



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 August 24, 2017, 2:00 P.M. Bowers Conference Room Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for June 20, 2017
3. Final FY 2016-17 General Fund Revenues
  - A. Overview (F. Rainwater)
  - B. Economic and Revenue Review (R. Martin)
4. FY 2017-18 Revenue Update
  - A. FY 2017-18 Estimate and Legislative Changes (R. Martin)
  - B. FY 2017-18 and FY 2018-19 Outlook (F. Rainwater)
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. September 21, 2017 - WebEx possible for Members; RFA Meeting to follow
  - B. October 19, 2017, 10:30am - Quarterly Review; RFA Meeting to follow
  - C. October 19, 2017, 12:45 - 3:30 - Annual Regional Advisory Committee Meeting
  - D. November 9, 2017, 2:00pm - Preliminary Estimate; RFA Meeting to follow
  - E. December 14, 2017, 2:00pm - If necessary, WebEx for Members
  - F. 2017 Calendar at <http://rfa.sc.gov/calendar?m=06&y=2017>
8. 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)



# OVERVIEW





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/

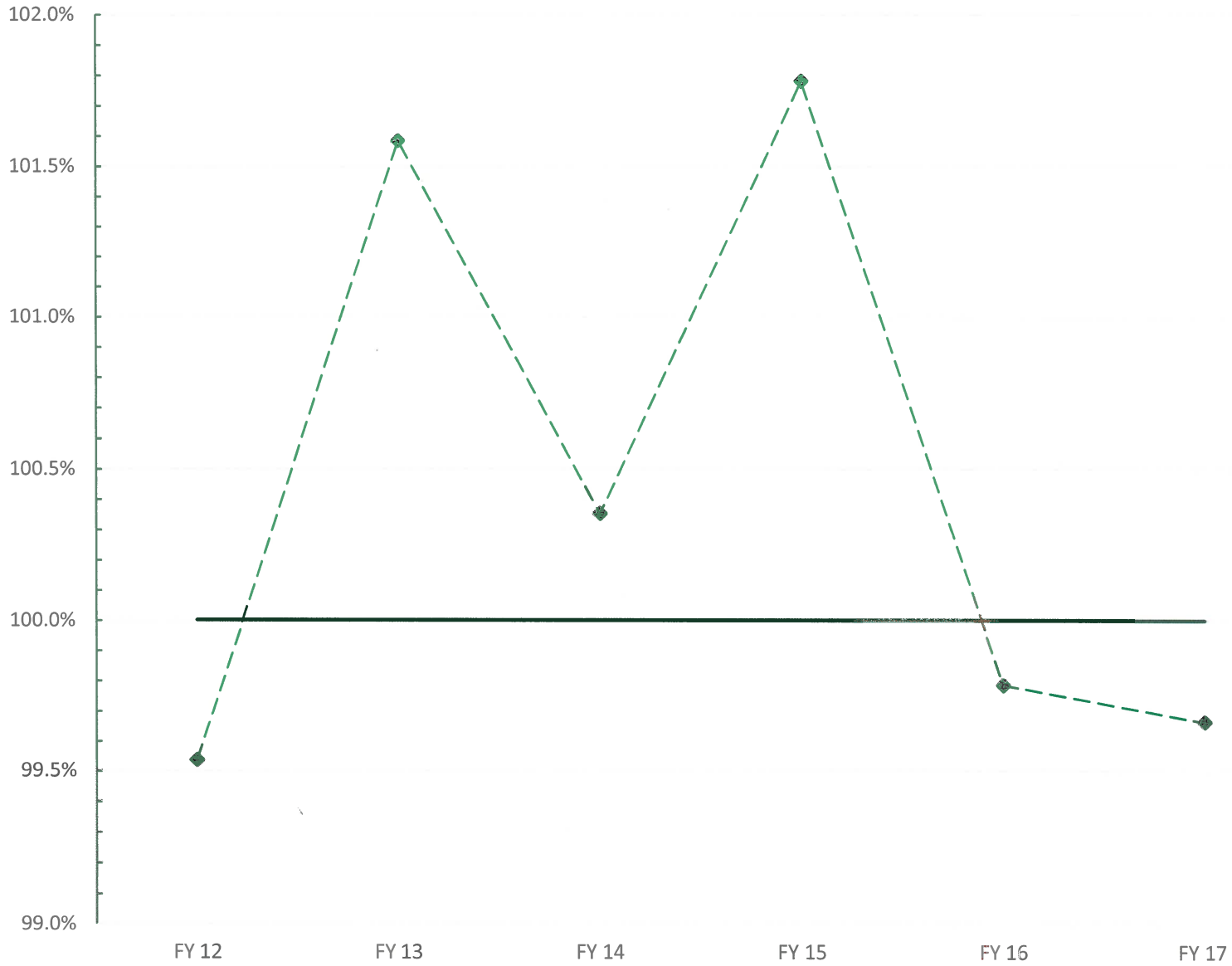
	JULY - 13th MONTH FY 2016-17			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate	Actual
	Actual Revenues	Expected Revenues	Excess / (Shortfall)	Full Fiscal Yr.	Yr. to Date
<b>Total General Fund Revenue</b>	<b>8,158.5</b>	<b>8,186.0</b>	<b>(27.5)</b>	<b>4.4</b>	<b>4.1</b>
Sales Tax	2,896.3	2,903.3	(7.0)	3.0	2.8
Individual Income Tax	4,107.6	4,097.4	10.3	6.9	7.2
Corporate Income Tax	320.4	322.4	(2.0)	(21.6)	(22.1)
Other Revenue Sources	834.1	863.0	(28.8)	11.0	7.3
<b>Select Tax Revenues, Sub-Total</b>	<b>685.5</b>	<b>720.7</b>	<b>(35.2)</b>	<b>12.5</b>	<b>6.9</b>
Admissions Tax - Total	31.5	29.6	1.9	(4.0)	0.9
Alcoholic Liquors Tax	76.7	76.9	(0.1)	4.5	4.3
Bank Tax	53.4	40.0	13.4	35.9	81.3
Beer and Wine Tax	109.6	111.0	(1.4)	3.5	2.2
Corporation License Tax	68.2	115.2	(47.0)	29.9	(23.1)
Documentary Tax	51.7	46.5	5.2	0.7	12.0
Earnings on Investments	30.8	24.0	6.8	(4.7)	22.3
Insurance Tax	237.7	249.7	(12.0)	17.7	12.0
Tobacco Tax	26.4	27.8	(1.4)	(1.3)	(6.1)
<b>Residual Revenue, Sub-Total 2/</b>	<b>148.7</b>	<b>142.3</b>	<b>6.4</b>	<b>4.6</b>	<b>9.3</b>

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.

### Actual General Fund Revenue as a Percentage of Final Estimate



Source: RFA/FAR/08/23/17



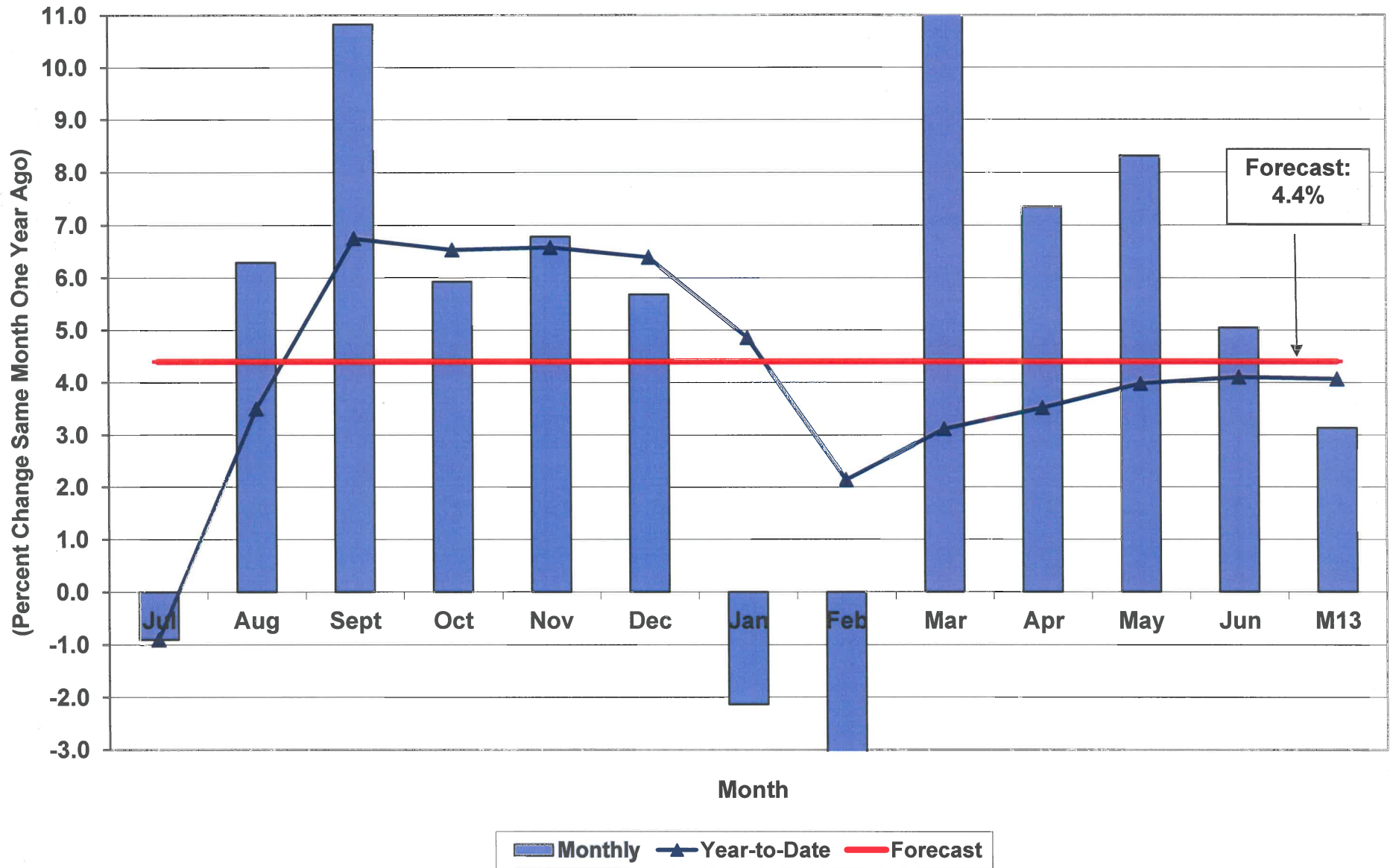
## Final FY2016-17 General Fund Revenue

### General Fund Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Total General Fund	\$8,158.5	\$8,160.0	(\$27.5)	4.4	4.1

- The BEA finished FY2016-17 within three-tenths of one percentage point (0.3%) of the official revenue estimate.
- Over the past two fiscal years, the General Fund revenue estimates have boasted a combined 99.72% accuracy rate.

