



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 September 21, 2017, 2:00 P.M. Bowers Conference Room Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for August 24, 2017
3. Review of August 2017
 - A. Overview (F. Rainwater)
 - B. Economic and Revenue Update (R. Martin)
 - C. Monthly Revenue Plan FY 2017-18
4. Other Items
 - A. Discussion of Proposed 2018 Meeting Dates
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 19, 2017, 10:30am - Quarterly Review; RFA Meeting to follow
 - B. October 19, 2017, 12:45 - 3:30 - Annual Regional Advisory Committee Meeting
 - C. November 9, 2017, 2:00pm - Preliminary Estimate; RFA Meeting to follow
 - D. December 14, 2017, 2:00pm - If necessary, WebEx for Members
 - E. 2017 Calendar at <http://rfa.sc.gov/calendar?m=06&y=2017>
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



OVERVIEW

AUGUST 2017

- Through August, General Fund Revenues are close to estimate
- Timing issues are causing monthly receipts to be stronger than actual
- Continued economic growth
- Waiting to see full effects of cancelled nuclear project, gasoline price hike, and storm impact
- Update by regional economists next month





Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 07/01/17 Adj. Appropriation Act of \$8,534.4 Million in FY 2017-18 1/

	JULY - AUGUST FY 2017-18			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
Total General Fund Revenue	1,118.0	1,105.6	12.4	4.6	4.9
Sales Tax	253.1	237.3	15.8	5.0	12.0
Individual Income Tax	804.5	815.8	(11.3)	4.6	1.4
Corporate Income Tax	20.4	14.8	5.6	7.5	45.0
Other Revenue Sources	40.0	37.7	2.3	2.3	23.1
Select Tax Revenues, Sub-Total	35.2	29.5	5.8	3.8	24.0
Admissions Tax - Total	(4.5)	(4.0)	(0.5)	(4.2)	16.0
Alcoholic Liquors Tax	3.6	5.8	(2.2)	4.7	(35.2)
Bank Tax	0.2	0.6	(0.4)	(40.9)	(83.7)
Beer and Wine Tax	8.7	10.3	(1.6)	4.8	(11.1)
Corporation License Tax	4.8	3.9	0.9	36.4	80.3
Documentary Tax	7.9	5.5	2.4	31.4	89.6
Earnings on Investments	5.4	2.7	2.7	(22.1)	14.2
Insurance Tax	7.0	7.3	(0.3)	1.8	164.8
Tobacco Tax	2.2	1.8	0.4	3.9	25.0

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

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



August 2017

Recent Events

- **Hurricanes Harvey and Irma**
- **SCE&G / Santee Cooper**
- **Equifax hack**





August 2017

Topics for Discussion

- **General Fund Revenue**
- **Consumer & Business Sentiment**
- **South Carolina Employment and Unemployment**
- **Fallout from Recent Economic Events**
- **Energy Prices**
- **Inflation**
- **Housing**
- **Automobiles**



August 2017

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	\$1,118.0	\$1,105.6	\$12.4	4.6	4.9

- The majority of the revenue excess is from accounting anomalies in the sales and use tax
- After adjustments, the Y-T-D revenue growth is 2.6 percent



August 2017

Sales Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$253.1	\$237.3	\$15.8	5.0	12.0

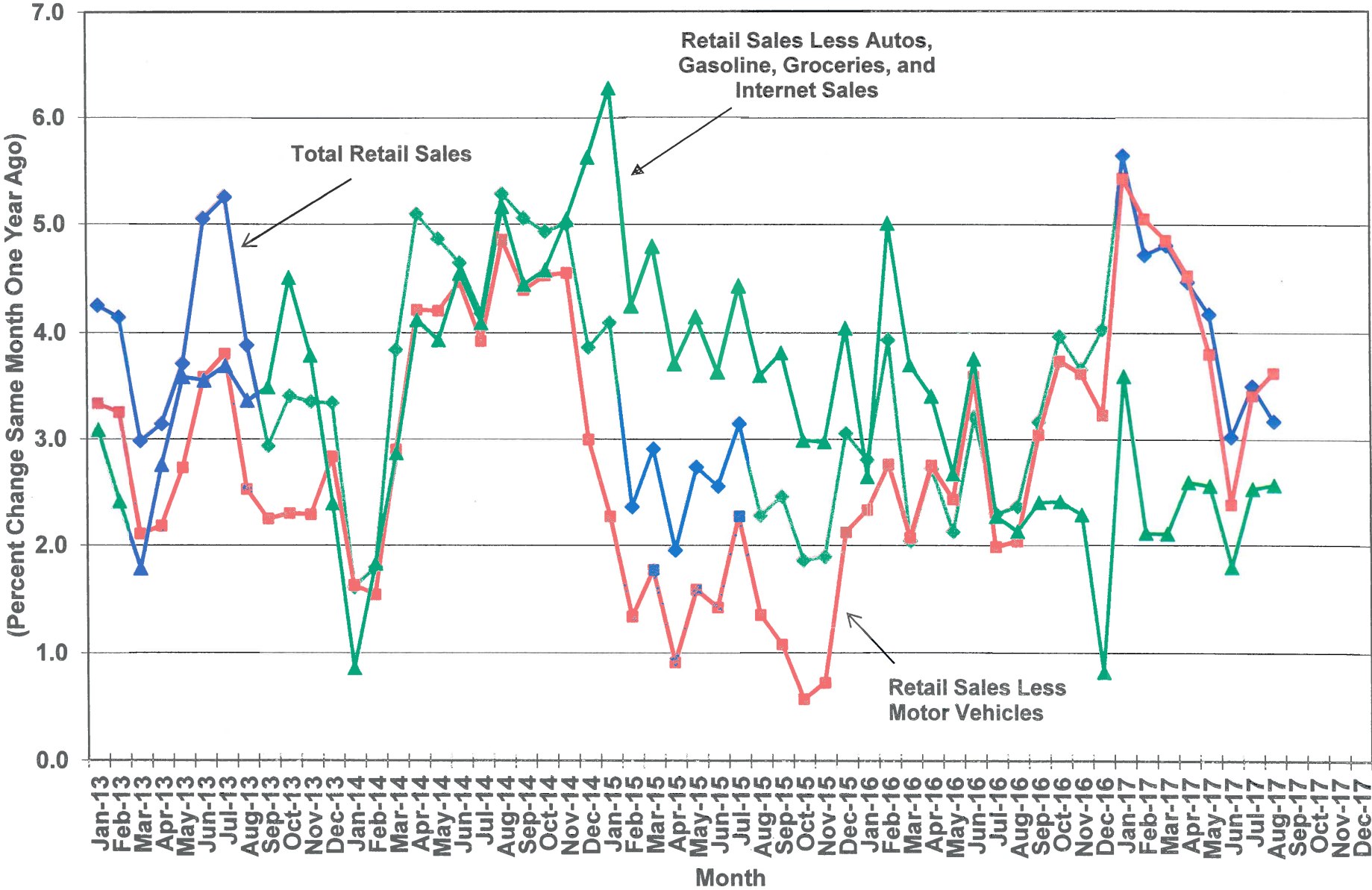
- August 2016 was underreported by \$31.4 million of “unclassified revenue”
- Created an artificially large monthly revenue gain in August 2017
- There remains \$7.6 million in clearing account in August 2017



August 2017

- After adjustments, the Y-T-D growth rate is 1.3 percent
- The sales tax transfer on car sales is no longer an issue (repealed in Transportation Bill)

U.S. Retail & Food Service Sales



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



August 2017

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	\$804.5	\$815.8	(\$11.3)	4.6	1.4

- Weak income tax withholdings contributed to the revenue decline
- Weaker declaration payments and tax payments also contributed to the lower-than-forecast growth rate



August 2017

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	\$20.4	\$14.8	\$5.6	7.5	45.0

- Corporate income taxes benefited from a \$15 million increase in corporate tax payments



