

MEMORANDUM FOR THE RECORD

DATE: October 20, 2016
Room 417, Dennis Building
11:00am

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members* – Chad Walldorf-Chairman, Howell Clyborne, Emerson Gower, *Executive Director*, Frank Rainwater; *Staff* – Robert Martin, Les Boles, Jake Scoggins, Gordon Shuford, Lisa Wren, Lisa Jolliff. *Guests* – John Barfield, Michael Moore, Richard Eckstrom (Comptroller General's Office), David Seigler, Kevin Ethridge (Executive Budget Office), Joe Boyle, Hogan Brown, Brian Ford (Lottery), AJ Newton, Daniel Boan (WMC), Grant Gibson, Lisa Catalanotto (SFC), Ben Johnson (Dept. of Corrections), John Wienges, Jr. (Nexsen Pruet), Tim Derrick (Dept. of Revenue), Russell Sobel (The Citadel), Emily Heatwole (Dept. of Education), Joren Bartlett (SC Tech System).

Press:

1. Chairman Walldorf welcomed everyone to the meeting.
2. The meeting minutes for September 19, 2016 were approved by the Members.
3. Mr. Rainwater and Mr. Martin presented a review of the first quarter of FY 2016-17. (See attached)
~Mr. Clyborne asked Mr. Martin if the chart on page 15 of the presentation represented only credit cards and Mr. Martin affirmed that it did.
~Mr. Clyborne also asked Mr. Martin what the percentage of all debt to personal income would be and Mr. Martin said that he would gather the data. Mr. Martin also indicated that savings would be about 5%.
~Chairman Walldorf asked if Mr. Rainwater or Mr. Martin had thoughts on the impact of Hurricane Matthew. Mr. Martin responded by stating that the effects of the hurricane would first be seen in the November data.
~Chairman Walldorf commented that tourism in Charleston was affected due to Hurricane Matthew and expects a change in sales tax revenue. Mr. Rainwater responded that the data should be available in November or December.
~Mr. Eckstrom, the Comptroller General, stated that there was uncertainty in the data they have seen for the first quarter. There is volatility in the timing of sales tax receipts and corporate income taxes due to new computer systems implemented at the Department of Revenue.

Chairman Walldorf called a recess for lunch at 11:43am until 12:30pm.

4. Other Items that were discussed: N/A


There were no other questions or comments from the Members or Working Group.

The next scheduled meeting is Thursday, November 10, 2016.

Attachments: Agenda, Meeting Materials

Public Notice of this meeting was posted at <http://www.rfa.sc.gov/calendar>

These minutes were approved on 11/10/16.



Lisa Wren

MEMORANDUM FOR THE RECORD

DATE: October 20, 2016
Room 335, Dennis Building
12:40pm

SUBJECT: Board of Economic Advisors Annual Regional Advisory Meeting

ATTENDEES: *Board Members - Board Members - Chad Walldorf-Chairman, Howell Clyborne), Emerson Gower, Executive Director, Frank Rainwater, Staff- Robert Martin, Les Boles, Lisa Jolliff, Lisa Wren, Jake Scoggins, Karen Rhinehart, Gordon Shuford, Guests - Richard Eckstrom, Michael Moore, John Barfield (Comptroller General's Office), AJ Newton, Daniel Boan (W&M), Grant Gibson (SFC), David Seigler, Kevin Ethridge (Executive Budget Office), Joe Boyle, Hogan Brown, Brian Ford (Lottery), Kevin Kibler (Treasurer's Office), Ted Pitts (SC Chamber of Commerce), John Wienges, Jr. (Nexsen Pruet), David Good, Samantha Allen, Steve Draffin, (Legislative Council), Tom Cone (House Research), Joren Bartlett (SC Tech Systems), Russ Sobel, Joe Von Nessen, Rick Kaglic, Frank Hefner (Regional Economic Advisors).*

1. Chairman Walldorf welcomed those in attendance.
2. Frank Rainwater shared that the forecast estimate was accurate last year and hopes that will be the case this year.
3. Presentations were given by Regional Advisory Committee Members. (See attached)

Mr. Rick Kaglic - Regional, Banking
Senior Regional Economist, Federal Reserve Bank of Richmond

| | | |
|-----------------------|--------------------|--------------------|
| Personal Income | FY 2016-17 - 4.32% | FY 2017-18 - 4.00% |
| Employment | FY 2016-17 - 2.10% | FY 2017-18 - 1.80% |
| Inflation | FY 2016-17 - 1.50% | FY 2017-18 - 1.90% |
| Sales Tax | FY 2016-17 - 4.50% | FY 2017-18 - 4.00% |
| Individual Income Tax | FY 2016-17 - N/A | FY 2017-18 - N/A |

Dr. Frank Hefner - Regional, Academia
Professor of Economics, College of Charleston

| | | |
|-----------------------|--------------------|--------------------|
| Personal Income | FY 2016-17 - 4.30% | FY 2017-18 - 5.00% |
| Employment | FY 2016-17 - 2.50% | FY 2017-18 - 2.50% |
| Inflation | FY 2016-17 - 1.80% | FY 2017-18 - 3.00% |
| Sales Tax | FY 2016-17 - 5.90% | FY 2017-18 - 6.00% |
| Individual Income Tax | FY 2016-17 - 5.00% | FY 2017-18 - 5.40% |

