



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 May 17, 2018, 2:00 P.M.

Bowers Conference Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for April 9, 2018
3. Overview of Revenues and Forecast (F. Rainwater)
4. Detailed Review of Revenues and Economic Conditions (R. Martin)
5. Other Business
 - A. Pending Legislation Affecting Revenues (R. Martin)
6. 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
7. Future Meeting Schedule:
 - A. June 14, 2018, 2:00pm
 - B. July 26, 2018, 1:30pm – **If necessary** - Members join via WebEx
 - C. August 29, 2018, 2:00pm – Fiscal Year-End Report
 - D. 2018 Calendar at <http://rfa.sc.gov/meetings>
8. 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



FY 2017-18 JULY - APRIL

- Economic conditions remain steady and within forecast assumptions
- Through April, General Fund Revenues are \$63.3 million above monthly estimates which is lower than the March results of \$89.5 million due to timing of tax refunds
- Sales and Corporate Income Tax are within 0.2 and 0.8 percent, respectively, of estimates.
- Individual Income is within 0.75 percent of estimates BUT we anticipate closer results due to additional refunds and one less deposit day for withholdings in June.
- More than half of the excess is attributable to small categories.





Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 4/9/18 BEA Revenue Estimate of \$8,534.4 Million in FY 2017-18 1/

	JULY - APRIL FY 2017-18 (\$ in Millions)			Revenue Growth Rates (%)	
	Actual Revenues	Expected Revenues	Excess / (Shortfall)	Estimate Full Fiscal Yr.	Actual Yr. to Date
Total General Fund Revenue	6,590.5	6,527.2	63.3	4.6	5.6
Sales Tax	2,214.3	2,208.8	5.5	5.0	5.3
Individual Income Tax	3,423.9	3,399.3	24.7	4.6	5.6
Corporate Income Tax	263.3	261.2	2.1	7.5	8.4
Other Revenue Sources	689.1	658.0	31.1	2.3	6.2
Select Tax Revenues, Sub-Total	576.3	557.4	18.8	3.8	7.3
Admissions Tax - Total	17.9	17.5	0.4	(4.2)	1.3
Alcoholic Liquors Tax	56.0	54.0	1.9	4.7	8.4
Bank Tax	34.7	28.1	6.6	(40.9)	(27.1)
Beer and Wine Tax	78.0	83.3	(5.3)	4.8	(1.8)
Corporation License Tax	107.1	89.2	17.9	36.4	72.0
Documentary Tax	54.6	48.1	6.5	31.4	49.0
Earnings on Investments	30.5	19.9	10.6	(22.1)	(0.7)
Insurance Tax	177.5	191.6	(14.1)	1.8	(8.0)
Tobacco Tax	19.9	19.5	0.4	3.9	6.1

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 independent rounding of individual revenue categories.



Individual Refunds
(\$ in Millions)

Month	Actual					1/ Guide FY 17-18	Excess Revenue +/- Est.	Cumulative Revenue +/- Est.	Percent Changes Actual FY 16-17 to Actual FY 17-18	
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18				Monthly	Cumulative
July	26.4	24.5	27.3	31.8	42.6	32.7	9.9	9.9	34.2	34.2
August	24.1	22.0	31.5	33.8	35.7	34.8	0.9	10.8	5.7	19.5
September	19.4	22.9	16.5	19.6	10.2	20.1	(10.0)	0.8	(48.0)	4.0
October	46.8	43.5	44.7	45.3	64.8	46.7	18.1	18.9	42.8	17.5
November	34.5	39.4	53.6	65.8	34.5	67.8	(33.3)	(14.4)	(47.6)	(4.3)
December	12.6	17.7	17.1	18.8	29.0	19.3	9.7	(4.8)	54.6	0.8
January	16.5	53.5	15.4	30.5	45.5	31.4	14.2	9.4	49.5	6.8
February	525.2	510.3	292.1	422.5	503.8	435.1	68.7	78.1	19.3	14.7
March	347.0	344.8	636.2	521.4	424.6	537.1	(112.5)	(34.4)	(18.6)	0.1
April	382.6	397.9	472.6	475.6	507.9	489.9	18.0	(16.4)	6.8	2.0
May	79.6	89.0	136.0	130.9		134.8				
June	30.2	30.1	34.6	43.0		44.3				
<u>Mth13 Close</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		<u>0.0</u>				
Fiscal Year	1,544.7	1,595.7	1,777.6	1,838.9	1,698.7	1,894.1				

1/ Growth rate needed to meet the BEA estimate = 3.0%

N.A.: Not available.