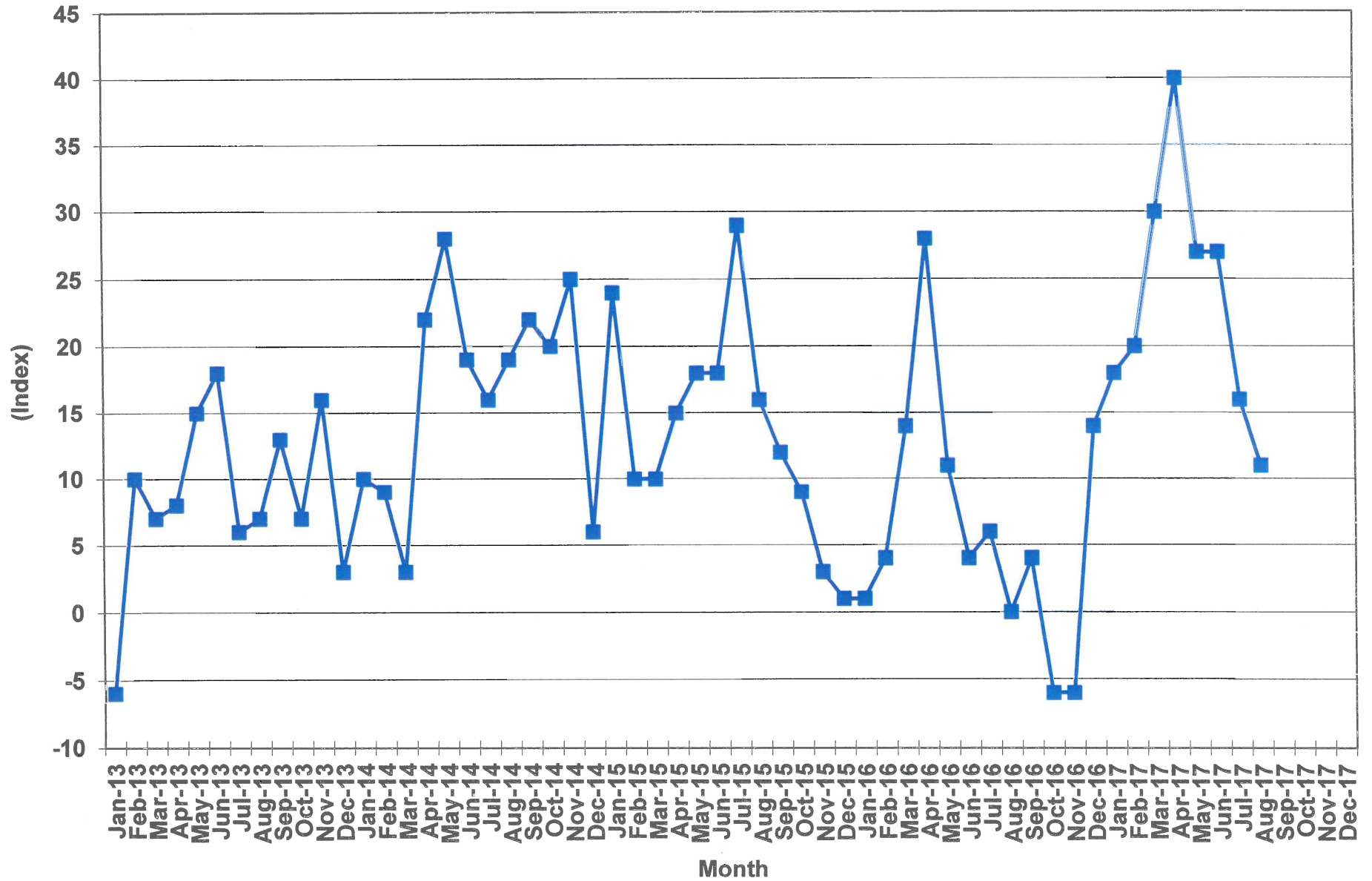
August 2017

Other Taxes

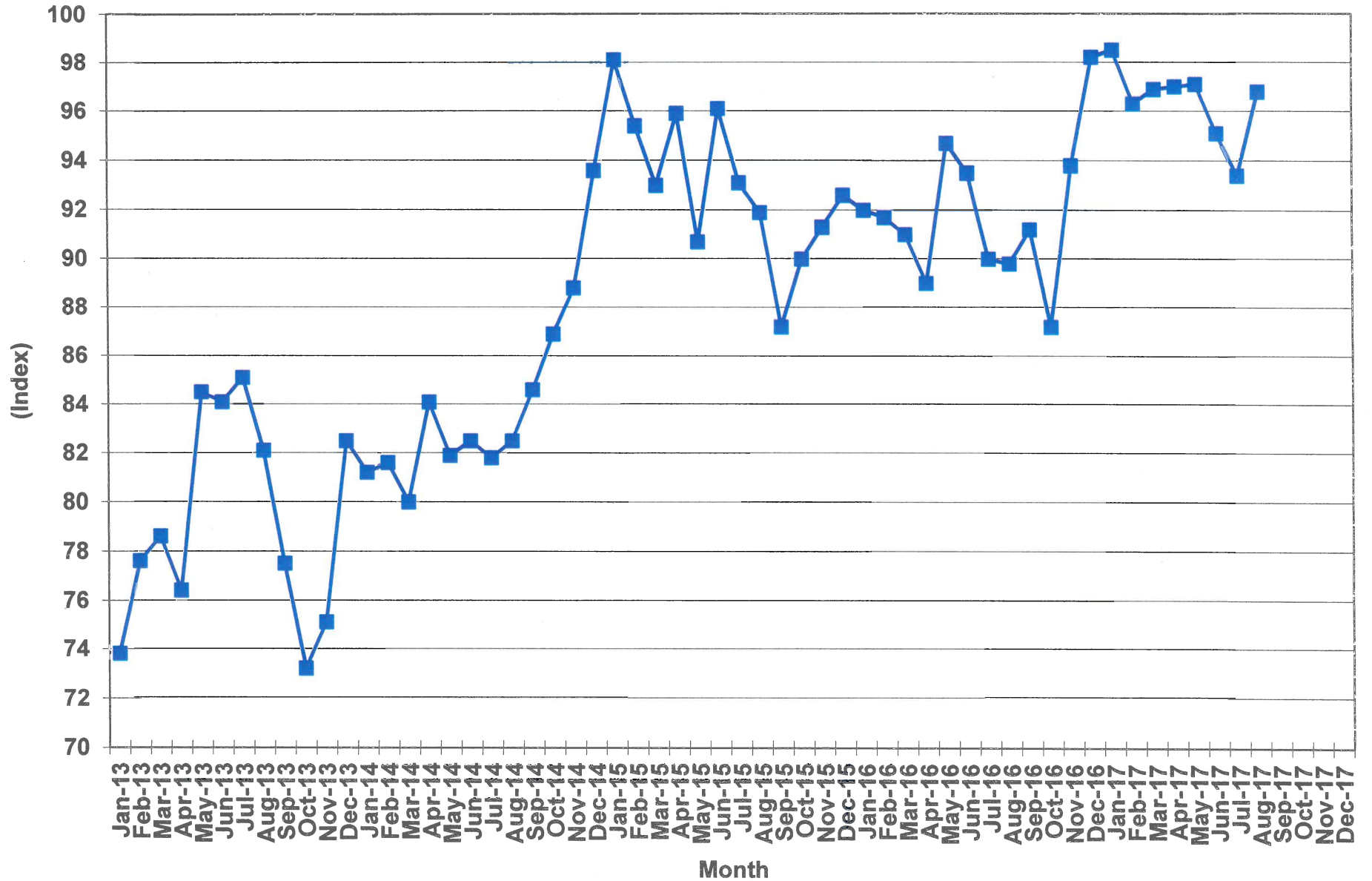
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$40.0	\$37.7	\$2.3	2.3	23.1

- Growth is from a variety of sources and timing of receipts
- FY2017-18 Appropriation Act allowed for the retention of funds designated for the Conservation Bank Trust Fund
- State Treasurer deposited \$1.7 million more from state investments

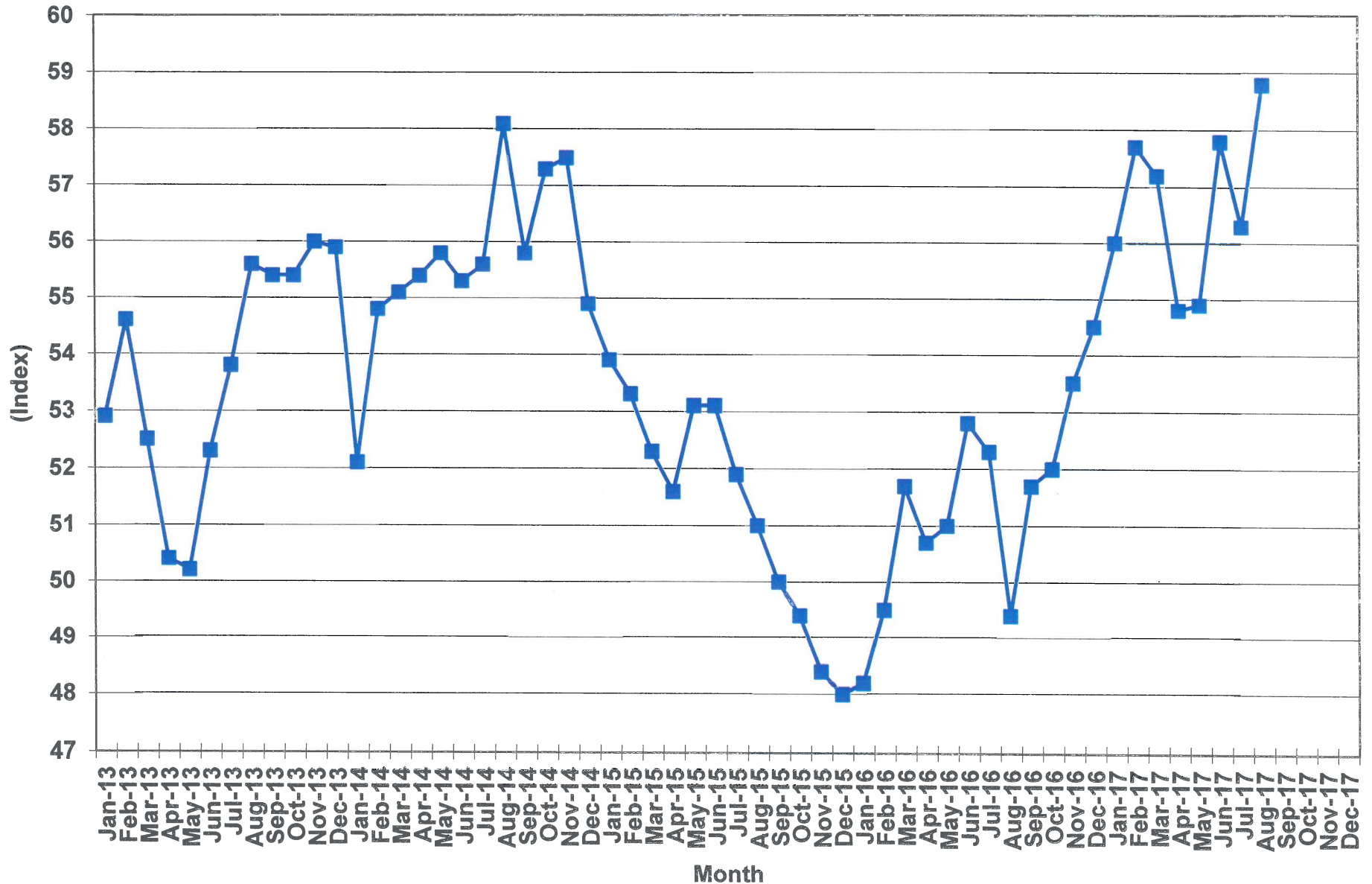
General Business Conditions in the Carolinas



