



**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE**

CHAD WALLDORF, Chairman
HOWELL CLYBORNE, JR.
EMERSON F. GOWER, JR.

FRANK A. RAINWATER
Executive Director

**BOARD OF ECONOMIC ADVISORS
WORKING GROUP/REGIONAL ADVISORY MEETING
AGENDA**

**October 20, 2016, 11:00am
Room 335 - DNR Conference Room
3rd Floor Rembert C. Dennis Building**

1. Welcome
2. Adoption of Meeting Minutes for September 19, 2016, August 28, 2014
3. Overview of First Quarter Results - (F. Rainwater, R. Martin)
4. Recess for Lunch (*Please note that lunch is by invitation only*)
5. Presentations on Personal Income and Employment Growth in South Carolina for FY 2016-17 and FY 2017-18
 - A. Regional Advisory Committee Members
 - [Mr. Rick Kaglic](#) - Senior Regional Economist - Federal Reserve Bank of Richmond, Charlotte, N.C. Branch
 - [Dr. Frank Hefner](#) - Professor of Economics - College of Charleston
 - [Dr. Russell Sobel](#) - Professor of Economics and Entrepreneurship - The Citadel
 - [Dr. Joey Von Nessen](#) - Research Economist - University of South Carolina
 - *Forecast and analysis also received from [Michael Brown](#) - Wells Fargo
 - B. BEA Staff - [Robert Martin](#) - Economist
6. Discussion of Forecast Assumptions
 - A. Identification of major factors affecting the economy
 - B. Developing range of Personal Income and Employment Growth Rates for FY 2016-17 and FY 2017-18
7. Reports from Working Group Members
 - A. Governor's Office
 - B. Senate Finance Office
 - C. Ways and Means Office
 - D. Treasurer's Office
 - E. Comptroller General's Office

8. Other Business
9. Future Meeting Schedule
 - A. November 10, 2016, 2:00pm – Preliminary 2017-18 Estimate
 - B. December 15, 2016, 2:00pm
 - C. January 26, 2017, 2:00pm – Quarterly Review
 - D. 2016 Calendar at <http://rfa.sc.gov/calendar>
10. 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 FIRST QUARTER

FY 2016-17

- For the July – September quarter, FY 2016-17 General Fund Revenues totaled \$1,973.8 million.
- This amount exceeded the latest BEA estimate of \$1,968.7 million by \$5.1 million and the legislative adjusted estimate of \$1,952.8 million by \$21.0 million.
- The quarterly growth rate was 6.7 percent compared to the latest BEA estimate of 6.5 percent and the legislative adjusted estimate of 5.6 percent growth.
- We are experiencing more accounting and timing adjustments than usual in developing the quarter estimates and further updates will be provided for the November forecast.





Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 02/10/16 BEA Adjusted Estimate of \$8,325.8 Million in FY 2016-17 1/

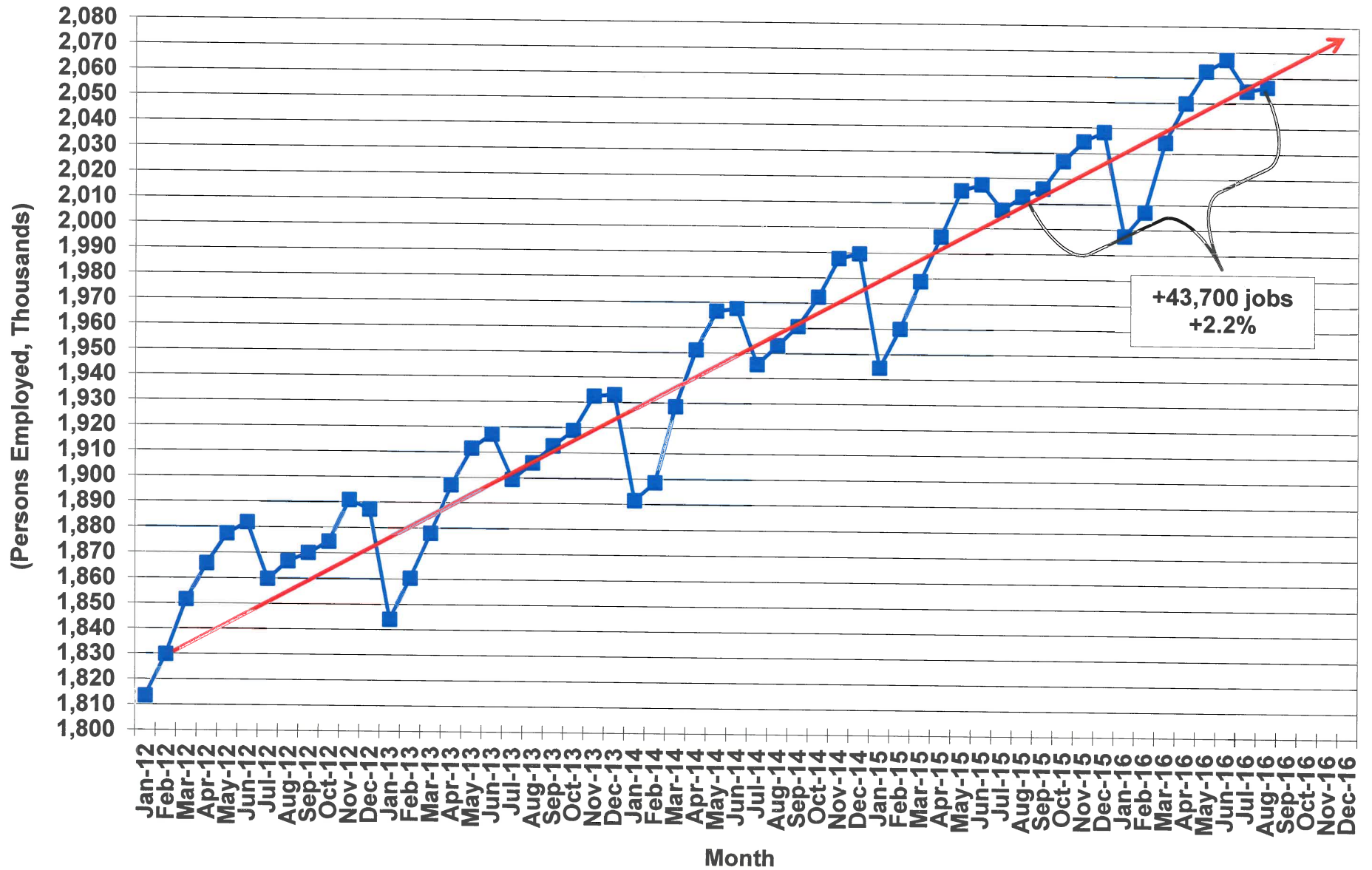
	JULY - SEPTEMBER FY 2016-17			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate	Actual
	Actual Revenues	Expected Revenues	Excess / (Shortfall)	Full Fiscal Yr.	Yr. to Date
Total General Fund Revenue	1,973.8	1,968.7	5.1	5.1	6.7
Sales Tax	479.1	473.9	5.3	4.3	5.5
Individual Income Tax	1,263.8	1,247.1	16.7	6.1	7.7
Corporate Income Tax	55.6	89.9	(34.3)	(4.4)	(38.3)
Other Revenue Sources	175.2	157.8	17.4	7.5	33.5
Select Tax Revenues, Sub-Total	163.4	141.7	21.7	7.4	43.5
Admissions Tax - Total	(0.5)	(1.4)	0.9	10.2	(63.1)
Alcoholic Liquors Tax	11.7	10.2	1.6	1.6	17.1
Bank Tax	6.6	8.3	(1.7)	14.9	(8.1)
Beer and Wine Tax	19.7	18.5	1.2	0.7	7.2
Corporation License Tax	30.6	10.9	19.7	23.0	245.3
Documentary Tax	8.8	8.5	0.4	2.3	6.9
Earnings on Investments	7.1	3.0	4.1	(35.5)	66.6
Insurance Tax	75.1	78.8	(3.8)	13.2	40.4
Tobacco Tax	4.3	3.9	0.3	(12.1)	(5.0)
Residual Revenue, Sub-Total 2/	11.8	17.1	(5.4)	8.4	(29.8)

1/: BEA format - includes certified adjustments and excludes non-recurring cash transfers and certain "other source" revenues, where applicable.

2/: Refer to p. 15, Residual Revenue, for list of components in this subcategory.