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



Source: Board of Economic Advisors  
BEA/RWM/08/24/17





## Final FY2016-17 General Fund Revenue

### Sales Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$2,896.3	\$2,903.3	(\$7.0)	3.0	2.8

- Weaker retail sales in 2<sup>nd</sup> half of fiscal year (2.4% vs. 3.1%)
- Consumer spending has slowed since Christmas yet remains a significant contributor to economic growth
- Car tax transfer to DOT exceeded estimate by \$2.3 million

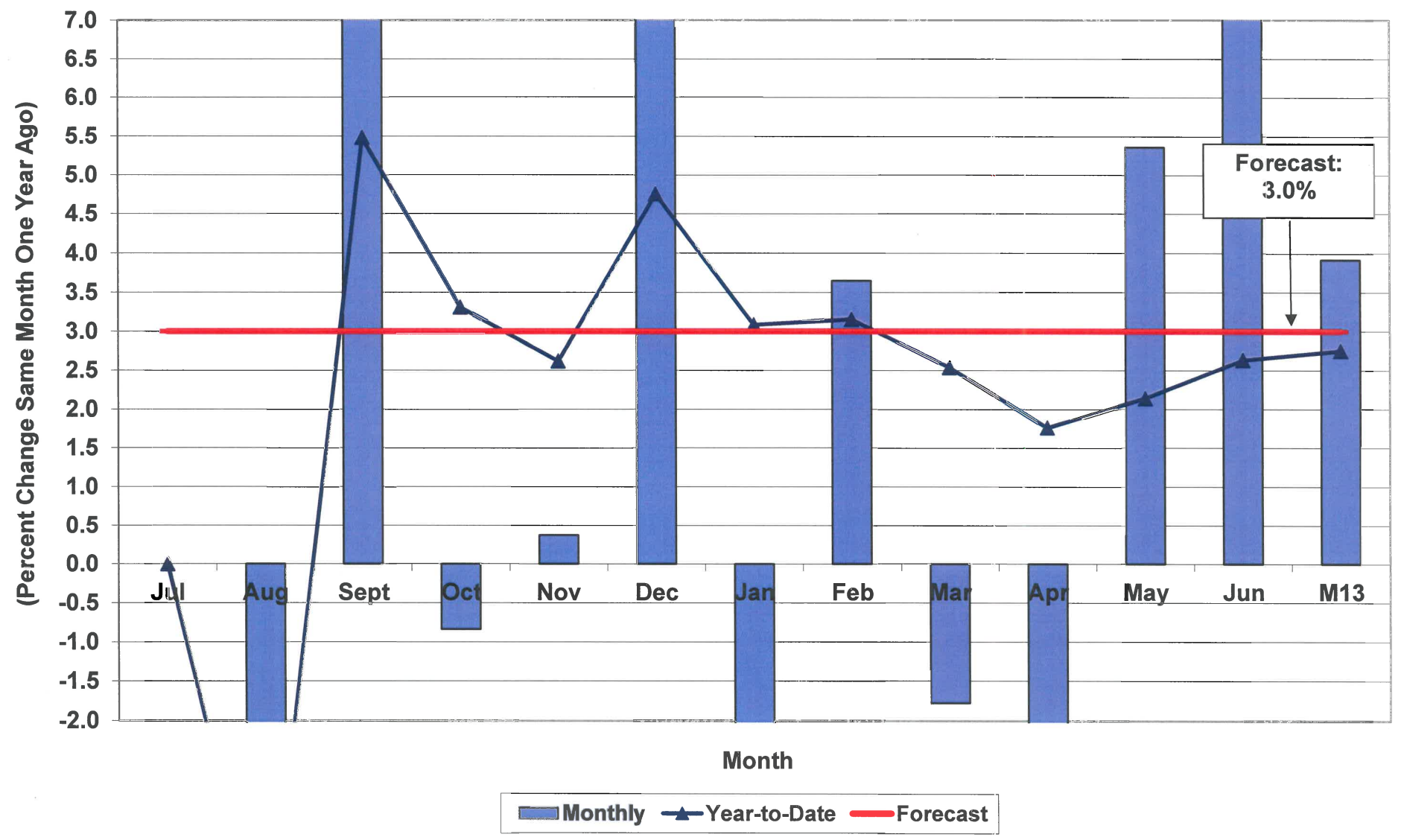




## Final FY2016-17 General Fund Revenue

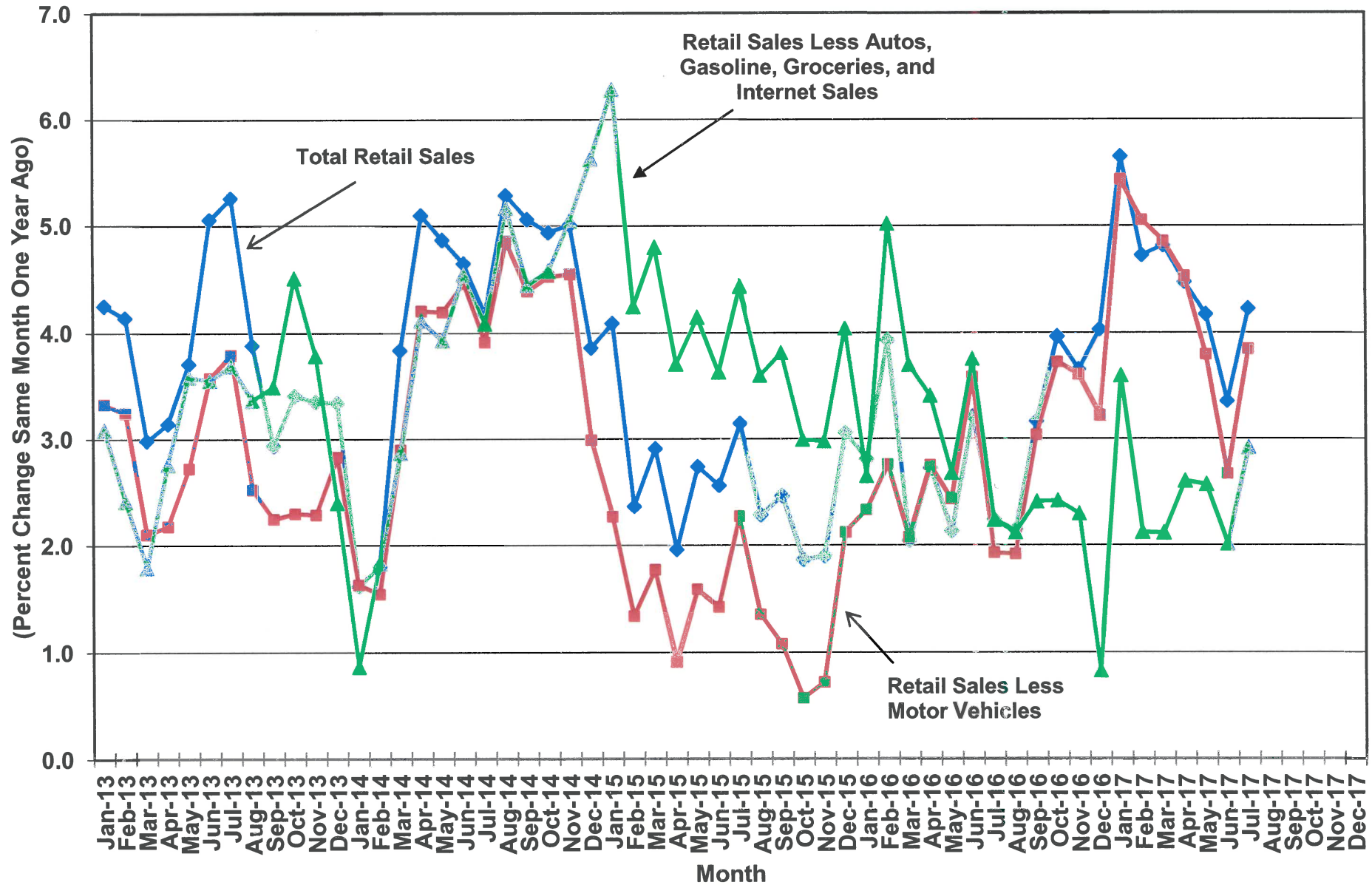
- U.S. car sales posted seven consecutive months of declining growth

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



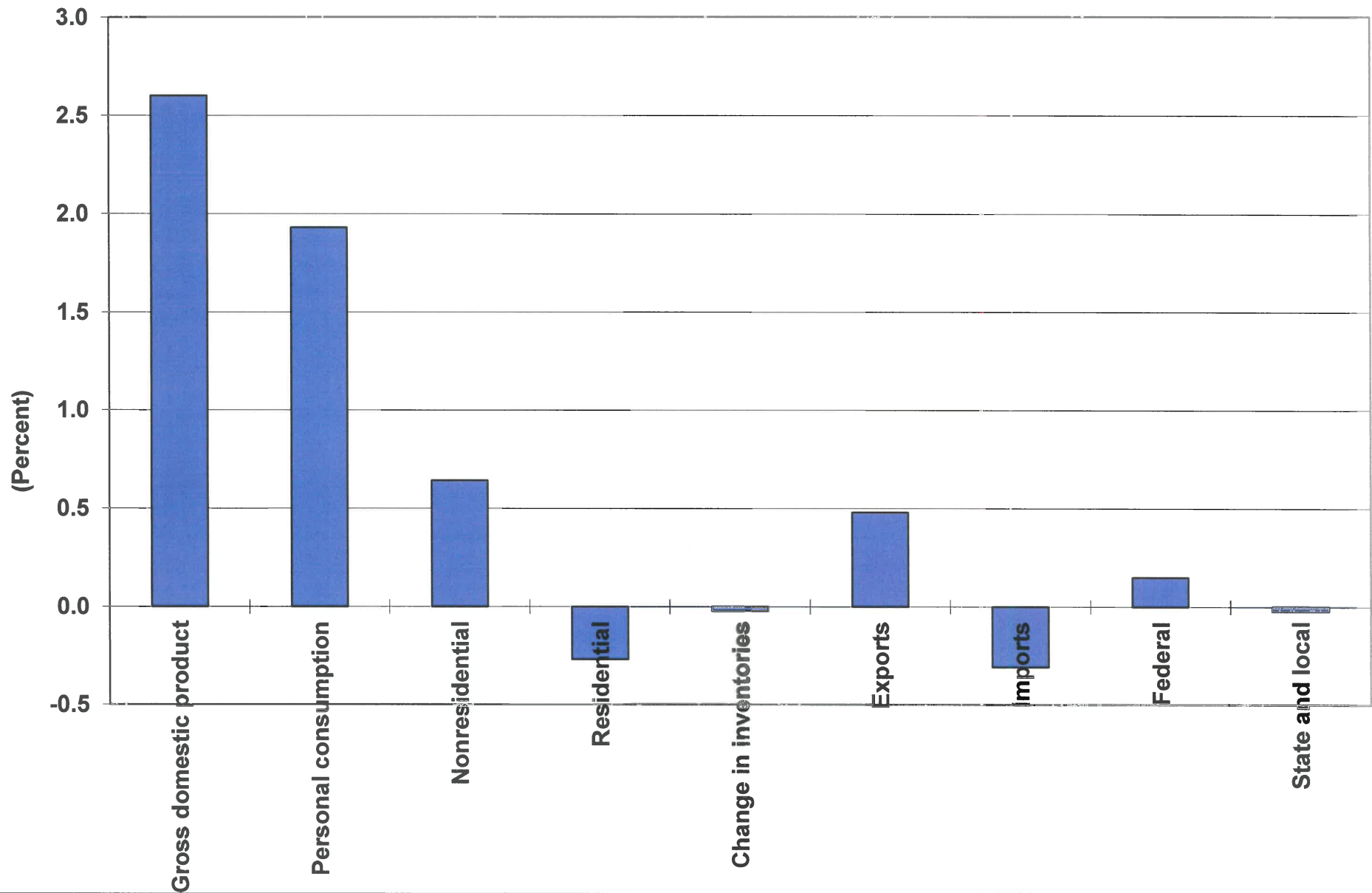
Source: Board of Economic Advisors  
BEA/RWM/08/24/17