April 2018

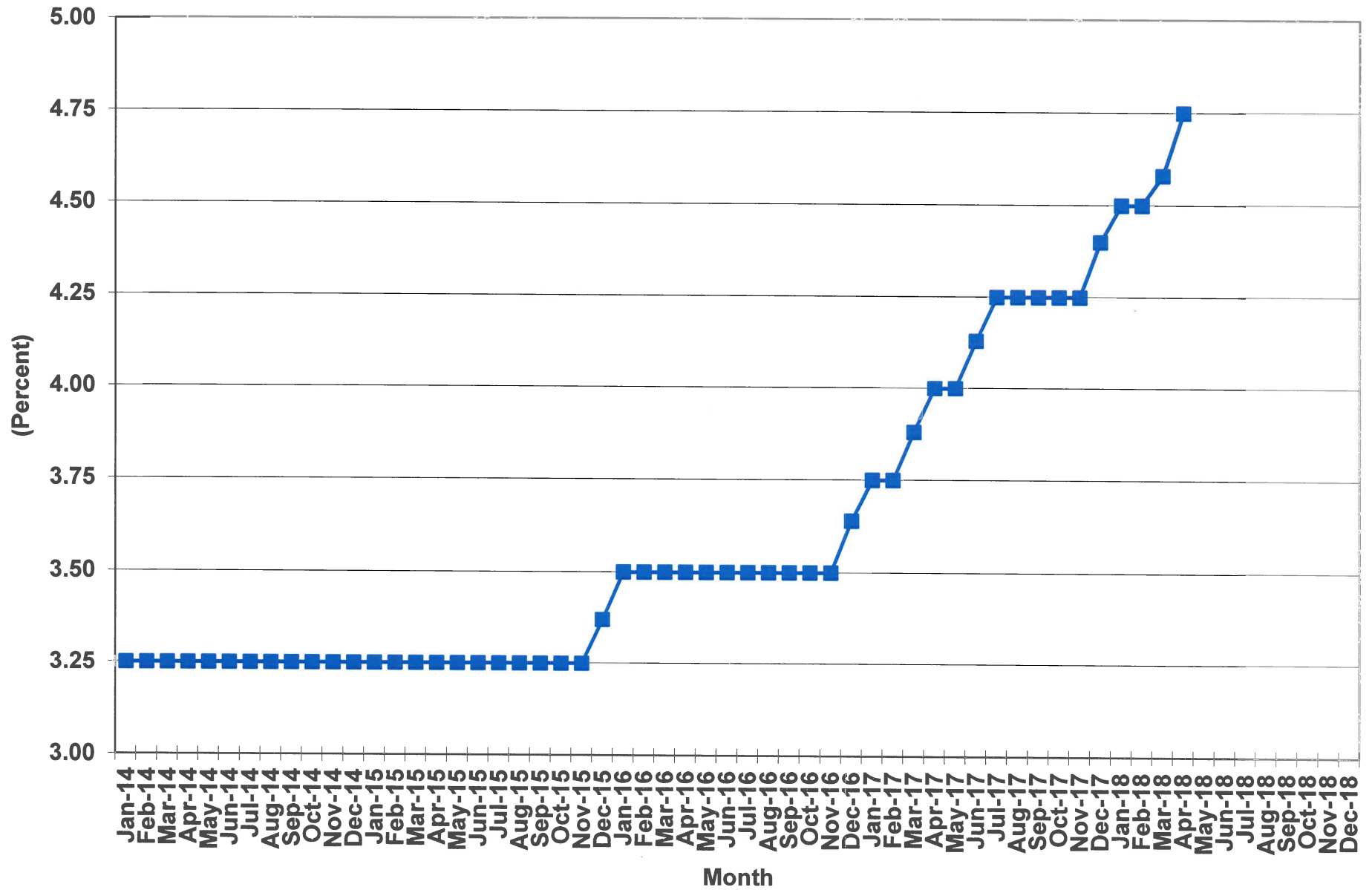
Focus of Report

- **Current Economic Developments**
 - **Interest rates**
 - **Inflation**
 - **Gross Domestic Product**
 - **Oil prices**