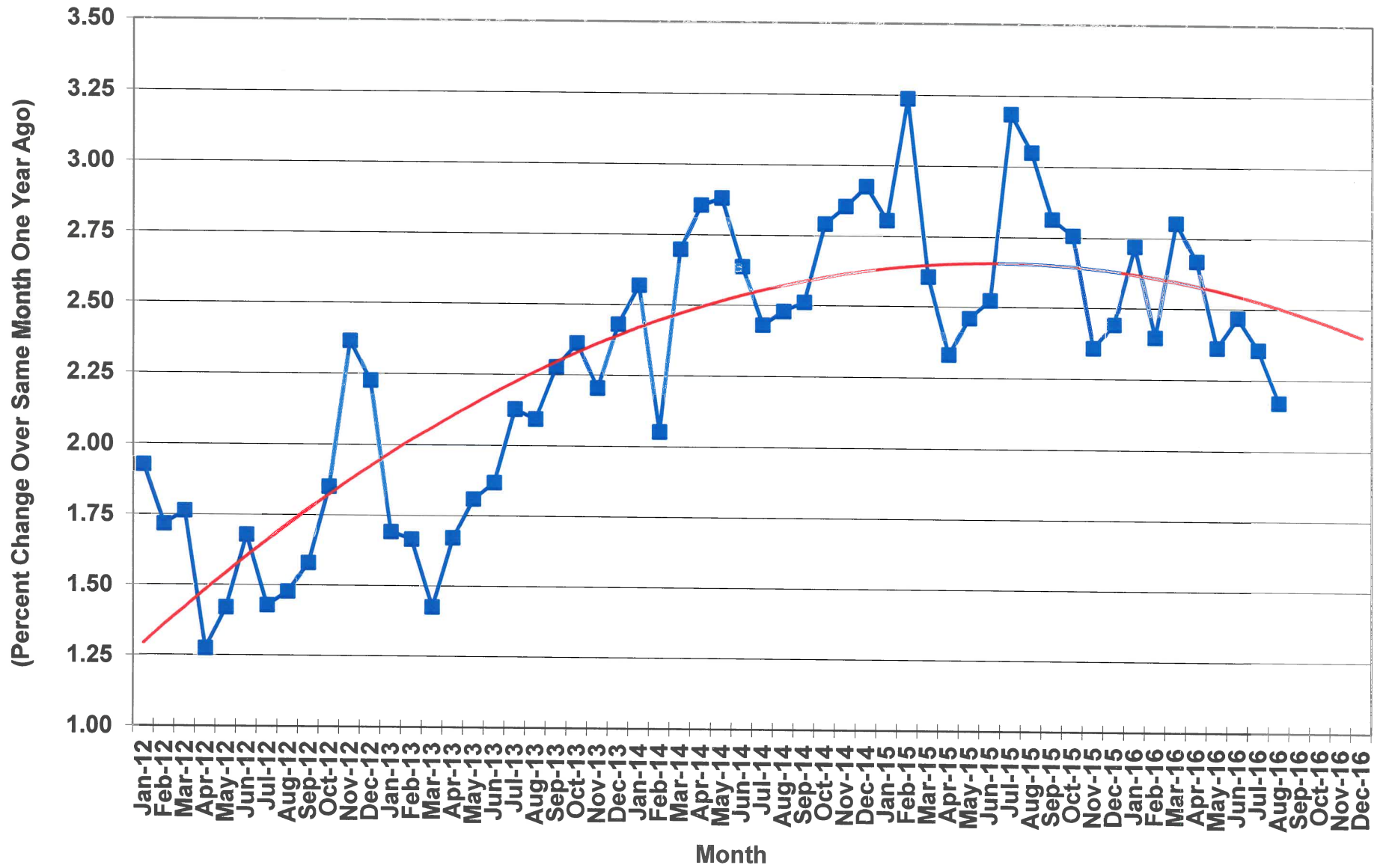
Note: Detail may not sum to total due to rounding.

Total Nonfarm Employment in South Carolina



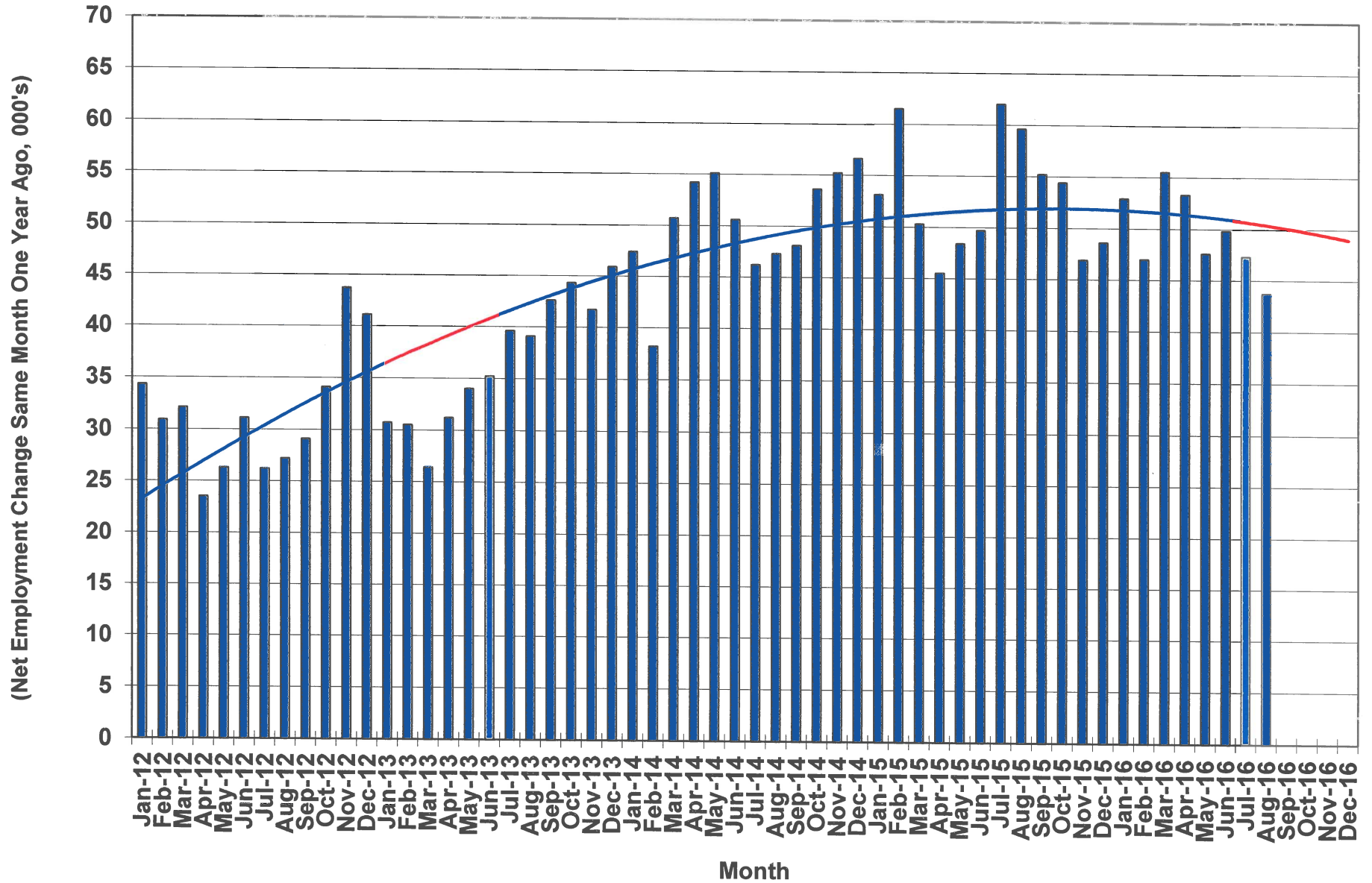
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/10/20/16

Total Nonfarm Employment Growth in South Carolina



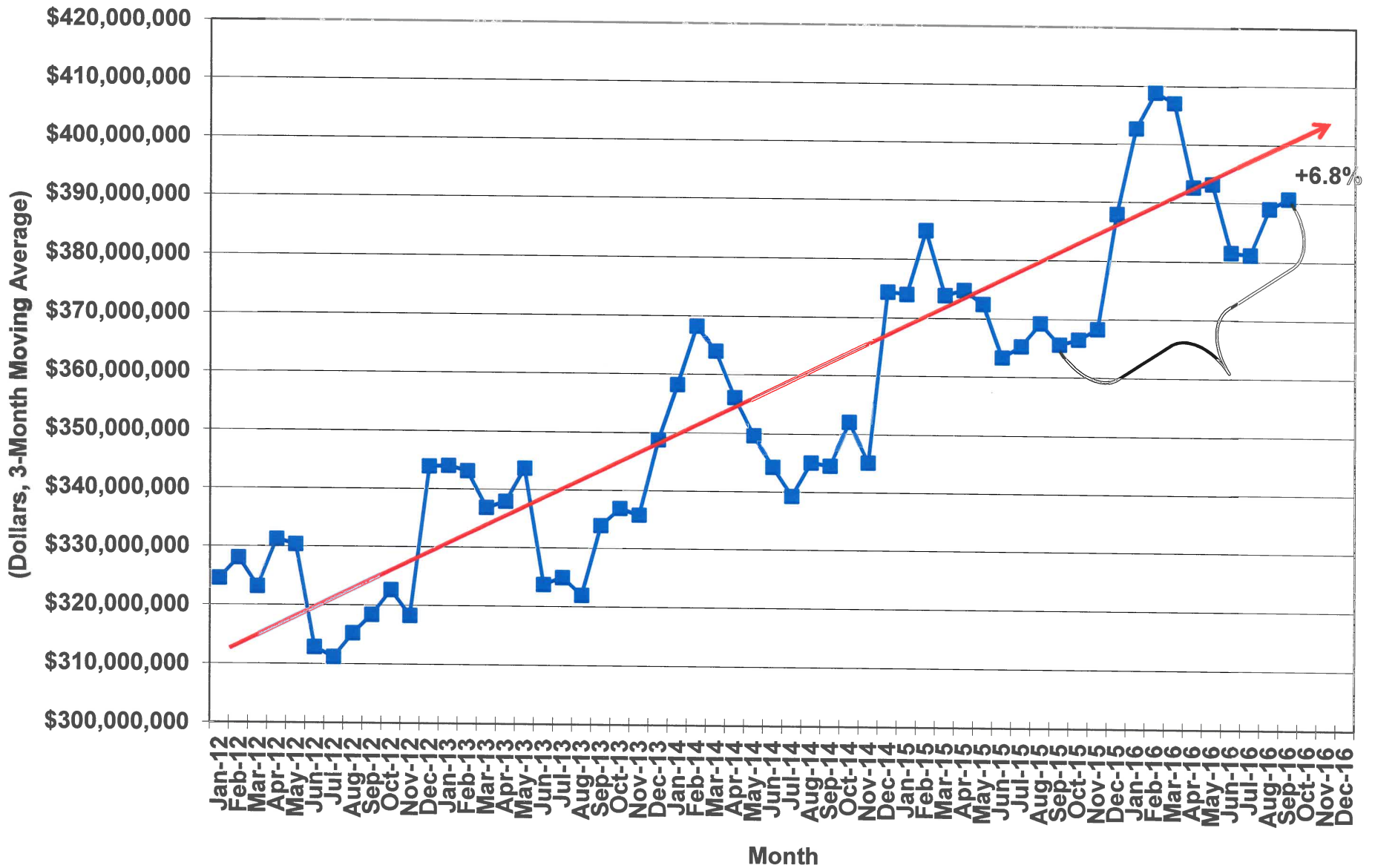
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/10/20/16