# U.S. Retail & Food Service Sales

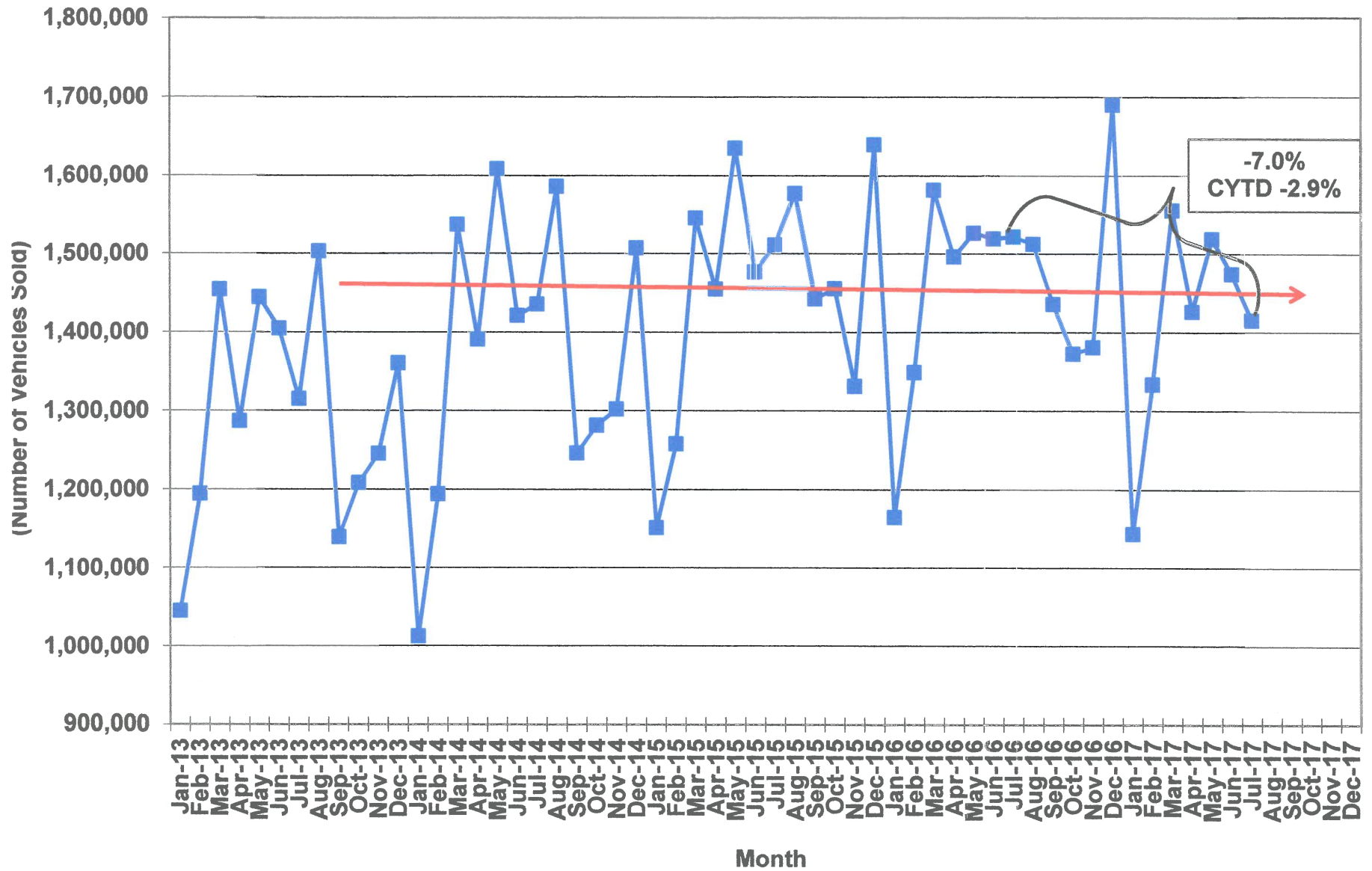


Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

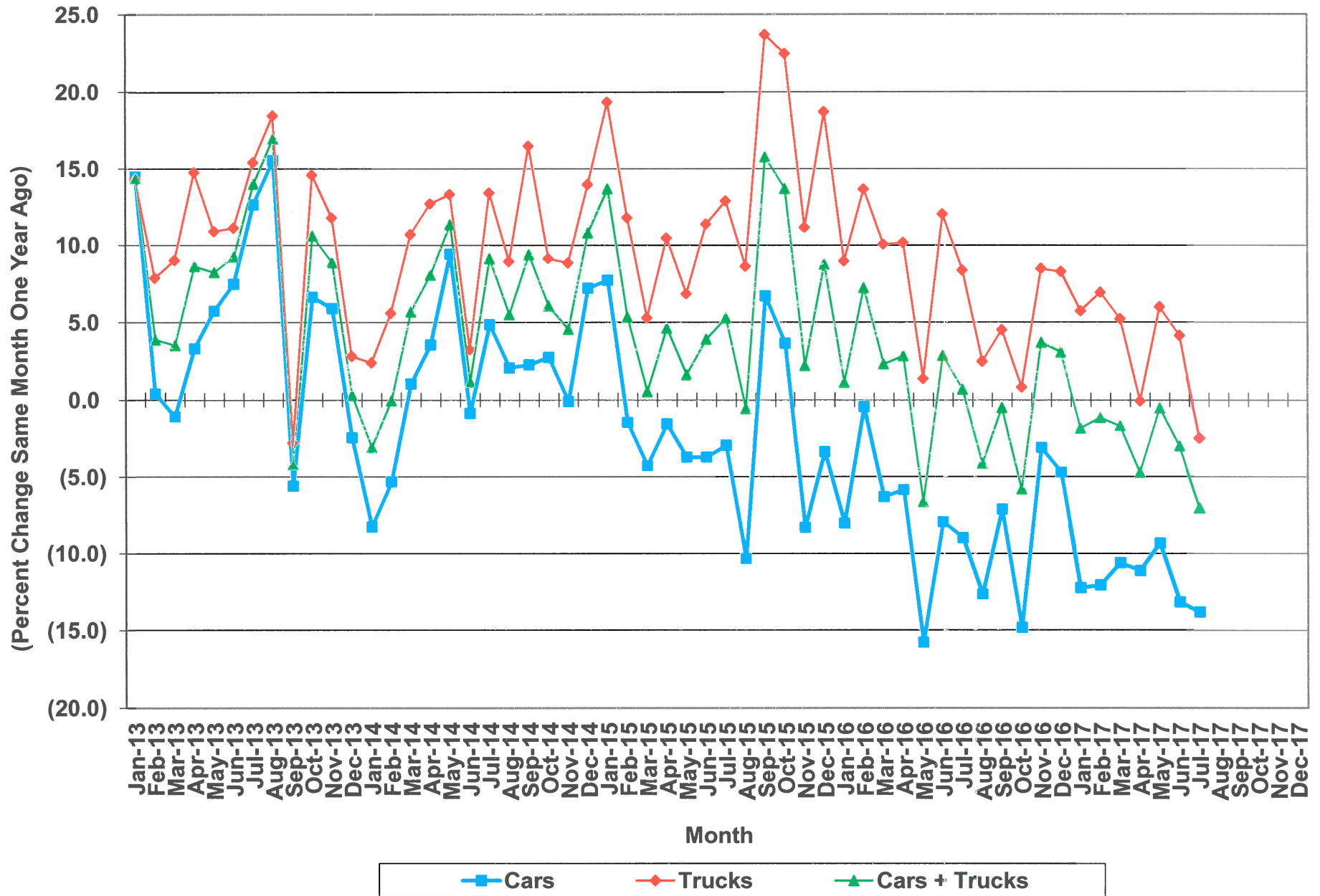
## Contribution to Real Gross Domestic Product in the U.S. 2017, Second Quarter, (Advance Estimate)



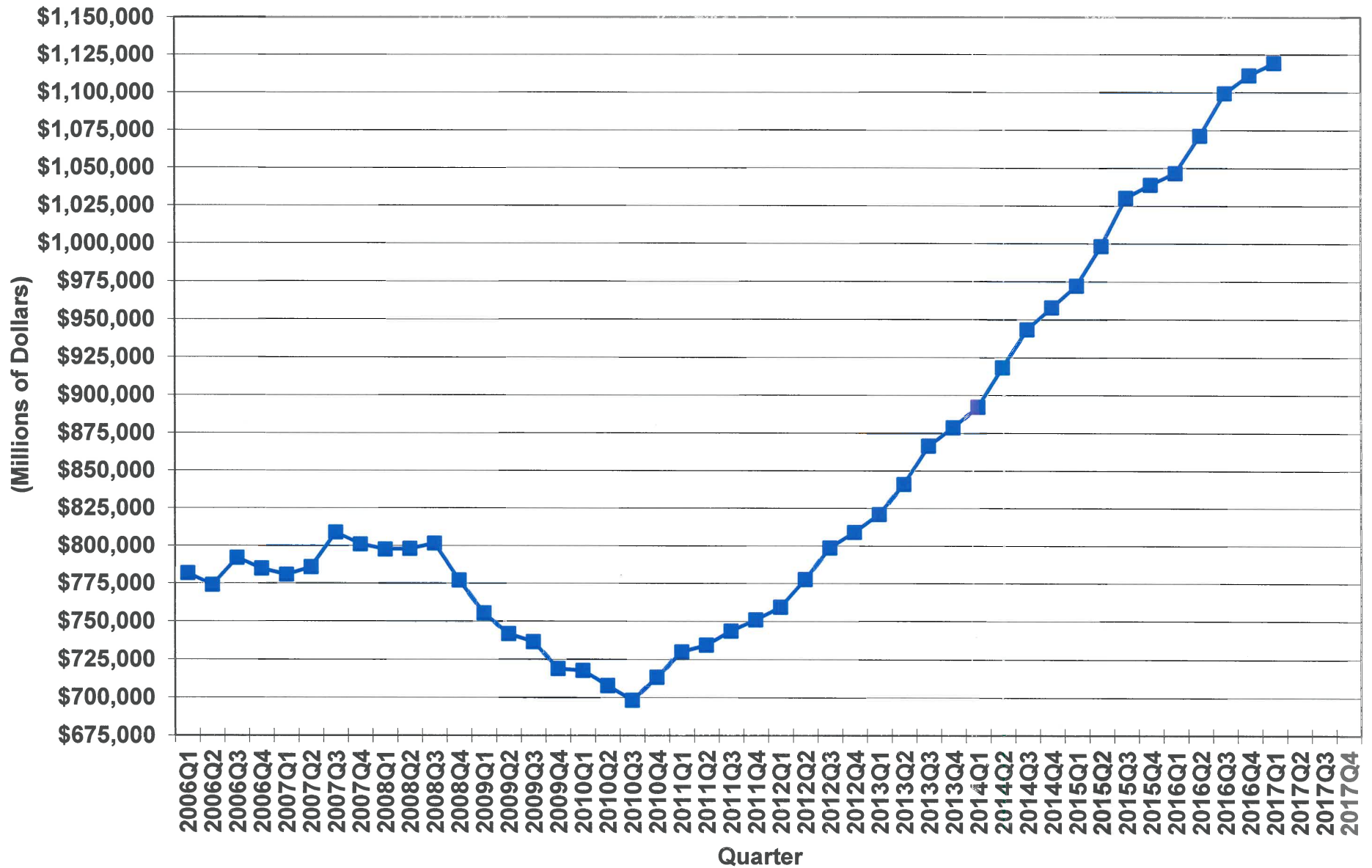
# Total Light Vehicle Sales in the United States



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



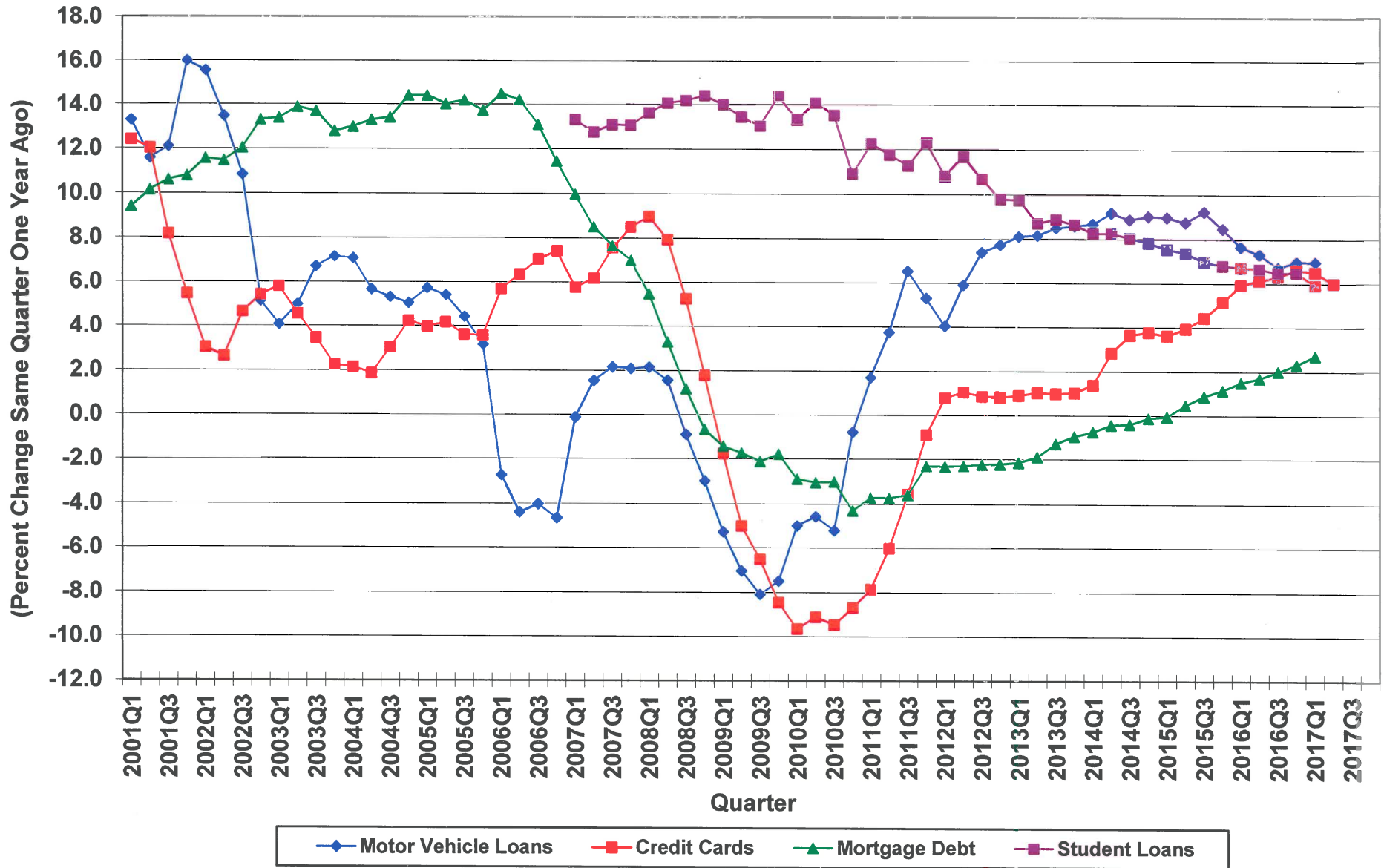
## Total New & Used Motor Vehicle Credit Outstanding in the U.S.