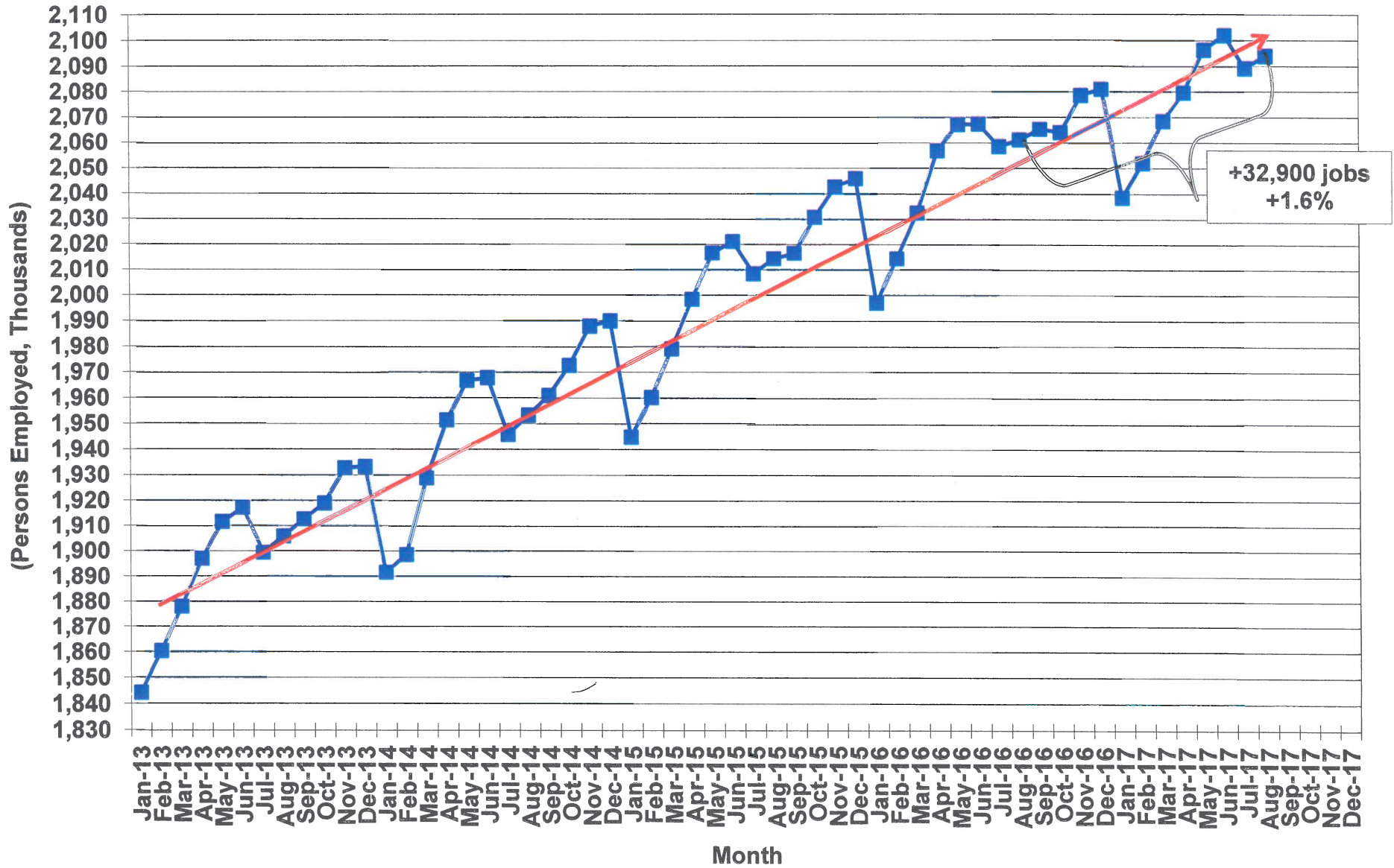
Consumer Sentiment Index



National Association of Purchasing Manager's Index

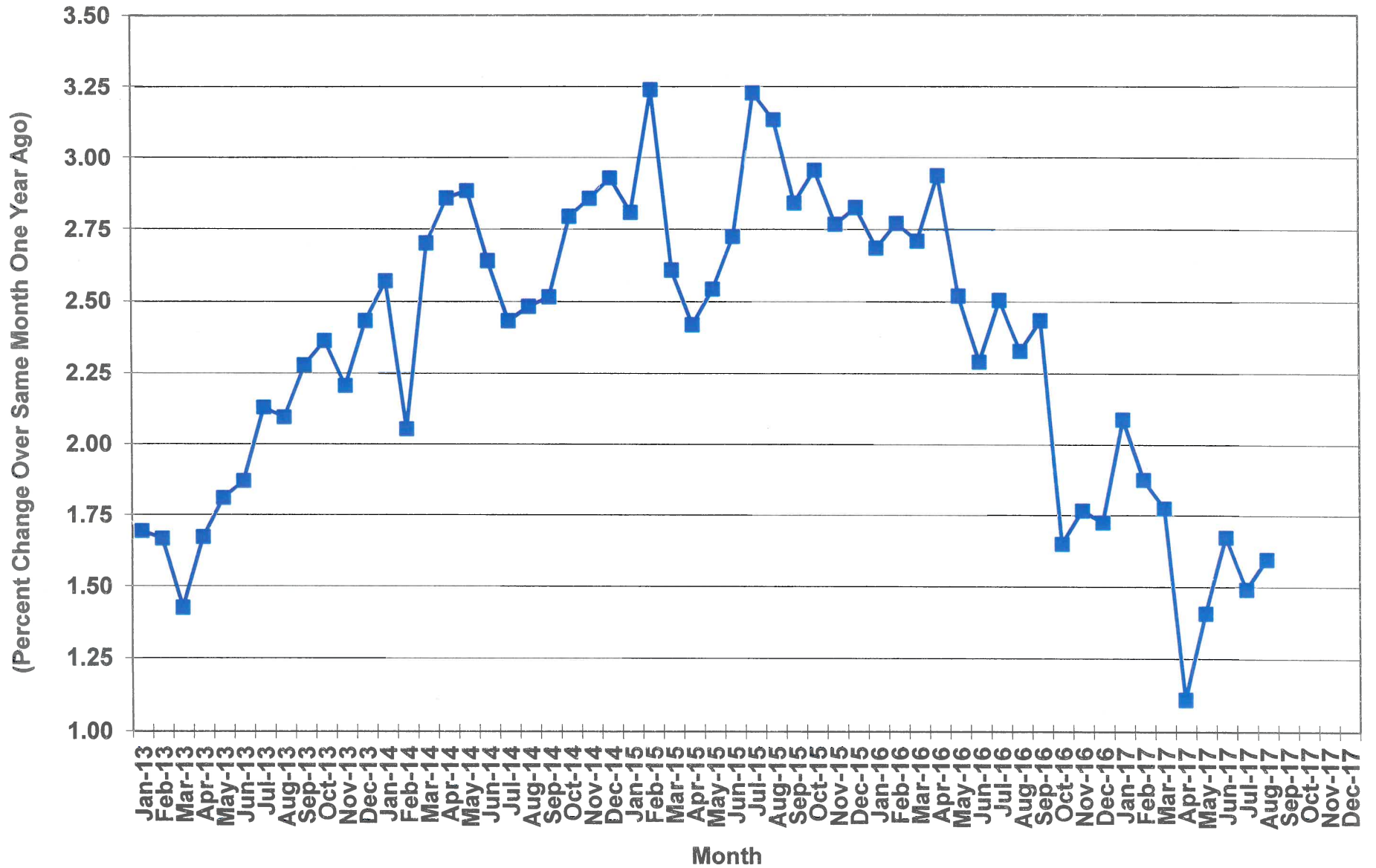


Total Nonfarm Employment in South Carolina

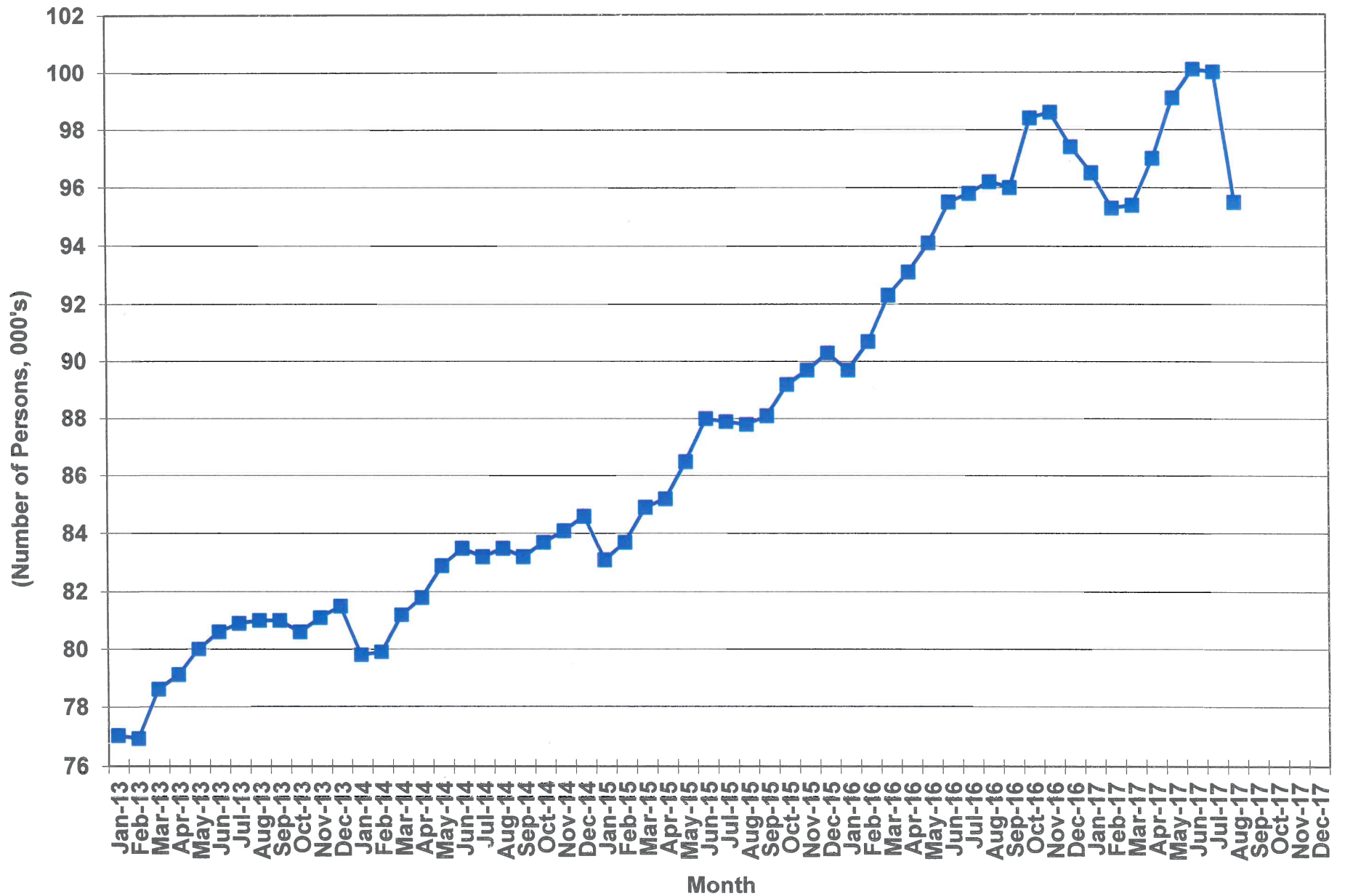


Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/09/21/17

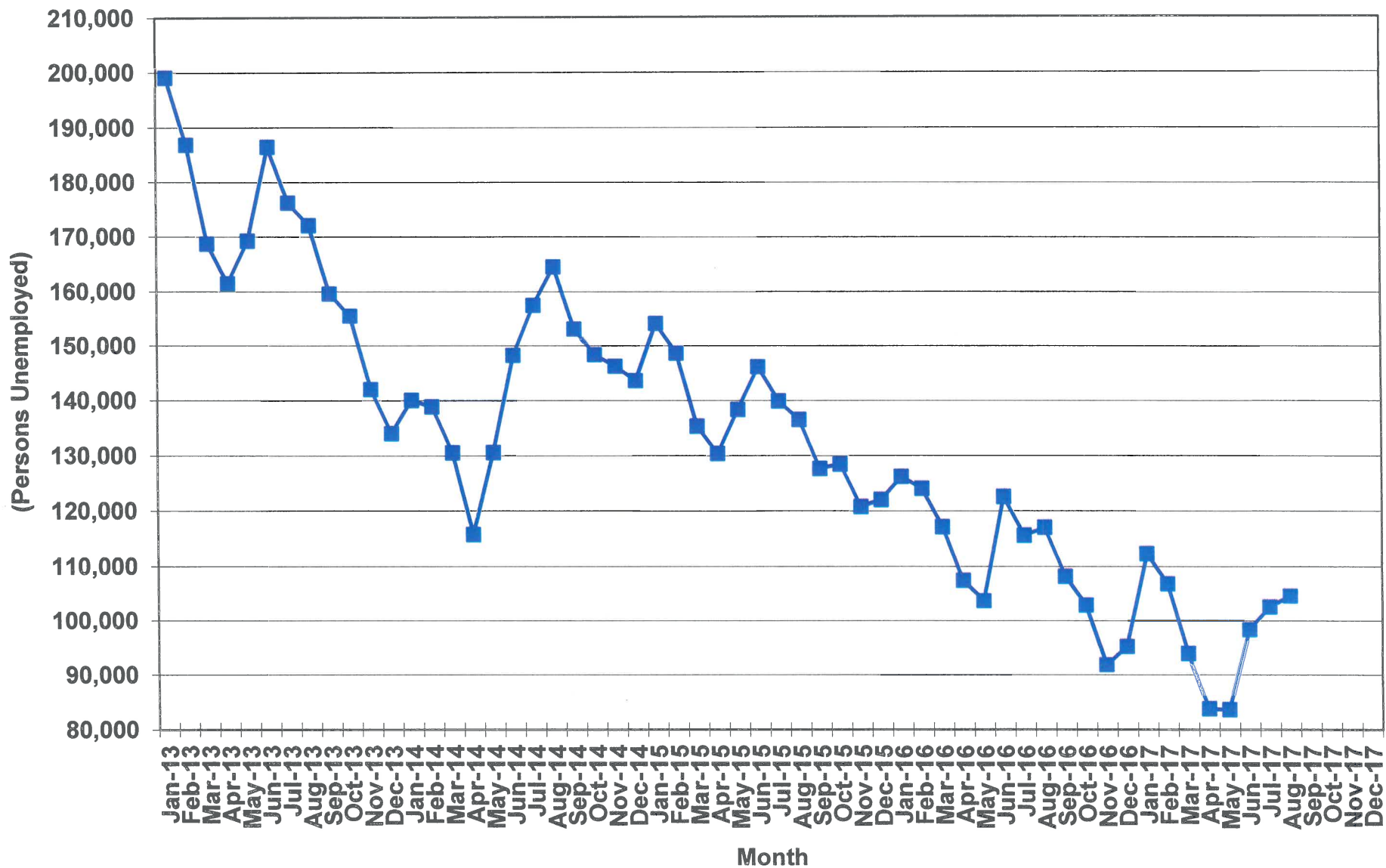
Total Nonfarm Employment Growth in South Carolina



Construction Employment in South Carolina



Total Unemployment in South Carolina (Unadjusted)



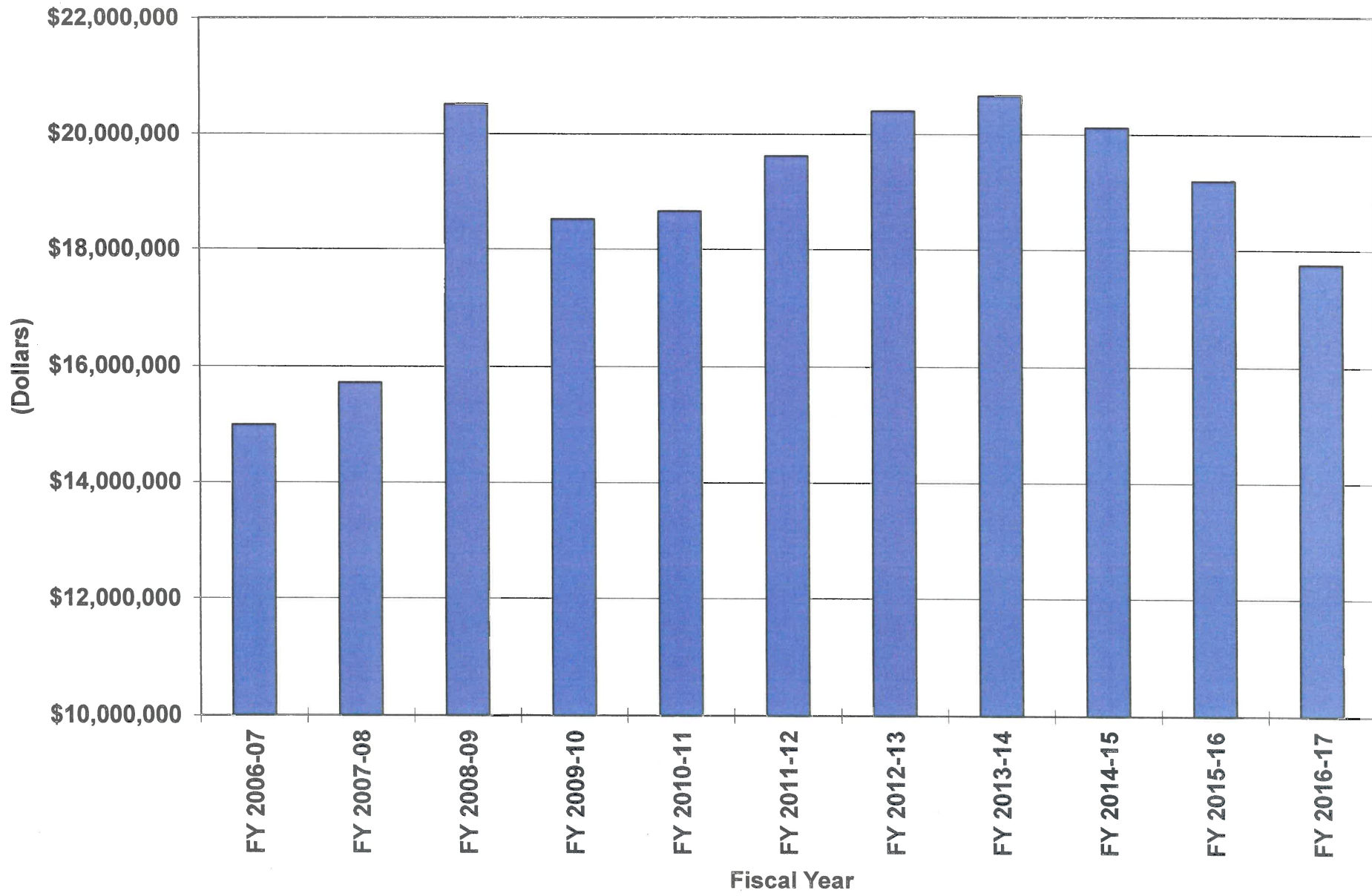
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/09/21/17

Unemployment Rate in South Carolina (Unadjusted)



