

MEMORANDUM FOR THE RECORD

DATE: May 17, 2018
Room 417, Dennis Building
2:00pm

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members* –Edward Grimball-Chairman, Howell Clyborne (via WebEx), Emerson Gower (via WebEx), Hartley Powell (did not attend; was traveling); *Executive Director*, Frank Rainwater; *Staff* – Robert Martin, Karen Rhinehart, Lisa Jolliff, Ellen Mitchell, Sidra Nelson, Kenneth Harris, Gordon O. Shuford, Paul Athey, Allyn Powell. *Guests* – Eddie Gunn (Comptroller General's Office), Katie Turner (WMC), Sharon McElveen (State Treasurer's Office), David Seigler, Kevin Ethridge, Brian Gaines (EBO), John Catalano (Capitol Information).

Press:

1. Chairman Grimball welcomed everyone to the meeting at 2:00pm.
2. Chairman Grimball presented the meeting minutes of the meeting for April 9, 2018 which had previously been shared with the Members and asked if any Member had additions or corrections. There were no comments from the Members and Chairman Grimball declared the minutes approved as presented. *(See attached)*
3. Frank Rainwater presented an overview of revenues and forecast. **His major comments were:** *(See Attached)*
 - ~**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.**

4. Robert Martin presented a detailed review of revenues and economic conditions. His major comments were:

~The Focus of the April 2018 Report:

- *Interest rates
- *Inflation
- *Gross Domestic Product
- *Oil Prices

~General Fund Revenue

~Economic Sectors to Watch

~Gasoline prices are increasing due to the per barrel cost of oil increase-it is headed towards \$80 per barrel. Bank of America released a forecast that stated \$100 per barrel is not out of the question.

**Chairman Grimball asked when these increases would start to affect the revenue in South Carolina. Mr. Martin replied that the revenue would begin to be affected at \$80 per barrel. As gas prices increase, less people would be taking vacations and spending money.*

~General Fund Revenue:

*Through the first ten months of FY 2017-18, 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 year-to-date revenue growth is 5.5 percent.

~Sales Tax:

*\$4.8 million remains in the clearing account as of March 2018.

*After adjustments, the year-to-date growth is 4.9 percent.

*Stronger sales tax trend in mirroring the up-tick in national retail sales figures.

~Mr. Rainwater commented that the sales tax revenue was below estimate in October of 2017 followed by a good holiday shopping season which caused an increase. Mr. Martin mentioned that even though the sales tax revenue has now dipped down again, the revenue amount is still good - within \$5 million of the estimate.

~Individual Income Tax:

*The largest single source of revenue, withholdings, 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.

~Corporate Income Tax:

*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.

~Other Taxes:

*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.

~Economic Sectors to Watch (Items of Concern)

*Federal Reserve meeting in June

*Price of Oil and OPEC

*Retail Sales

*Value of Dollar

*Stock Market

*Income Tax Refunds

*Effect of Tariffs and Retaliation

*Iranian Conflict and meeting with North Korea

~Chairman Grimball asked if everyone is satisfied with the current revenue projection. Mr. Rainwater replied that the end-of-year numbers are being watched closely and the figures may be a little lower than the estimate but not enough that a revision is needed. Chairman Grimball agreed.

5. Other Business

~Mr. Rainwater asked that Mr. Martin share information on pending legislation. Mr. Martin asked the Board to look at an Excel spreadsheet entitled *Fiscal Impacts of Pending Legislation Affecting Revenue Collections*. Mr. Martin explained that the General Assembly may not be back in session until the end of June and there is a great deal of legislation to keep track of. He explained that as bills go through the legislature, Revenue and Fiscal Affairs prepares Fiscal Impact statements on these bills. In October, information will be presented to the BEA as to which categories have been affected by legislation and how the estimate should be revised in November.

~Mr. Rainwater shared that an update would be provided at the next BEA Meeting concerning the federal tax conformity legislation. The SC House maintained conformity with no affect to the General Fund; the bill now resides in the Senate.

~Mr. Martin mentioned the Annual Regional Advisory Meeting scheduled for October 18th and asked the Board Members if this date would work for them. All Members said the date was good with them. Mr. Martin explained that he would contact the Committee members and confirm that date with them as well.

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

Mr. Gower motioned to adjourn the meeting and Mr. Clyborne seconded the motion. All voted aye and the meeting adjourned at 2:55pm.

The next scheduled meeting is Thursday, June 14, 2018 at 2:00pm.

Attachments: Agenda, Meeting Materials

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

These minutes were approved on 6/14/18.

Karen Rhinehart

Karen Rhinehart