



EDWARD B. GRIMBALL, Chairman
HOWELL CLYBORNE, JR.
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SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER
Executive Director

BOARD OF ECONOMIC ADVISORS WORKING GROUP MEETING AGENDA March 22, 2018, 1:30 P.M.

Bowers Conference Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for February 15, 2018
3. Review of Revenues and Economic Conditions (F. Rainwater, R. Martin)
 - A. Overview of Monthly Activity (F. Rainwater)
 - B. Detailed Review of Economic and Revenue Activity (R. Martin)
 - C. Preview of April 9th Meeting
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. April 9, 2018, 2:00pm - Quarterly Review
 - B. May 17, 2018, 2:00pm - Members join via WebEx
 - C. June 14, 2018, 2:00pm
 - D. 2018 Calendar at <http://rfa.sc.gov/meetings>
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



South Carolina Revenue and Fiscal Affairs Office

OVERVIEW



OVERVIEW

- The increase in sales tax received in November is holding. In November revenues were \$16 million above estimate and through February they are up by \$17 million.
- The single largest revenue source, Withholdings, is currently \$15 million above estimate and the fiscal year-to-date growth of 4.5% is slightly above the annual estimate of 4.1%.
- Due to the timing of income tax refunds, the month reflected lower growth. This pattern should catch up later but it depends on when the refunds will be processed and whether the total estimate is correct.
- Corporate Income Tax and Corporate License Tax continue to go in different directions, but the surplus in Corporate License Tax offsets a good portion of the shortfall in Corporate Income Tax.
- Overall, some of the larger categories are performing better than expected, but some of the more volatile categories are behind estimate. At this point, there is no clear indication whether these patterns will continue, improve or decline.
- Taking all timing issues into consideration, revenue growth is still consistent with the estimate.





Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 2/15/18 BEA Revenue Estimate of \$8,534.4 Million in FY 2017-18 1/

	JULY - FEBRUARY 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	5,517.8	5,521.7	(3.9)	4.6	4.8
Sales Tax	1,731.9	1,714.1	17.8	5.0	6.1
Individual Income Tax	3,173.9	3,179.9	(6.0)	4.6	3.4
Corporate Income Tax	92.1	176.5	(84.4)	7.5	21.7
Other Revenue Sources	519.9	451.2	68.7	2.3	6.8
Select Tax Revenues, Sub-Total	428.1	417.4	10.7	3.8	6.4
Admissions Tax - Total	13.2	11.6	1.6	(4.2)	4.8
Alcoholic Liquors Tax	44.9	43.5	1.4	4.7	8.1
Bank Tax	19.8	20.3	(0.5)	(40.9)	(42.3)
Beer and Wine Tax	61.7	66.1	(4.4)	4.8	(2.1)
Corporation License Tax	97.9	38.9	59.0	36.4	107.8
Documentary Tax	43.7	38.6	5.0	31.4	48.5
Earnings on Investments	19.3	12.8	6.4	(22.1)	(27.1)
Insurance Tax	113.2	123.0	(9.7)	1.8	(14.9)
Tobacco Tax	15.7	15.7	0.0	3.9	4.0

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.