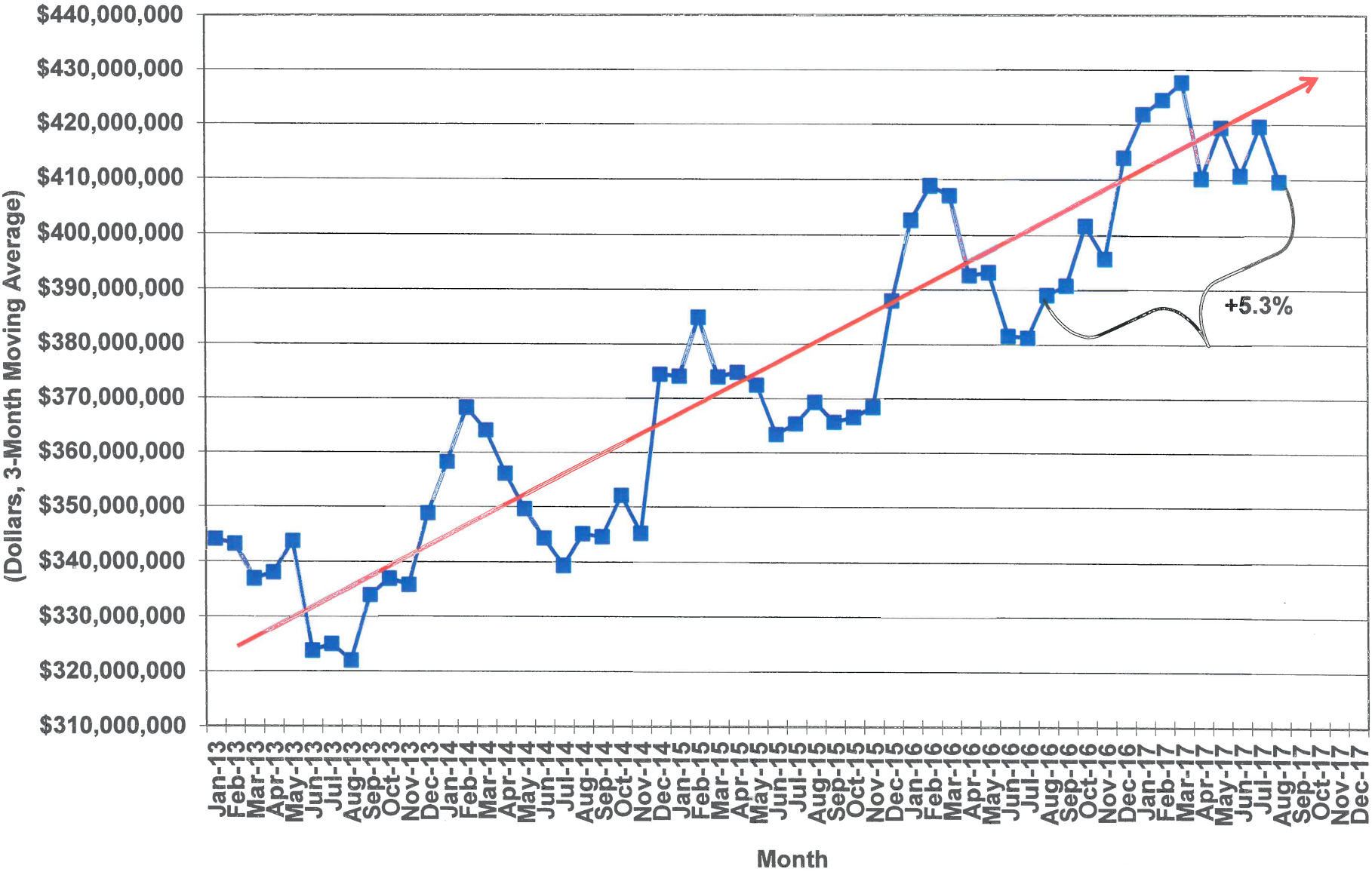
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/09/21/17

General Fund Revenue from the S.C. Public Service Authority



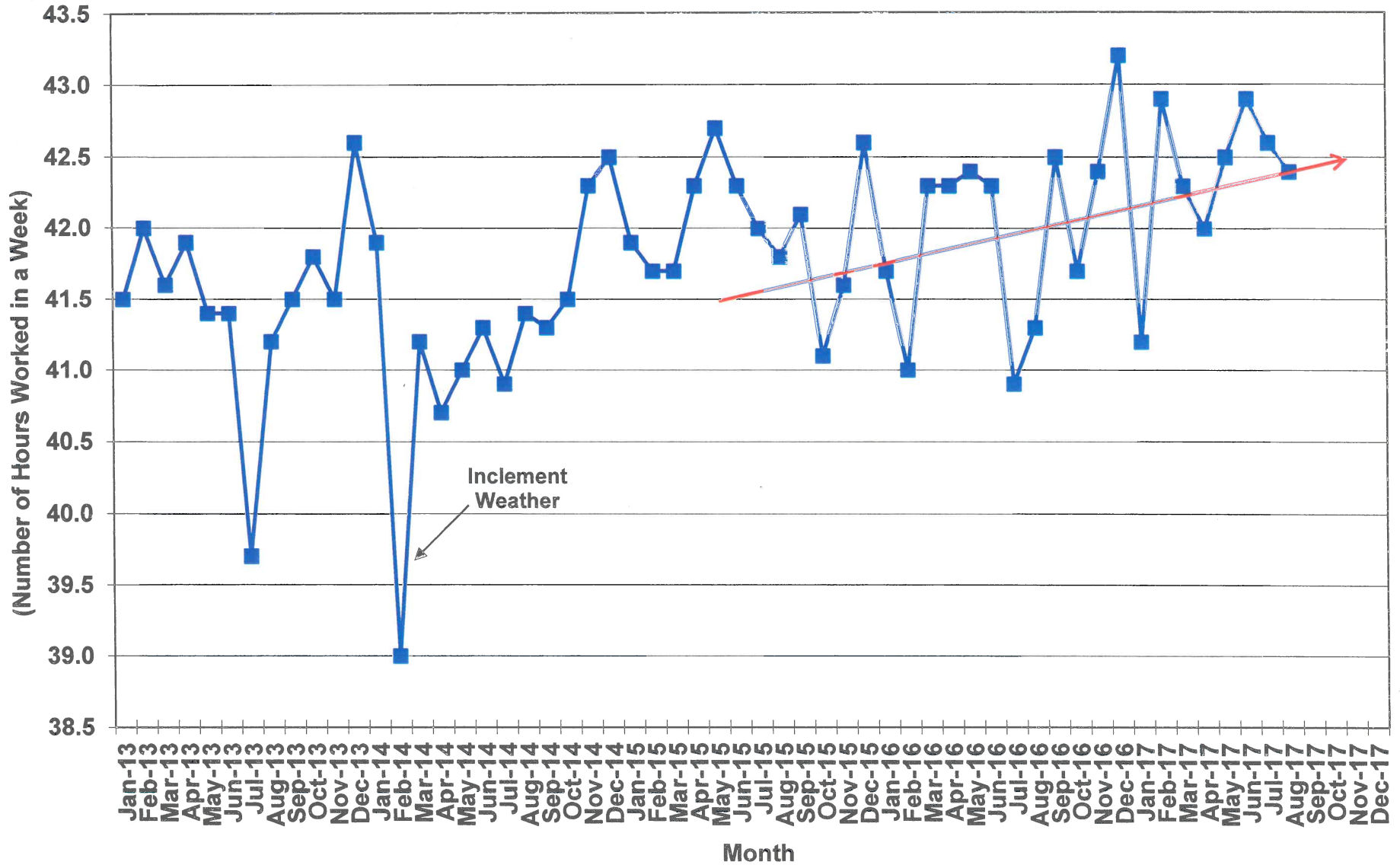
Source: Board of Economic Advisors, Columbia, S.C.