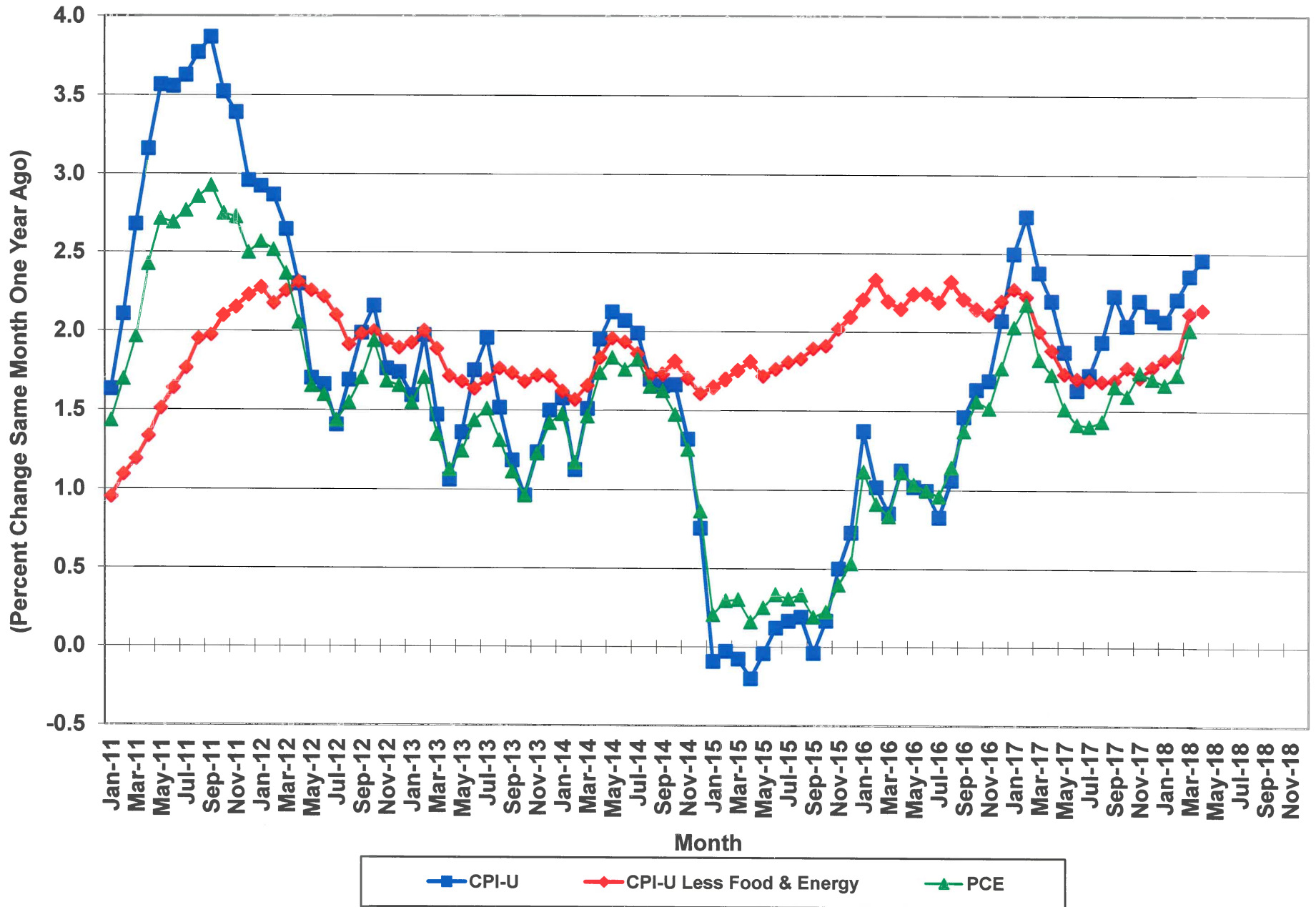
- **General Fund Revenue**

- **Economic Sectors to Watch**

Prime Rate of Interest

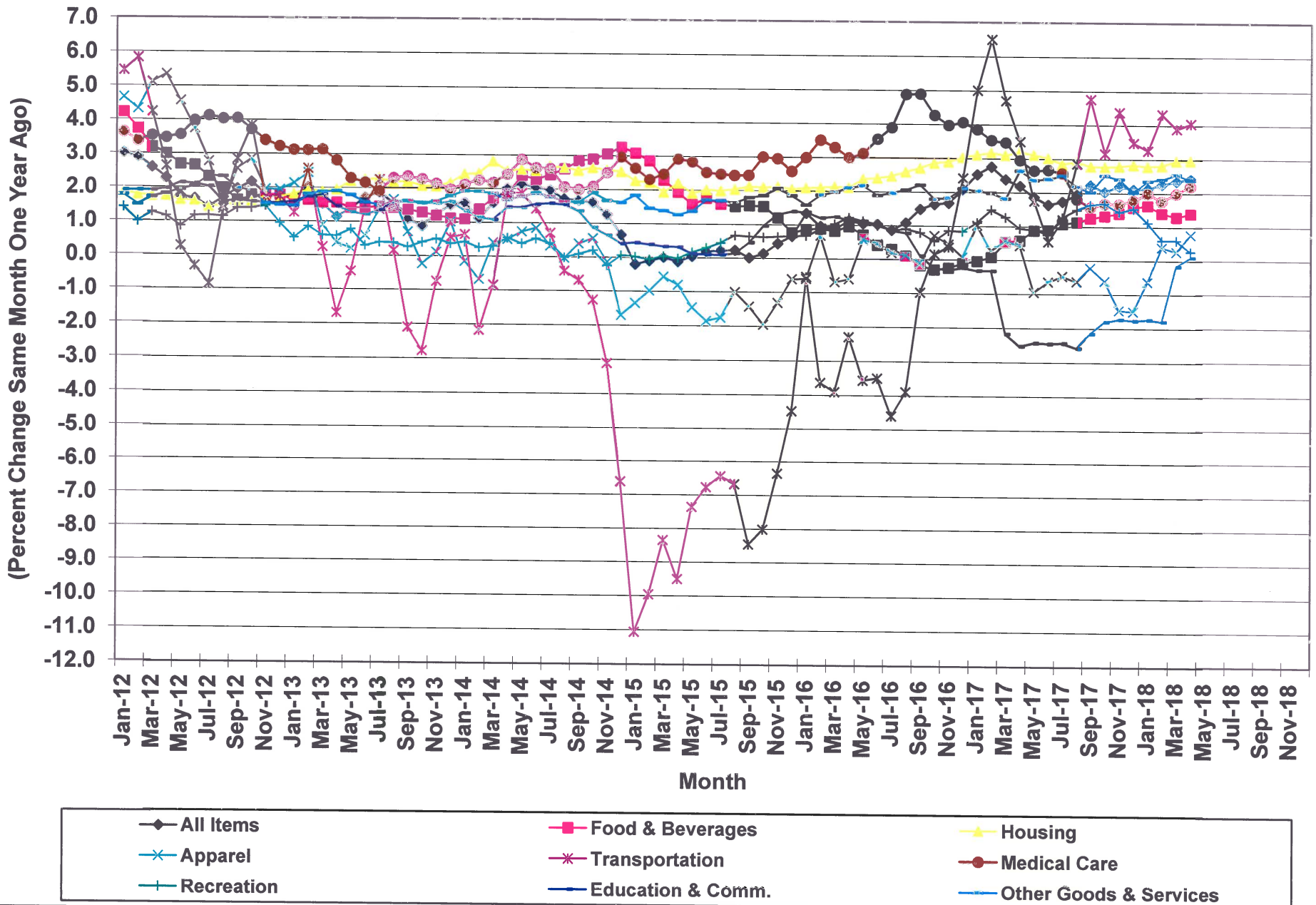


Inflation in the United States



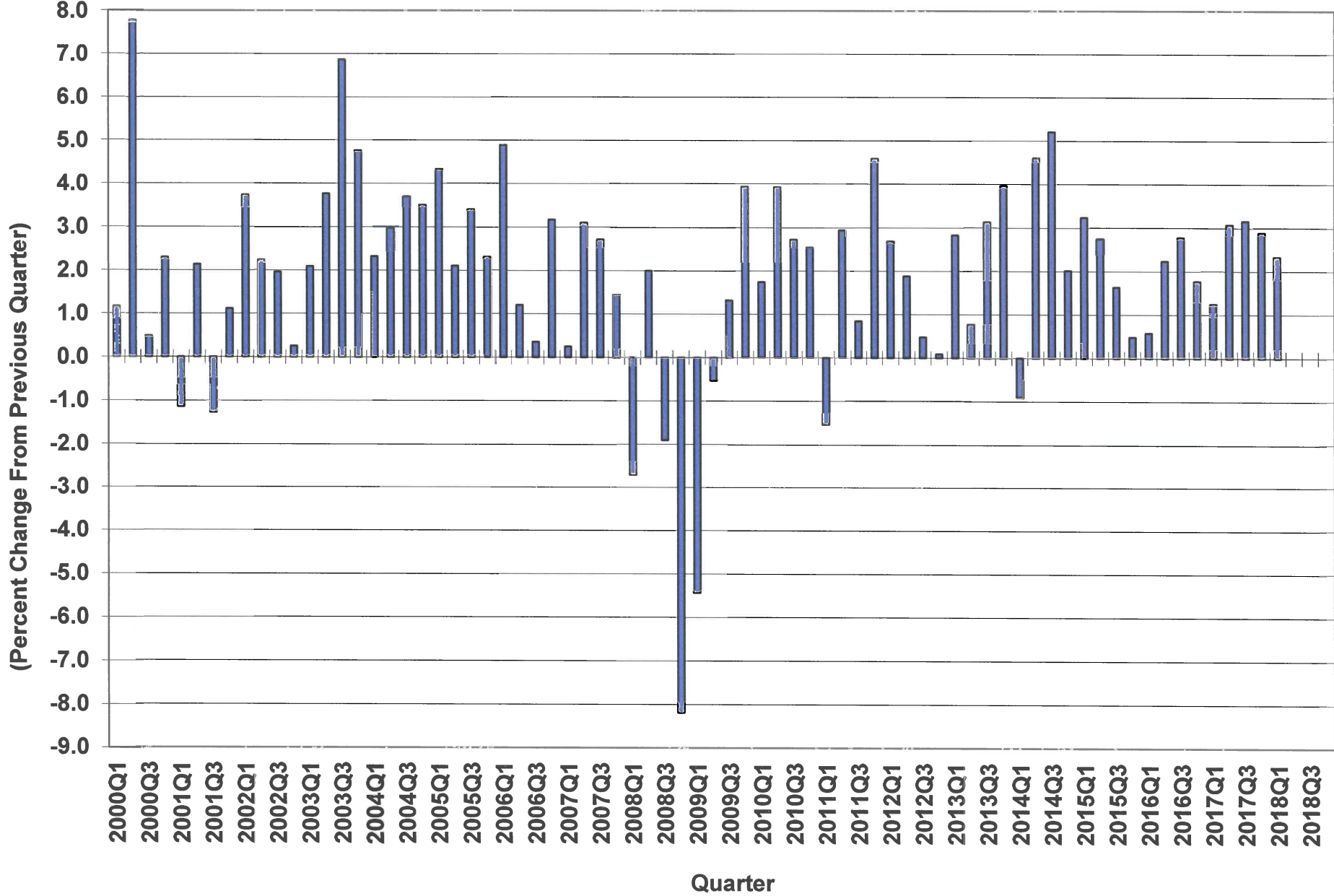
Source: U.S. Department of Labor, Bureau of Labor Statistics

