



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 November 9, 2017, 2:00 P.M.

**Bowers Conference Room 417, Rembert C. Dennis Building**

1. Welcome
2. Review of October 2017 Revenues (F. Rainwater, R. Martin)
3. Forecasts (F. Rainwater, R. Martin)
  - A. Consideration of FY 2017-18 Revenue Estimates
  - B. Consideration of FY 2018-19 Revenue Estimates
  - C. Guidelines for Long-Range Estimate
4. Other Business
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. December 14, 2017, 2:00pm - **If necessary**, WebEx for Members
  - B. January 2018, 2:00pm - **Date undecided**, Quarterly Review, WebEx for Members
  - C. February 15, 2018, 2:00pm - Forecast - due by February 15th
  - D. 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](http://www.rfa.sc.gov)



*South Carolina Revenue and Fiscal Affairs Office*

# REVIEW OF OCTOBER 2017 REVENUES



# OVERVIEW

- In October, General Fund Revenues grew 4.2 percent.
- For the fiscal year-to-date, General Fund Revenues grew 2.5 percent which is below the estimated annual rate of 4.6 percent.
- Revenues are \$29.0 million BELOW expectations; third consecutive month of lower than expected growth.





Board of Economic Advisors General Fund Revenue Monitor

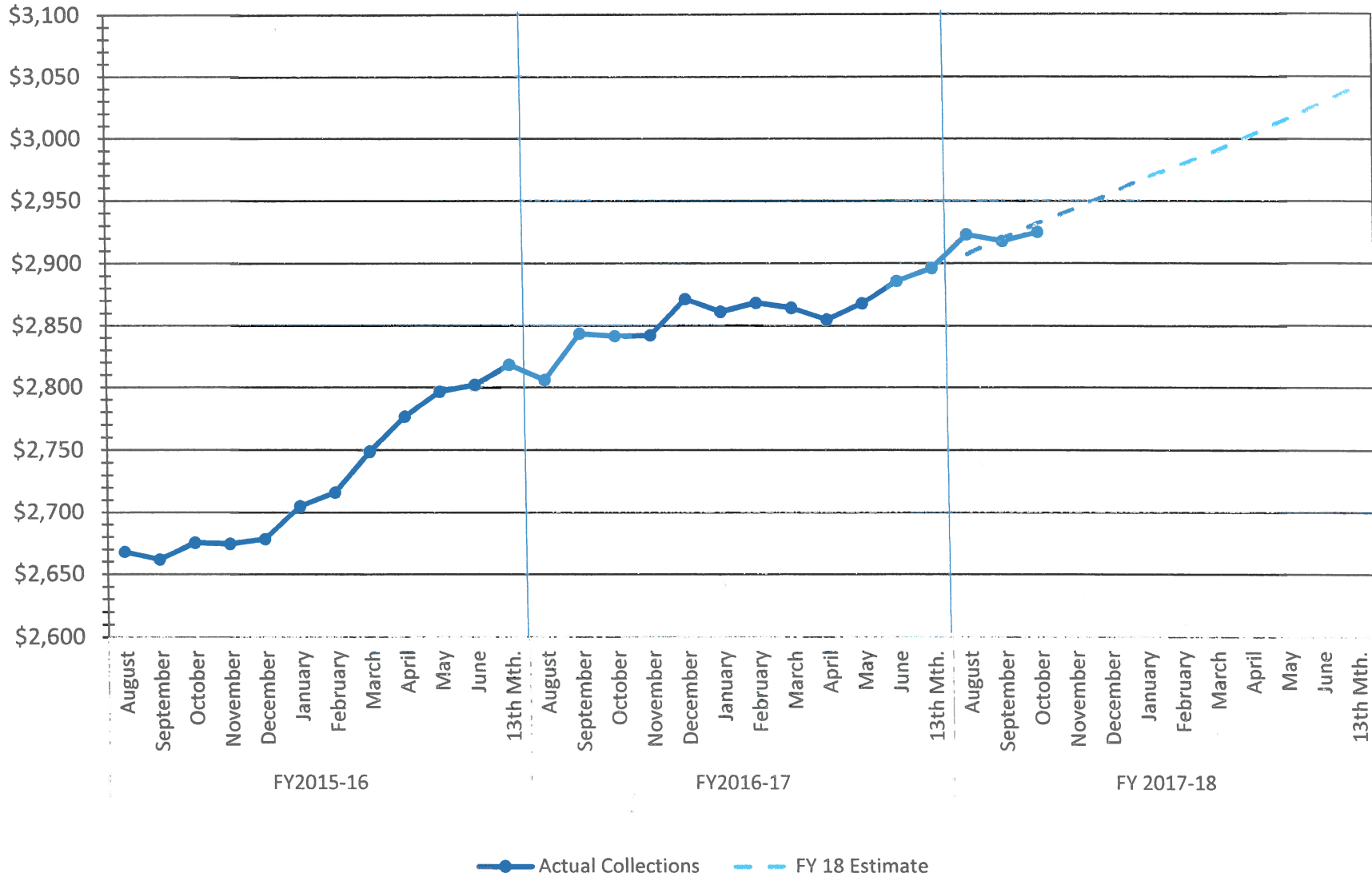
Revenues vs. 07/01/17 Adj. Appropriation Act of \$8,534.4 Million in FY 2017-18 1/