South Carolina Income Tax Withholdings

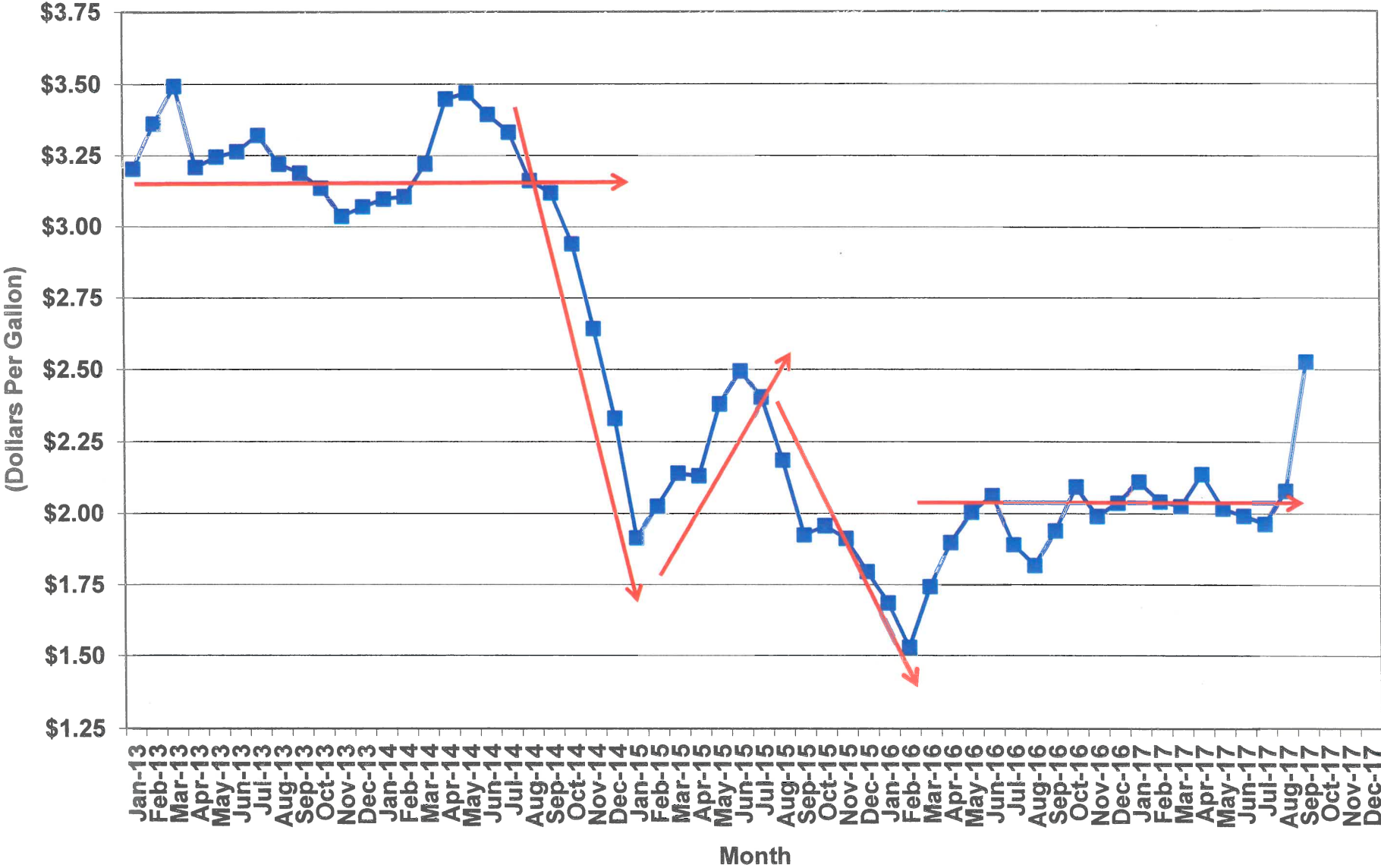


Source: South Carolina Department of Revenue
SCBEA/RWM/09/21/17

Average Work Week of Manufacturing Employees in South Carolina

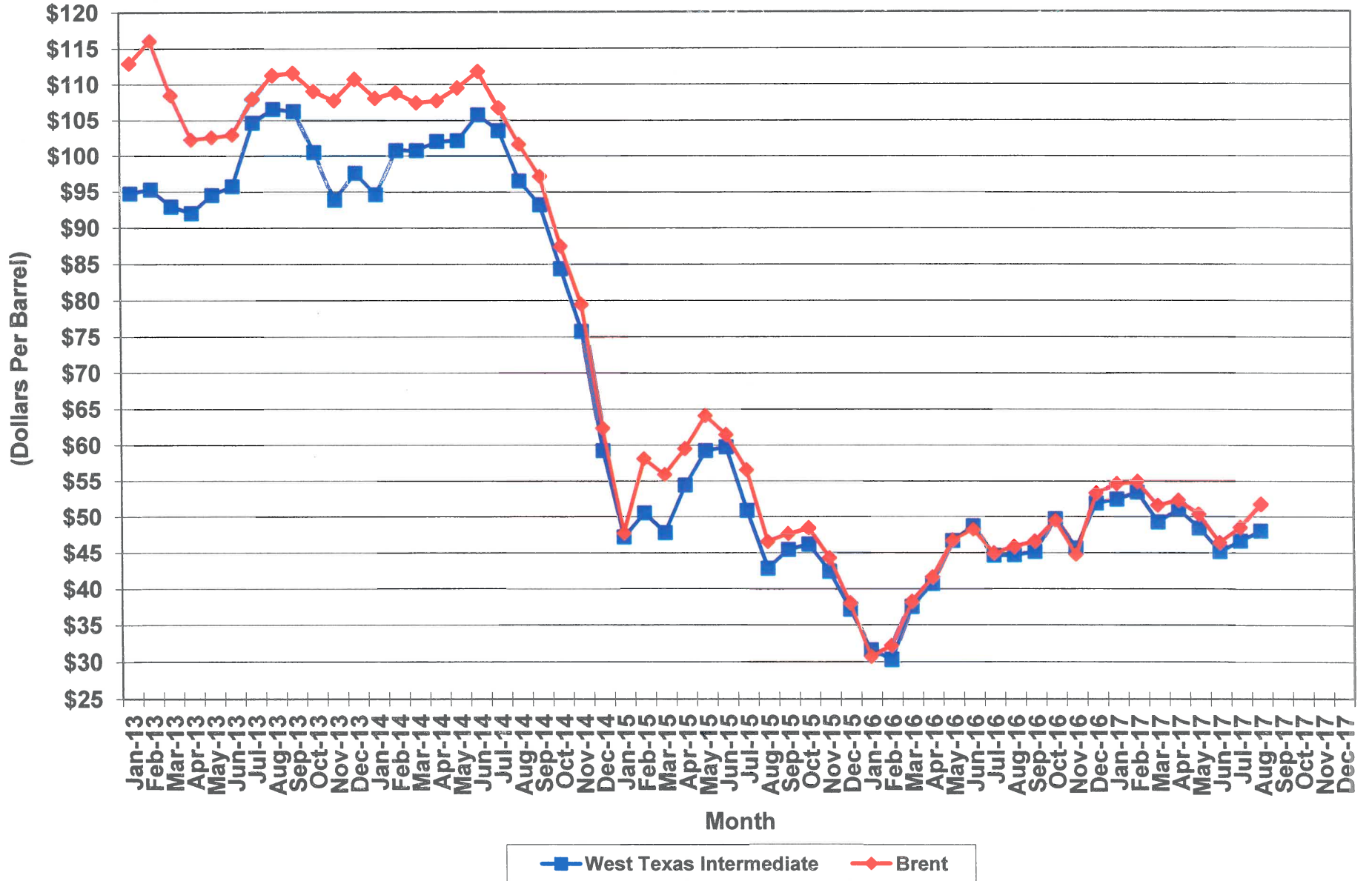


Gasoline Prices in South Carolina

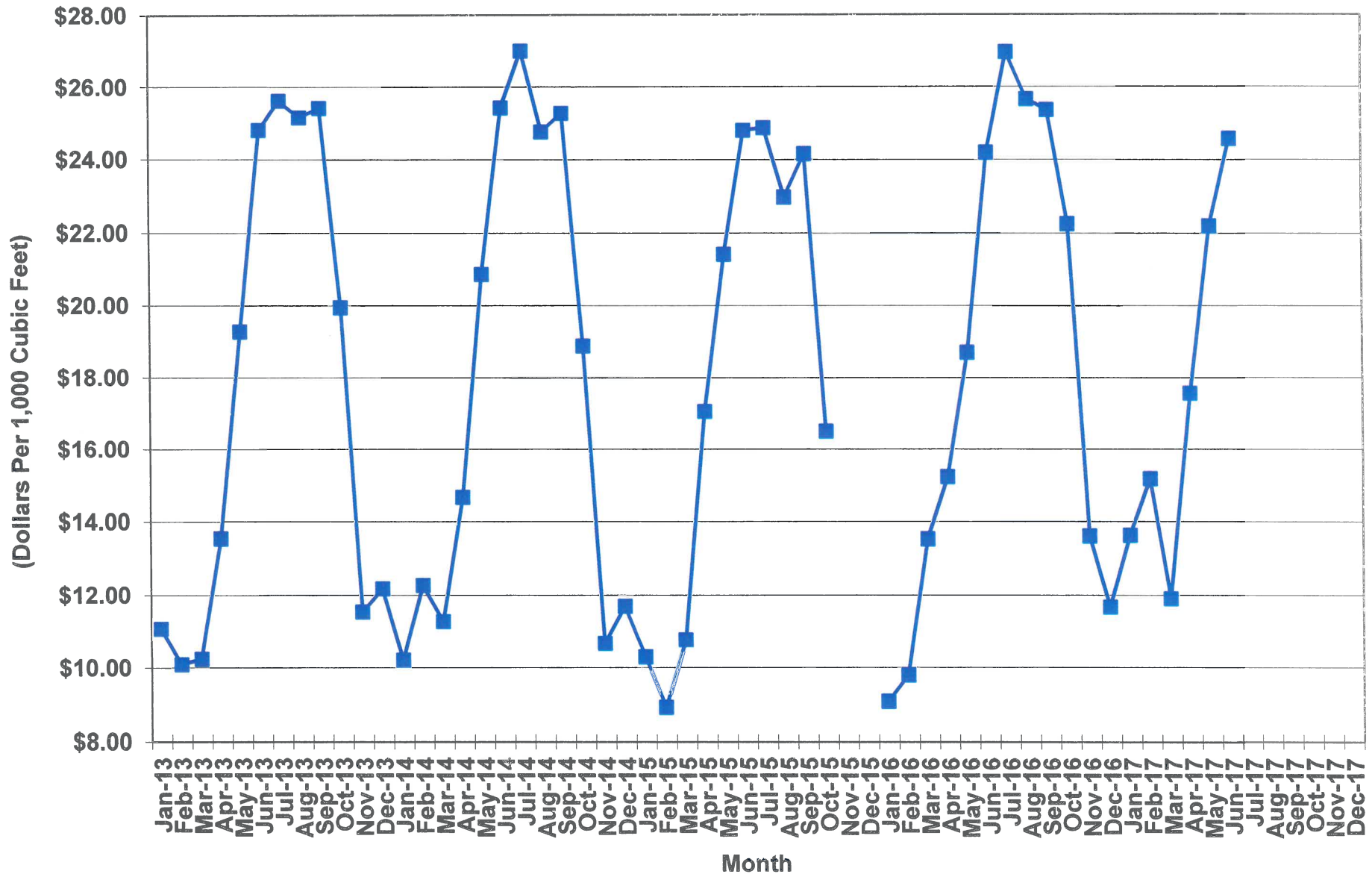


Source: AAA of the Carolina's
SCBEA/RWM/09/21/17

