

MEMORANDUM FOR THE RECORD

DATE: October 19, 2017
Room 335, Dennis Building
10:30am

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members* -Edward Grimball-Chairman, Howell Clyborne, Emerson Gower, Hartley Powell, *Executive Director*, Frank Rainwater; *Staff* - Robert Martin, Karen Rhinehart, Lisa Jolliff, Les Boles, David Patterson, Paul Athey. *Guests* - Kevin Ethridge (Executive Budget Office), Sharon McElveen, Kevin Kibler, West Summers, Melissa Simmons (Treasurer's Office), John Barfield, Michael Moore (Comptroller General's Office), Jay Wolfe (Governor's Office), Grant Gibson, Lisa Catalanotto (SFC), Blythe Littlefield, Rena Grant, Ryan Burnaugh (WMC), Meredith Cleland, Tim Derrick (DOR), Ben Johnson (DOC).

Press:

1. Chairman Grimball welcomed everyone to the meeting.
2. The Chairman asked for comments or questions concerning the minutes for September 21, 2017. There were none and all members voted to approve the minutes. (See Attached)
3. Frank Rainwater and Robert Martin presented a revenue and economic update for the first quarter of the fiscal year. (See Attached for full report)
4. No other Items were discussed.

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

The meeting recessed at 11:36pm for lunch. Attendees were asked to return for The Regional Advisory Committee Meeting scheduled to begin at 12:30pm.

The next scheduled meeting is Thursday, November 9, 2017.

Attachments: Agenda, Meeting Materials

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

These minutes were approved on 2/15/18.

Karen Rhinehart
Karen Rhinehart

MEMORANDUM FOR THE RECORD

DATE: October 19, 2017
Room 335, Dennis Building
12:34pm

SUBJECT: Board of Economic Advisors Annual Regional Advisory Meeting

ATTENDEES: *Board Members* - Edward Grimball - Chairman, Howell Clyborne, Emerson Gower, Howell Clyborne, Hartley Powell; *Executive Director*, Frank Rainwater; *Staff*- Robert Martin, Les Boles, Lisa Jolliff, Karen Rhinehart, David Patterson, Paul Athey; *Guests* - Richard Eckstrom, Eddie Gunn, Michael Moore, John Barfield (Comptroller General's Office), Ryan Burnaugh, Rena Grant, Blythe Littlefield (W&M), Kevin Ethridge (Executive Budget Office), Joe Boyle, Hogan Brown, Brian Ford (Lottery), Kevin Kibler, Sharon McElveen, West Summers, Melissa Simmons (Treasurer's Office), Patrick Warren (Clemson), Meredith Cleland (DOR), Jay Wolfe (Governor's Office), Russ Sobel, Joe Von Nessen, Rick Kaglic, Frank Hefner, Michael Brown (Regional Economic Advisors).

1. Chairman Grimball called the meeting to order at 12:34pm.
2. Frank Rainwater provided a review of the South Carolina economy and introduced this year's Regional Advisory Committee speakers as well as Comptroller General Richard Eckstrom and Associate Professor of Economics from Clemson, Patrick Warren.
3. Presentations were given by Regional Advisory Committee Members. (See attached) Their key forecast assumptions were:

Mr. Michael A. Brown - *Regional, Banking*
Vice President and Economist, Wells Fargo Securities

Personal Income	FY 2017-18 - 4.70%	FY 2018-19 - 5.70%
Employment	FY 2017-18 - 2.30%	FY 2018-19 - 2.70%
Inflation	FY 2017-18 - 1.90%	FY 2018-19 - 2.20%
Sales Tax	FY 2017-18 - 3.70%	FY 2018-19 - 4.10%
Individual Income Tax	FY 2017-18 - 3.90%	FY 2018-19 - 4.50%

~During Mr. Brown's presentation, he stated that he sees global economic growth, as well as job and income growth. He sees the US economy at 2 to 2.5% growth.

*Chairman Grimball asked when the US economic recovery will cease and an upswing would begin. Mr. Brown stated that there would need to be a massive growth in productivity to return to 3% GDP. A return to the fundamentals of productivity growth, and capital and labor force growth.

*Mr. Rainwater mentioned that the Personal Income growth for FY 2018-19 on Mr. Brown's forecast is higher by 1%. Mr. Brown stated that is due to higher inflation and job growth.

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

Personal Income	FY 2017-18 - 4.45%	FY 2018-19 - 4.40%
Employment	FY 2017-18 - 1.75%	FY 2018-19 - 1.70%
Inflation	FY 2017-18 - 2.25%	FY 2018-19 - 2.25%
Sales Tax	FY 2017-18 - 3.20%	FY 2018-19 - 3.10%
Individual Income Tax	FY 2017-18 - 3.20%	FY 2018-19 - 3.20%

~Following Dr. Sobel's presentation Mr. Grimbball asked for a comment on the Sales Tax percentage for FY 2016-17. Both Mr. Rainwater and Mr. Martin stated that due to a legislative change, 2% of sales tax on motor vehicles is sent to the Department of Transportation. Mr. Martin also mentioned that after Christmas, the sales tax amount was weak. Dr. Sobel mentioned that there was a small amount of data for the Sales Tax information. Comptroller Richard Eckstrom mentioned that there are reserve accounts to deal with a variance.