	JULY - OCTOBER FY 2017-18			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>2,751.9</b>	<b>2,780.8</b>	<b>(29.0)</b>	<b>4.6</b>	<b>2.5</b>
Sales Tax	743.8	750.9	(7.1)	5.0	4.0
Individual Income Tax	1,726.7	1,755.6	(28.8)	4.6	2.3
Corporate Income Tax	67.4	87.1	(19.7)	7.5	23.3
Other Revenue Sources	214.0	187.3	26.7	2.3	(6.0)
<b>Select Tax Revenues, Sub-Total</b>	<b>186.5</b>	<b>208.7</b>	<b>(22.1)</b>	<b>3.8</b>	<b>(7.2)</b>
Admissions Tax - Total	1.2	1.9	(0.7)	(4.2)	(51.9)
Alcoholic Liquors Tax	17.2	18.1	(0.9)	4.7	(0.8)
Bank Tax	9.9	6.2	3.6	(40.9)	(6.6)
Beer and Wine Tax	27.7	30.7	(3.0)	4.8	(5.4)
Corporation License Tax	37.7	11.6	26.1	36.4	11.5
Documentary Tax	20.9	17.5	3.4	31.4	56.5
Earnings on Investments	5.6	5.4	0.2	(22.1)	(39.7)
Insurance Tax	59.7	63.9	(4.3)	1.8	(24.2)
Tobacco Tax	6.9	6.7	0.2	3.9	6.9

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.

## TOTAL SALES & USE TAX Rolling Fiscal Year Totals FY 2015-16 to FY 2017-18





October 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	\$2,751.9	\$2,780.8	(\$29.0)	4.6	2.5

- The majority of the revenue shortfall is from weakness in the Individual Income tax and the Corporate Income tax
- After adjusting for sales tax held in a clearing account, the Y-T-D revenue growth is 2.8 percent



## October 2017

### Sales Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$743.8	\$750.9	(\$7.1)	5.0	4.0

- There remains \$8.2 million in clearing account in October 2017
- After adjustments, the Y-T-D growth rate is 3.5 percent





October 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	\$1,726.7	\$1,755.6	(\$28.8)	4.6	2.3

- Weak income tax withholdings and increased refund processing have contributed to slower income tax growth year-to-date.



October 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	\$67.4	\$87.1	(\$19.7)	7.5	23.3

- An increase in Corporate Income Tax refunds is responsible for the monthly shortfall