DETAILED REVIEW OF ECONOMIC AND REVENUE ACTIVITY



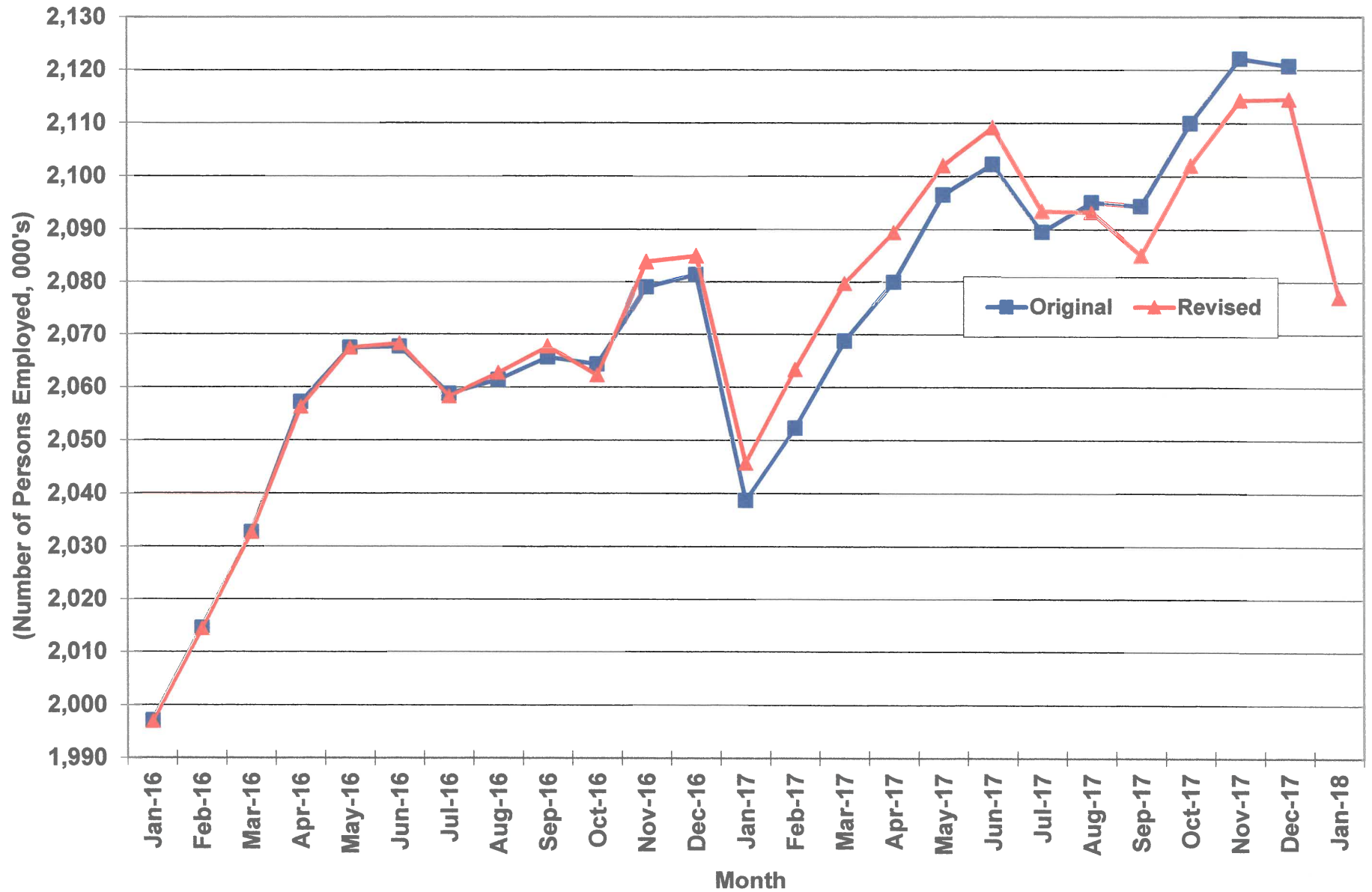


February 2018

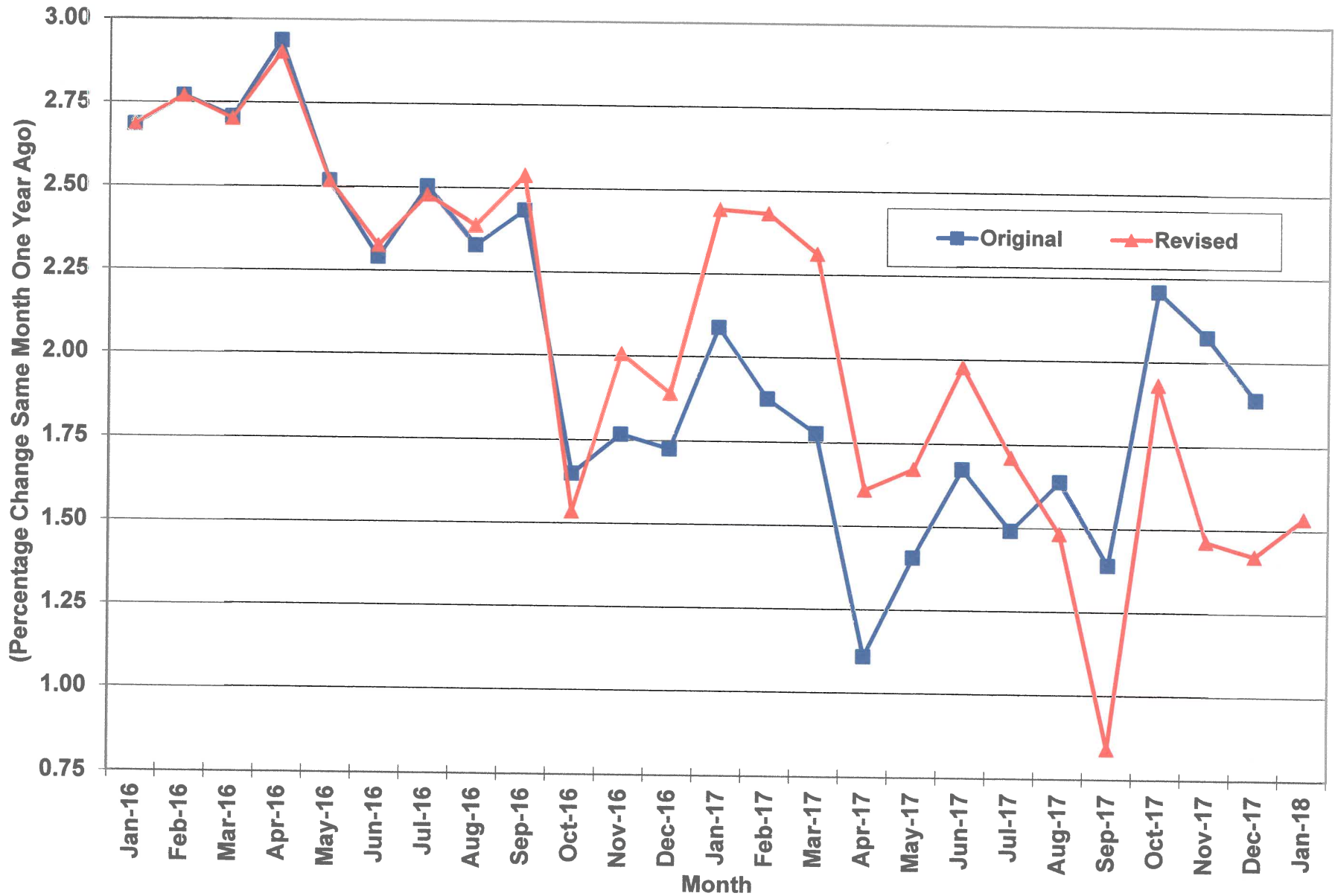
Recent Economic Developments

- **Revised state employment and personal income (revised on March 22nd) figures**
- **Federal Reserve meeting (announcement on March 21st)**
- **Stock Market**
- **Price of Oil**
- **Retail Sales**

Total Nonfarm Employment in South Carolina (Original Series vs. Revised Series)