Net Nonfarm Employment Increase/Decrease in South Carolina



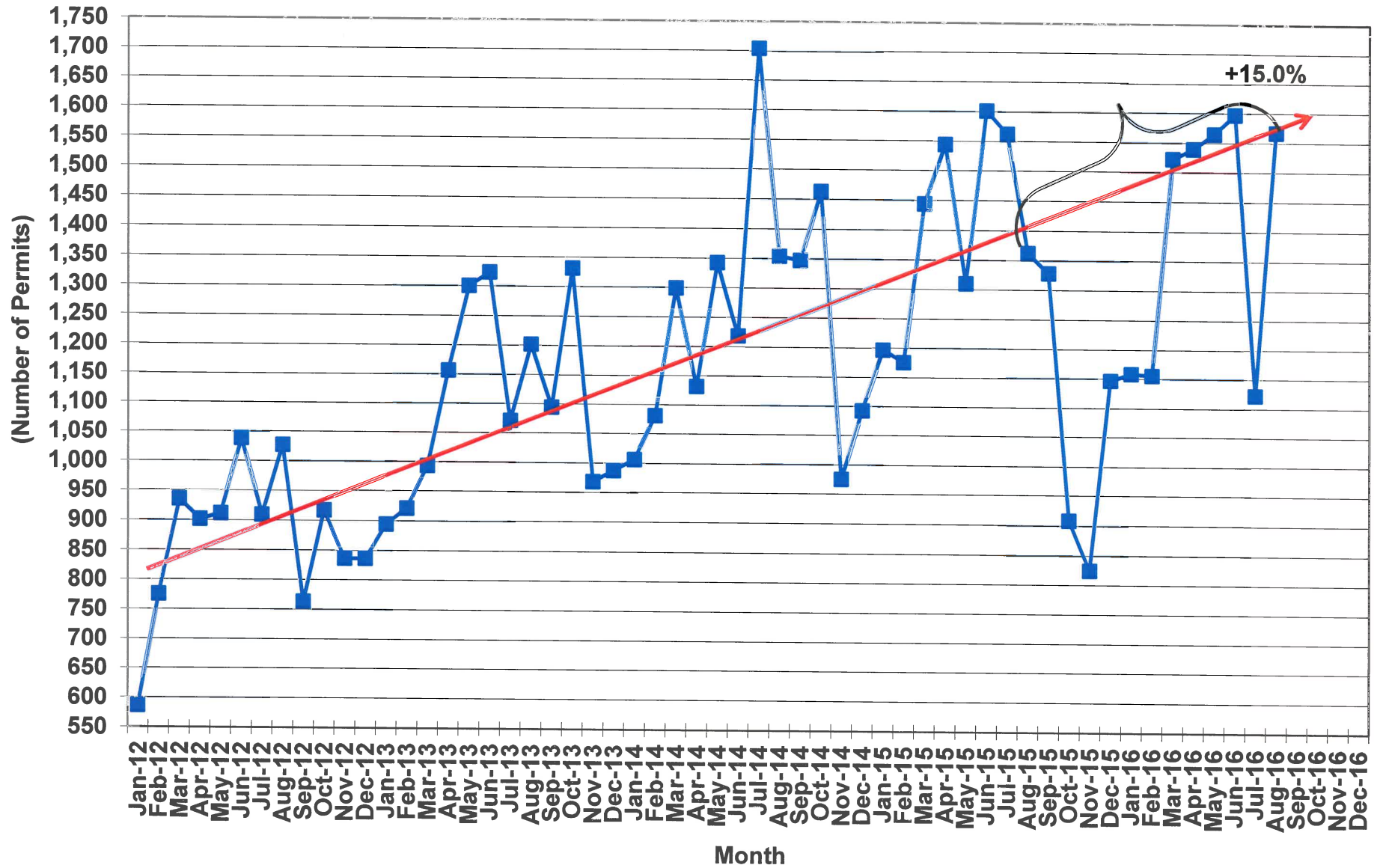
Source: U.S. Department of Labor, Bureau of Labor Statistics
SCBEA/RWM/10/20/16

South Carolina Income Tax Withholdings



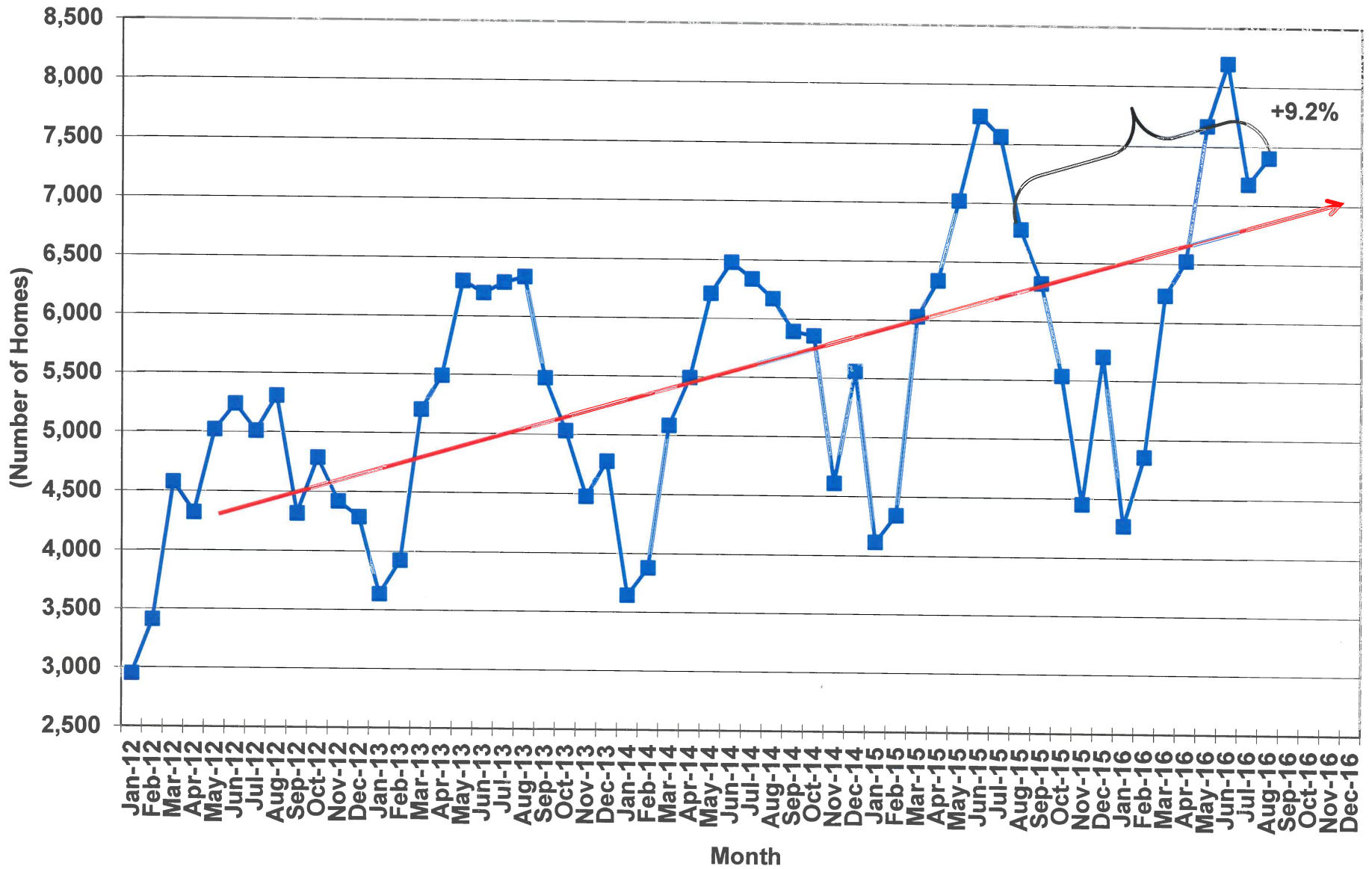
Source: South Carolina Department of Revenue
SCBEA/RWM/10/20/16

