income tax withholding

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



Source: Board of Economic Advisors
BEA/RWM/06/20/17



May 2017

Other Tax Issues

- Treasurer deposited Uncashed Checks in May (\$3.6 mil.)
- Surcharge on Vehicle Rentals – nearly \$1 mil. will be transferred to local governments in June
- Public Service Authority – will not meet estimate for fiscal year
- Insurance tax is on estimate (credits in June)

OUTLOOK

FINAL 2016-17

- Overall, revenues are within 99.47% of estimates
- Positives
 - Additional funds in Sales Tax clearing accounts
 - Expect boost from timing in Individual Income Tax Payments and Refunds
- Negatives
 - Weak US sales reported in May
 - No additional boost in Earnings on Investments
- Concerns
 - No surprises in Withholdings or Corporate Income Tax
- ❖ No significant concern for FY 2017-18 estimate at this time