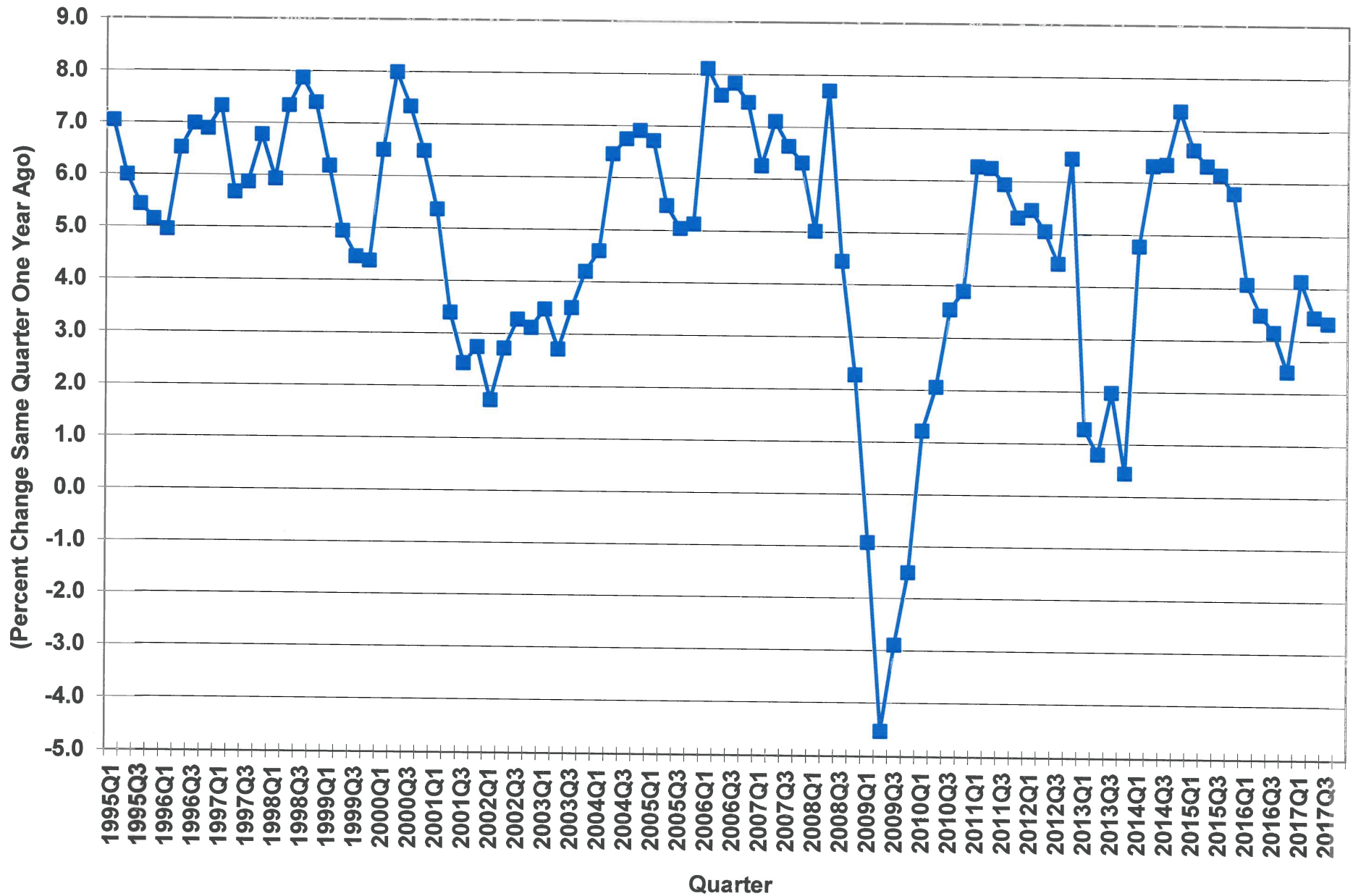


Growth of Employment in South Carolina (Original Series vs. Revised Series)



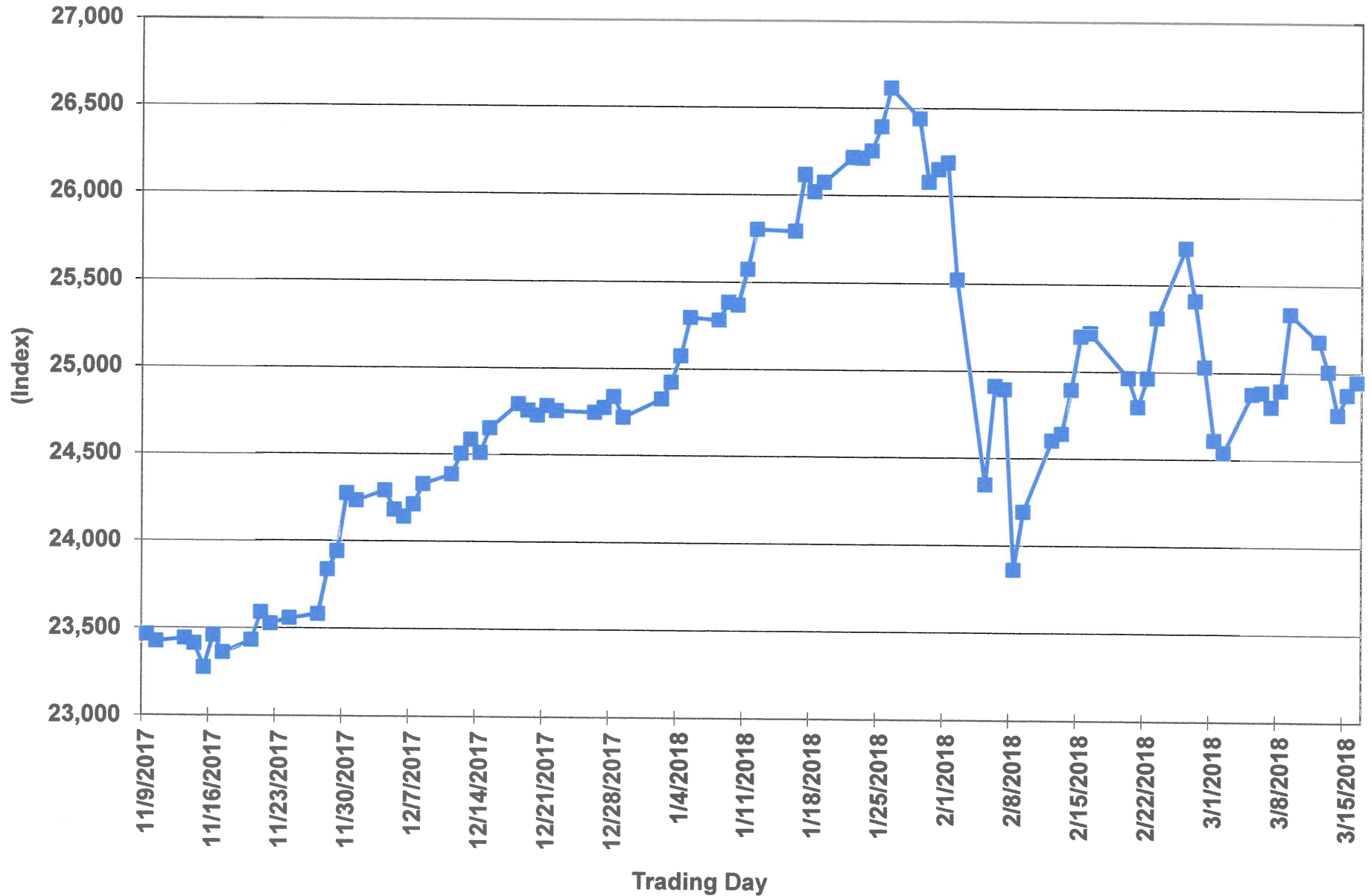
Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.