Source: The Board of Governors of the Federal Reserve System  
SCBEA/RWM/08/24/17



# Growth in Major Types of Household Debt



Source: The Board of Governors of the Federal Reserve System  
BEA/RWM/08/24/17



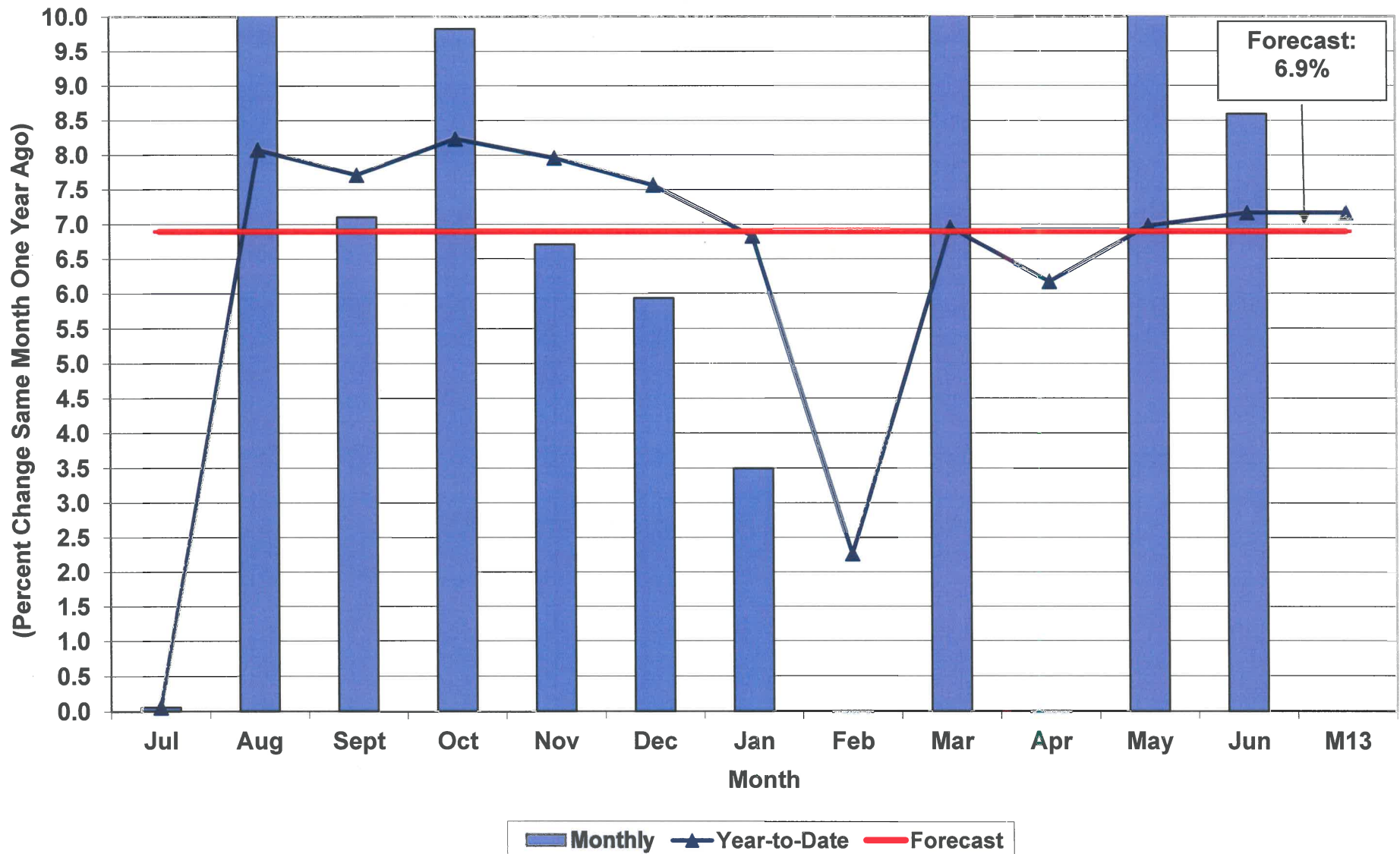
## Final FY2016-17 General Fund Revenue

### Individual Income Tax

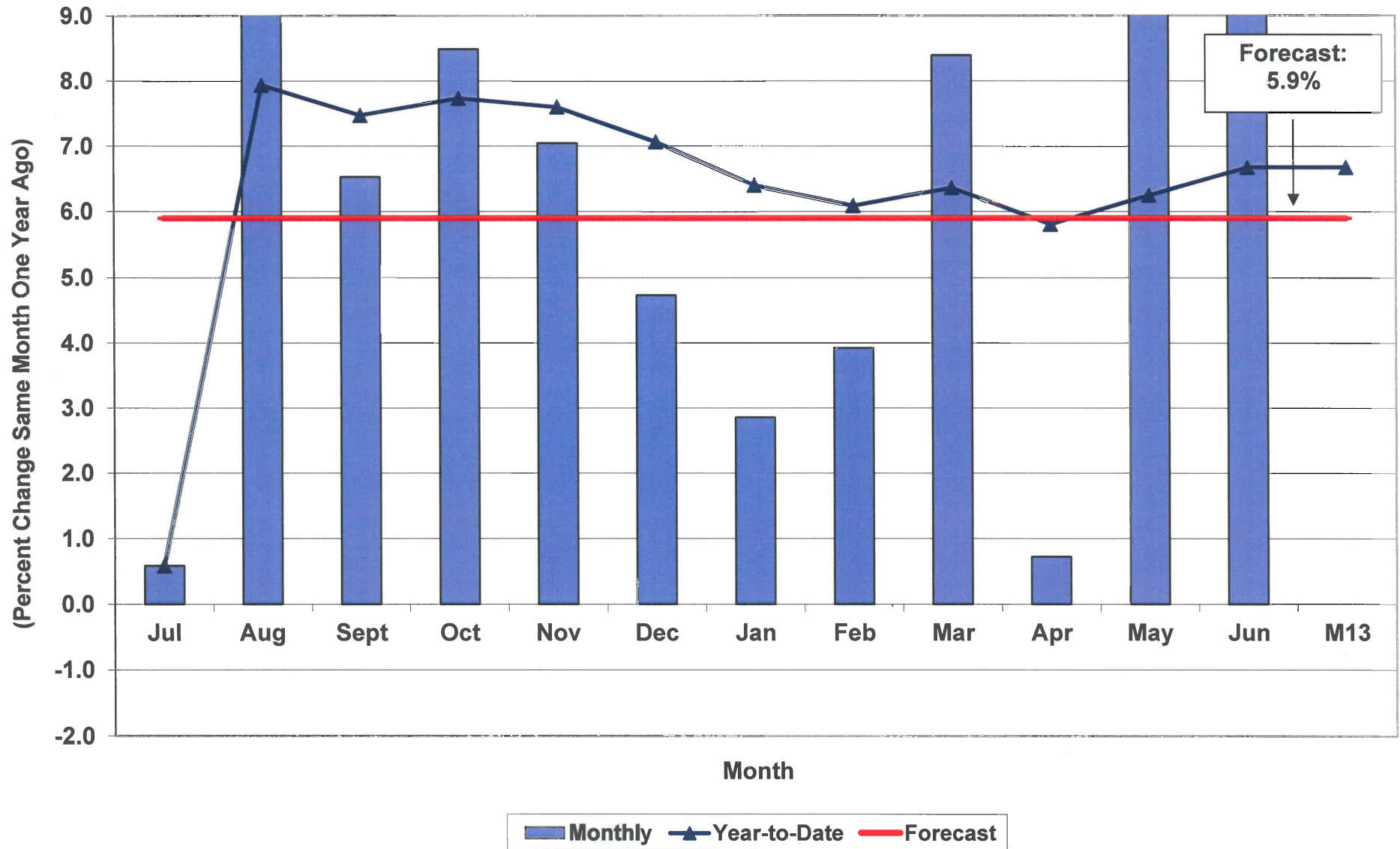
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Individual Income Tax	\$4,107.6	\$4,097.4	\$10.3	6.9	7.2

- Strong income tax withholdings mirrored health employment gains
- Strong declaration payments bolstered the non-employer sector
- Refund timing patterns settled down and met estimate expectations

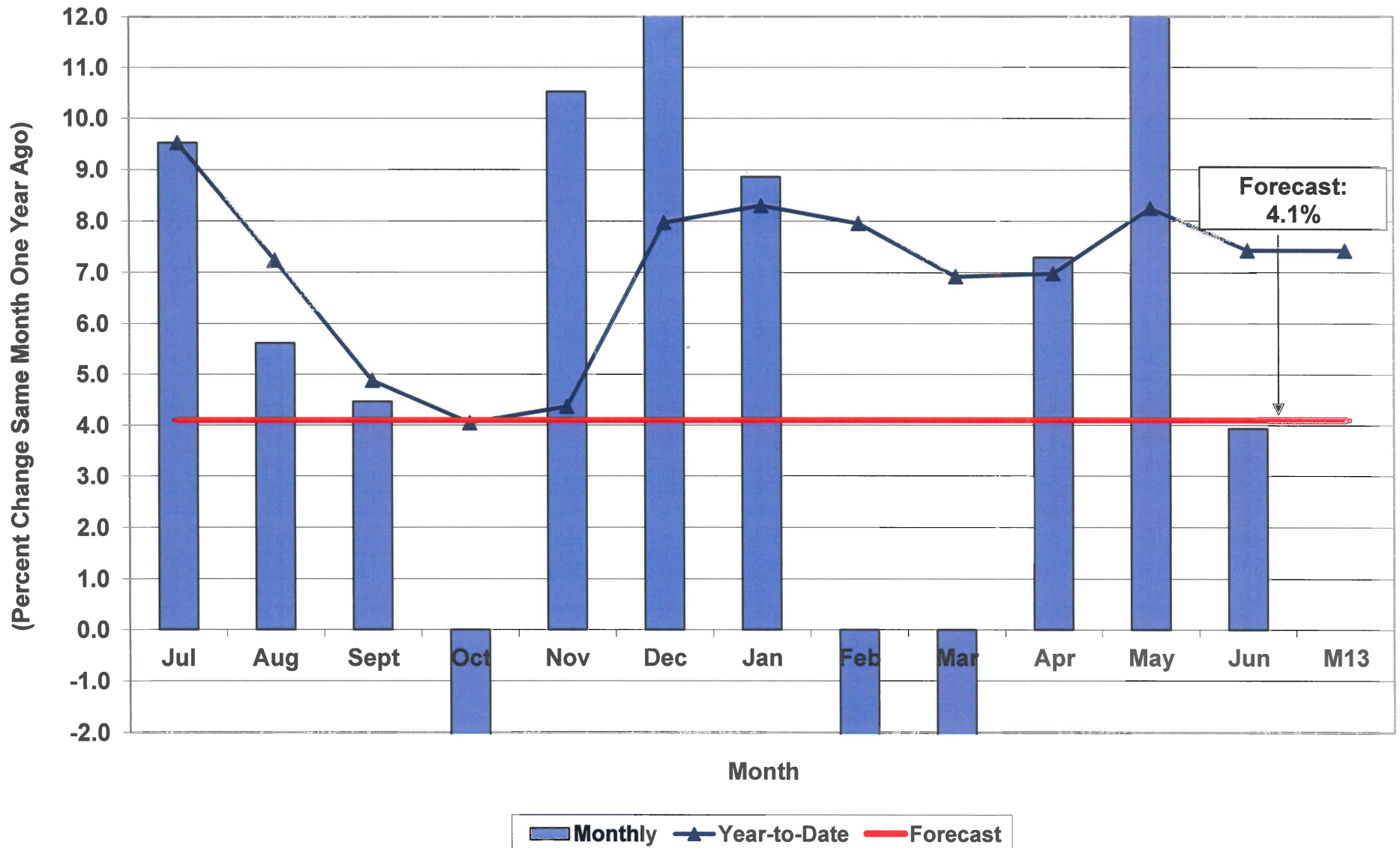
## Growth in Total Individual Income Tax Revenue Collections FY2017 Monthly and Year-to-Date