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



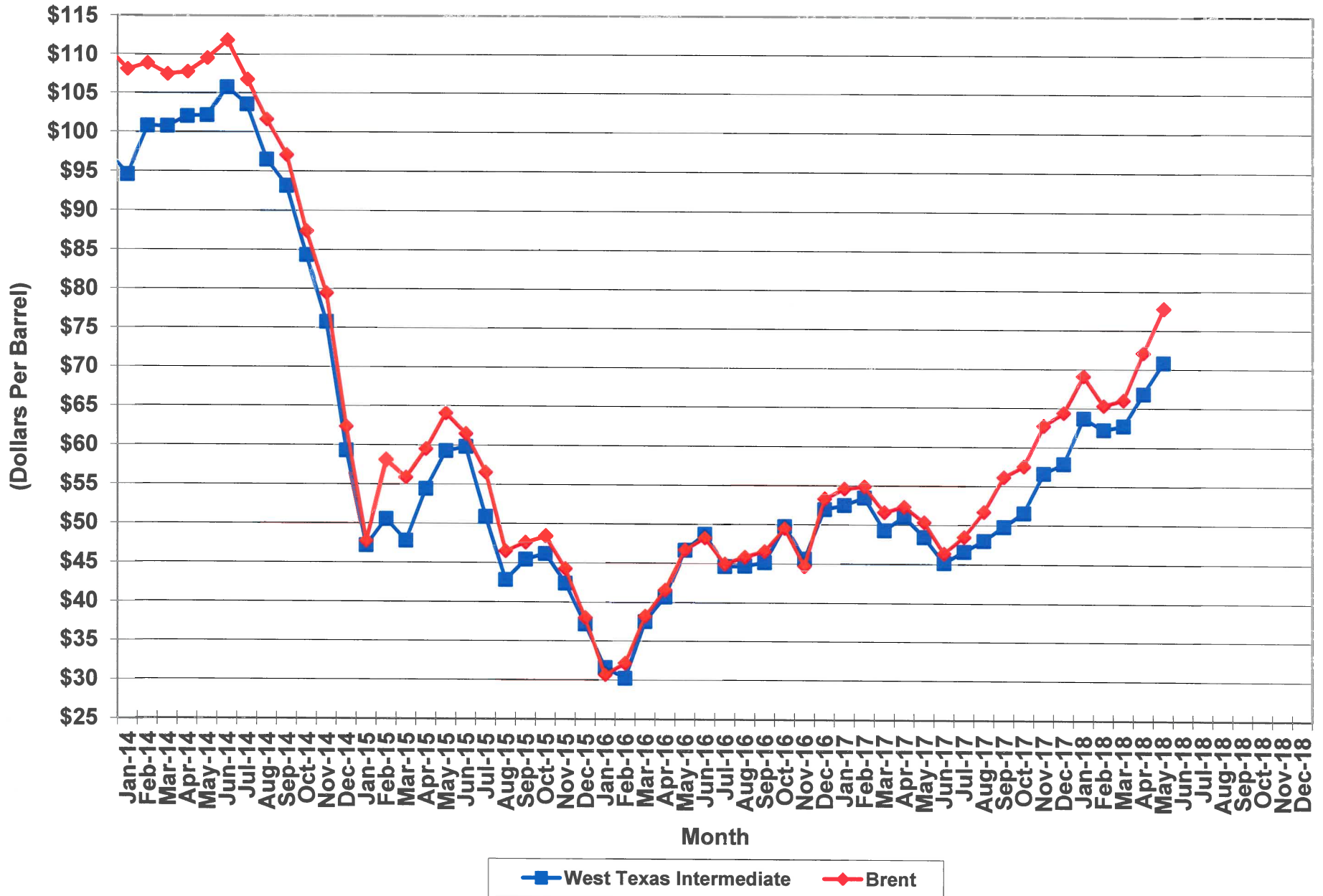
Source: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.

Real Gross Domestic Product in the U.S.