Growth in Personal Income in South Carolina

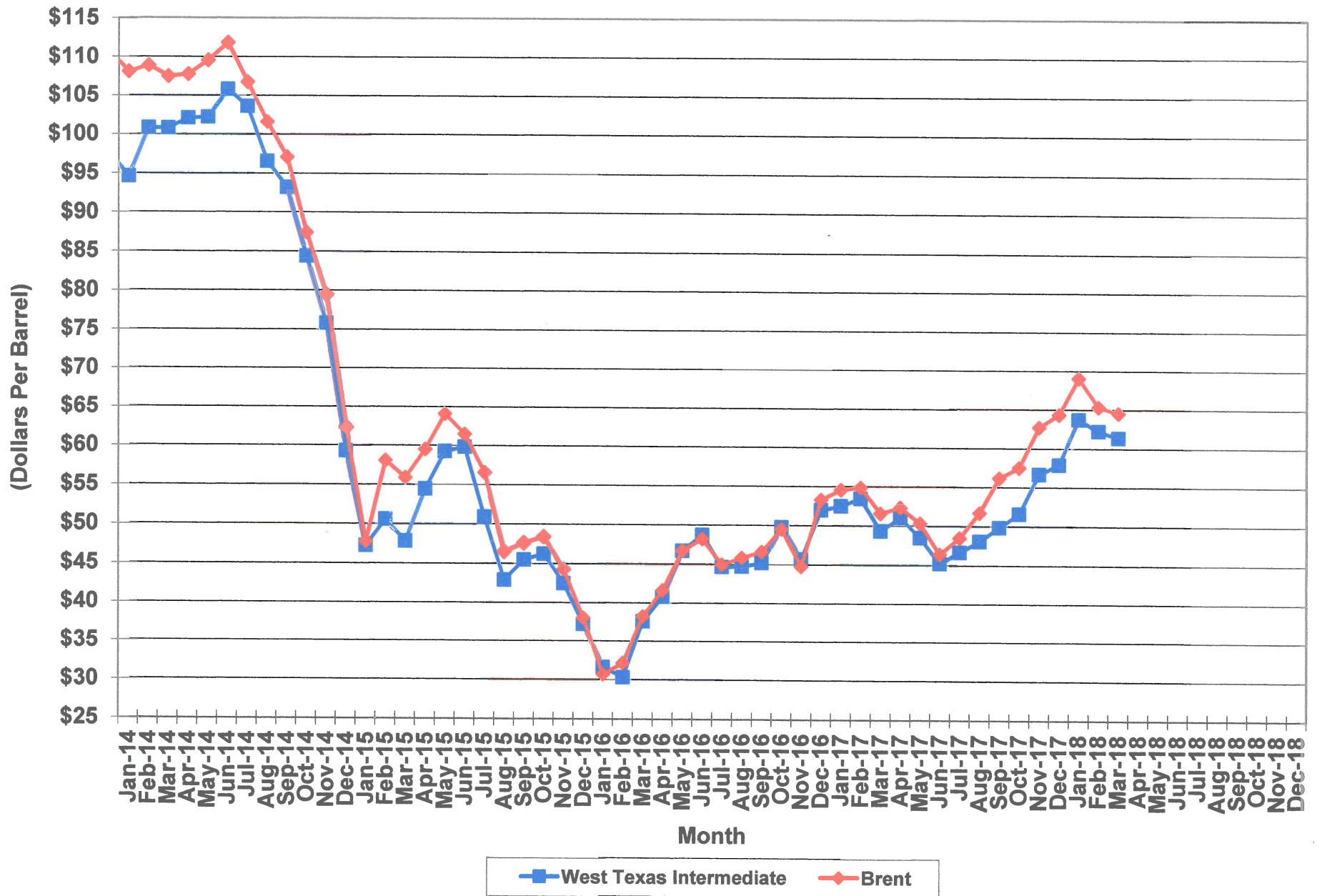


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

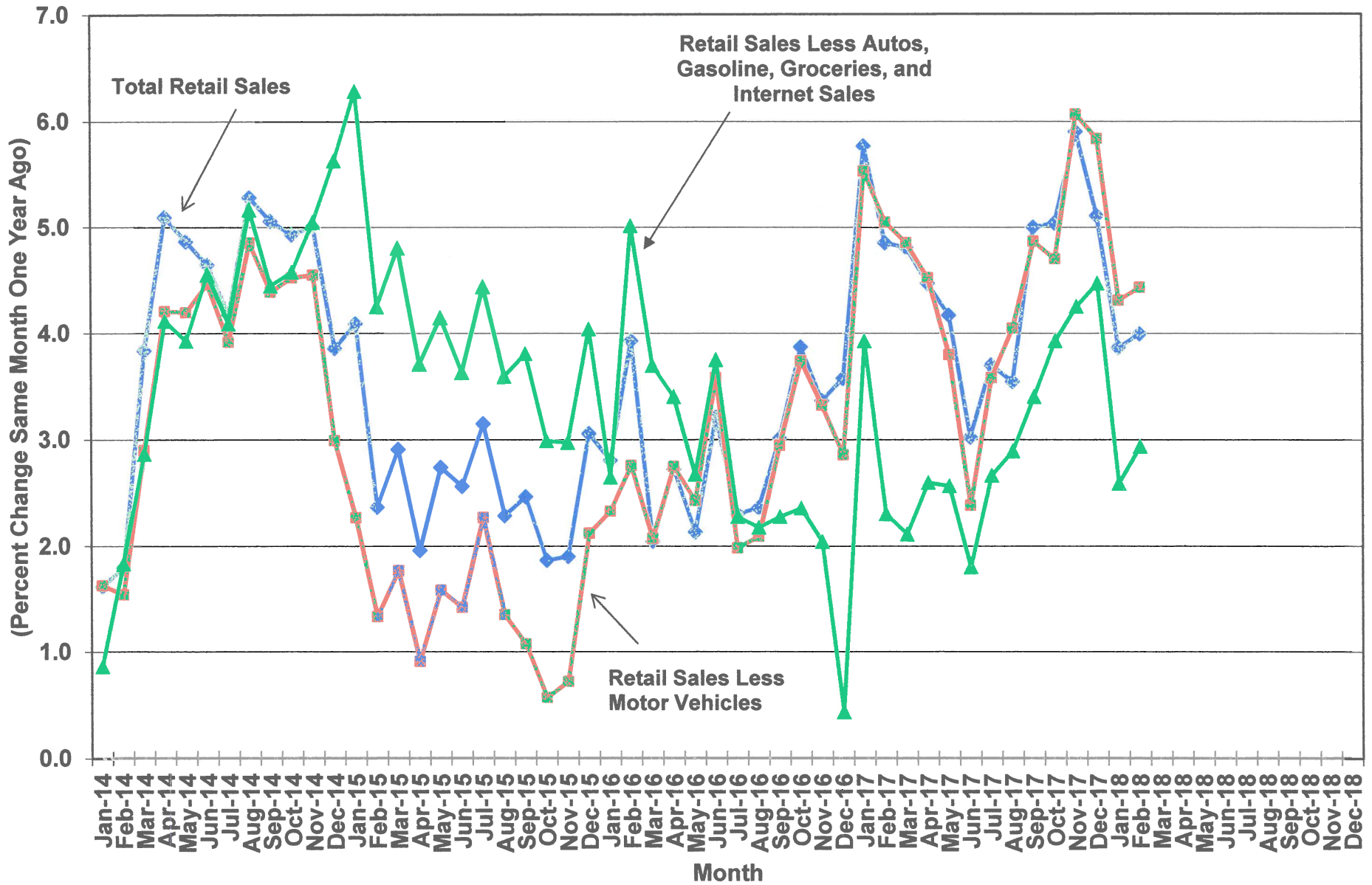
Dow Jones Industrial Average



Spot Crude Oil Prices



U.S. Retail & Food Service Sales



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



February 2018

Economic Health - Then and Now

Indicator	Then Nov. 10, 2017	Now Mar. 22, 2018	Effect On Economy
SC Employment	2.2%	1.5%	-
SC Income	3.71%	3.33%	-
US GDP	3.0%	2.5%	-
Oil Price	\$56.75	\$62.34	-