Residential Building Permits in South Carolina



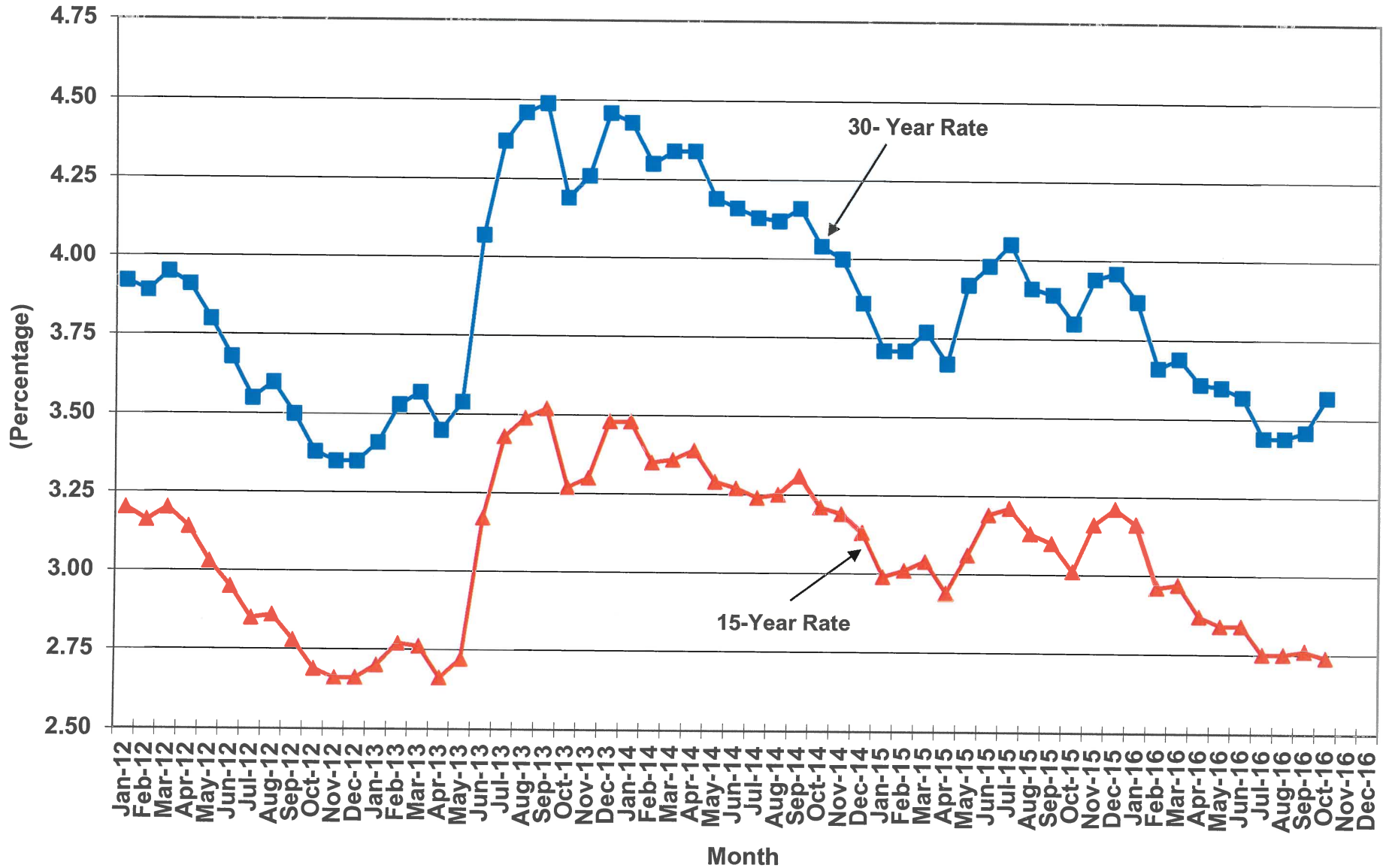
Source: U.S. Department of Commerce, Bureau of the Census
 SCBEA/RWM/10/20/16