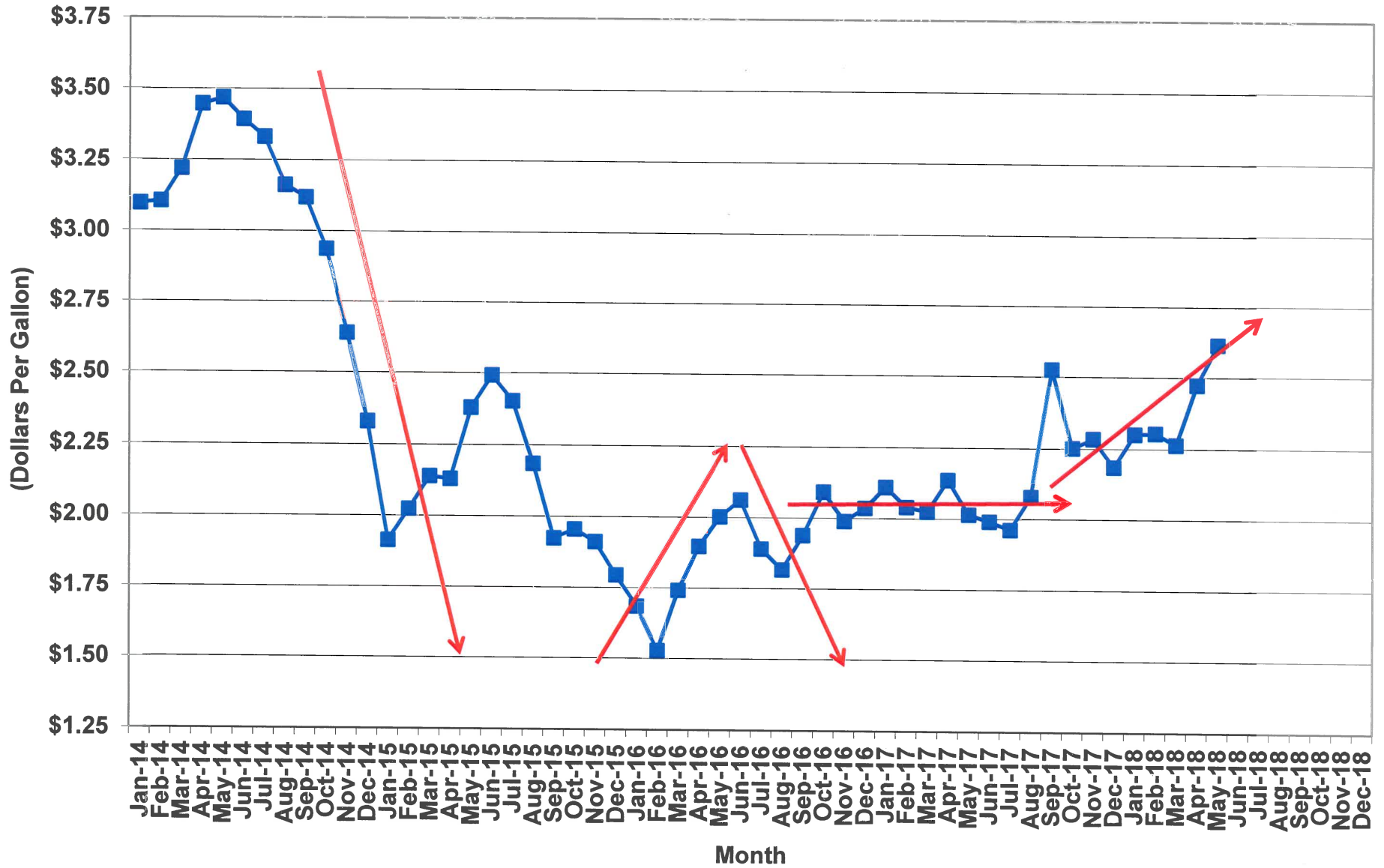


Source: U.S. Department of Commerce, Bureau of Economic Analysis

Spot Crude Oil Prices



Gasoline Prices in South Carolina



Source: AAA of the Carolina's
SCBEA/RWM/05/17/18



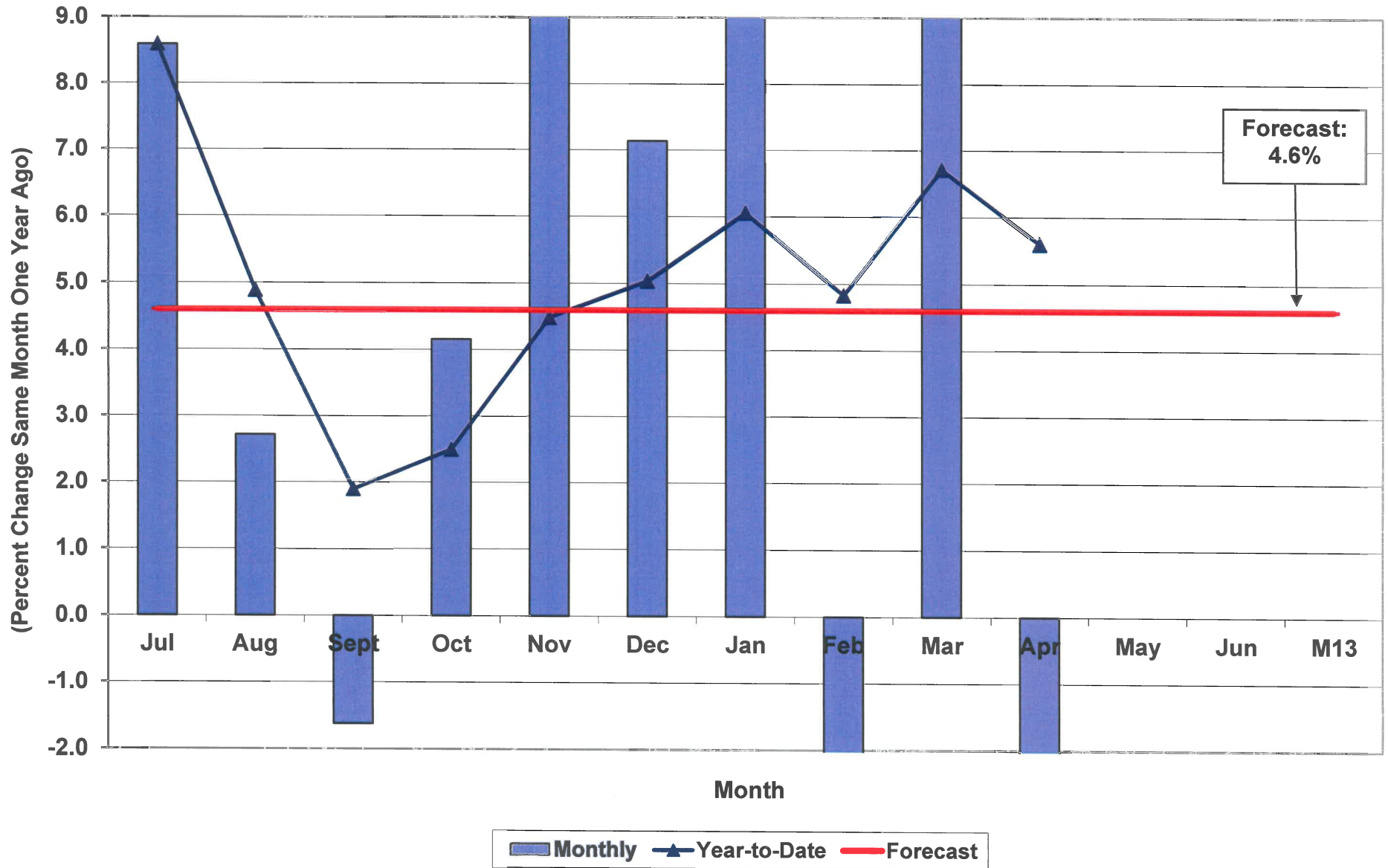
April 2018

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	\$6,590.5	\$6,527.2	\$63.3	4.6	5.7

- Through the first ten months of FY2017-18, General Fund revenues have increased 5.7 percent and are trending above current forecast projections by \$63.3 million
- After adjustments for sales tax held in a clearing account, the Y-T-D revenue growth is 5.5 percent

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



Source: Board of Economic Advisors
BEA/RWM/05/17/18



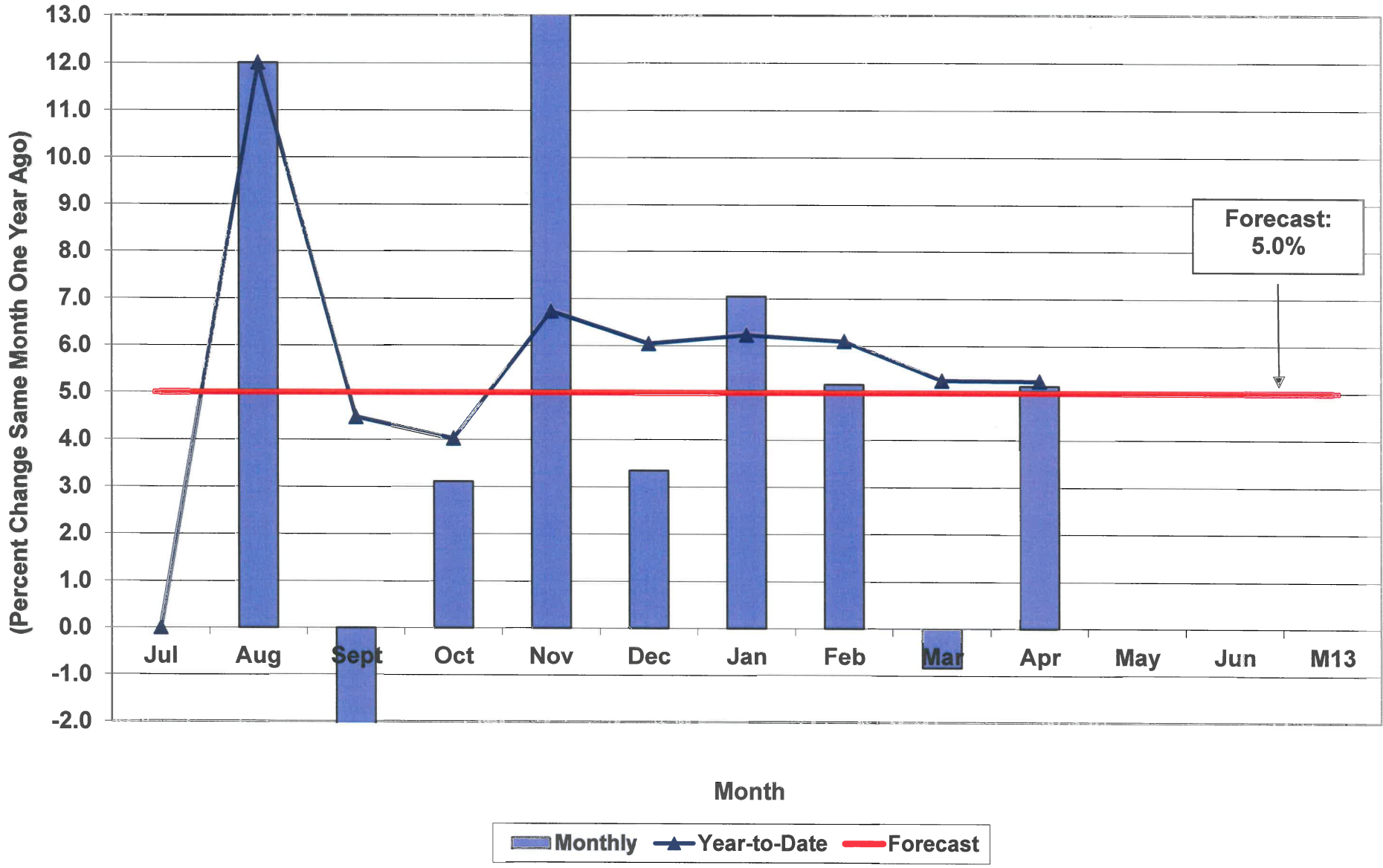
April 2018

Sales Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$2,214.3	\$2,208.8	\$5.5	5.0	5.3