SC Gasoline Price	\$2.25	\$2.27	-
US Retail Sales	5.0%	4.2%	-
Interest rates	4.25%	4.50%	-
30-Year Mortgage	3.90%	4.29%	-
Value of \$	89.41	86.19	+
S&P 500 Index	2,557.00	2,752.01	+

Source: Compiled by the BEA from various sources.



February 2018

Focus of Report

- **General Fund Revenue**
- **Economic Sectors to Watch**
- **Changes to General Fund Revenue Estimate**



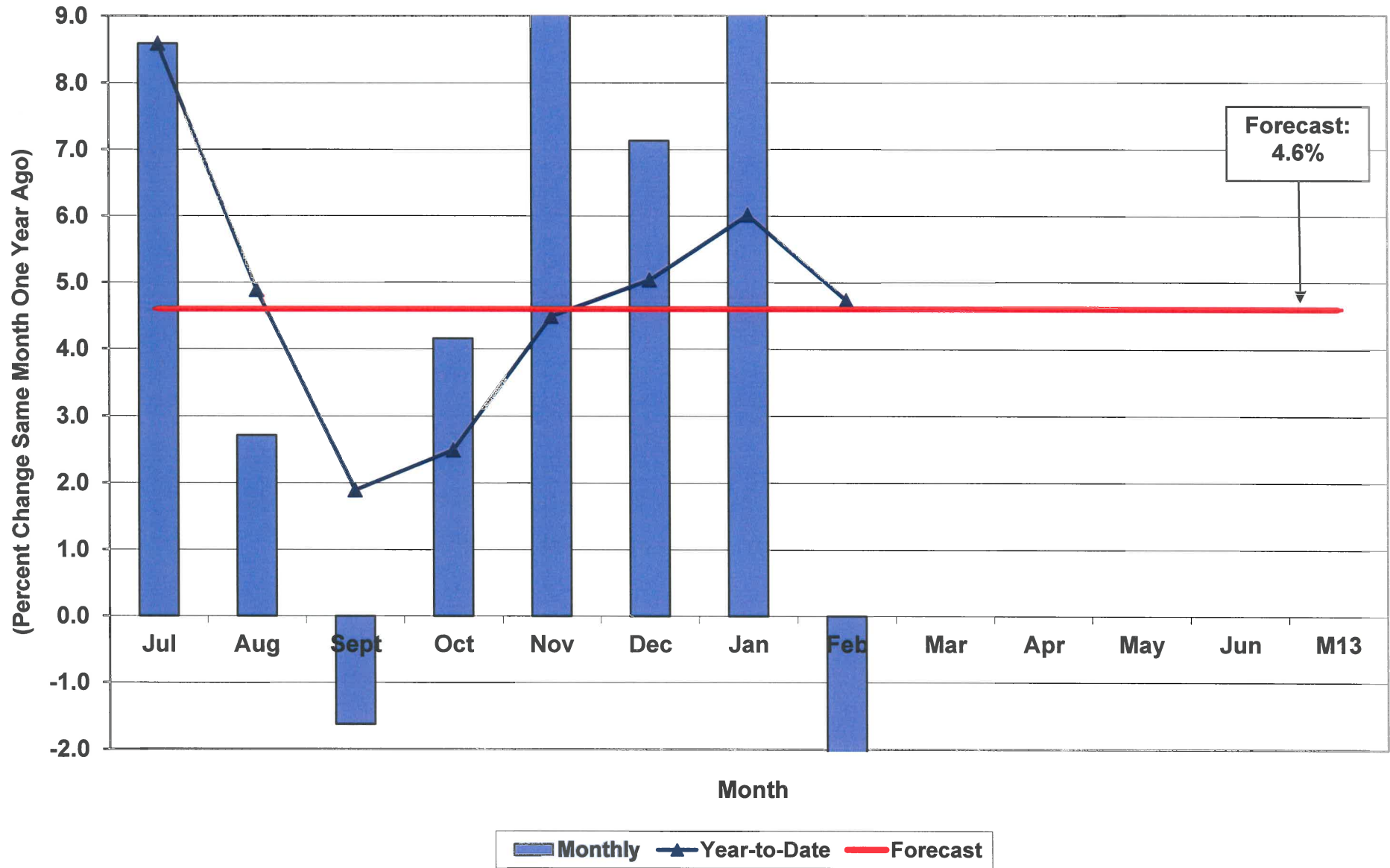
February 2018

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	\$5,517.8	\$5,521.7	(\$3.9)	4.6	4.8