Number of Homes Sold in South Carolina



Source: South Carolina Association of Realtors
SCBEA/RWM/10/20/16

Mortgage Rates

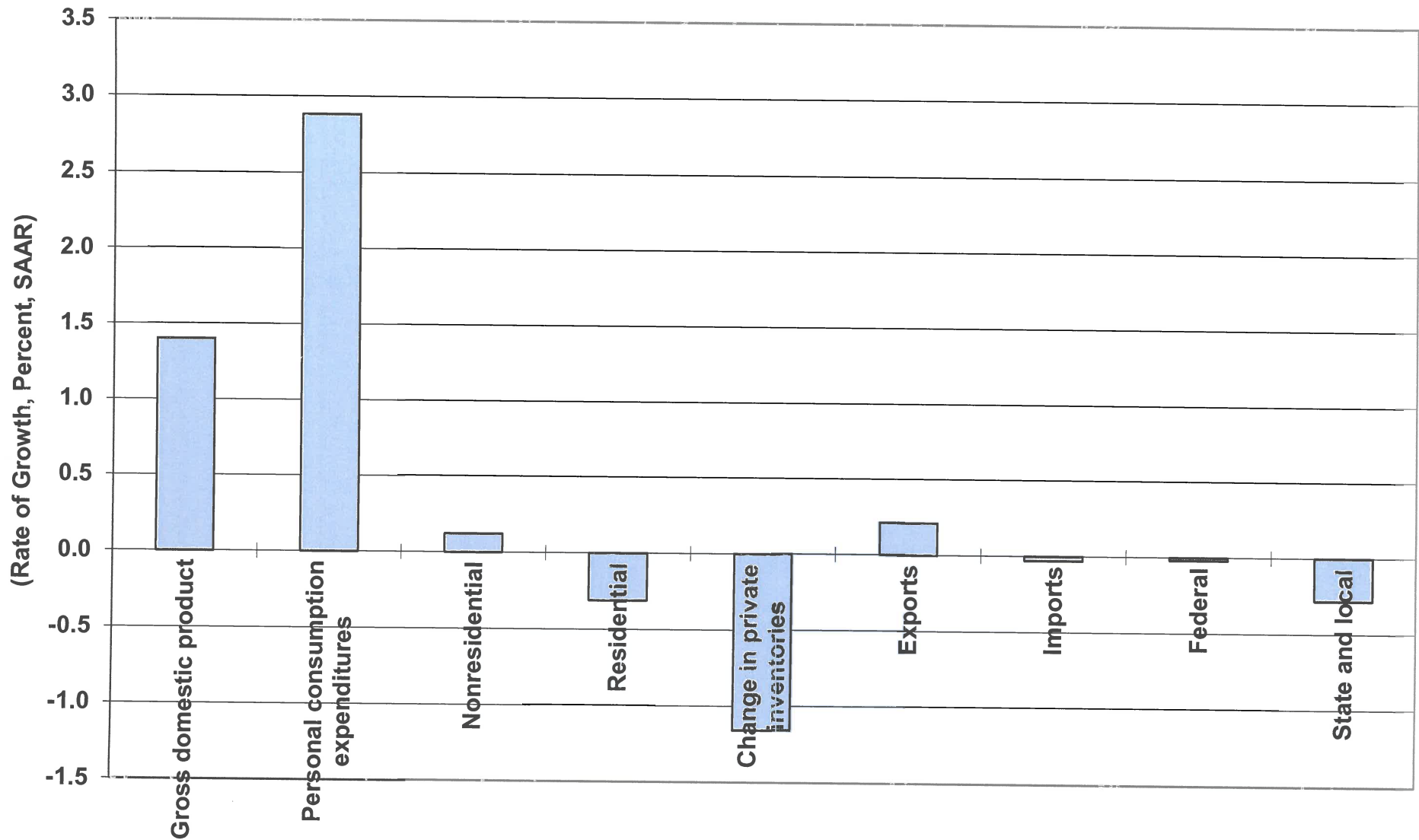


Source: The Board of Governors of the Federal Reserve System
SCBEA/RWM/10/20/16

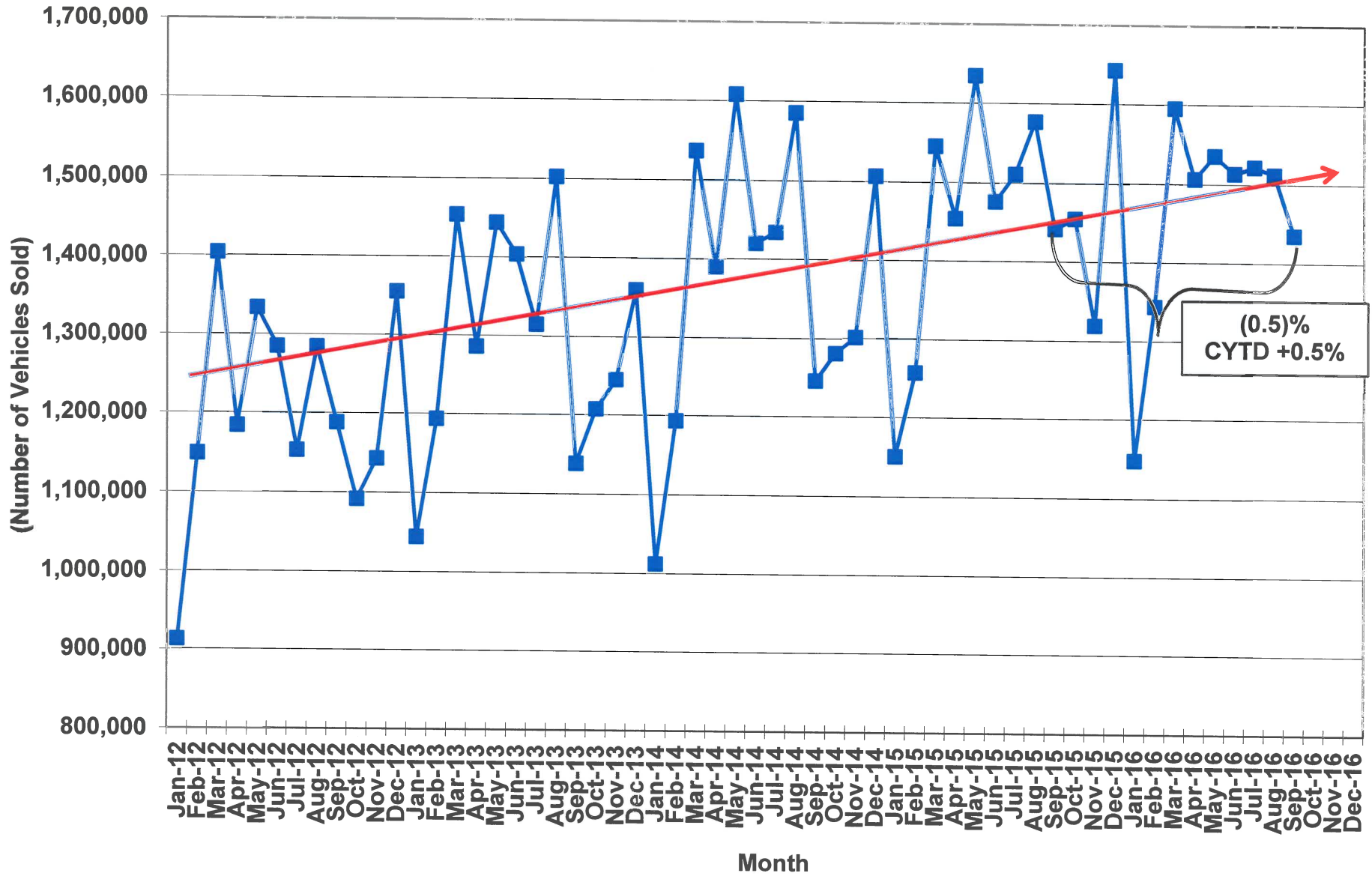
U.S. Retail & Food Service Sales



Contributions to Real Gross Domestic Product in the U.S. 2016, Second Quarter, (Final Estimate)

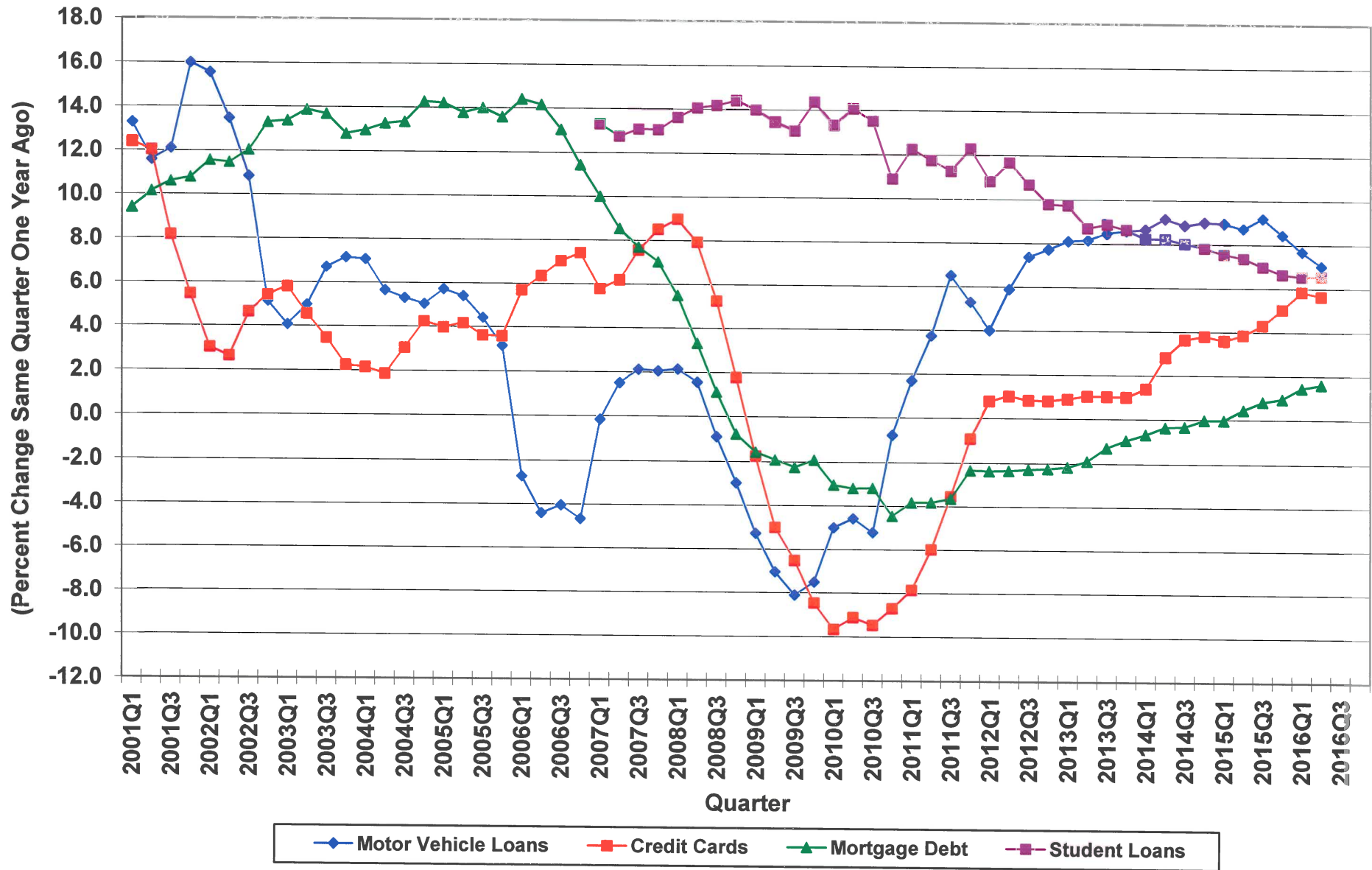


Total Light Vehicle Sales in the United States



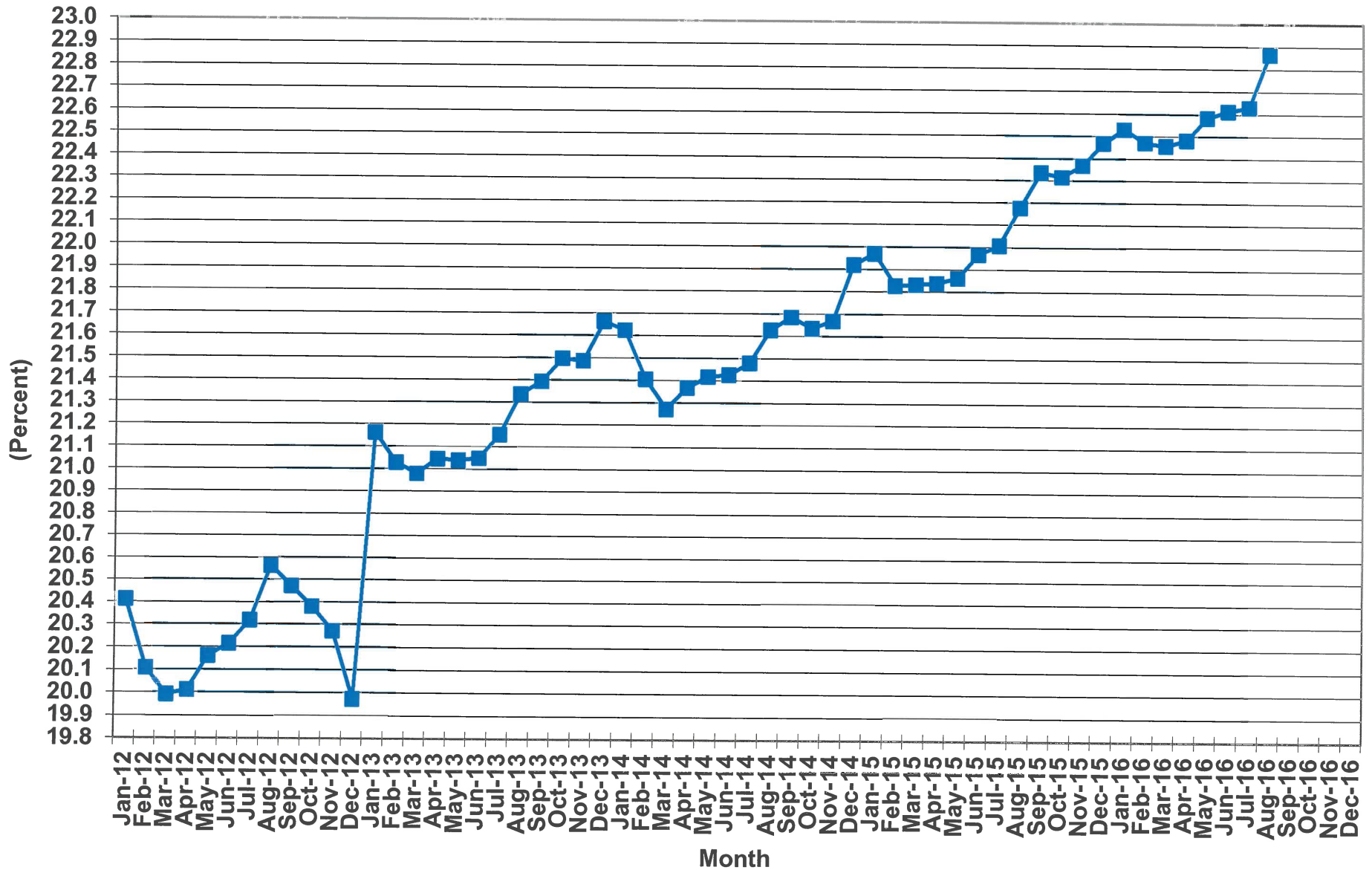
Source: Autodata Corporation and WardsAuto
SCBEA/RWM/10/20/16