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

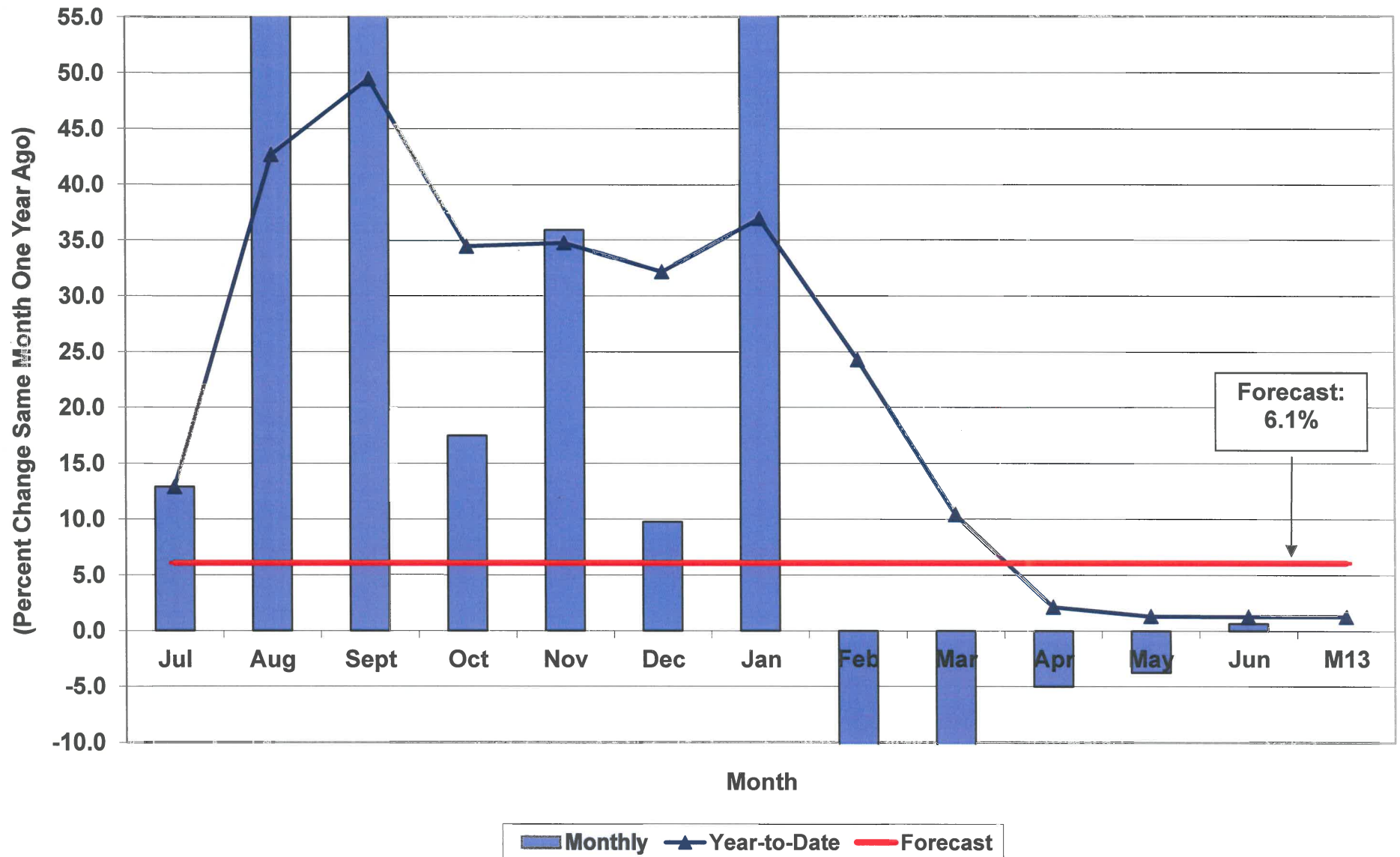


## Growth in Individual Income Tax Declarations in South Carolina FY2017 Monthly and Year-to-Date



Source: Board of Economic Advisors  
BEA/RWM/08/24/17

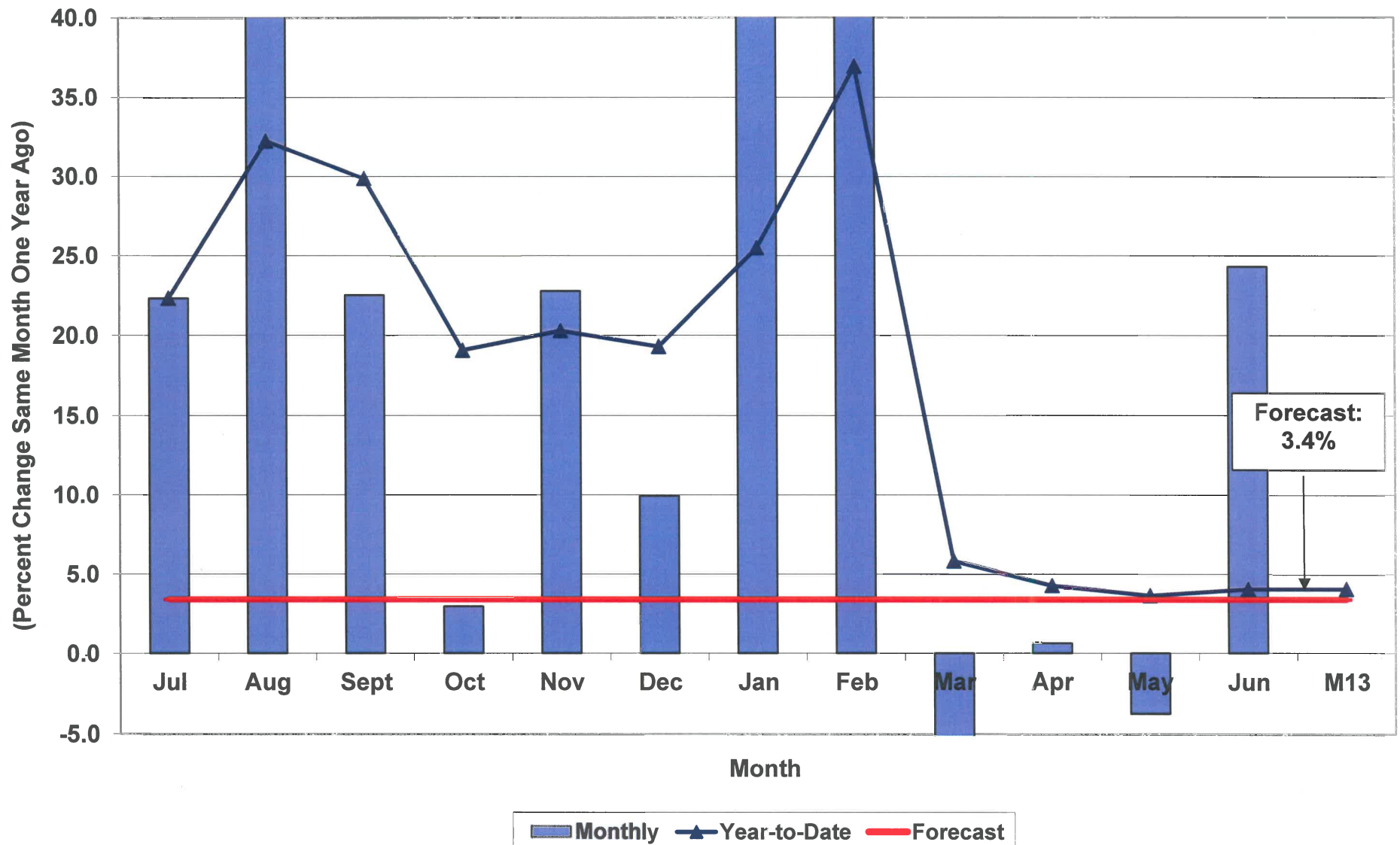
## Growth in Individual Income Tax Paid With Returns in South Carolina FY2017 Monthly and Year-to-Date



Source: Board of Economic Advisors  
BEA/RWM/08/24/17



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







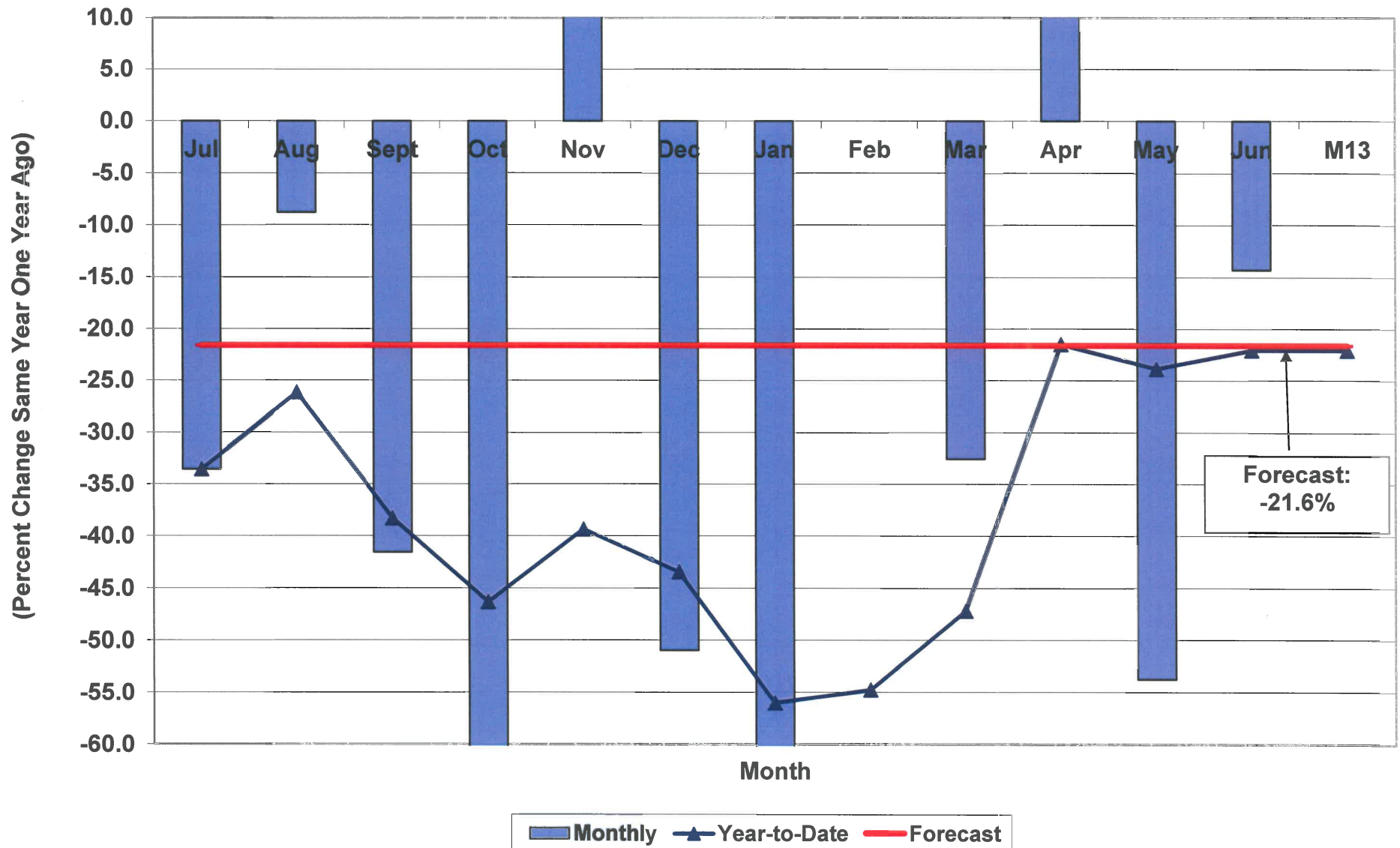
## Final FY2016-17 General Fund Revenue

### Corporate Income Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Corporation Income Tax	\$320.4	\$322.4	(\$2.0)	(21.6)	(22.1)