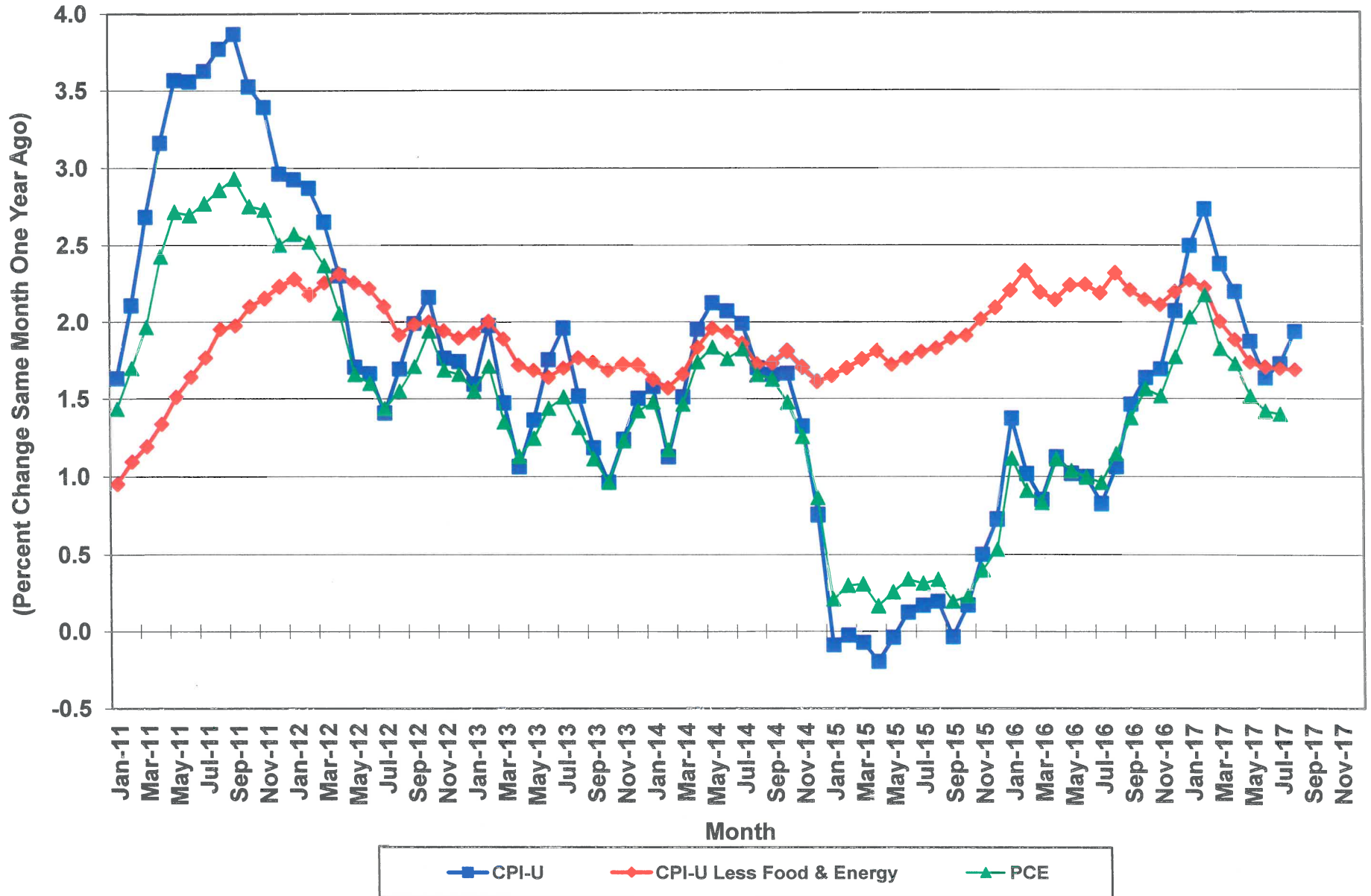
Spot Crude Oil Prices



Price of Natural Gas Delivered to Residential Customers in South Carolina

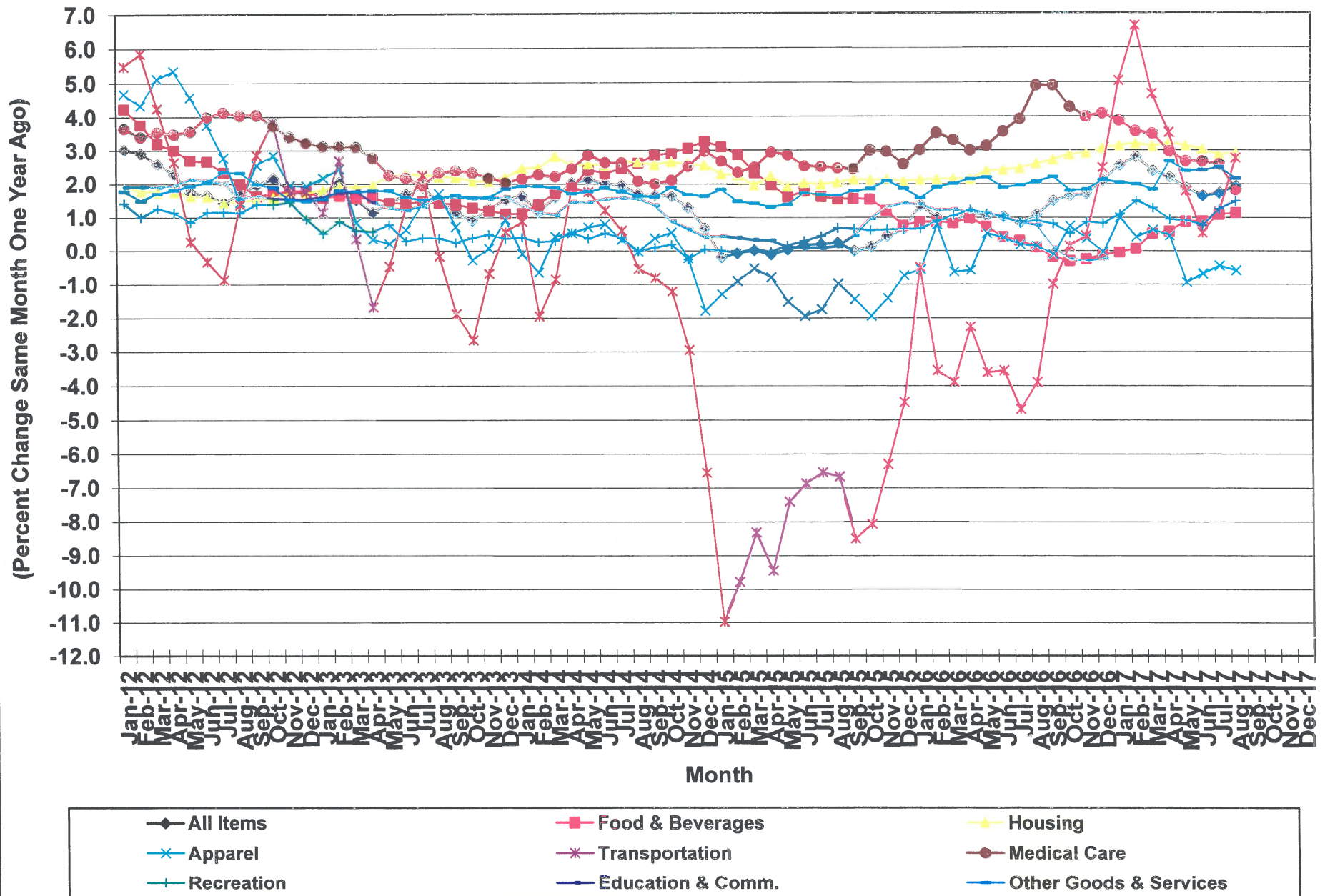


Inflation in the United States

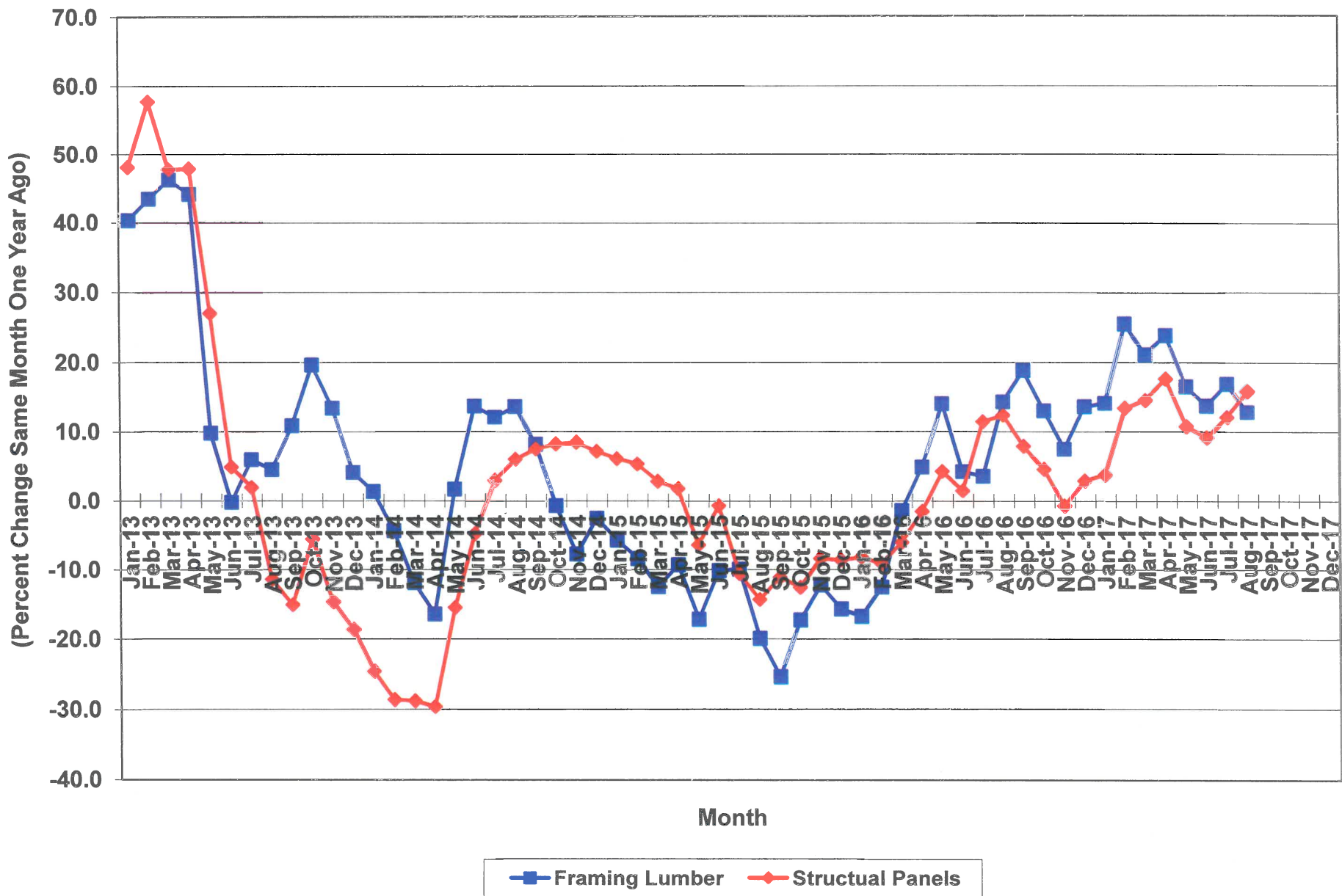


Source: U.S. Department of Labor, Bureau of Labor Statistics

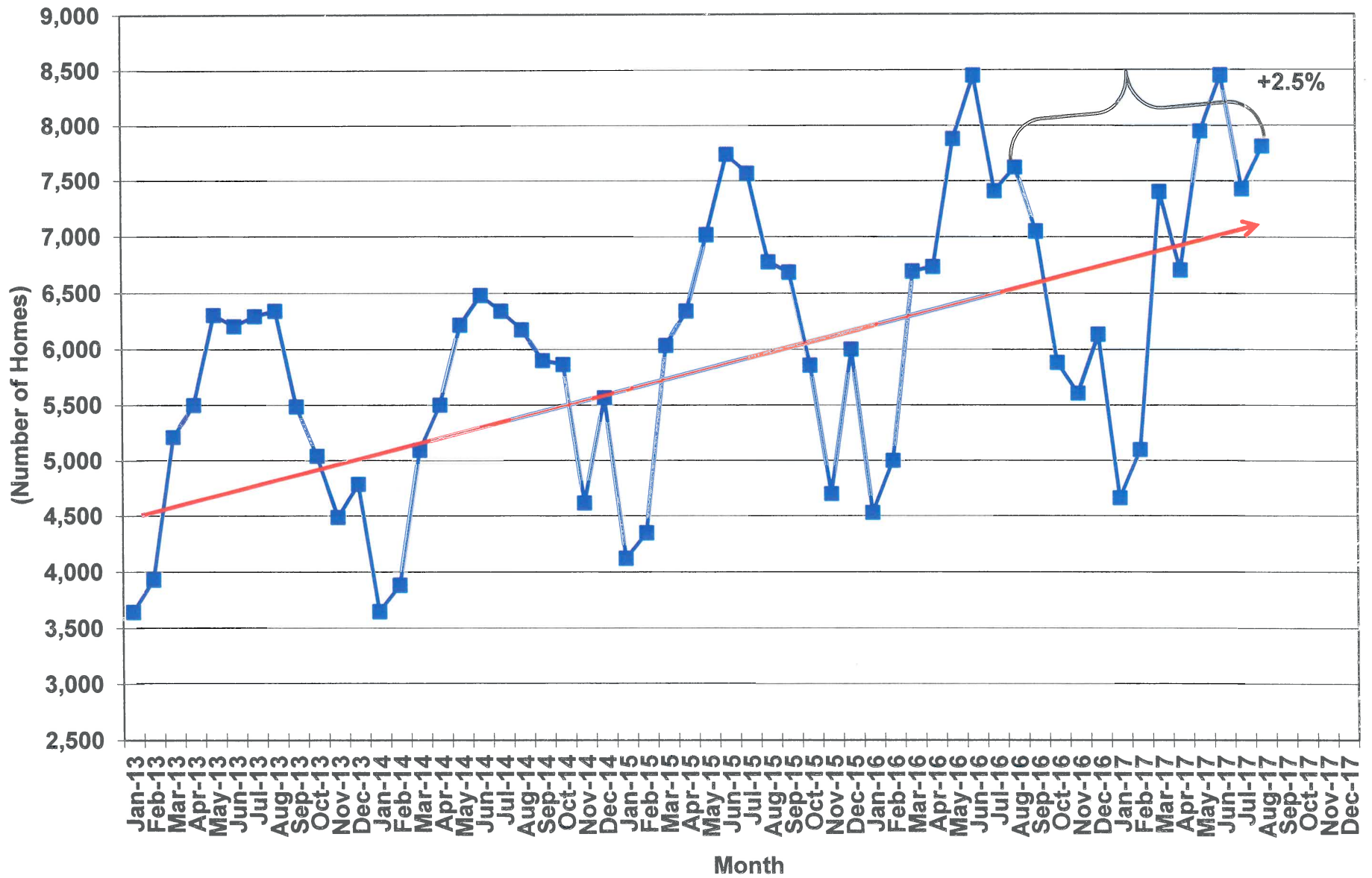
Growth in the Components of Inflation in the U.S.