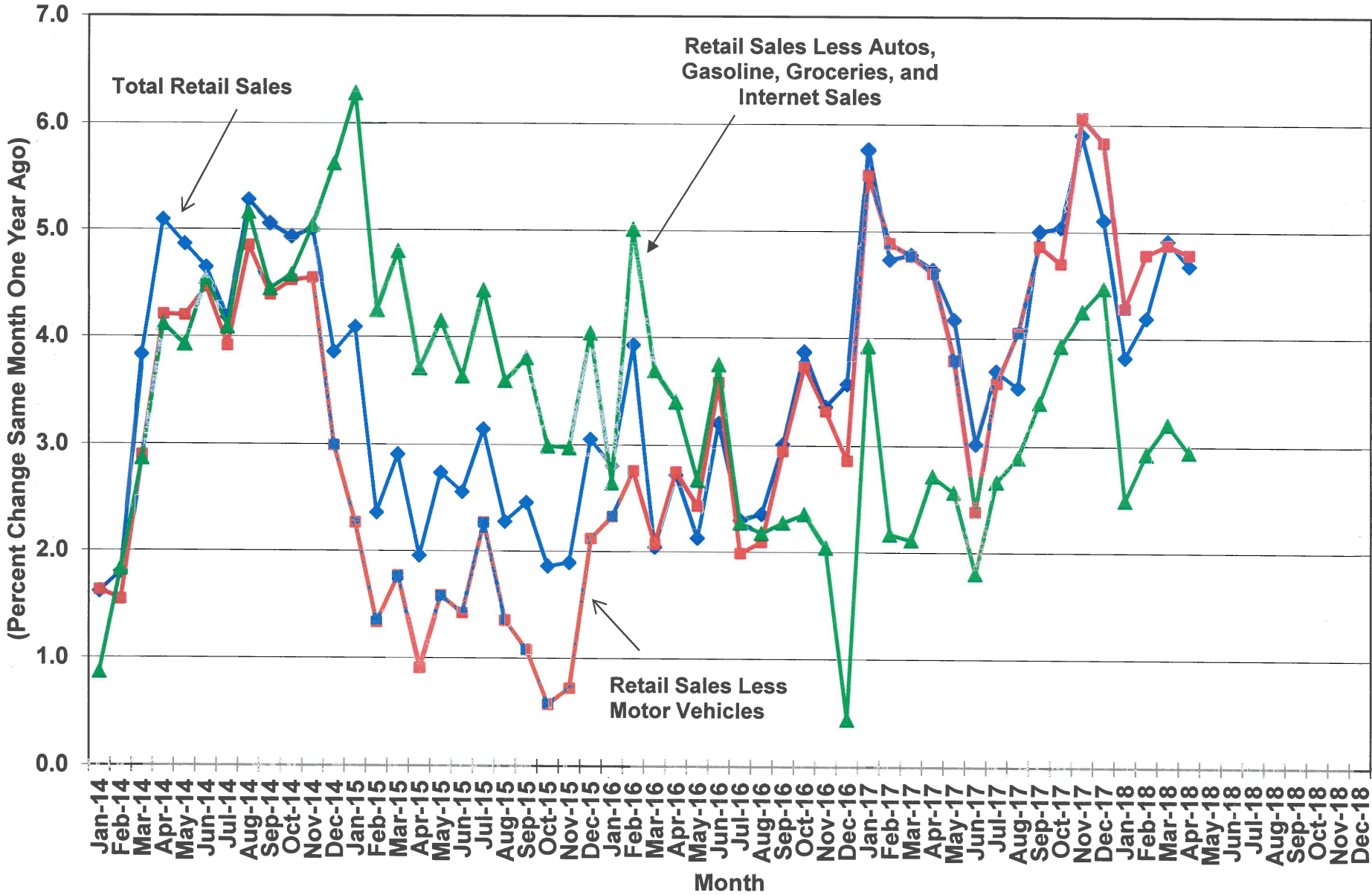
- There remains \$4.8 million in clearing account in March 2018
- After adjustments, the Y-T-D growth rate is 4.9 percent
- Stronger sales tax trend is mirroring the up-tick in national retail sales figures