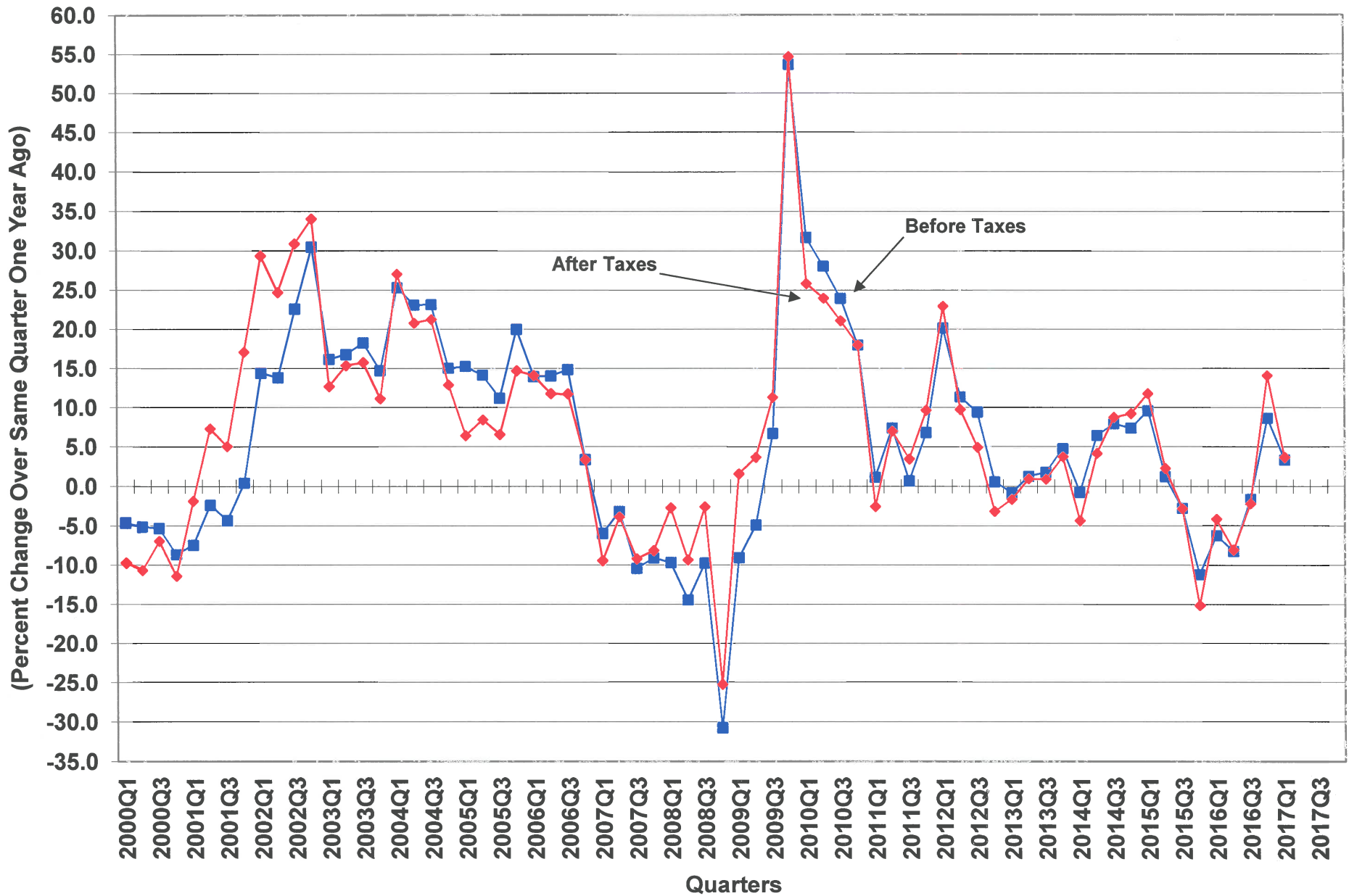
- Corporate income taxes affected by timing of revenue collections
- Unanticipated \$72 million in corporate refunds
- Revenue during 2nd half of FY2016-17 equaled 2nd half of FY2015-16

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



Source: Board of Economic Advisors  
BEA/RWM/08/24/17

# U.S. Corporate Profits Before and After Taxes





## Final FY2016-17 General Fund Revenue

### Other Taxes

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$834.1	\$863.0	(\$28.8)	\$11.0	\$7.3

- Corporate license tax responsible for majority of revenue shortfall
- Insurance tax credits (\$6.6 mil. than estimate) and soft premium tax revenue in 4<sup>th</sup> quarter
- Earnings on Investments – received no revenue in 4<sup>th</sup> quarter



## Final FY2016-17 General Fund Revenue

- Public Service Authority did not meet revenue expectations
- Bank tax eclipsed the \$50 million mark (all-time record)



## Final FY2016-17 General Fund Revenue

### Items of Concern for FY2017-18 General Fund Revenue Estimate

- Insurance tax – credits and premiums
- Corporate license tax – current estimate is overstated
- Personal income – growth rates have been slowing
- Public Service Authority – impact of SCE&G abandoning plant
- Federal Reserve increasing interest rates will increase borrowing costs



## Final FY2016-17 General Fund Revenue

- Congressional malaise – health care, tax reform, infrastructure, immigration

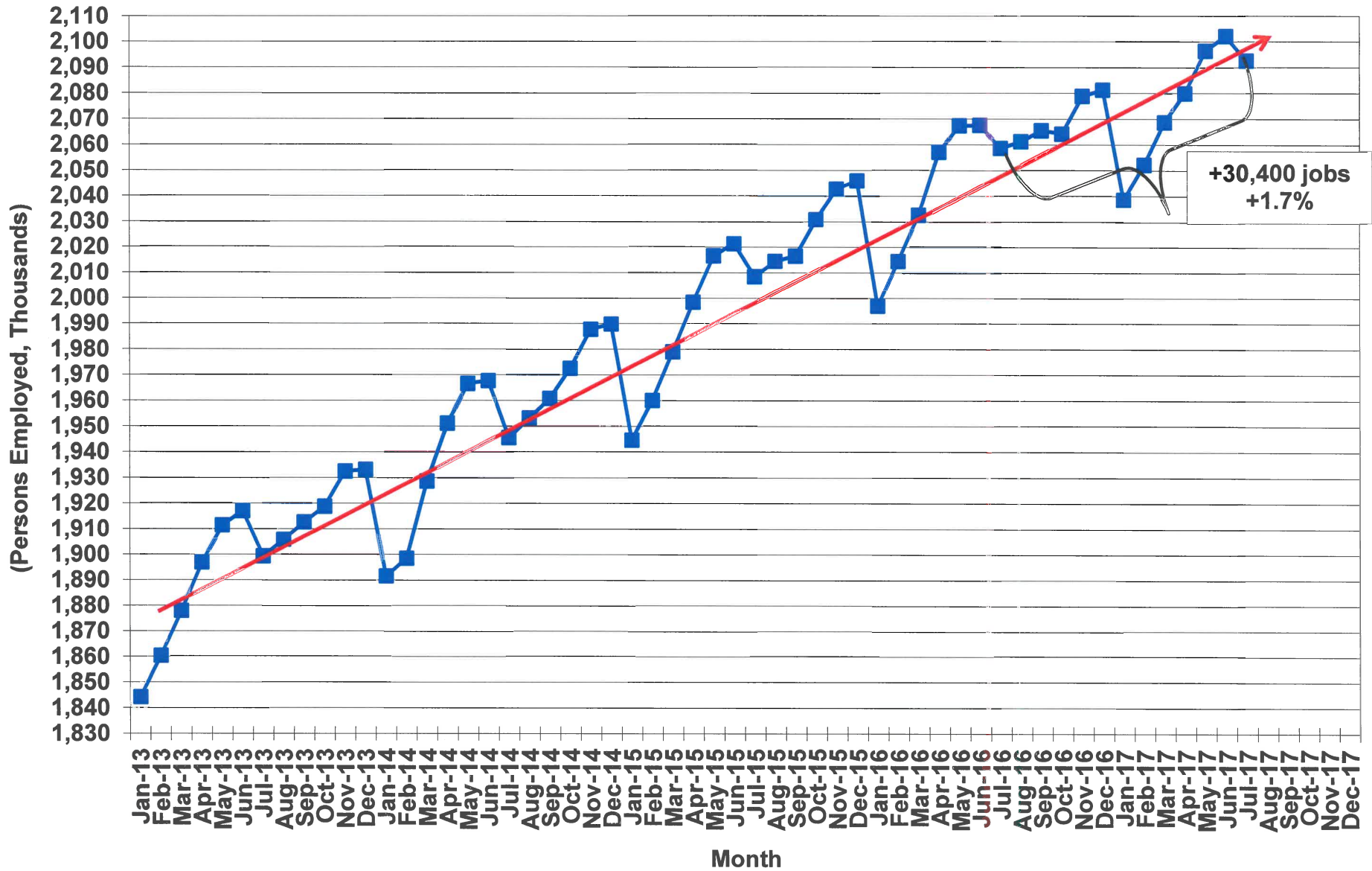
### Economic Trends

- SC economy is at full employment
- SC employment growth rates will moderate
- SC wages have not increased at the rates expected for a full employment labor force
- National forecasts expect a slight slowdown in the US economy