Growth in Major Types of Household Debt



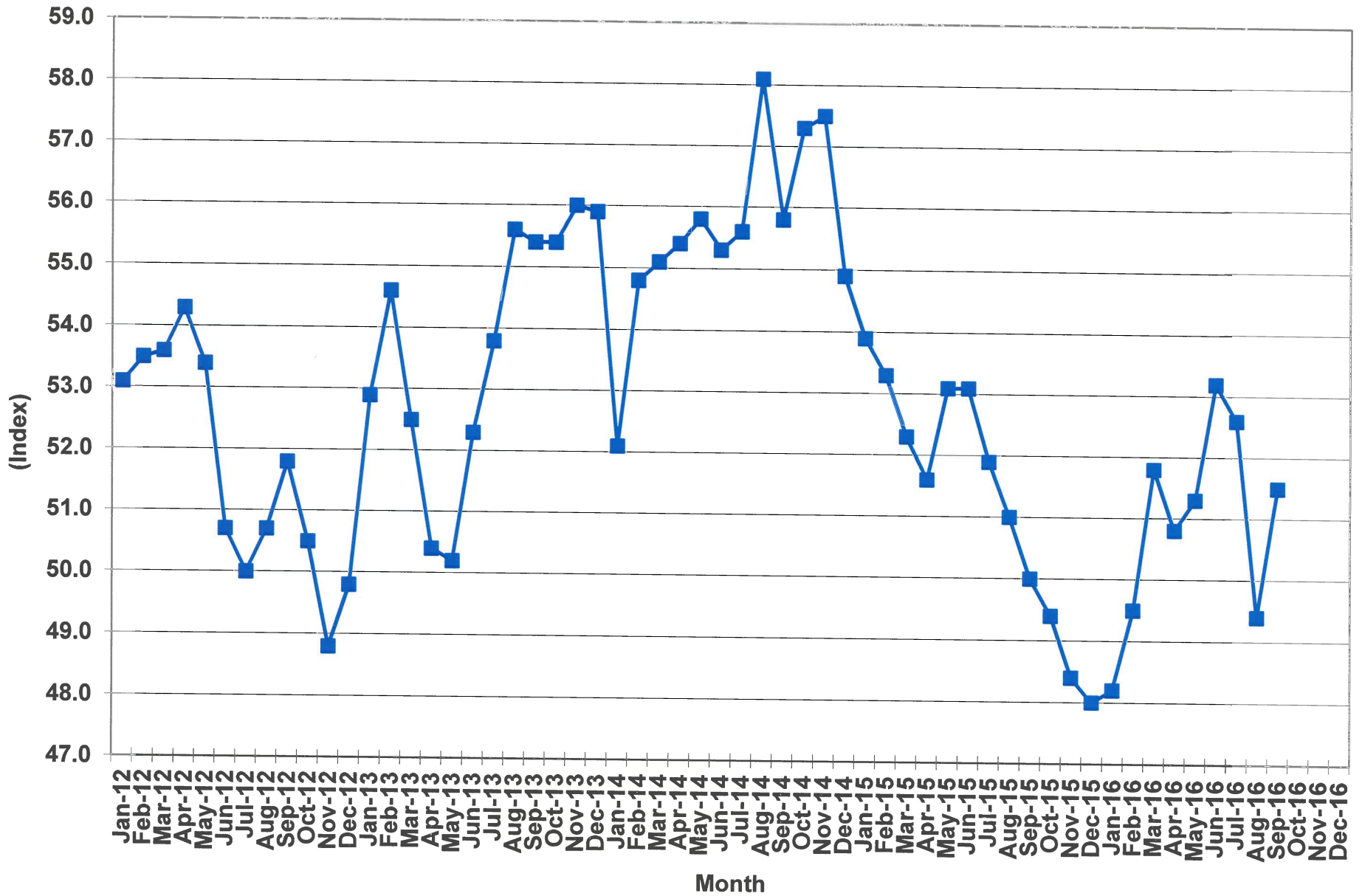
Source: The Board of Governors of the Federal Reserve System
BEA/RWM/10/20/16

Total Credit Outstanding as a Percent of Personal Income



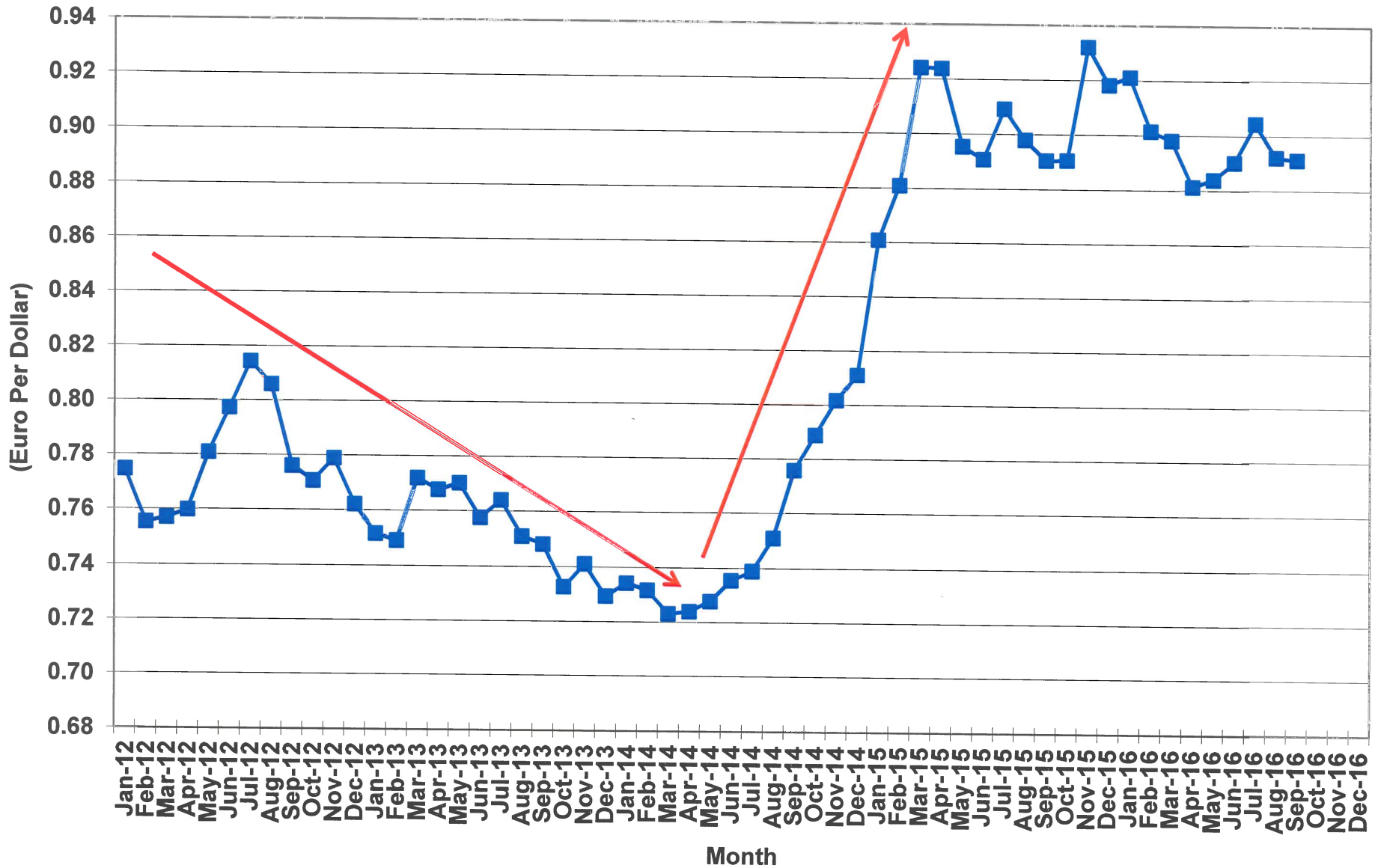
Sources: Federal Reserve System; U.S. Department of Commerce, Bureau of Economic Analysis

Index of Manufacturing Purchasing Managers Index (NAPM)