*Chairman Grimbball paused at 1:49 for a 10-minute break following Dr. Sobel's presentation.

Mr. Richard Kaglic - Regional, Banking

Senior Regional Economist, Federal Reserve Bank of Richmond

Personal Income	FY 2017-18 - 3.80%	FY 2018-19 - 3.50%
Employment	FY 2017-18 - 1.60%	FY 2018-19 - 1.40%
Inflation	FY 2017-18 - 1.80%	FY 2018-19 - 2.00%
Sales Tax	FY 2017-18 - 3.80%	FY 2018-19 - 3.60%
Individual Income Tax	FY 2017-18 - N/A	FY 2018-19 - N/A

~Following the 10-minute break, Mr. Kaglic shared his information. Mr. Grimbball asked what the prices for Manufacturing Business were. Mr. Kaglic replied they were a snapshot of the Diffusion Price Index.

Dr. Frank Hefner - Regional, Academia

Professor of Economics, Director of Office of Economic Analysis, College of Charleston

Personal Income	FY 2017-18 - 4.00%	FY 2018-19 - 4.50%
Employment	FY 2017-18 - 1.80%	FY 2018-19 - 1.90%
Inflation	FY 2017-18 - 2.00%	FY 2018-19 - 2.00%
Sales Tax	FY 2017-18 - 3.00%	FY 2017-18 - 4.00%
Individual Income Tax	FY 2017-18 - 4.00%	FY 2017-18 - 4.50%

~Dr. Frank Hefner followed with his presentation. He stated that there was currently a lot of building going on in the Lowcountry; solid employment growth in the Charleston area; travel into and out of the port is at an all-time high which is a good sign whether the goods are being imported or exported. There is also a lot of airplane traffic which is good as well.

*Chairman Grimbball asked if Dr. Hefner saw any "hiccups" to his predictions. Dr. Hefner said right now the US is attracting European business and he felt it would take a worldwide catastrophe to affect the predictions.

Dr. Joey Von Nessen - Regional, Academia

Research Economist, University of South Carolina, Darla Moore School of Business

Personal Income	FY 2017-18 - 3.30%	FY 2018-19 - 4.10%
Employment	FY 2017-18 - 1.90%	FY 2018-19 - 2.00%
Inflation	FY 2017-18 - 1.80%	FY 2018-19 - 1.90%
Sales Tax	FY 2017-18 - N/A	FY 2018-19 - N/A
Individual Income Tax	FY 2017-18 - N/A	FY 2018-19 - N/A

~The final Advisory Committee Member to present information was Dr. Joey Von Nessen. He shared that he feels the economy in SC is slow and steady.

*Chairman Grimbball asked what position SC is in regarding economic growth. Dr. Von Nessen stated that SC is in the top ten - the state is good in manufacturing which is measured by employment and income growth.

*Mr. Clyborne asked about labor shortages - is the general education level in the state where it needs to be? Dr. Von Nessen replied that there are workers but their work ethic and skills are not good and they are constantly looking to move on. Technical Colleges however, are meeting the challenge. Dr. Hefner stated that workers also are unable to pass drug tests.

***Mr. Grimball asked if there is cause for optimism to which Dr. Von Nessen replied that there is providing bad policy, such as manufacturing tariffs, do not take hold.**

Mr. Robert Martin, Staff Chief Economist, Board of Economic Advisors

Personal Income	FY 2017-18 – 4.25%	FY 2018-19 – 4.50%
Employment	FY 2017-18 – 1.60%	FY 2018-19 – 1.60%
Inflation	FY 2017-18 – 2.00%	FY 2018-19 – 2.00%
Sales Tax	FY 2017-18 – 4.20%	FY 2018-19 – 4.50%
Individual Income Tax	FY 2017-18 – 4.30%	FY 2018-19 – 3.80%

~BEA Chief Economist, Robert Martin concluded the presentations. Chairman Grimball asked if Santee Cooper was sold to a private company would SC would receive 1% of their revenue. Mr. Martin replied that if they become a private company it would not owe SC this 1% as they would be taxed as a private entity. Mr. Grimball also asked if the BEA Board would be involved in a transaction analysis of the sale of Santee Cooper. Mr. Martin stated that the Board would not be involved in that transaction.

Panel Discussion:

~Mr. Rainwater mentioned that he had spoken with representatives from the Chamber of Commerce. The Chamber expects modest growth with no concern for a recession for the next 18 months. Also, there is a lack of qualified workforce in all industries. He mentioned that he is optimistic about the SC economy.

*Mr. Rainwater also shared that Mr. Martin would be completing his worksheet with all meeting participants' forecast numbers and would forward to all Advisory Committee Members, Board Members and to Chairman Grimball so that he could complete his scoring evaluation.

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

The meeting adjourned at 3:58pm (Mr. Clyborne motioned, Mr. Gower, seconded).

The next scheduled meeting is Thursday, November 9, 2017.

Attachments: Agenda, Meeting Materials

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Karen Rhinehart