- Through the first eight months of FY2017-18, General Fund revenues have increased 4.8 percent and are trending below current forecast projections by \$3.9 million
- After adjustments for sales tax held in a clearing account, the Y-T-D revenue growth is 4.6 percent. This growth rate equals the official Board of Economic Advisors' forecast growth rate for FY2017-18.

Growth in Total General Fund Revenue Collections FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/03/22/18



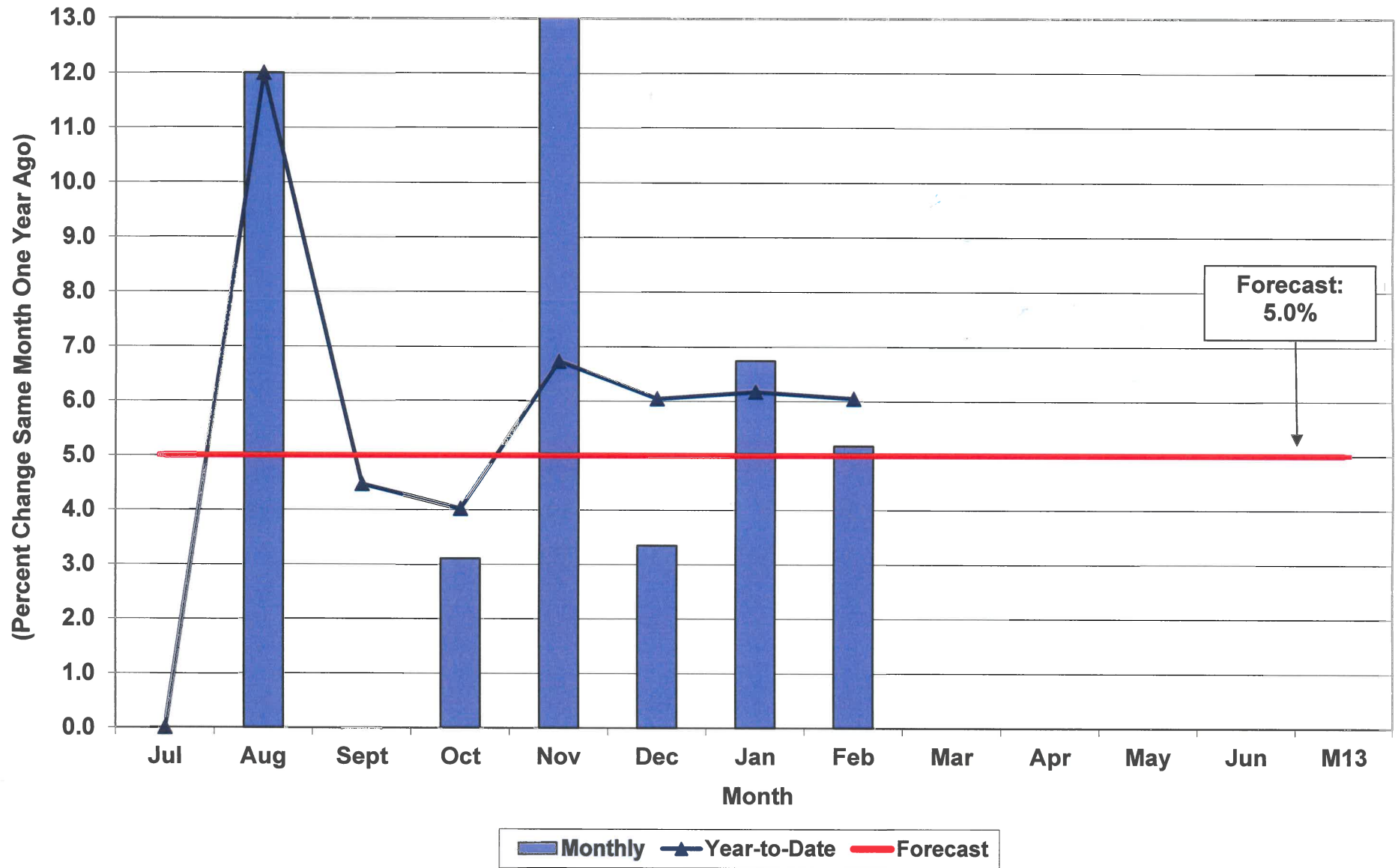
February 2018

Sales Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$1,731.9	\$1,714.1	\$17.8	5.0	6.1

- Consumers took a breather in February after contributing to strong holiday season spending, yet Sales and Use tax collections year-to-date growth are still a percentage point ahead of forecast.
- There remains \$3.4 million in clearing account in February 2018
- After adjustments, the Y-T-D growth rate is 5.4 percent

Growth in Total Sales & Use Tax Revenue Collections FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/03/22/18