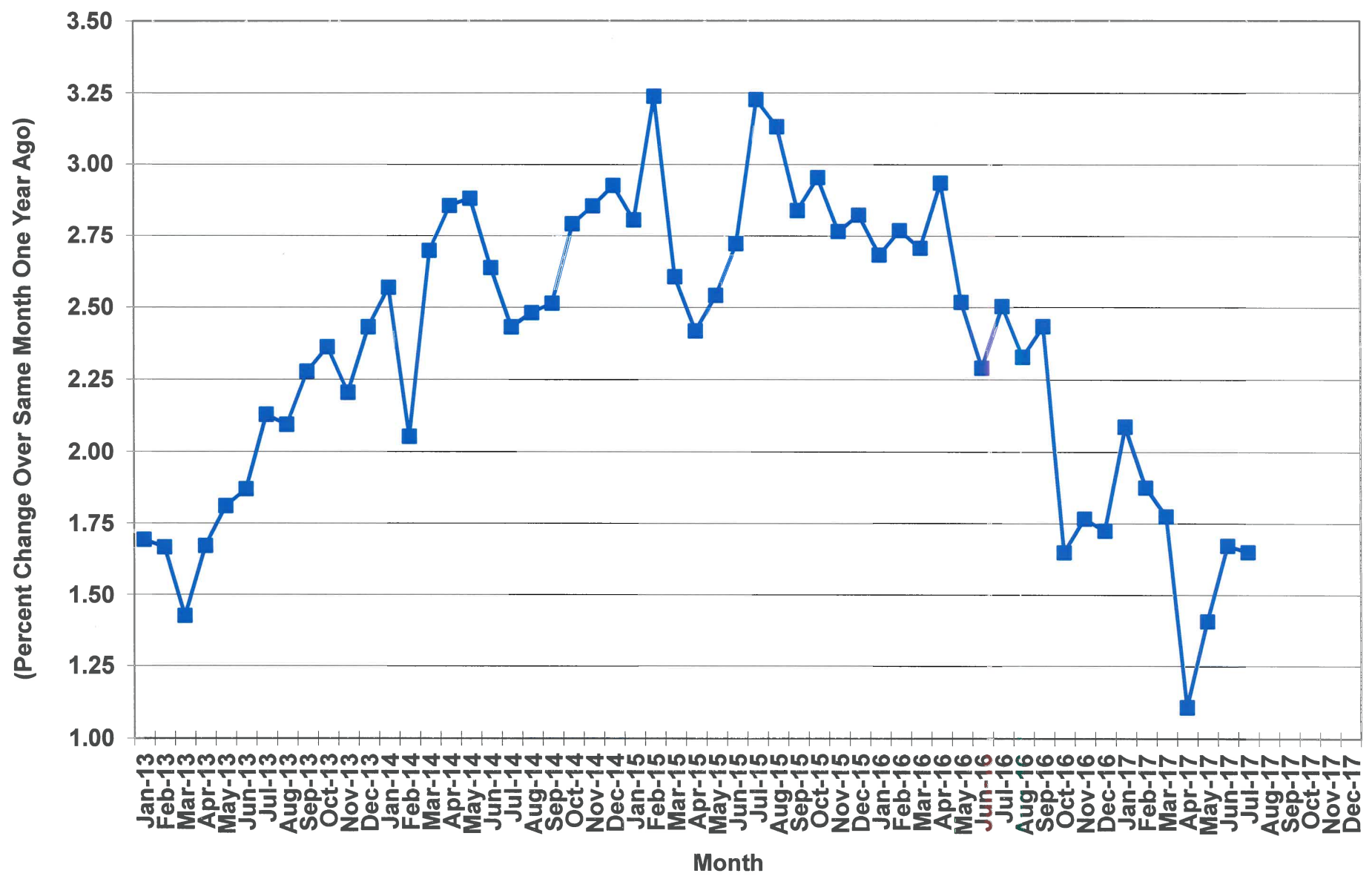


# Total Nonfarm Employment in South Carolina



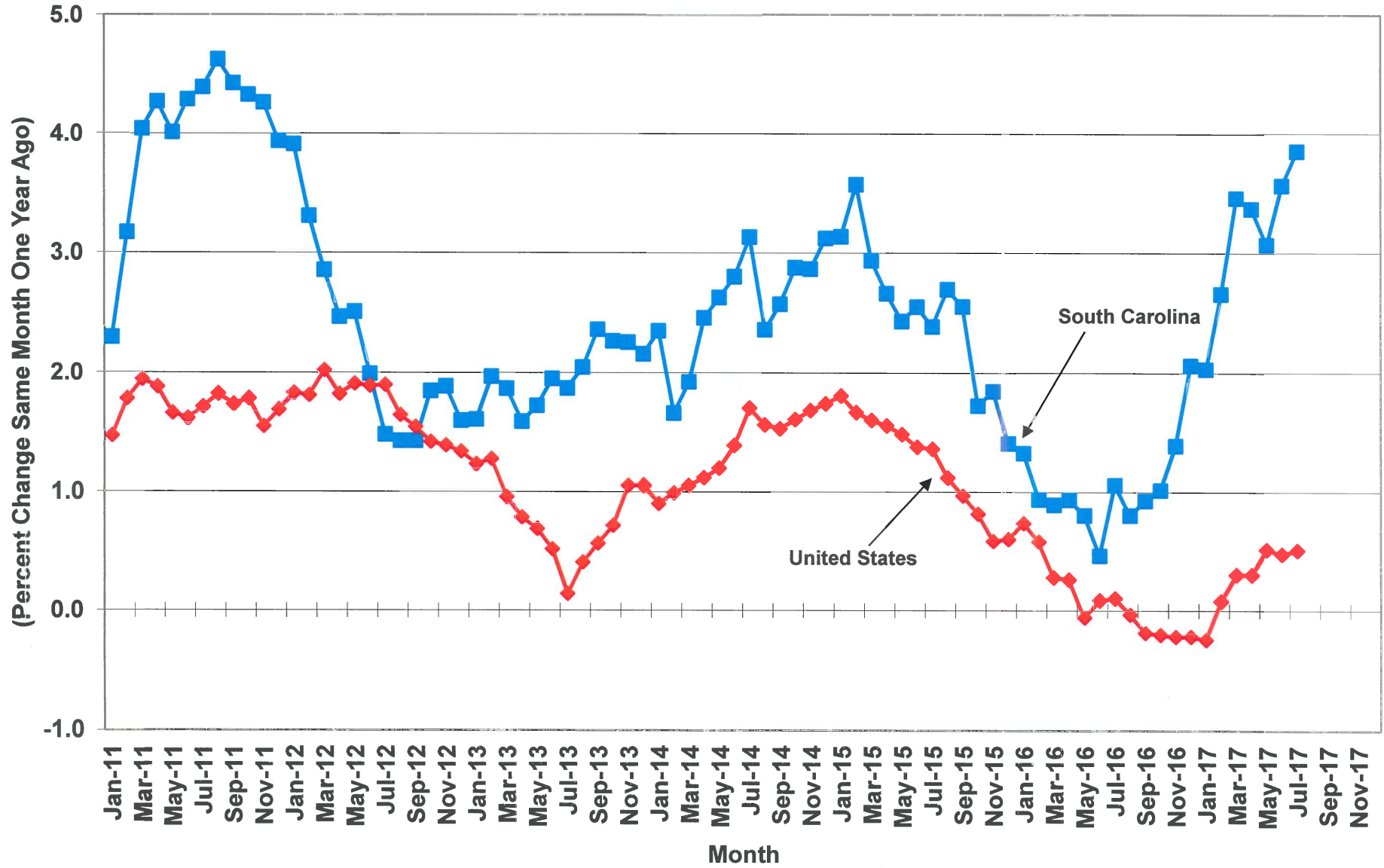
Source: U.S. Department of Labor, Bureau of Labor Statistics  
SCBEA/RWM/08/24/17

# Total Nonfarm Employment Growth in South Carolina



Source: U.S. Department of Labor, Bureau of Labor Statistics  
SCBEA/RWM/08/24/17

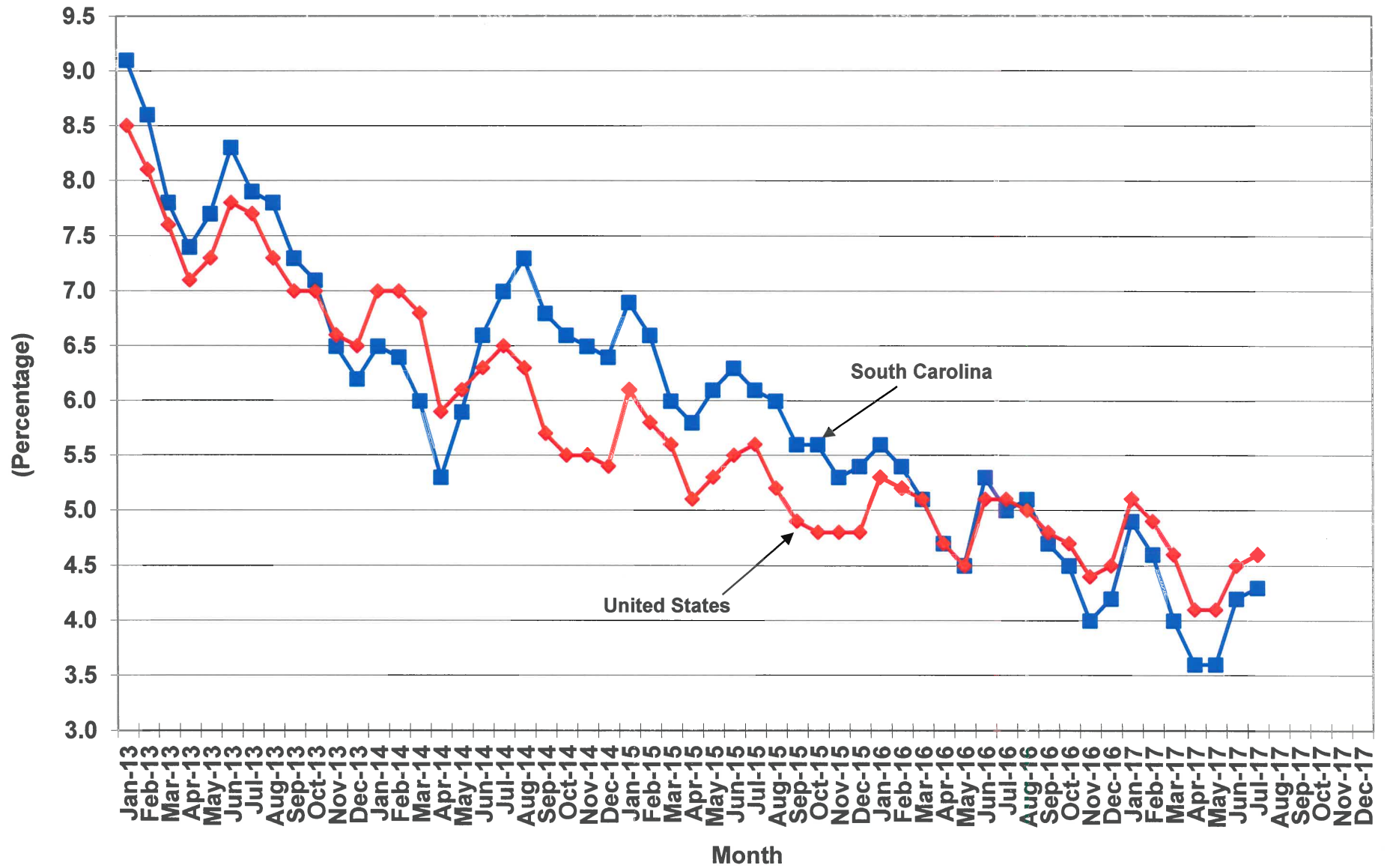
# Growth in Manufacturing Employment in SC and US



Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.  
BEA/RWM/03/24/17

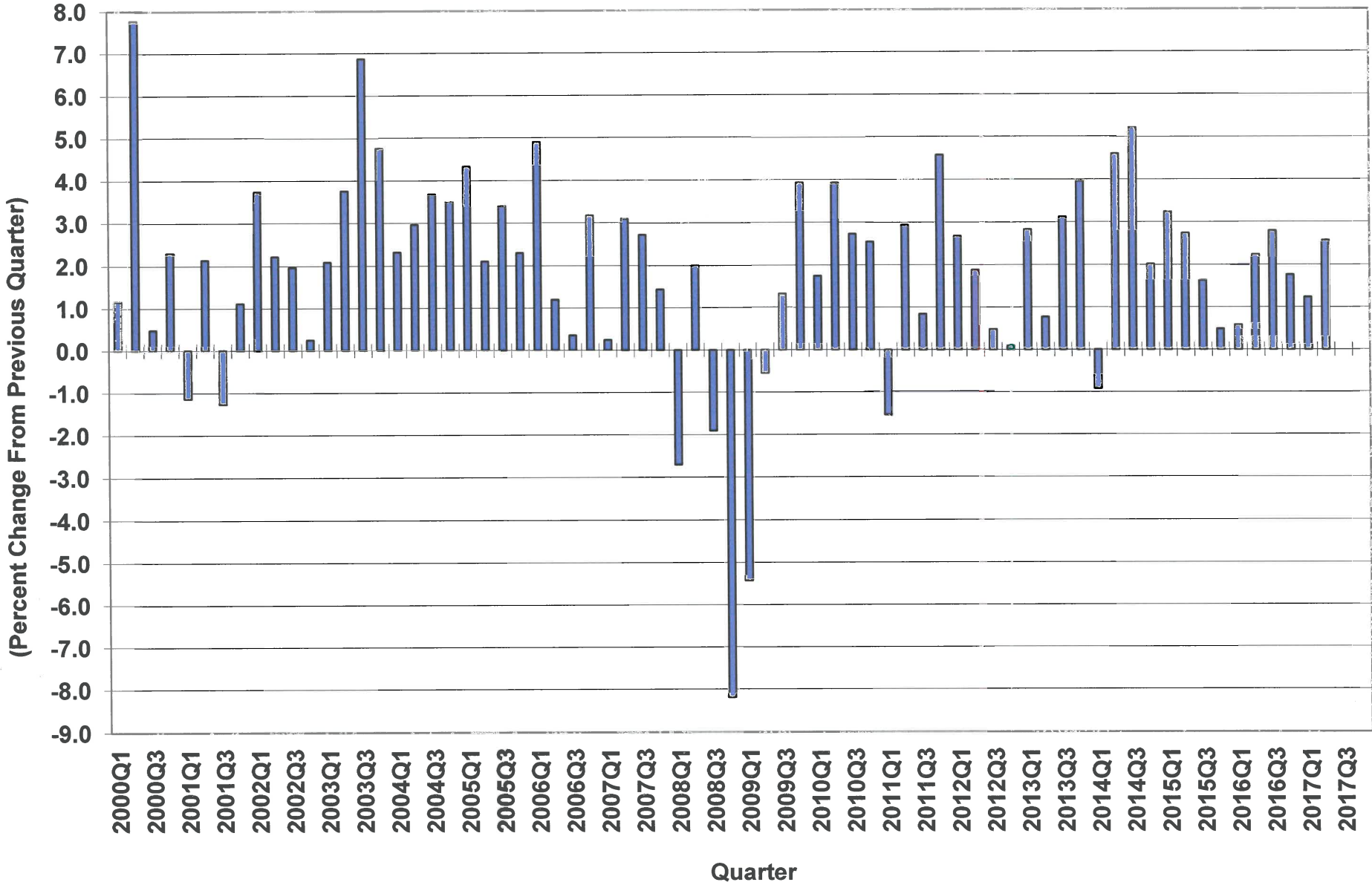
Source: Board of Economic Advisors

## Unemployment Rate in South Carolina (Unadjusted)



Source: U.S. Department of Labor, Bureau of Labor Statistics  
SCBEA/RWM/08/24/17