October 2017

## Other Taxes

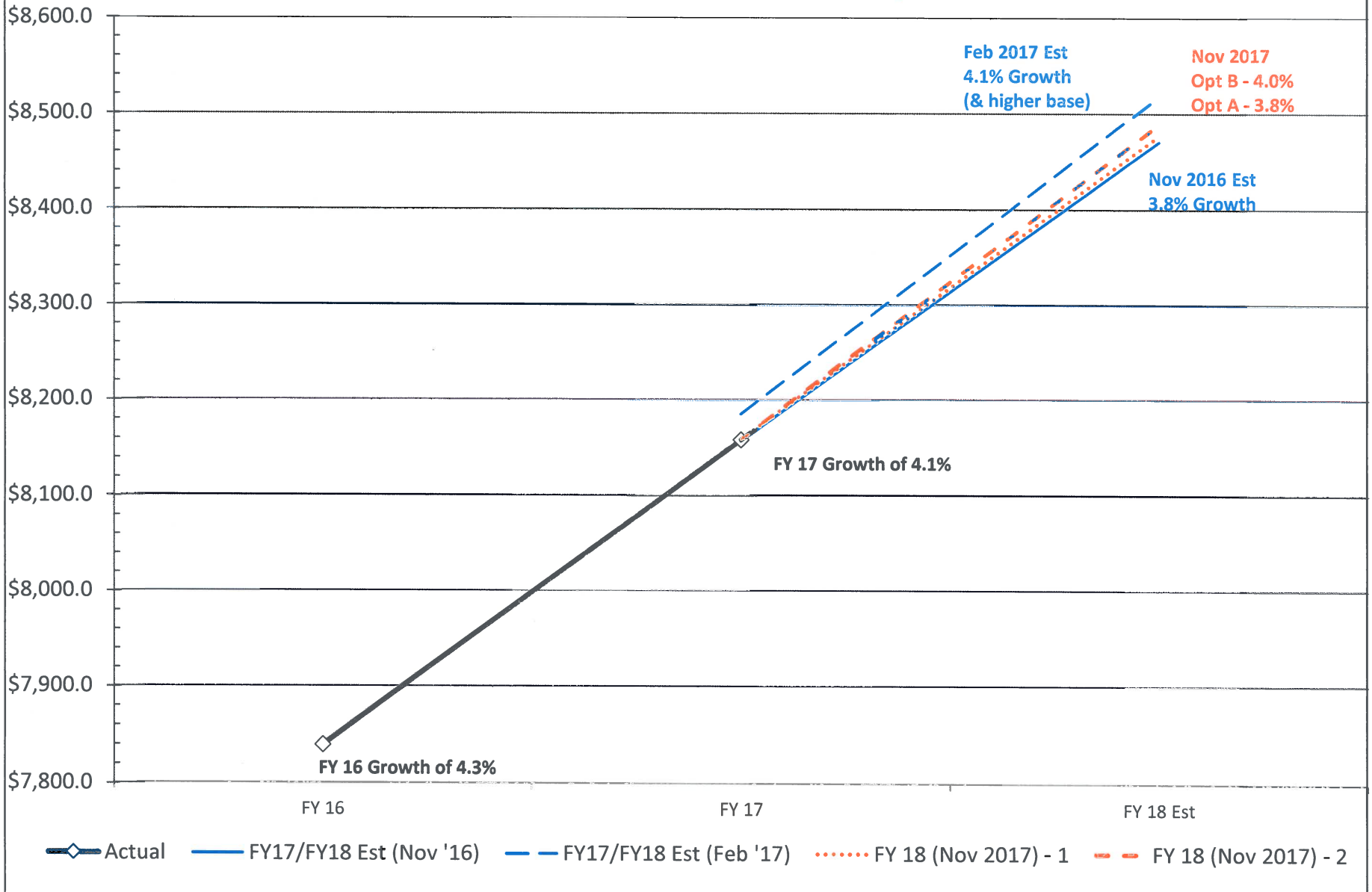
Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$214.0	\$187.3	\$26.7	2.3	(6.0)

- Growth is from a variety of sources and timing of receipts
- Majority of growth is from stronger growth in the Corporate License Tax, the Documentary Stamp Tax, and the Tobacco Tax
- Majority of weakness is in the Insurance Tax (biennial licensing)

# **CONSIDERATION OF FY 2017-18 REVENUE ESTIMATE**



## NOVEMBER 2017 FORECAST FY 16 & FY 17 Actuals and FY 18 Options



Source: Board of Economic Advisors

# FY 2017-18 Forecast and Changes – November 2017

FY 2017-18 Forecast History and Changes - November 2017				
	Nov 2016 Estimate	Feb 2017 Change	November 2017	
			Option A	Option B
Sales	\$3,015.4	\$25.8	(\$29.1)	(\$21.8)
Ind Income	\$4,240.1	\$56.3	(\$25.6)	(\$14.3)
Corp Income	\$387.6	(\$58.1)	\$14.9	\$14.9
Corp License	\$89.0	\$19.0	(\$20.0)	(\$20.0)
Insurance	\$237.8	\$4.2	(\$12.5)	(\$12.5)
Other	\$500.7	\$0.6	\$8.0	\$7.9
<b>Total GFR*</b>	<b>\$8,470.6</b>	<b>\$47.8</b>	<b>(\$64.3)</b>	<b>(\$45.8)</b>

\* Net of Legislative Adjustments (\$16 million Documentary Stamp Tax)



## FY 2017-18 RECOMMENDATIONS

- Recognize the potential of a \$45.8 million shortfall in FY18 (Option B) due to the revenue shortfall in final FY17 collections and slightly slower growth for FY18 than previously estimated.
- Include the potential \$45.8 million shortfall in the base for projecting FY19 estimates.
- At this time, however, continue to use the total revenue estimate in the Appropriation Act as the official estimate. Do not adopt a lower estimate this meeting.
  - A reduced estimate would automatically trigger an across-the-board budget cut of 0.6 percent.
  - The Governor and budget committee chairmen have expressed a preference to address a shortfall in the legislative process because it provides more flexibility and options.



# CONSIDERATION OF FY 2018-19 REVENUE ESTIMATE







# October 2017

## South Carolina Board of Economic Advisors Survey Results of Regional Advisory Committee Summary of Economic Forecast Assumptions

Variable	Actual FY2016-17	Most Recent	Current 1/ Forecast Rates FY2017-18	Regional Advisory Committee Forecast Rates Forecast for FY2017-18					Simple Average	Olympic Scoring	MEMO BEA
				Brown	Hefner	Kaglic	Sobel	von Nessen			
S.C. Personal Income	3.3%	3.71%	4.75%	4.70%	4.00%	3.80%	4.45%	3.30%	4.05%	4.08%	4.25%
S.C. Employment	1.9%	1.6%	1.8%	2.30%	1.80%	1.60%	1.75%	1.90%	1.87%	1.82%	1.60%
Inflation Rate (CPI-U)	1.8%	1.9%	2.0%	1.90%	2.00%	1.80%	2.25%	1.80%	1.95%	1.90%	2.00%
Sales Tax	2.8%	1.3%	5.0%	3.70%	3.00%	3.80%	3.20%	N/A	3.43%	3.45%	4.20%
Individual Income Tax 1/	7.2%	1.4%	4.6%	3.90%	4.00%	N/A	3.20%	N/A	3.70%	3.90%	4.30%