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



Source: Board of Economic Advisors
BEA/RWM/05/17/18

U.S. Retail & Food Service Sales



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



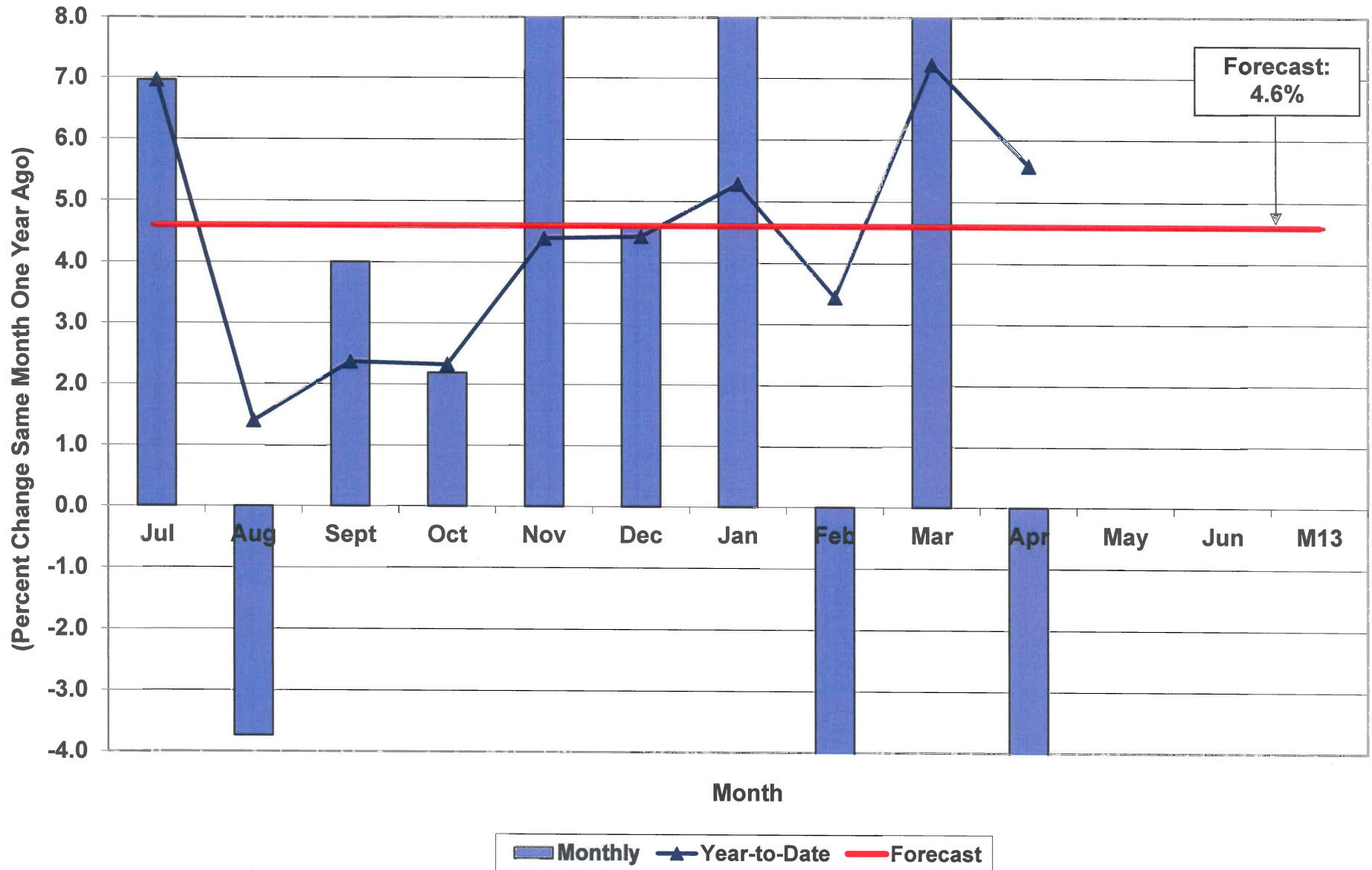
April 2018

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	\$3,423.9	\$3,399.3	\$24.7	4.6	5.6

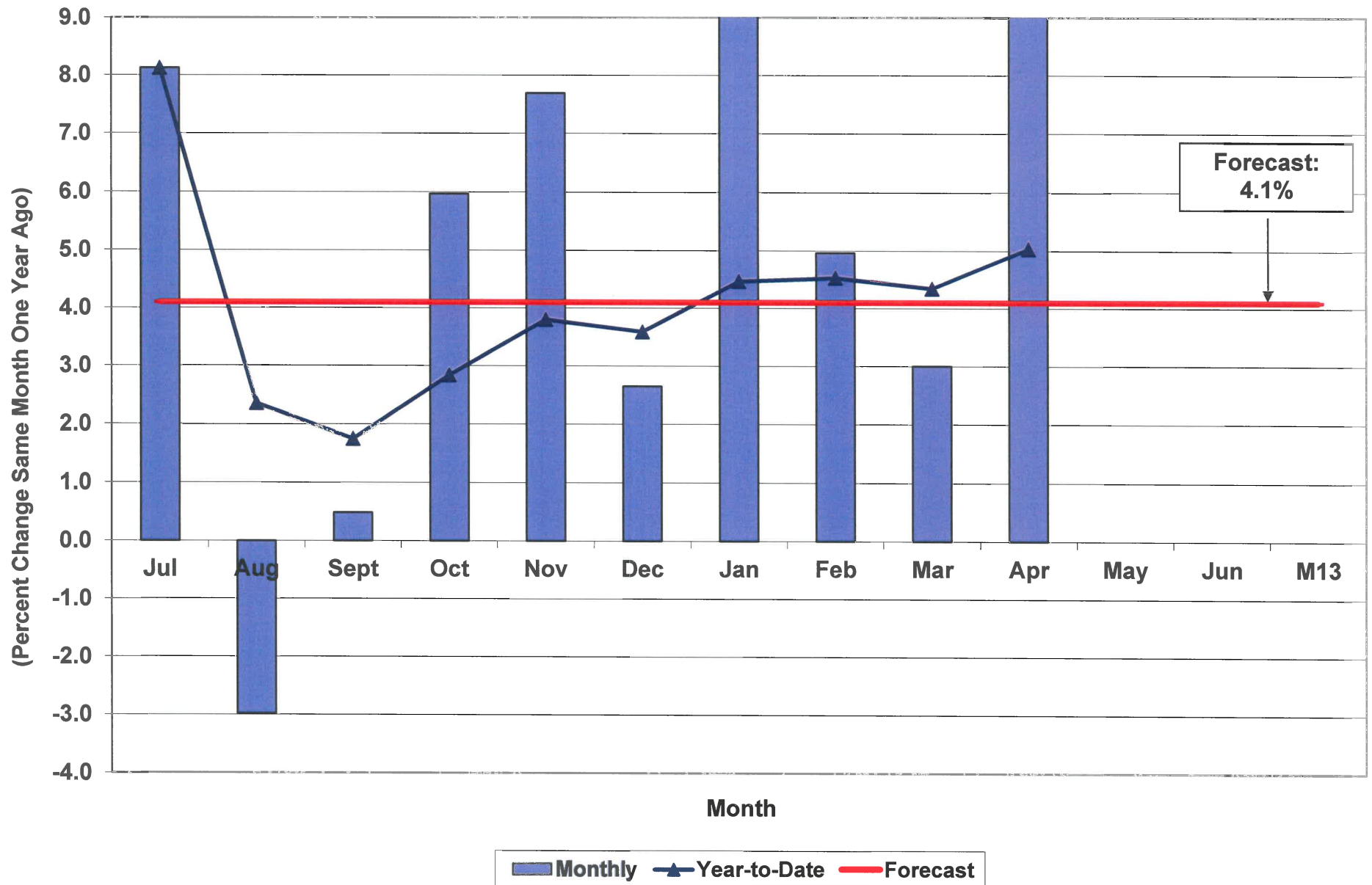
- Withholdings, the largest single source of revenue, are exceeding the revenue estimate by \$39 million
- The Department of Revenue processed nearly \$18 million more Individual Income Tax refunds than forecast helping to reduce the cumulative revenue excess
- The tax due date for taxpayers filing tax returns electronically was May 1st, so revenue may have been carried forward and booked in May