Growth in Building Supply Prices in the United States

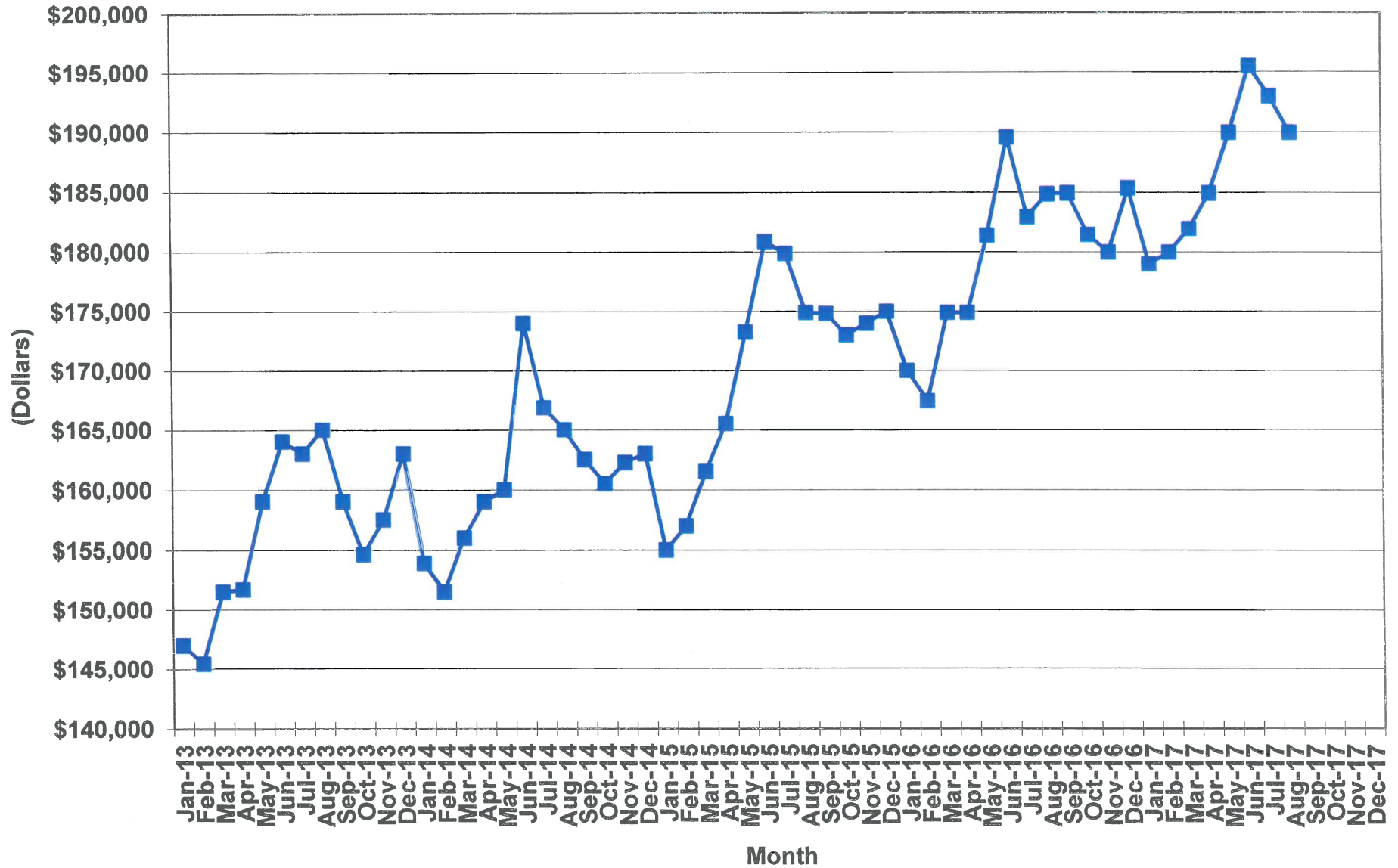


Number of Homes Sold in South Carolina



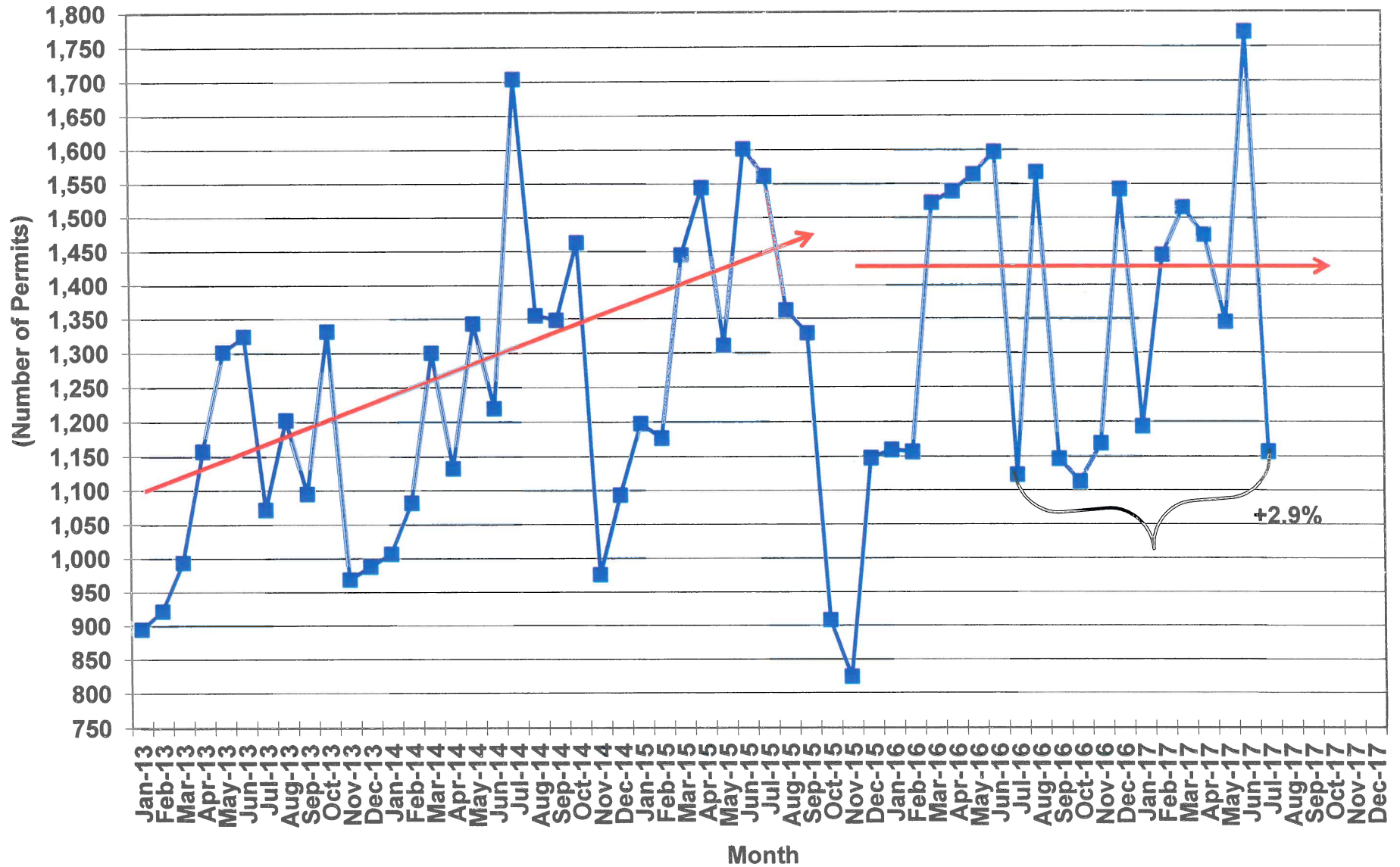
Source: South Carolina Association of Realtors
SCBEA/RWM/09/21/17

Median Price of Homes Sold in South Carolina



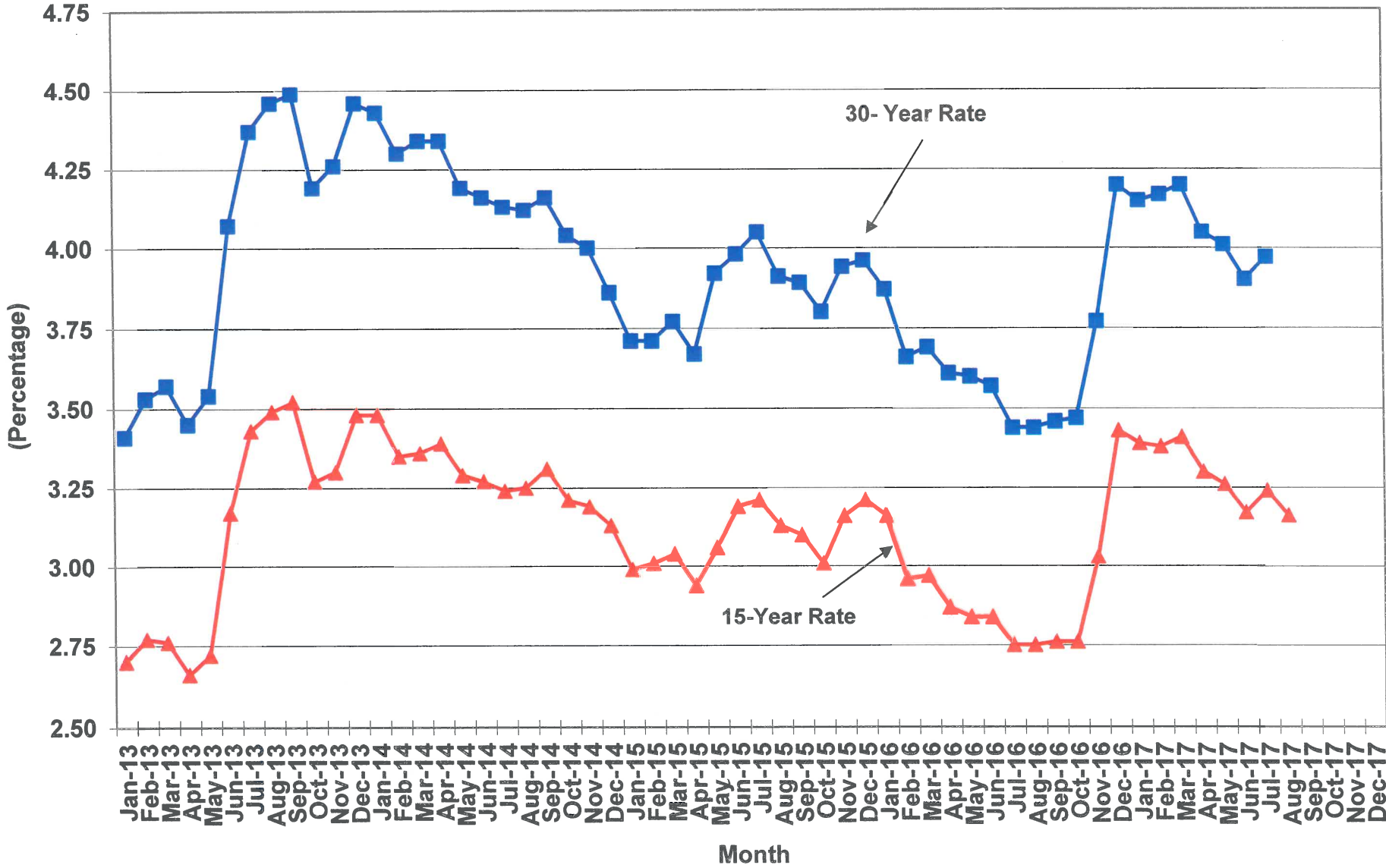
Source: South Carolina Association of Realtors
SCBEA/RWM/09/21/17

Residential Building Permits in South Carolina



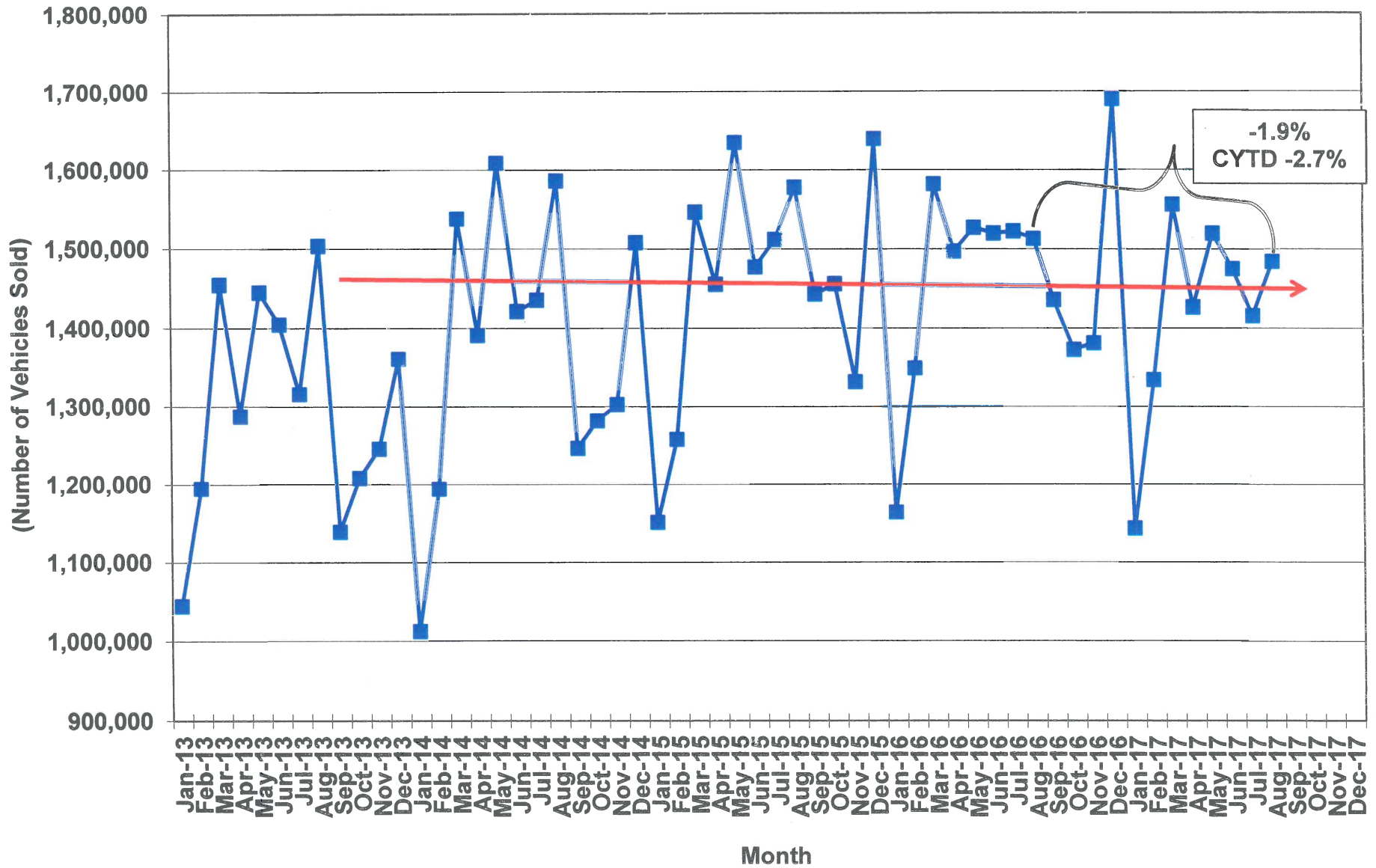
Source: U.S. Department of Commerce, Bureau of the Census
SCBEA/RWM/09/21/17