Variable	Actual FY2016-17	Most Recent	Current Forecast Rates FY2018-19	Regional Advisory Committee Forecast Rates Forecast for FY2018-19					Simple Average	Olympic Scoring	MEMO BEA
				Brown	Hefner	Kaglic	Sobel	von Nessen			
S.C. Personal Income 1/	3.3%	3.71%	N/A	5.70%	4.50%	3.50%	4.40%	4.10%	4.44%	4.33%	4.50%
S.C. Employment	1.9%	1.6%	N/A	2.70%	1.90%	1.40%	1.70%	2.00%	1.94%	1.87%	1.60%
Inflation Rate (CPI-U)	1.8%	1.9%	N/A	2.20%	2.00%	2.00%	2.25%	1.90%	2.07%	2.07%	2.00%
Sales Tax	2.8%	1.3%	N/A	4.10%	4.00%	3.60%	3.10%	N/A	3.70%	3.80%	4.50%
Individual Income Tax 1/	7.2%	1.4%	N/A	4.50%	4.50%	N/A	3.20%	N/A	4.07%	4.50%	3.80%

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.

BEA/RWM/10/19/17





October 2017

**Regional Advisory Committee Meeting  
Summary of Discussion  
October 19, 2017**

- The global economy is experiencing healthy economic growth
- Europe has regained economic momentum – no country is currently in a recession
- The lower value of the U.S. dollar against major trading partners will stimulate export growth



## October 2017

- The South Carolina economy is at full employment – future economic growth will depend on increases in productivity (may constrain future growth)
- Continued steady economic growth throughout the forecast period with real GDP growth in the 2.0 to 2.5 percent range
- Only a misguided fiscal or monetary policy blunder could derail the economy

**Estimated General Fund Revenue Growth Rate Scenarios  
Under Various Personal Income Growth Rates  
Fiscal Year 2017-18 and Fiscal Year 2018-19**

Scenario	Personal Income Growth Rate		General Fund Revenue Growth Rate		Shortfall From FY2018 Appropriation Act	FY2019 Growth Over FY2018 Appropriation Act
	FY2018	FY2019	FY2018	FY2019		
<b>A</b>	4.00%	4.00%	3.8%	3.9%	-\$64.3 Mil.	+\$265.4 Mil.
<b>B</b>	4.25%	4.25%	4.0%	4.1%	-\$45.8 Mil.	+\$304.1 Mil.
<b>C</b>	4.25%	4.50%	4.0%	4.3%	-\$45.8 Mil.	+\$323.4 Mil.

Source: Board of Economic Advisors, Columbia, SC

BEA/RWM/11/08/17

**General Fund Revenue Tax Reductions From Legislative Offsets**  
**Fiscal Years 2017-18 through 2026-27**  
(Millions of Dollars)

Tax Item	FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	Total
<b>2017 Legislative Session</b>											
Earned Income Tax Credit 1/	\$0.0	(\$20.4)	(\$27.8)	(\$33.1)	(\$36.5)	(\$39.6)	(\$42.7)	(\$44.6)	(\$46.5)	(\$48.5)	(\$339.7)
Two Wage Earner Tax Credit 2/	\$0.0	(\$3.3)	(\$6.7)	(\$10.0)	(\$13.2)	(\$16.2)	(\$19.2)	(\$19.7)	(\$20.1)	(\$20.5)	(\$128.9)
Tuition Tax Credit 3/	\$0.0	(\$6.2)	(\$6.3)	(\$6.5)	(\$6.6)	(\$6.8)	(\$6.9)	(\$7.1)	(\$7.3)	(\$7.4)	(\$61.1)
Manufacturing Property Value Exemption 4/	\$0.0	5/	5/	5/	5/	5/	5/	5/	5/	5/	\$0.0
<b>Total Tax Credits 2017 Session</b>	<b>\$0.0</b>	<b>(\$29.9)</b>	<b>(\$40.8)</b>	<b>(\$49.6)</b>	<b>(\$56.3)</b>	<b>(\$62.6)</b>	<b>(\$68.8)</b>	<b>(\$71.4)</b>	<b>(\$73.9)</b>	<b>(\$76.4)</b>	<b>(\$529.7)</b>
<b>2016 Legislative Session</b>											
Affixing Tax Stamps to Cigarettes	\$0.0	(\$1.3)	(\$2.1)								(\$3.4)
Job Tax Credit - Air Transportation Industry and Agricultural Packaging	(\$1.6)	(\$1.6)	(\$1.6)	(\$1.6)	(\$1.6)						(\$8.2)
Income Tax Deduction - Military Benefits	(\$9.9)	(\$13.4)	(\$16.5)	(\$19.6)							(\$59.3)
Income Tax Credit - Solar Property	(\$3.5)	(\$3.5)	(\$2.5)	(\$2.5)							(\$12.0)
<b>Total Tax Credits 2016 Session</b>	<b>(\$15.0)</b>	<b>(\$19.8)</b>	<b>(\$22.7)</b>	<b>(\$23.7)</b>	<b>(\$1.6)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>(\$82.9)</b>
<b>Total Legislative Offsets in Revenue Estimate</b>	<b>(\$15.0)</b>	<b>(\$49.7)</b>	<b>(\$63.5)</b>	<b>(\$73.3)</b>	<b>(\$57.9)</b>	<b>(\$62.6)</b>	<b>(\$68.8)</b>	<b>(\$71.4)</b>	<b>(\$73.9)</b>	<b>(\$76.4)</b>	<b>(\$612.6)</b>