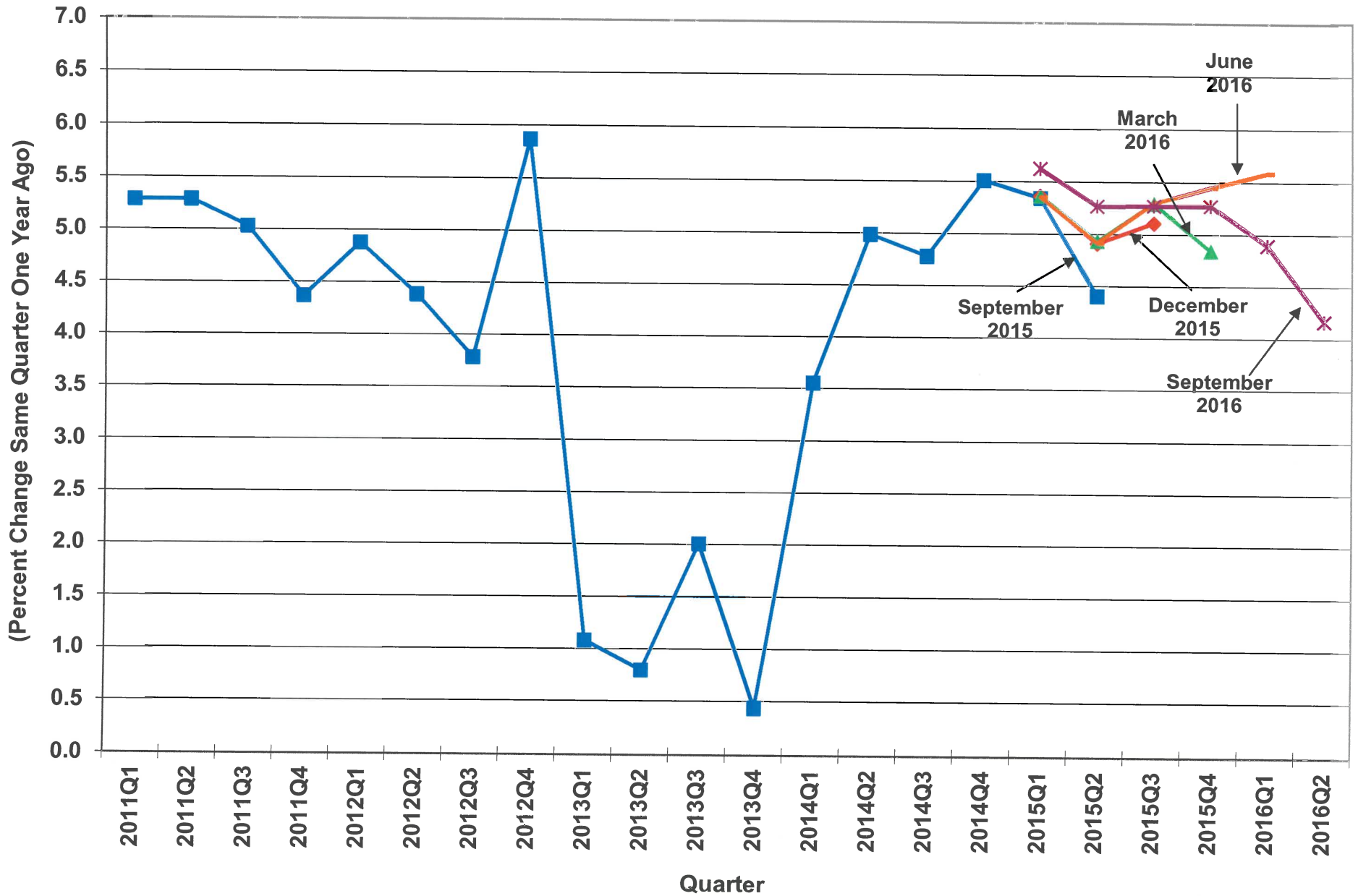
Source: The Institute for Supply Management
SCBEA/RWM/10/20/16