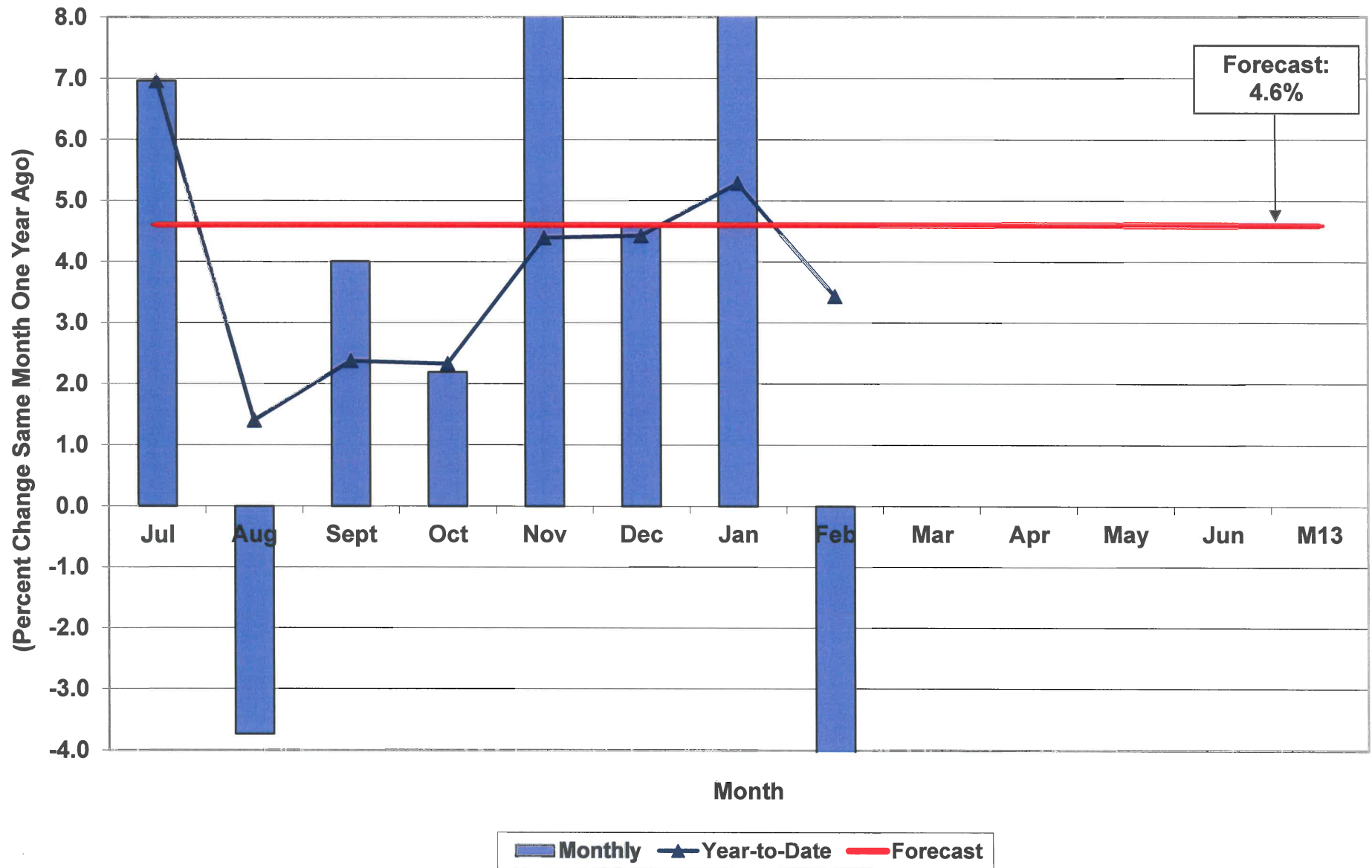
February 2018

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	\$3,173.9	\$3,179.9	(\$6.0)	4.6	3.4

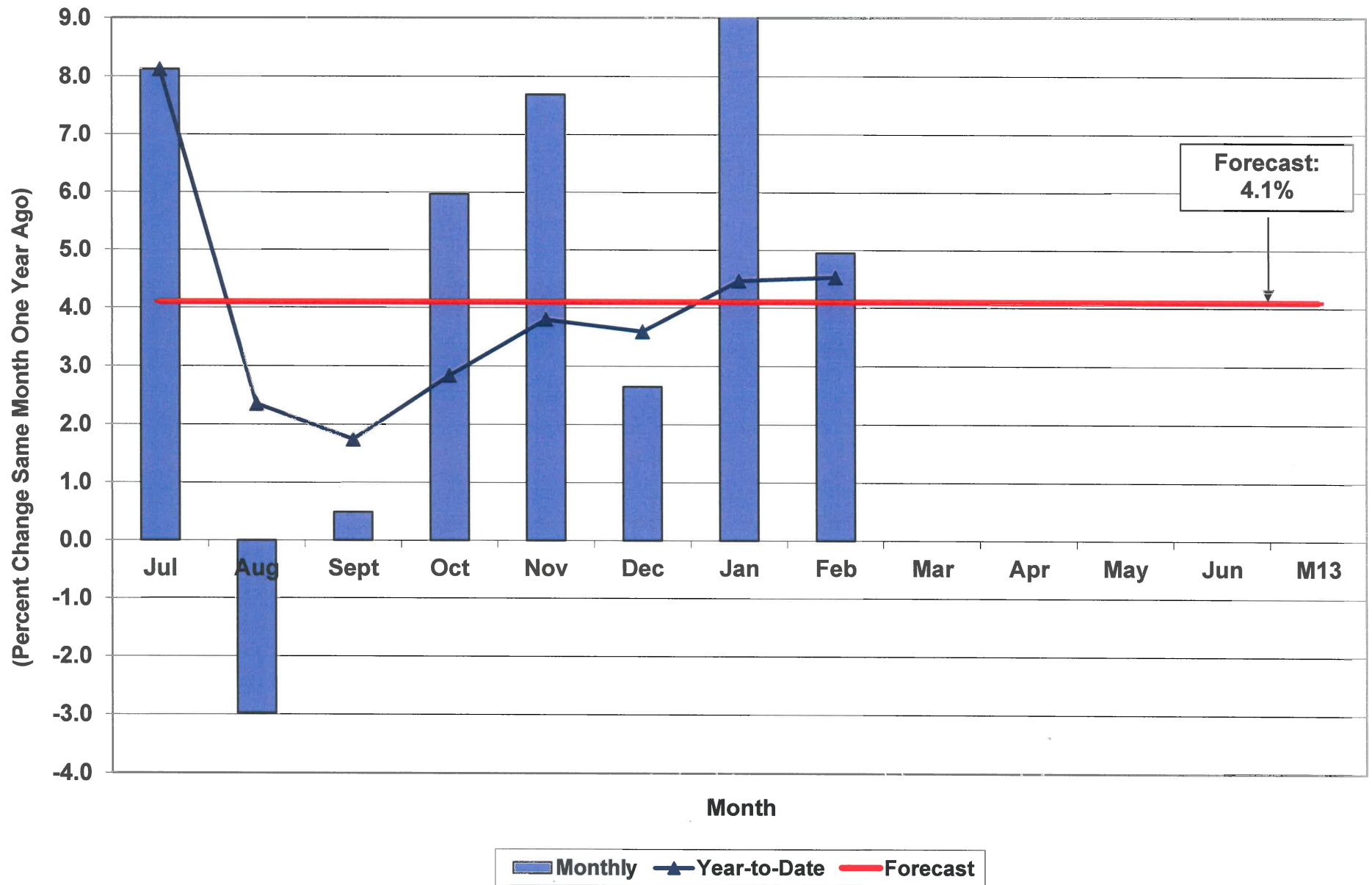
- Income tax withholdings, the single largest revenue source, increased in February and are in line with forecast
- The delayed start of the refund processing system allowed a flood of refunds to be issued in February – nearly \$69 million more than forecast