- Notes: 1/ Nonrefundable credit of 125% of federal Earned Income Tax Credit (EITC) phased-in at 20.833% per year.  
2/ Increase two-wage earner credit wage maximum from \$30,000 to \$50,000 phased in at \$3,333 per year.  
3/ Increase tuition credit to 50% of tuition up to \$1,500 per student.  
4/ Exempt 14.29% of manufacturing property value from property taxes phased in over 6 years at 2.382% per year beginning TY 2018.  
5/ Reimbursement will be paid out of Property Tax Relief Trust Fund.

Source: S.C. Revenue and Fiscal Affairs Office, Fiscal Analysis Division, Columbia, SC

BEA/RWM/11/05/17

<b>MEMO</b>											
Manufacturing Property Value Exemption 4/	\$0.0	\$6.3	\$12.4	\$18.3	\$24.2	\$30.0	\$35.8	\$35.5	\$35.3	\$35.0	\$232.8

## FY 2018-19 Revenue Estimates Staff Recommendations for November 2017

- Maintain the Appropriation Act estimate for FY 2017-18 as the official forecast
- Use, however, a lower base (\$45.8 million) for estimating FY 2018-19 revenues
- Staff recommends Option B, 4.25 percent personal income growth and 4.1 percent General Fund Revenue growth

### Key factors:

- Expected continued modest economic growth
- World and National economy improving; absent an unexpected shock to the system, expect continued growth
- SC is at full employment; expect continued but slower job growth
- Expect growth in personal income between of 4.25 percent
- Significant tax and accounting changes
  - Phase-in of tax cuts from 2016 legislative session
  - Phase-in of tax cuts from 2017 legislative session
- “Up” year in biennial licensing

# CONSIDERATION OF LONG-RANGE ESTIMATE

- Staff will prepare a long-range estimate pursuant to §11-11-350 consistent with the assumptions made today and authorize the release of the long-range estimate subject to final approval by the Chairman.



EDWARD B. GRIMBALL, Chairman  
HOWELL CLYBORNE, JR.  
EMERSON F. GOWER, JR.

## SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER  
Executive Director

*For Immediate Release  
November 9, 2017*

### **Fiscal Forecast FY 2017-18 & FY 2018-19 Continued Economic and Revenue Growth in South Carolina**

The S.C. Board of Economic Advisors (BEA) met today to review its economic and revenue forecasts for FY 2017-18 and to adopt a preliminary forecast for FY 2018-19.

For the current fiscal year, FY 2017-18, the forecast calls for continued economic growth in the state, but the BEA also acknowledged the potential of a revenue shortfall for FY 2017-18 of approximately \$45.8 million. Overall, the key economic indicators, personal income and employment, are projected to grow 4.25 and 1.8 percent, respectively. The primary reasons for a potential shortfall are the \$27.5 million revenue shortfall in the prior year, FY 2016-17, which created a lower base, and slightly lower income growth than previously projected, 4.25 versus 4.75 percent.

The BEA, however, did not officially adopt a lower estimate for FY 2017-18 at this time. After conversations with the Governor's Office and budget committees of the House and Senate, the consensus opinion was that a possible shortfall could be handled better during the legislative session as the General Assembly has more flexibility and options to consider. Had the BEA officially lowered the revenue estimate, that action would have triggered an immediate across-the-board cut of approximately 0.6 percent to state agencies. The BEA will continue to monitor the revenue growth and revisit the forecast on February 15, 2018.

For the upcoming fiscal year, FY 2018-19, the BEA expects continued growth, and the key indicators of personal income and employment are expected to grow at a similar pace of 4.25 percent and 1.8 percent. Some important factors contributing to this expectation are growing national and world economies, a favorable business climate, and continued consumer spending. The revenue forecast for FY 2018-19 estimates general fund revenue at \$8,838.4 million, which represents growth of 4.1 percent.