Mortgage Rates

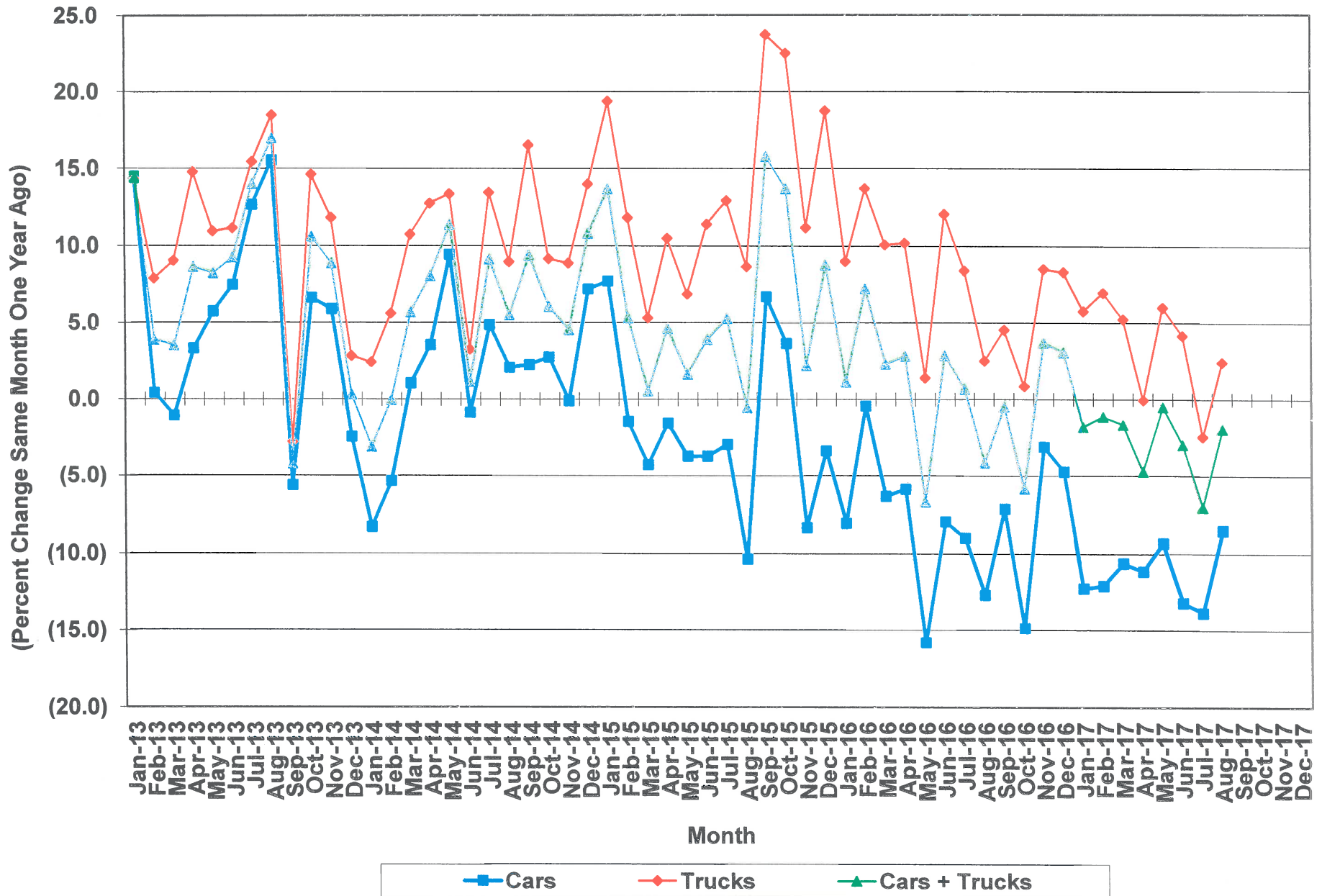


Source: The Board of Governors of the Federal Reserve System
 SCBEA/RWM/09/21/17

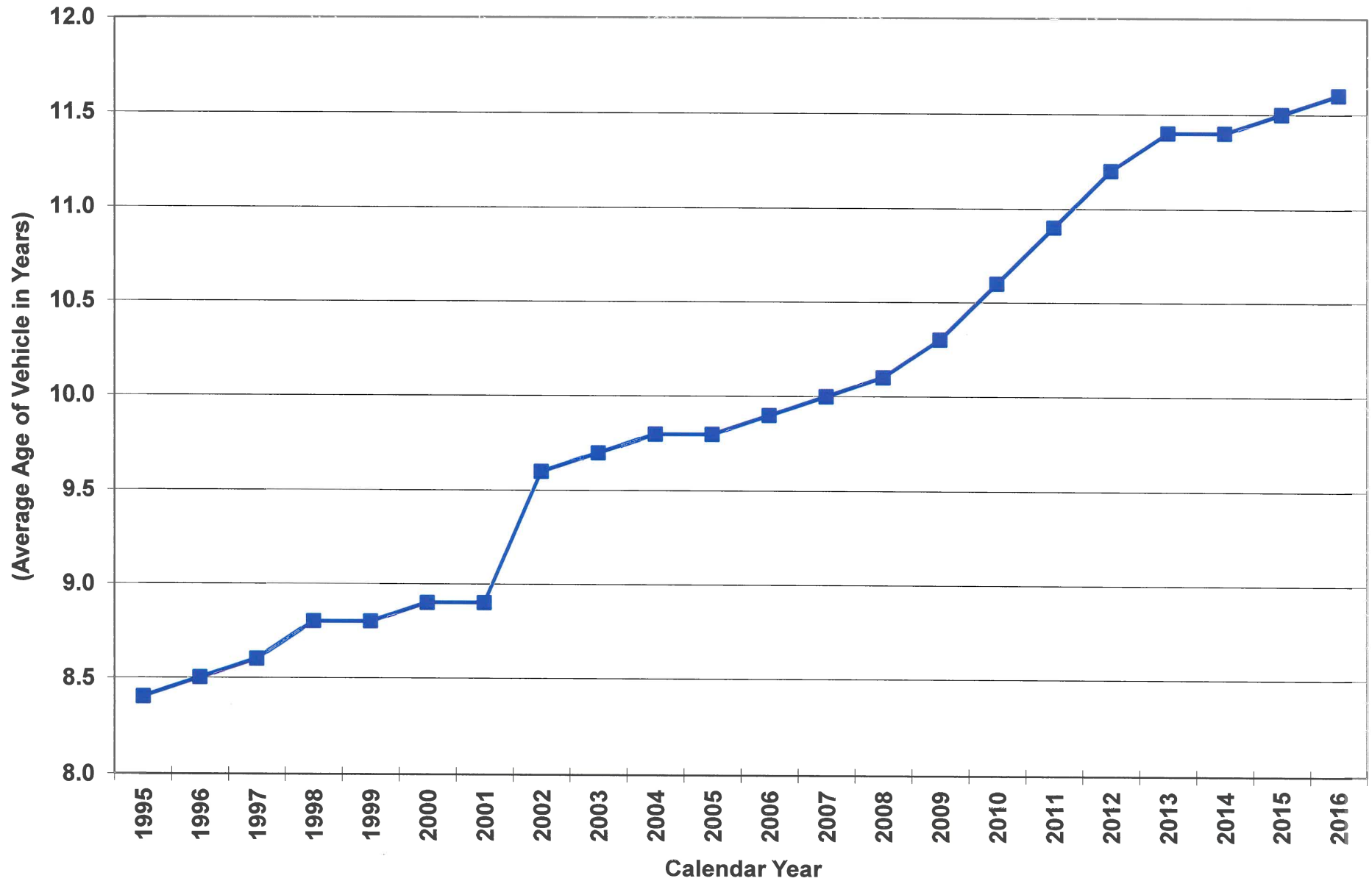
Total Light Vehicle Sales in the United States



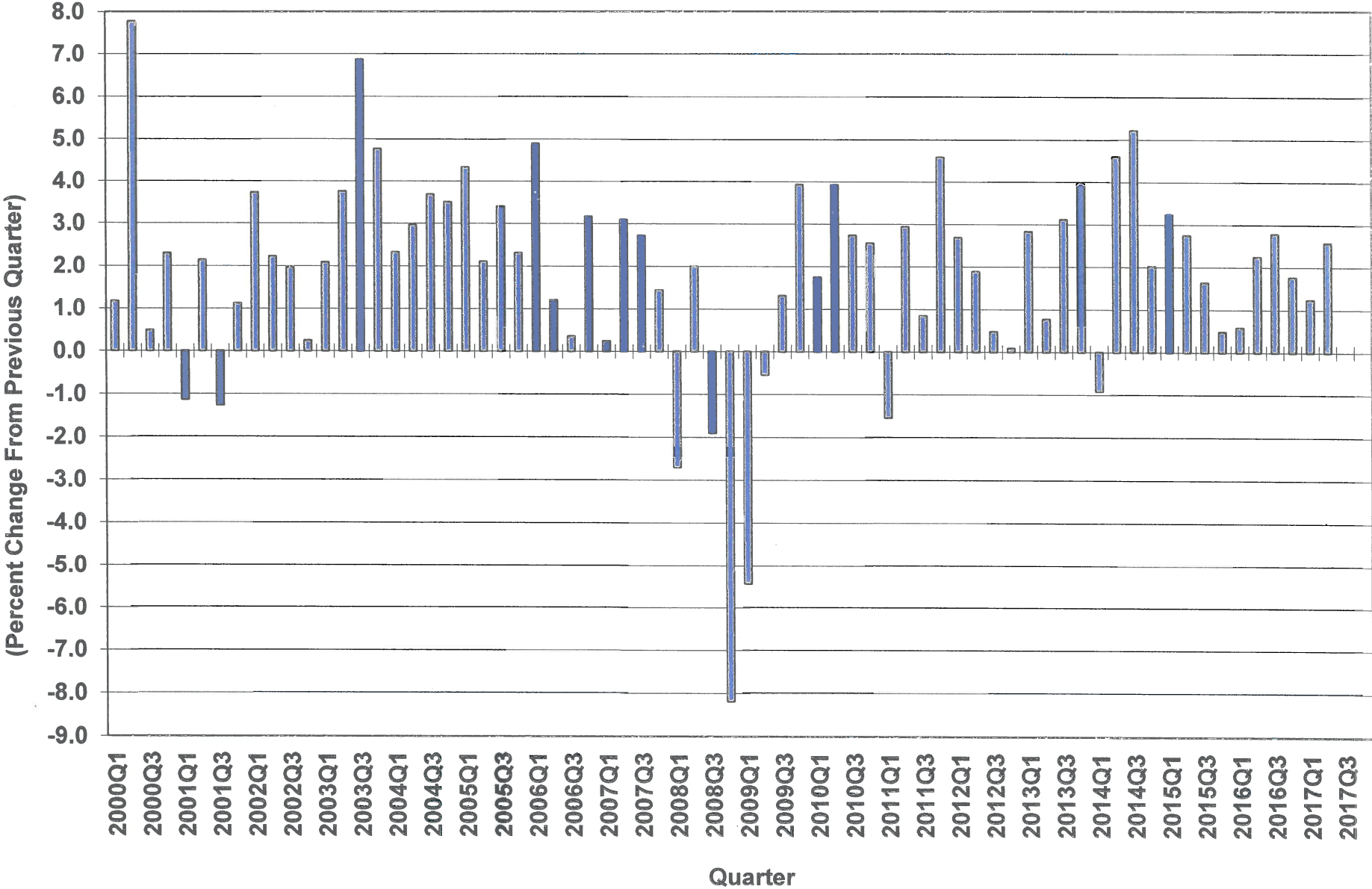
Growth in Car and Truck Sales in the U.S.



Average Age of Motor Vehicles in the United States

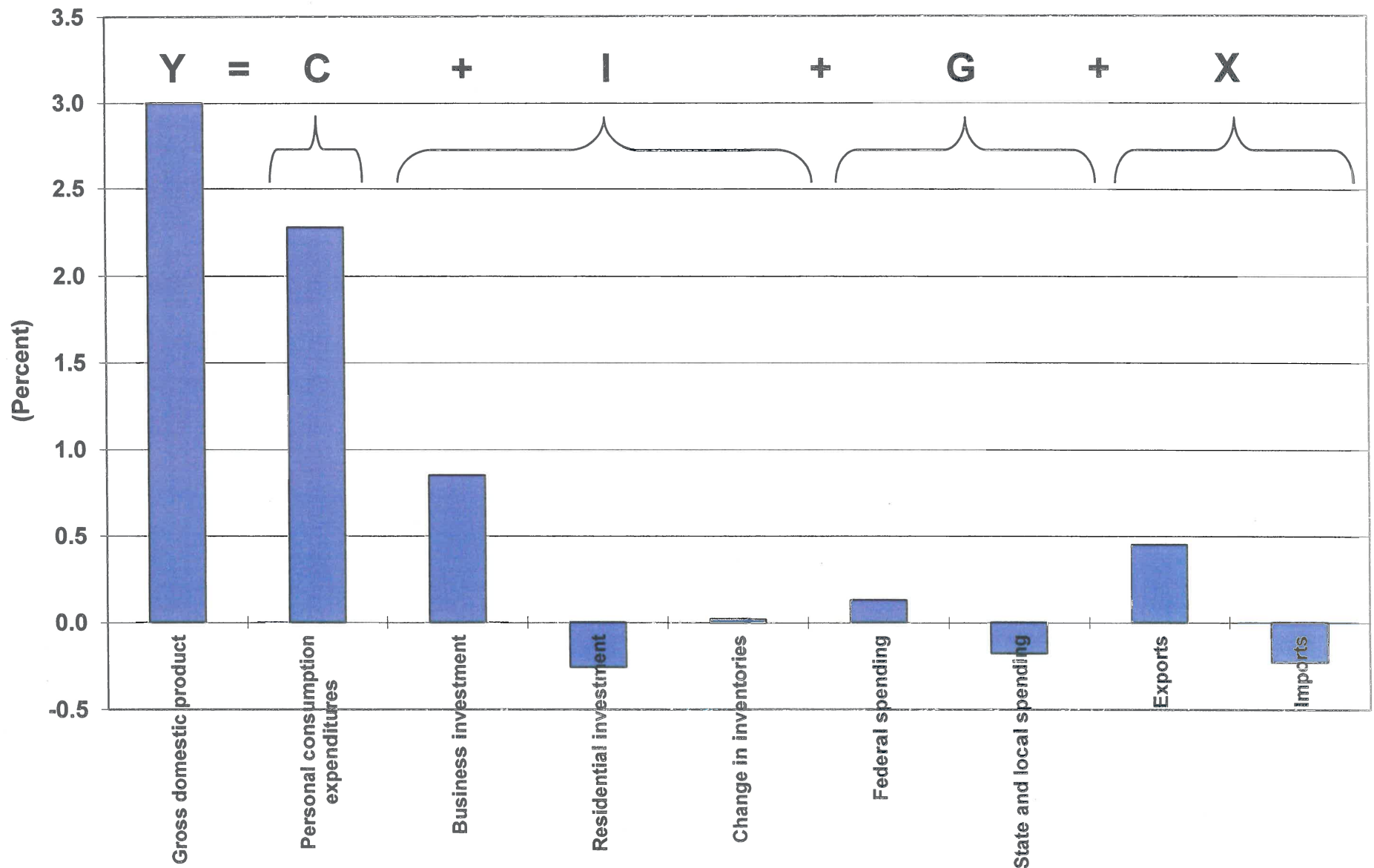


Real Gross Domestic Product in the U.S.



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

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





August 2017

Items of Concern for FY2017-18 General Fund Revenue Estimate

- Impacts from Hurricanes Harvey and Irma – supply disruptions
- DOR tax relief for taxpayers in specific counties – affects timing
- 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



August 2017

- Federal Reserve increasing interest rates will increase borrowing costs
- 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



August 2017

- National forecasts expect a slight slowdown in the US economy



August 2017

Looking Forward – The FY2018-19 General Fund Revenue Estimate

- BEA to meet with its Regional Advisory Committee in October
- Staff of the BEA to present a preliminary revenue forecast in October
- BEA Board to discuss and adopt preliminary FY2018-19 General Fund revenue forecast in November



August 2017

Contingencies

- Sales tax – will consumers and businesses continue to spend
- Individual Income tax – employment growth will moderate – withholdings may moderate unless wages increase
- Corporate Income tax – corporate profits are doing well – will this continue
- Insurance tax – will insurers increase premium rates to recover costs of disasters
- Documentary Stamp tax – retain Conservation Bank Trust Fund money in FY2017-18 – not expected to continue in FY2018-19
- Earned on Investments – cash balances at record levels with higher rates
- Public Service Authority – continue business as usual

OTHER ITEMS