# Real Gross Domestic Product in the U.S.



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



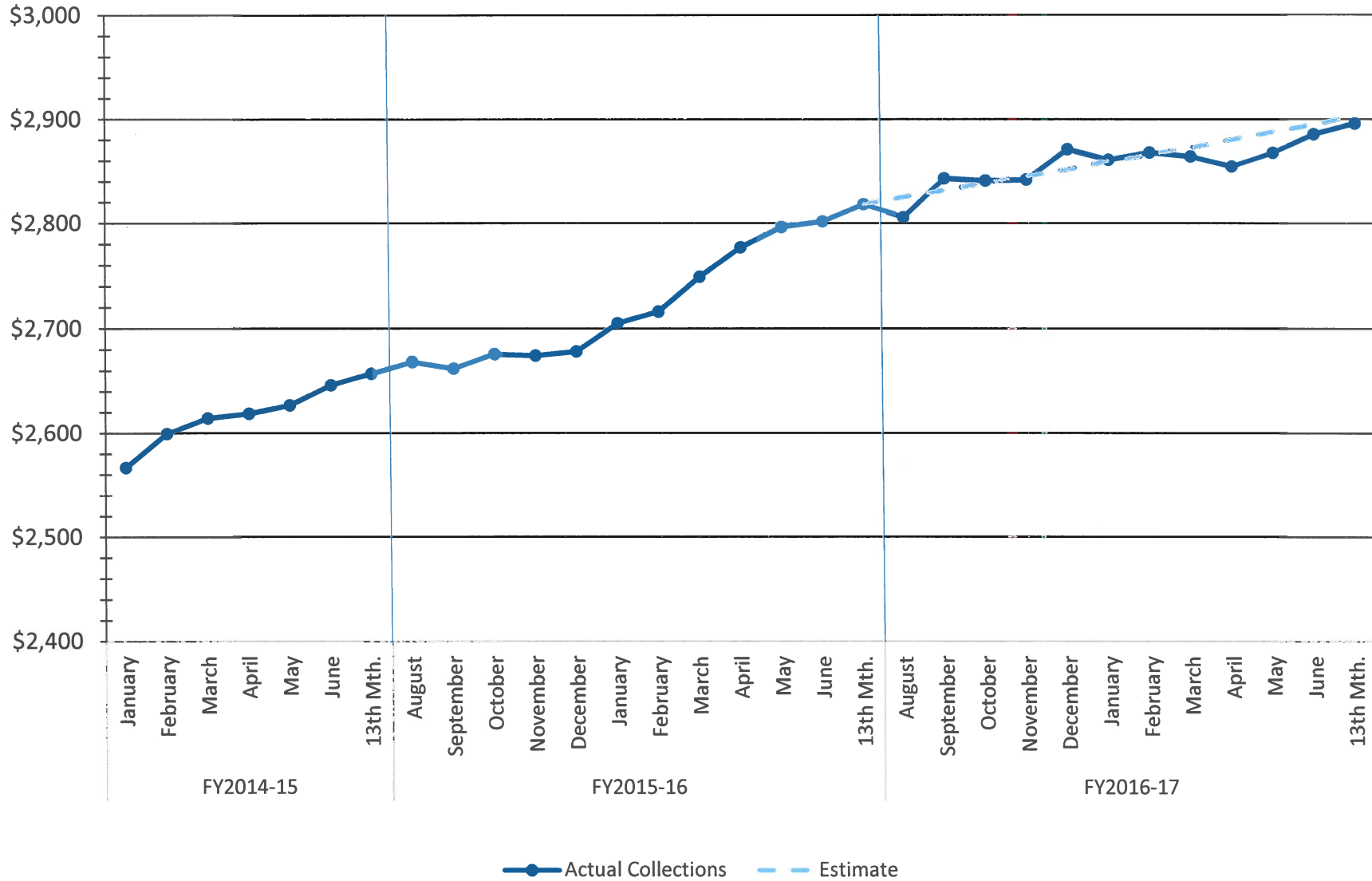
# OUTLOOK

FINAL 2017-18 and FY 2018-19

- Major categories are running close to estimate
- Not much room for improvement; at peak employment
- Looking for any major shifts in national or state economy



## TOTAL SALES & USE TAX Rolling Fiscal Year Totals FY 2014-15 to FY 2016-17



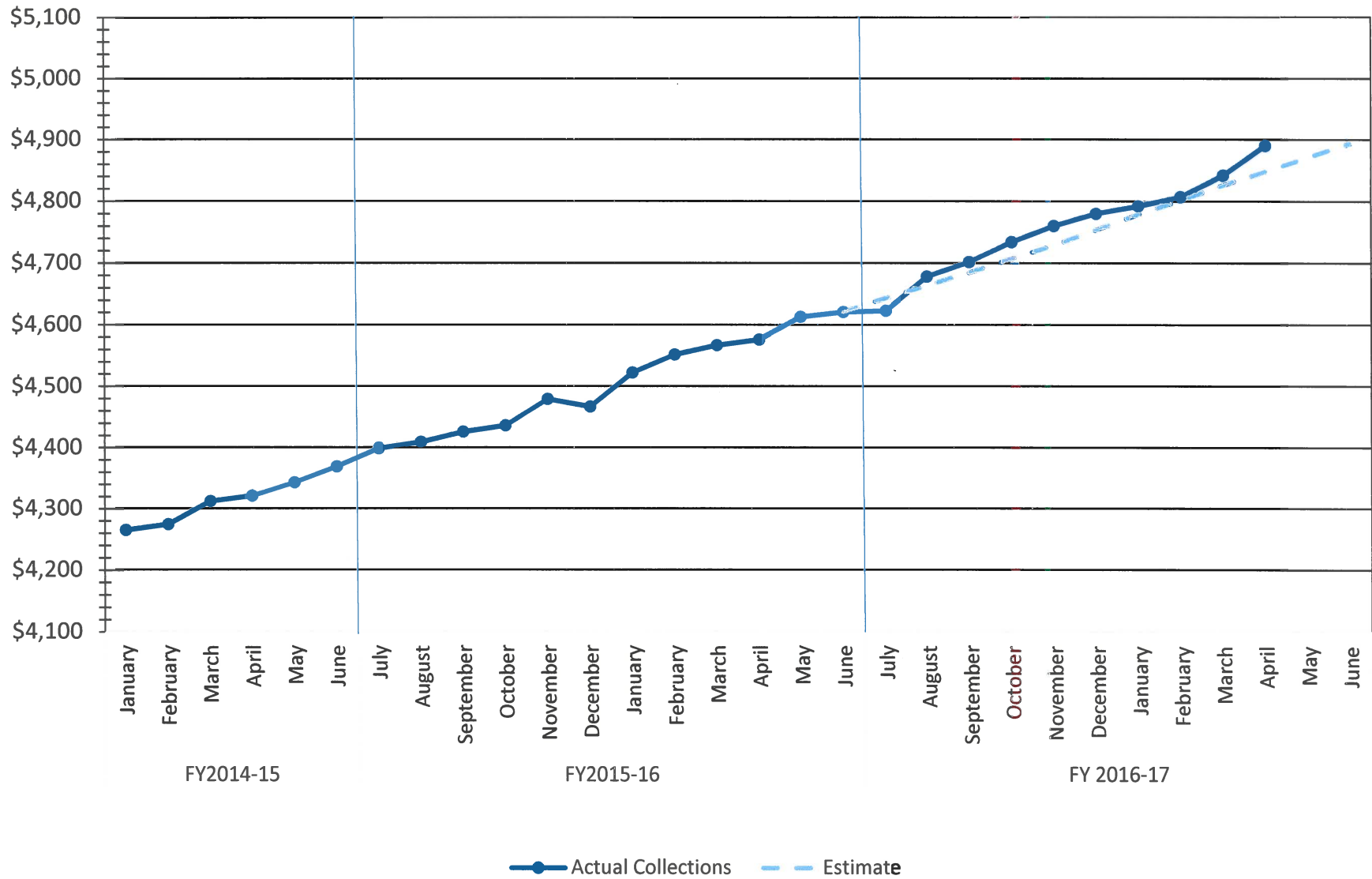
Source: RFA/FAR/08/22/17



## TOTAL INDIVIDUAL WITHHOLDINGS

### Rolling Fiscal Year Totals

### FY 2014-15 to FY 2016-17

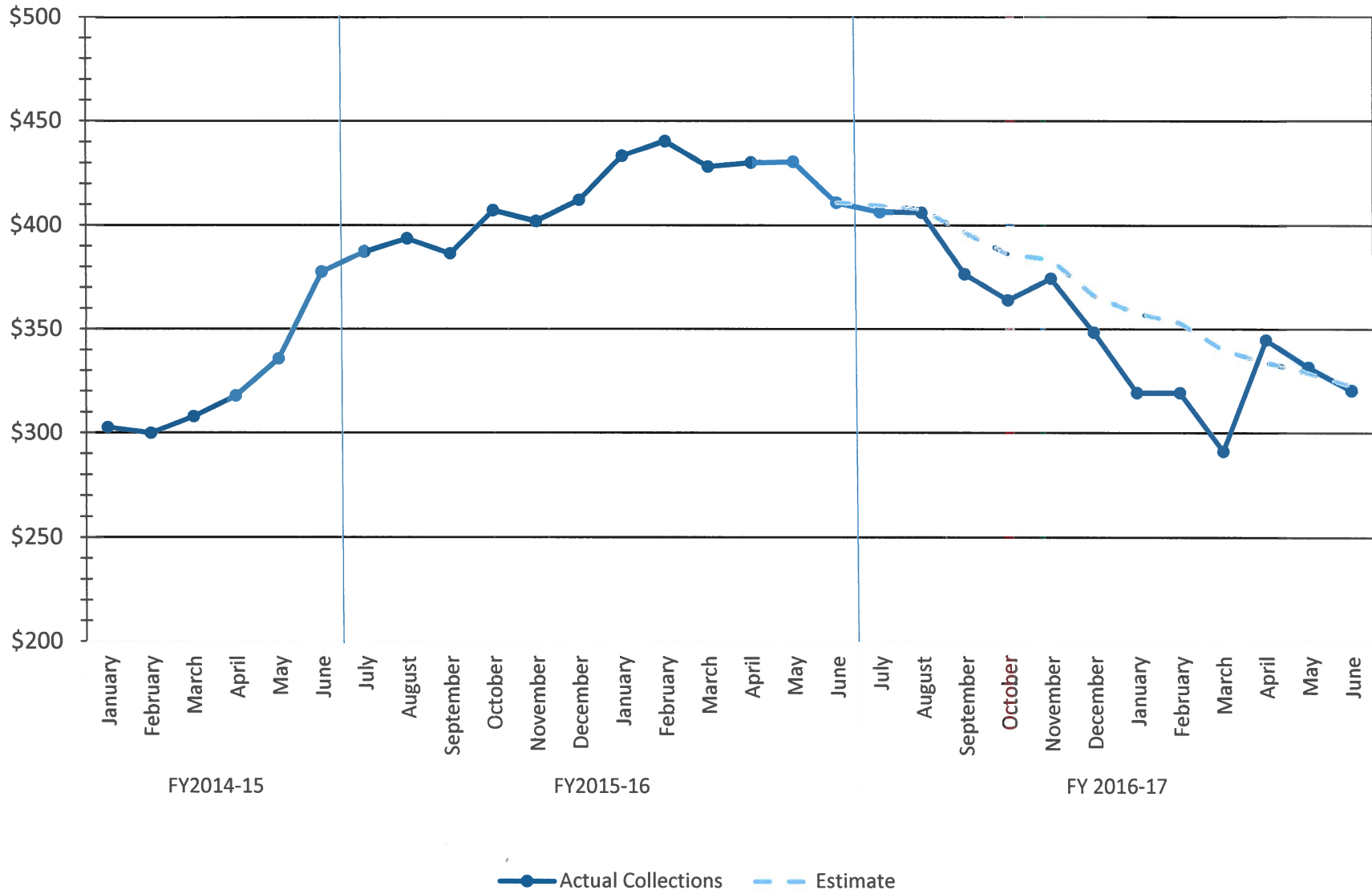


Source: RFA/FAR/08/22/17

## TOTAL CORPORATE INCOME TAX

### Rolling Fiscal Year Totals

### FY 2014-15 to FY 2016-17



# OTHER ITEMS