For the FY 2018-19 budget process, the General Fund forecasts translate to available new general funds of \$292.3 million after adjusting for growth in the tax relief trust fund.

*For further information, please contact Frank Rainwater at (803) 734-2265.*

###





**Personal Income Growth**  
 FY18 - 4.25%; FY19 - 4.25%

**General Fund Revenue Forecast**  
**Fiscal Years 2015-16 to 2018-19**  
 (Dollars)

Revenue Category	Final FY 2015-16	Final FY 2016-17	11/9/2017 Estimate FY 2017-18	11/9/2017 Estimate FY 2018-19	Percent Change FY 2015-16	Percent Change FY 2016-17	Percent Change FY 2017-18	Percent Change FY 2018-19
Sales and Use Tax	\$2,818,605,595	\$2,896,271,260	\$3,041,207,000	\$3,147,685,000	6.1	2.8	5.0	3.5
Individual Income Tax	3,832,846,497	4,107,647,011	4,295,400,000	4,425,417,000	4.7	7.2	4.6	3.0
Corporation Income Tax	411,148,125	320,415,504	344,486,000	358,914,000	8.9	(22.1)	7.5	4.2
Insurance Taxes	212,224,188	237,673,156	242,046,000	267,404,000	(2.0)	12.0	1.8	10.5
Admissions Tax	28,012,902	30,443,571	29,145,000	31,364,000	(5.7)	8.7	(4.3)	7.6
Aircraft Tax	4,124,496	2,500,000	2,500,000	2,500,000	(8.2)	(39.4)	0.0	0.0
Alcoholic Liquor Tax	73,549,750	76,736,505	80,318,000	83,317,000	4.5	4.3	4.7	3.7
Bank Tax	29,425,178	53,357,725	31,520,000	41,520,000	(5.9)	81.3	(40.9)	31.7
Beer and Wine Tax	107,252,141	109,577,012	114,891,000	113,334,000	2.3	2.2	4.8	(1.4)
Bingo Tax	2,838,515	678,360	1,055,000	692,000	(6.9)	(76.1)	55.5	(34.4)
Business Filing Fees	5,468,450	6,279,551	5,675,000	5,675,000	7.9	14.8	(9.6)	0.0
Circuit/Family Court Fines	8,090,762	7,888,118	7,856,000	7,421,000	(4.2)	(2.5)	(0.4)	(5.5)
Corporation License Tax	88,702,350	68,181,266	93,000,000	89,760,000	(31.7)	(23.1)	36.4	(3.5)
Documentary Tax	46,164,138	51,691,987	67,899,000	82,527,000	13.6	12.0	31.4	21.5
Earned on Investments	25,193,451	30,804,764	24,000,000	30,000,000	42.2	22.3	(22.1)	25.0
Indirect Cost Recoveries	11,588,575	14,702,994	12,173,000	12,500,000	(18.4)	26.9	(17.2)	2.7
Motor Vehicle Licenses	10,677,999	11,050,294	11,117,000	11,615,000	0.7	3.5	0.6	4.5
Nursing Home Fees	3,598,679	3,565,104	3,500,000	3,500,000	(1.5)	(0.9)	(1.8)	0.0
Parole and Probation Fees	3,392,808	3,392,808	3,393,000	3,393,000	0.0	0.0	0.0	0.0
Private Car Lines Tax	4,335,202	5,499,151	4,555,000	4,898,000	7.8	26.8	(17.2)	7.5
Public Service Authority	19,192,000	17,751,000	19,285,000	17,751,000	(4.6)	(7.5)	8.6	(8.0)
Purchasing Card Rebates	2,739,555	2,907,963	2,800,000	3,000,000	13.2	6.1	(3.7)	7.1
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	0.0	0.0	0.0	0.0
Savings and Loan Assoc. Tax	(84,258)	1,881,527	1,817,000	1,844,000	(104.2)	2333.1	(3.4)	1.5
Security Dealer Fees	25,191,340	25,648,556	26,000,000	26,000,000	5.1	1.8	1.4	0.0
Surcharge on Vehicle Rentals	3,148,906	2,579,640	706,000	777,000	12.4	(18.1)	(72.6)	10.1
Tobacco Tax	28,137,517	26,382,940	27,411,000	24,441,000	10.4	(6.2)	3.9	(10.8)
Uncashed Checks	3,432,881	3,530,329	2,000,000	2,000,000	(17.9)	2.8	(43.3)	0.0
Unclaimed Property Fund	5,750,000	15,000,000	15,000,000	15,000,000	(61.7)	160.9	0.0	0.0
Workers' Comp. Insurance Tax	9,674,588	9,004,832	9,869,000	9,572,000	18.3	(6.9)	9.6	(3.0)
Other Source Revenues	10,540,699	11,005,610	9,278,000	10,176,000	(5.3)	4.4	(15.7)	9.7
<b>Gross General Fund Revenue</b>	<b>\$7,839,424,028</b>	<b>\$8,158,509,537</b>	<b>\$8,534,363,000</b>	<b>\$8,838,458,000</b>	<b>4.3</b>	<b>4.1</b>	<b>4.6</b>	<b>3.6</b>