Dr. Russell Sobel - Regional, Academia
Professor of Economics and Entrepreneurship, The Citadel

| | | |
|-----------------------|--------------------|--------------------|
| Personal Income | FY 2016-17 - 4.04% | FY 2017-18 - 4.28% |
| Employment | FY 2016-17 - 1.40% | FY 2017-18 - 1.30% |
| Inflation | FY 2016-17 - 1.80% | FY 2017-18 - 2.08% |
| Sales Tax | FY 2016-17 - 3.00% | FY 2017-18 - 3.10% |
| Individual Income Tax | FY 2016-17 - 2.70% | FY 2017-18 - 3.10% |

Dr Joey Von Nessen - Regional, Academia
Research Economist, University of South Carolina

| | | |
|-----------------------|---------------------|---------------------|
| Personal Income | FY 2016-17 - 4.00% | FY 2017-18 - 4.20% |
| Employment | FY 2016-17 - 2.40% | FY 2017-18 - 2.30% |
| Inflation | FY 2016-17 - <2.00% | FY 2017-18 - <2.00% |
| Sales Tax | FY 2016-17 - N/A | FY 2017-18 - N/A |
| Individual Income Tax | FY 2016-17 - N/A | FY 2017-18 - N/A |

Mr. Michael Brown (Not in attendance) - Regional, Banking
Economist, Wells Fargo Securities

| | | |
|-----------------------|--------------------|--------------------|
| Personal Income | FY 2016-17 - 4.50% | FY 2017-18 - 4.80% |
| Employment | FY 2016-17 - 2.90% | FY 2017-18 - 3.20% |
| Inflation | FY 2016-17 - 2.10% | FY 2017-18 - 2.40% |
| Sales Tax | FY 2016-17 - 4.80% | FY 2017-18 - 4.60% |
| Individual Income Tax | FY 2016-17 - 4.80% | FY 2017-18 - 4.70% |

***Chairman Walldorf paused at 2:20 for a 5-minute break following the Advisors' presentations.**

4. Mr. Robert Martin, *Staff Economist*, shared his projections with the group. (See attached)

| | | |
|-----------------------|---------------------|--------------------|
| Personal Income | FY 2016-17 - 4.75% | FY 2017-18 - 4.50% |
| Employment | FY 2016-17 - 2.00% | FY 2017-18 - 1.80% |
| Inflation | FY 2016-17 - <2.00% | FY 2017-18 - 2.00% |
| Sales Tax | FY 2016-17 - 2.30% | FY 2017-18 - 4.70% |
| Individual Income Tax | FY 2016-17 - 4.50% | FY 2017-18 - 4.90% |

Comments:

Chairman Walldorf asked Mr. Kaglic if the value of the U.S. dollar would continue to weaken, and also, what percentage is credit debt relative to personal income. Mr. Kaglic replied that he could not comment on the Federal Reserve policy of currency valuation, but stated that the debt service statistics would shed some light on consumer debt burden. He did not have that information available.

Mr. Richard Eckstrom, the Comptroller General, asked how the debt burden of first-time homebuyers saddled with student loan debt would impact residential home sales. Mr. Kaglic stated that there would be some impact, but would improve over time.

Dr. Hefner added that the value of the U.S. dollar is strengthening and the value of the Euro is weakening. Dr. Hefner also stated that the student loan debt predicament of first-time home buyers depends on the student's major. If the individual graduating is a doctor, then purchasing a home is possible even while paying down a large student loan debt.

Mr. Eckstrom asked what the panel thought the impact of the Charleston harbor dredging will have on supercarriers with containers (measured in TEU's, twenty-foot equivalent units) if the state wants to compete with other ports.

Dr. Hefner said that he felt the same number of containers would be processed through the Port of Charleston since the capacity of the port has not been substantially increased.

Dr. Sobel stated that his economic forecasts were down from last year when he is usually the more optimistic of the regional group. Chairman Walldorf replied that his predictions were usually in the middle of the other's predictions.

Group discussion:

Mr. Kaglic offered what will happen to the nation's trade balance since the value of the U.S. dollar has been relatively stable.

Dr. Hefner stated that the economy was not strong and is not improving.

Mr. Kaglic mentioned that the economy in Latin America is improving.

Chairman Walldorf asked the group's opinions regarding the outcome of the presidential election and which way they felt the economy would go.

Dr. Hefner felt it was uncertain as there are so many political scenarios.

Dr. Sobel shared that the predictions are the GOP would retain control of the Senate and the House.

Mr. Kaglic stated that some groups are creating possible scenarios to study the possible outcomes.

There were no other questions or comments from the Members or Working Group.

The meeting adjourned at 2:37pm (Mr. Clyborne motioned, Mr. Gower, seconded).

The next scheduled meeting is Thursday, November 10, 2016.

Attachments: Agenda, Meeting Materials

Public Notice of this meeting was posted at <http://www.rfa.sc.gov/calendar>

These minutes were approved on 11/10/16.



Karen Rhinehart