Growth in Total Individual Income Tax Revenue Collections FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/03/22/18

Growth in Individual Income Tax Withholding Revenue FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/03/22/18



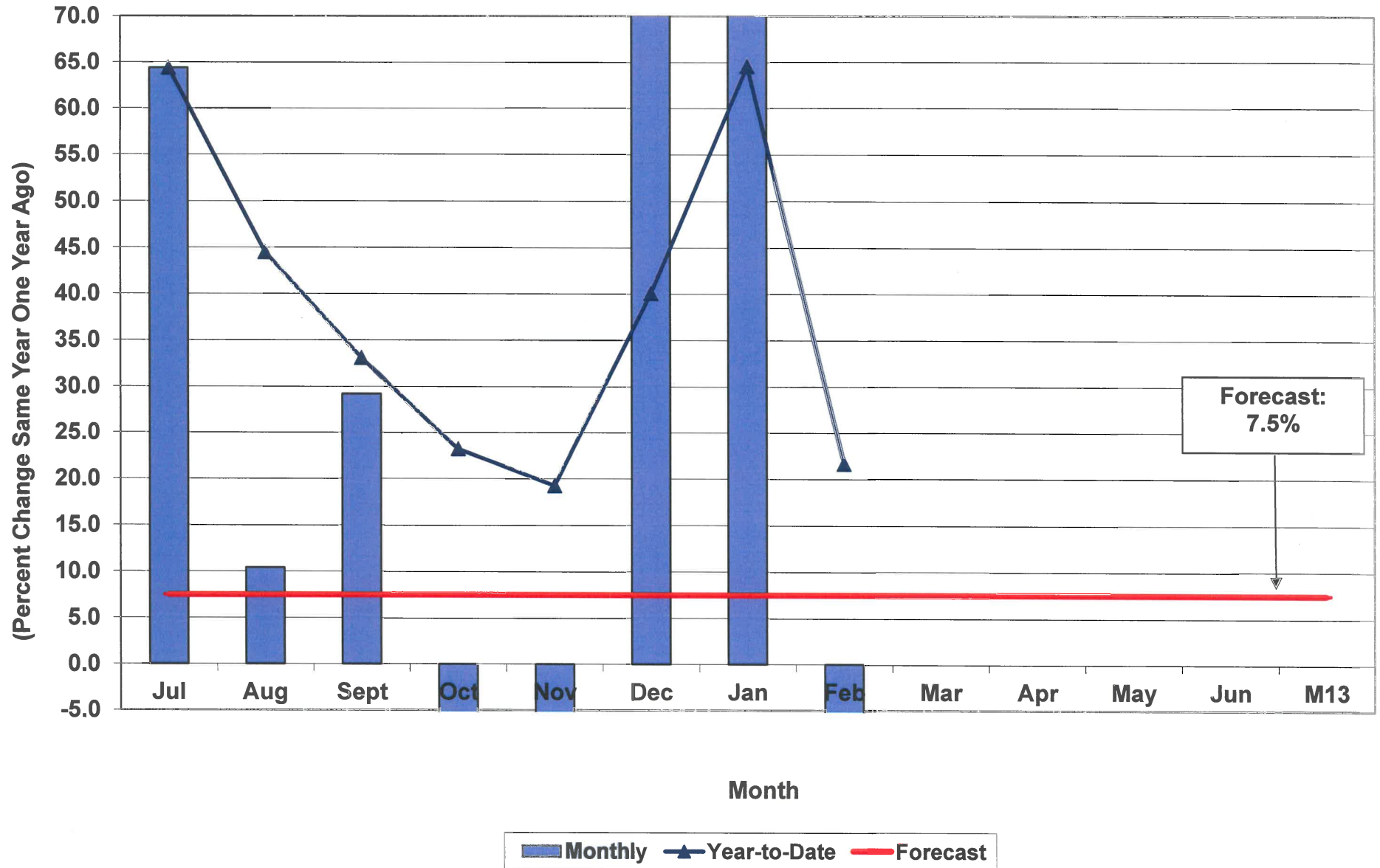
February 2018

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	\$92.1	\$176.5	(\$84.4)	7.5	21.7

- The Department of Revenue completed the review of “error” returns filed during the 2016 tax season
- After the error return settlement, the majority of the Corporate Income tax revenue was transferred to and applied to the Corporate License tax

Growth in Total Corporation Income Tax Revenue Collections FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/03/22/18



February 2018

Other Taxes

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$519.9	\$451.2	\$68.7	2.3	6.8

- Growth is from a variety of sources and timing of receipts
- Majority of growth is from stronger growth in the Documentary Stamp Tax by retention of funds usually transferred to the Conservation Bank, Interest earnings on state General fund investments, transferred revenue to the Corporate License tax

PREVIEW OF APRIL 9TH MEETING



APRIL 9TH MEETING

- Economic Assumptions
- Detailed Adjustments to Specific Categories
- Federal Tax Conformity Uncertainty





February 2018

Economic Sectors to Watch (Items of Concern)

- **Future Federal Reserve Actions**
- **Price of Oil**
- **Retail Sales**
- **Value of Dollar**
- **Stock Market**
- **Income Tax Season**
- **Tariffs**

***OTHER BUSINESS**

***WORKING GROUP**