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/RWM/11/9/17



**Personal Income Growth**  
 FY18 - 4.25%; FY19 - 4.25%

**General Fund Revenue Forecast**  
**Fiscal Years 2015-16 to 2018-19**  
 (Dollars)

Revenue Category	Final FY 2015-16	Final FY 2016-17	11/9/2017 Estimate FY 2017-18	11/9/2017 Estimate FY 2018-19	Percent Change FY 2015-16	Percent Change FY 2016-17	Percent Change FY 2017-18	Percent Change FY 2018-19
<b>Gross General Fund Revenue</b>	<b>7,839,424,028</b>	<b>\$8,158,509,537</b>	<b>\$8,534,363,000</b>	<b>\$8,838,458,000</b>	4.3	4.1	4.6	3.6
Appropriation Act Revenue	7,666,473,000	8,157,517,892	\$8,534,363,000	8,838,458,000	6.3	6.4	4.6	3.6
Less: Tax Relief Trust Fund	(568,314,514)	(575,273,126)	(584,026,000)	(599,438,000)	(1.4)	(1.2)	(1.5)	(2.6)
Plus: Tax Relief Trust Fund Carryforward	0	0	0	0				
Appropriation Act Excluding Trust Fund	7,271,109,514	7,583,236,411	7,950,337,000	8,239,020,000	9.3	4.3	4.8	3.6
Capital Reserve Fund (2%) - Beg. Bal.	131,047,797	139,207,789	145,420,836	151,664,728	2.5	6.2	4.5	4.3
General Reserve Fund (5%) - Beg. Bal.	327,619,492	348,019,473	363,552,089	379,161,821	2.5	6.2	4.5	4.3
Total Reserve Funds	458,667,289	487,227,262	508,972,925	530,826,549	2.5	6.2	4.5	4.3
Revenue Excess/Shortage From Act	172,951,028	991,537	0	0				
Education Improvement Act (EIA)	719,821,206	764,078,707	805,061,000	837,341,000	6.1	6.1	5.4	4.0
EIA Fund	719,403,122	762,586,079	804,261,000	836,341,000	6.1	6.0	5.5	4.0
EIA Interest	418,084	1,492,628	800,000	1,000,000	537.2	257.0	(46.4)	25.0
S.C. Education Lottery Fund (Net)	396,300,000	401,958,373	406,300,000	407,000,000	13.2	1.4	1.1	0.2
Homestead Exemption Fund								
Total Revenue Available	649,166,693	685,115,809	727,694,000	755,802,000	5.5	5.5	6.2	3.9
Less: Homestead Exemption Fund Shortfall	(75,783,000)	(47,986,000)	(22,214,000)	(20,076,000)	16.5	36.7	53.7	9.6

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.