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



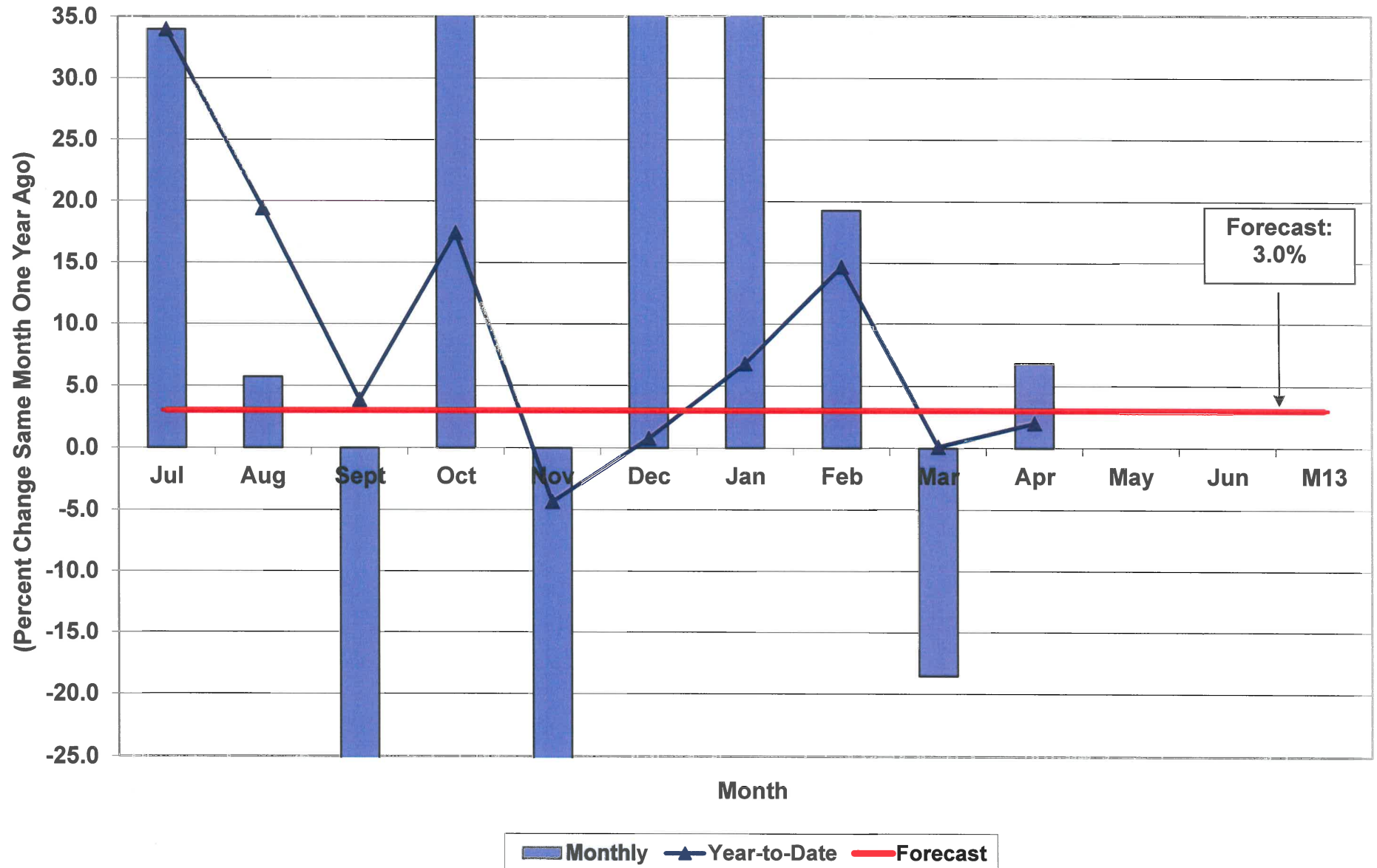
Source: Board of Economic Advisors
BEA/RWM/05/17/18

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



Source: Board of Economic Advisors
BEA/RWM/05/17/18

Growth in Individual Income Tax Refunds in South Carolina FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/05/17/18



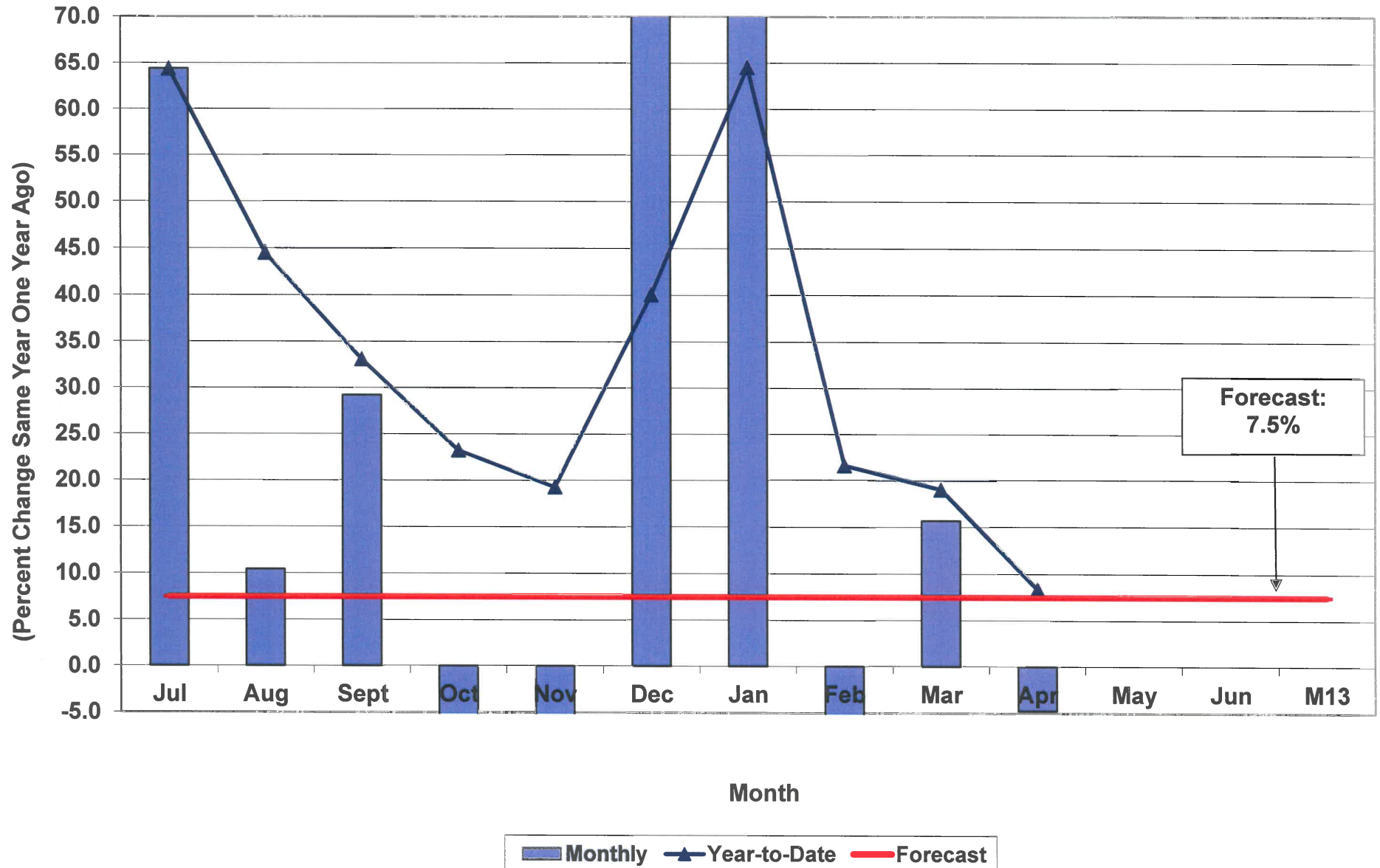
April 2018

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	\$263.3	\$261.2	\$2.1	7.5	8.4

- The month of April receives the largest revenue collections during the fiscal year; however, the monthly revenue collection was slightly lower than in April 2017
- The Corporation Income tax year-to-date growth rate of 8.4 percent is in line with forecast expectations

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



Source: Board of Economic Advisors
BEA/RWM/05/17/18



April 2018

Other Taxes

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$689.1	\$658.0	\$31.1	2.3	6.2

- Growth is from a variety of sources and timing of receipts
- Other Revenues have benefitted from strong Documentary Stamp Tax (real estate transfers) collections and Interest Earnings on state General Fund investments



April 2018

Economic Sectors to Watch (Items of Concern)

- **Federal Reserve meeting in June**
- **Price of Oil & OPEC**
- **Retail Sales**
- **Value of Dollar**
- **Stock Market**
- **Income Tax Refunds**
- **Effect of Tariffs and Retaliation**
- **Iranian Conflict and meeting with North Korea**

***OTHER BUSINESS**

***WORKING GROUP**



NEXT MEETING:

Thursday, June 14th

2:00pm