Source: South Carolina Board of Economic Advisors/BEA/RWM/11/9/17

**SCEL**

*Net Income Trends*

	2018 Forecast (after Oct.)			2017			2016			2015			2014			2013		
	Instant	Terminal	Total	Instant	Terminal	Total	Instant	Terminal	Total	Instant	Terminal	Total	Instant	Terminal	Total	Instant	Terminal	Total
Revenue	\$1,216.6	\$ 460.7	\$1,677.3	\$1,189.7	\$ 446.0	\$1,635.7	\$1,137.8	\$ 462.5	\$1,600.3	\$ 1,002.4	\$ 399.2	\$ 1,401.6	\$ 875.5	\$ 388.9	\$ 1,264.4	\$ 806.0	\$ 393.2	\$ 1,199.2
Prize Expense	881.3	225.6	1,106.9	862.3	223.9	1,086.2	823.1	224.1	1,047.2	727.1	197.0	924.1	630.0	181.0	811.0	578.9	196.6	775.5
Game Margin	335.3	235.1	570.4	327.4	222.1	549.5	314.7	238.4	553.1	275.3	202.2	477.5	245.5	207.9	453.4	227.1	196.6	423.7
Game Margin %	27.56%	51.03%	34.01%	27.52%	49.80%	33.59%	27.66%	51.55%	34.56%	27.46%	50.65%	34.07%	28.04%	53.46%	35.86%	28.18%	50.00%	35.33%
Commissions	85.9	32.5	118.4	83.9	31.5	115.4	80.3	32.6	112.9	70.7	28.1	98.8	61.8	27.4	89.2	57.0	27.8	84.8
Net Game Margin	249.4	202.6	452.0	243.5	190.6	434.1	234.4	205.8	440.2	204.6	174.1	378.7	183.7	180.5	364.2	170.1	168.8	338.9
Net Game Margin %	20.50%	43.97%	26.95%	20.46%	42.74%	26.54%	20.60%	44.49%	27.51%	20.41%	43.60%	27.02%	20.99%	46.40%	28.80%	21.10%	42.93%	28.26%
Other Revenues	2.7	1.0	3.7	2.6	1.0	3.6	2.6	1.1	3.7	2.6	1.0	3.6	2.6	1.1	3.7	2.5	1.2	3.7
Direct Game Costs	11.4	9.9	21.3	8.8	8.6	17.4	9.1	9.0	18.1	8.3	8.7	17.0	7.9	8.6	16.5	7.4	8.7	16.1
<b>Gross Profit</b>	<b>240.7</b>	<b>193.7</b>	<b>434.4</b>	<b>237.3</b>	<b>183.0</b>	<b>420.3</b>	<b>228.0</b>	<b>197.8</b>	<b>425.8</b>	<b>198.9</b>	<b>166.4</b>	<b>365.3</b>	<b>178.4</b>	<b>173.0</b>	<b>351.4</b>	<b>165.2</b>	<b>161.3</b>	<b>326.5</b>
Gross Profit %	19.79%	42.04%	25.90%	19.94%	41.03%	25.70%	20.04%	42.78%	26.61%	19.84%	41.68%	26.06%	20.38%	44.49%	27.79%	20.50%	41.02%	27.23%
Operating Expenses	16.9	6.4	23.3	16.1	6.0	22.1	15.2	6.2	21.4	15.6	6.2	21.8	14.3	6.3	20.6	14.1	6.9	21.0
Net Income	223.8	187.3	411.1	221.2	177.0	398.2	212.7	191.7	404.4	183.3	160.2	343.5	164.1	166.7	330.8	151.1	154.4	305.5
Net Income %	18.40%	40.65%	24.51%	18.59%	39.68%	24.34%	18.70%	41.44%	25.27%	18.29%	40.12%	24.51%	18.75%	42.86%	26.16%	18.74%	39.27%	25.48%
Unclaimed Prizes	12.0	7.0	19.0	11.6	6.9	18.5	11.7	5.0	16.7	9.1	5.8	14.9	10.6	3.7	14.3	7.0	5.4	12.4
"Regular Transfers"	210.1	175.9	386.0	212.1	169.7	381.8	204.3	184.0	388.3	178.3	155.7	334.0	153.4	155.7	309.1	142.5	145.7	288.2
Total Transfers	222.1	182.9	405.0	223.7	176.6	400.3	216.0	189.0	405.0	187.4	161.5	348.9	164.0	159.4	323.4	149.5	151.1	300.6
Total Transfers Over (Under) Net Income	\$ (1.7)	\$ (4.4)	\$ (6.1)	\$ 2.5	\$ (0.4)	\$ 2.1	\$ 3.2	\$ (2.6)	\$ 0.6	\$ 4.0	\$ 1.4	\$ 5.4	\$ (0.2)	\$ (7.2)	\$ (7.4)	\$ (1.6)	\$ (3.3)	\$ (4.9)



**THE HONORABLE CURTIS M. LOFTIS, JR.**

State Treasurer

November 9, 2017

Mr. Frank A. Rainwater  
Executive Director  
Revenue & Fiscal Affairs Authority  
442 Dennis Building  
Columbia, SC 29201

Dear Mr. Rainwater:

Pursuant to your request, we have reviewed our revenue estimates for the current and upcoming fiscal years. Please note that the February 10, 2017 BEA Revenue Estimate Letter projected General Fund earnings on investments to be approximately \$5,000,000. The amount reflected in our previous estimate is the net result of gross earnings less liabilities. Please find our updated revenue estimates disclosed below for Net Earnings on Investments, Unclaimed Property, Debt Service Reimbursements, and Unclaimed Checks (§11-5-260).

	<u>FY2017-2018</u>	<u>FY2018-2019</u>
Net Earnings on Investments		
General Fund	\$20,000,000	\$30,000,000
EIA Interest Earnings	\$ 800,000	\$ 1,000,000
Lottery Fund Interest Earnings	\$ 1,300,000	\$ 2,000,000
Homestead	\$ 900,000	\$ 1,200,000
Unclaimed Property Fund Transfers		
Recurring	\$15,000,000	\$15,000,000
Non-Recurring	\$0	\$0
Debt Services Reimbursements	\$1,580	
Unclaimed Checks (§11-5-260)	\$2,000,000	\$2,000,000

If we may be of any further assistance, please do not hesitate to contact us.

Yours very truly,

Curtis M. Loftis, Jr  
State Treasurer

Cc: Edward Grimball, Chairman, RFA  
Les Boles, RFA  
Mike Shealy, Senate Finance Committee  
Beverly Smith, House Ways & Means Committee