Value of the Euro vs. the U.S. Dollar

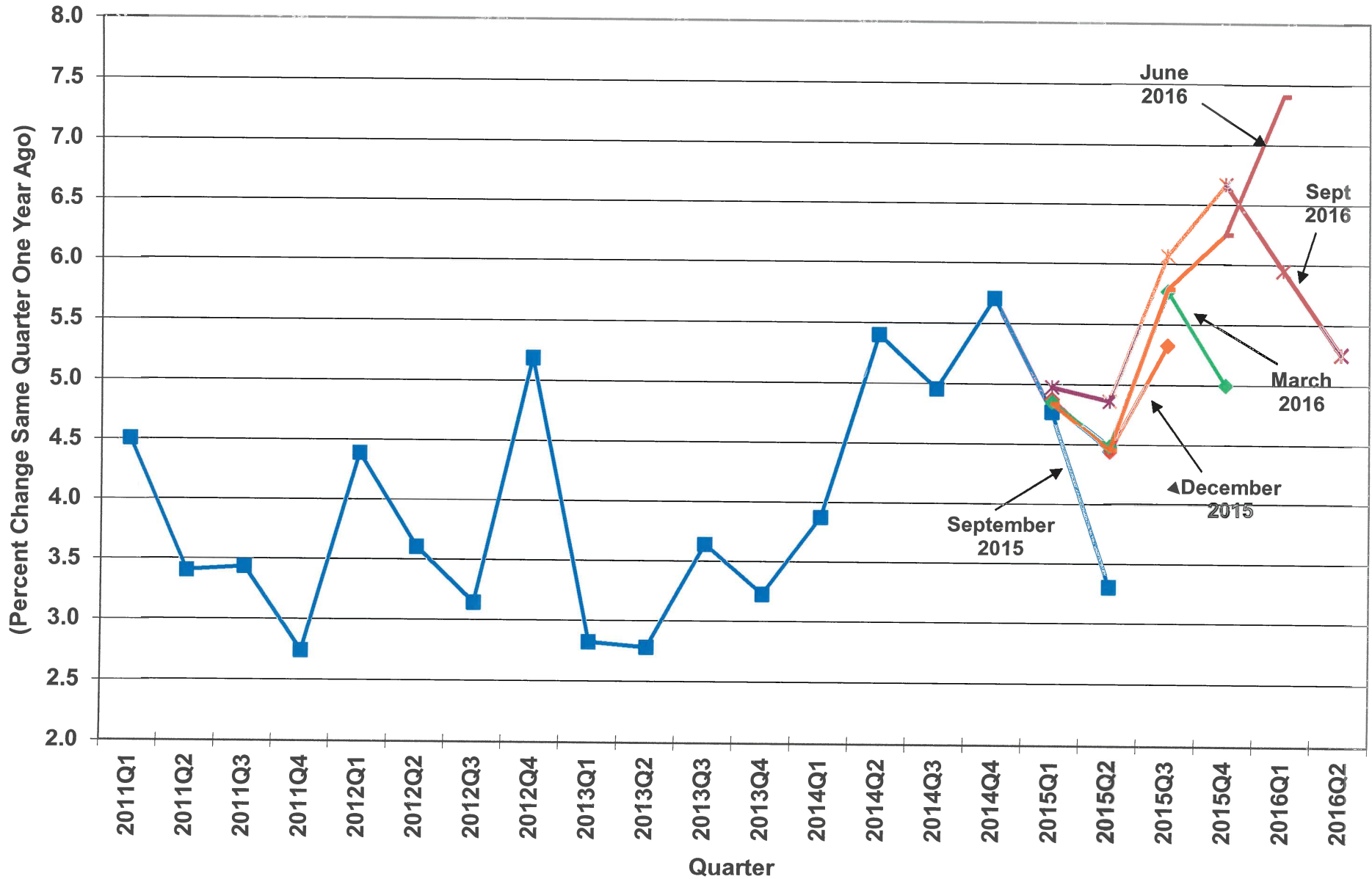


Source: The Board of Governors of the Federal Reserve System
SCBEA/RWM/10/20/16

Growth in Personal Income in South Carolina

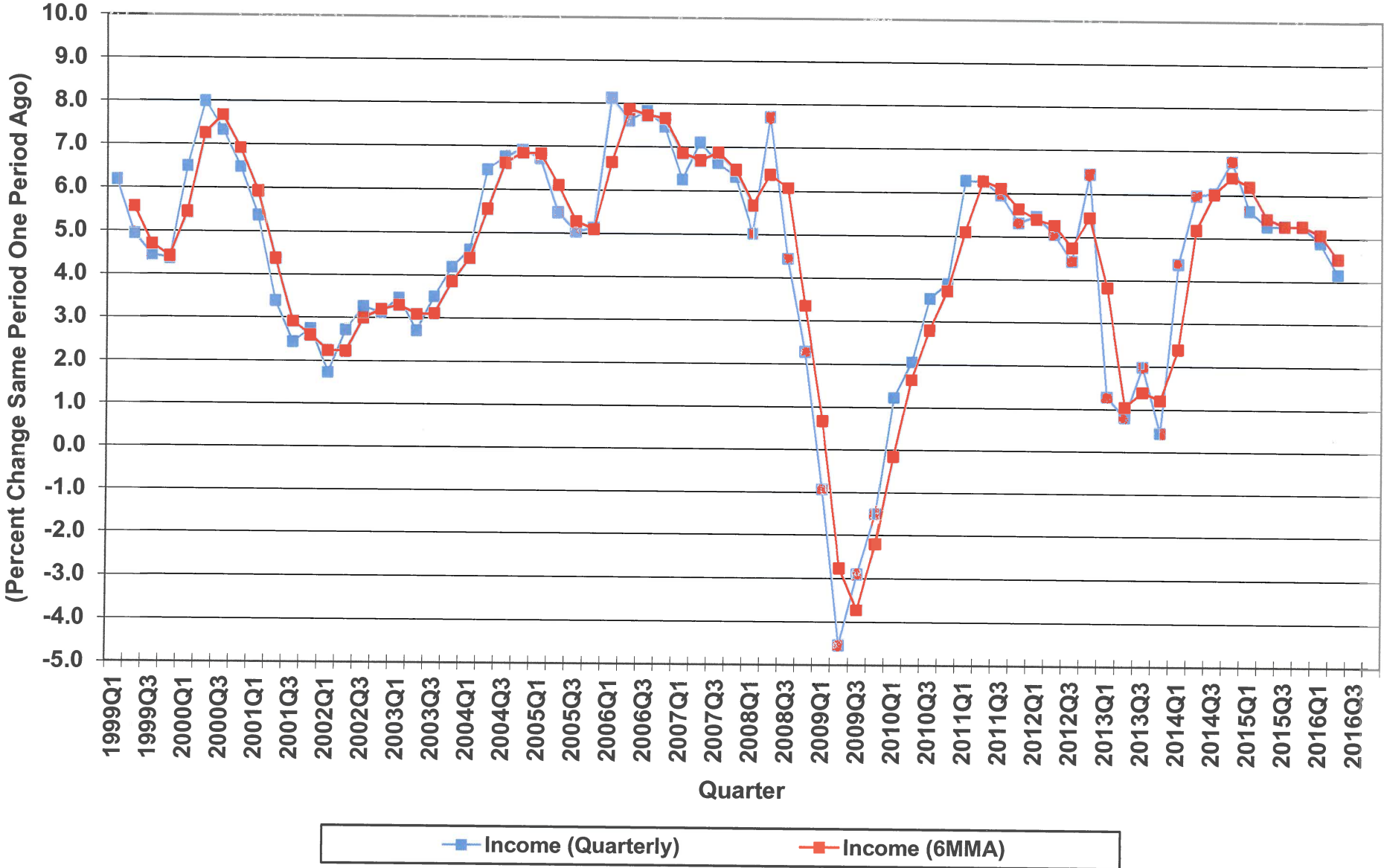


Growth in Wages & Salaries in South Carolina



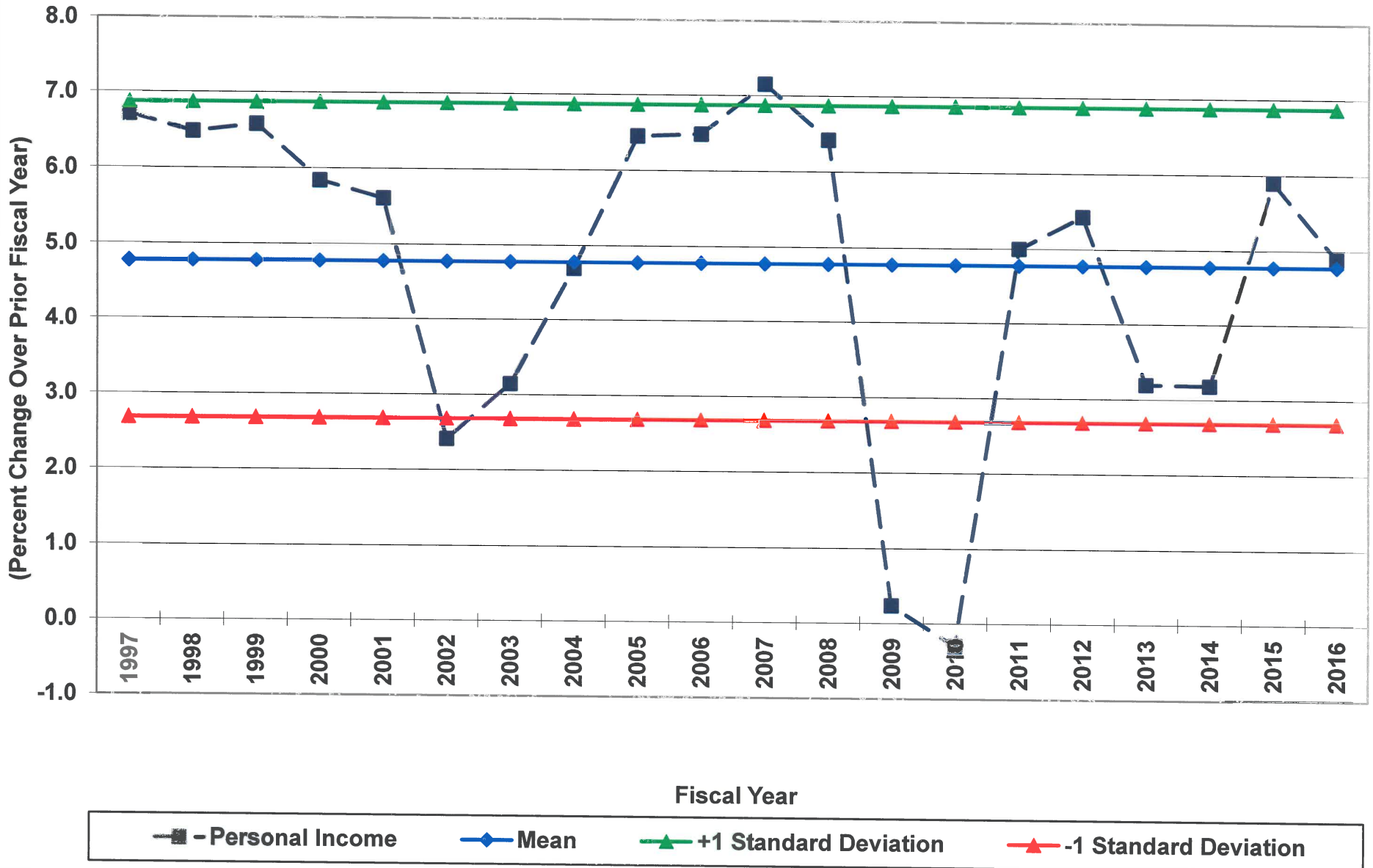
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

South Carolina Personal Income Trends



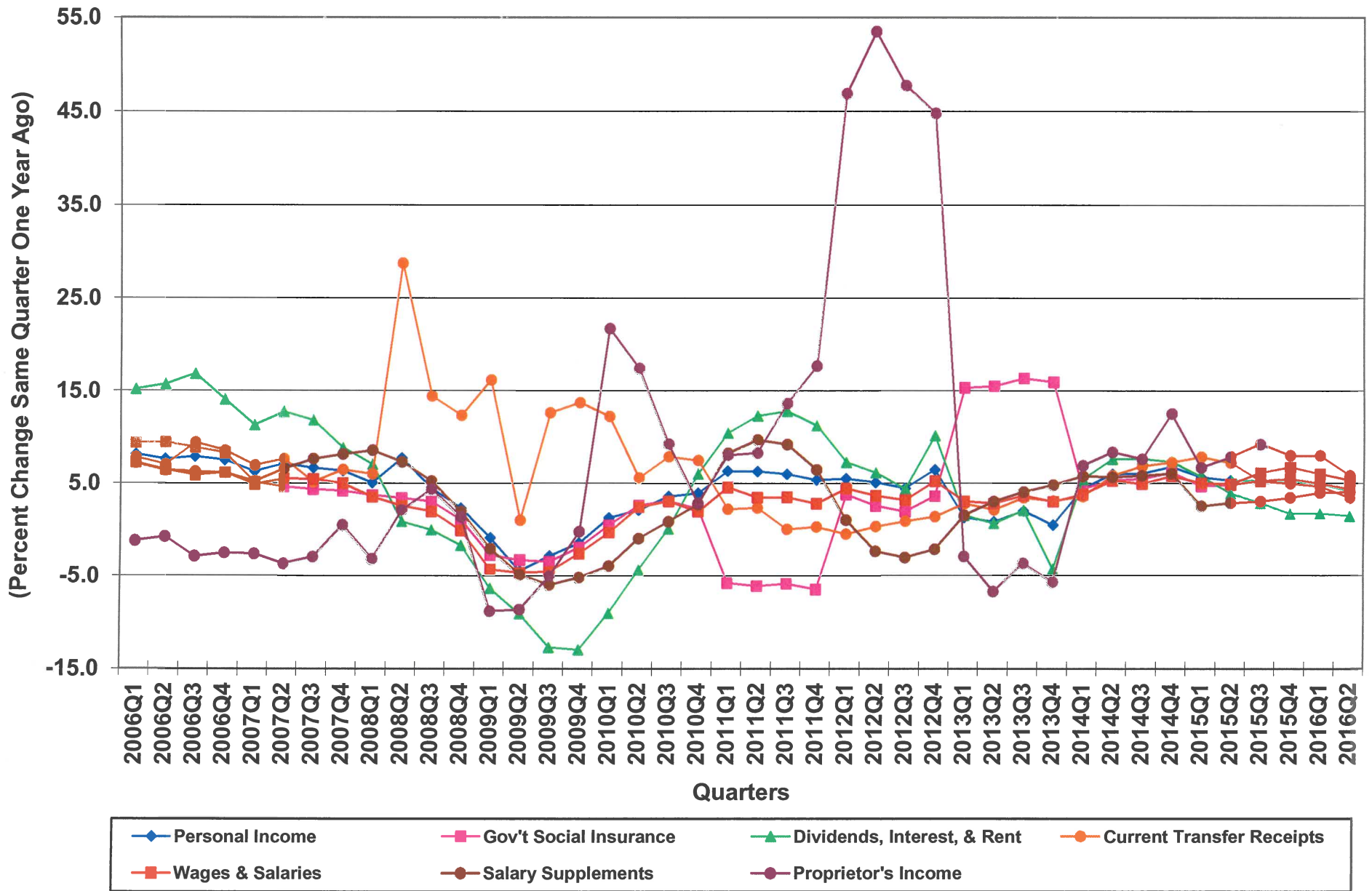
Source: Board of Economic Advisors
BEA/RWM/09/29/16

Growth in Personal Income in South Carolina



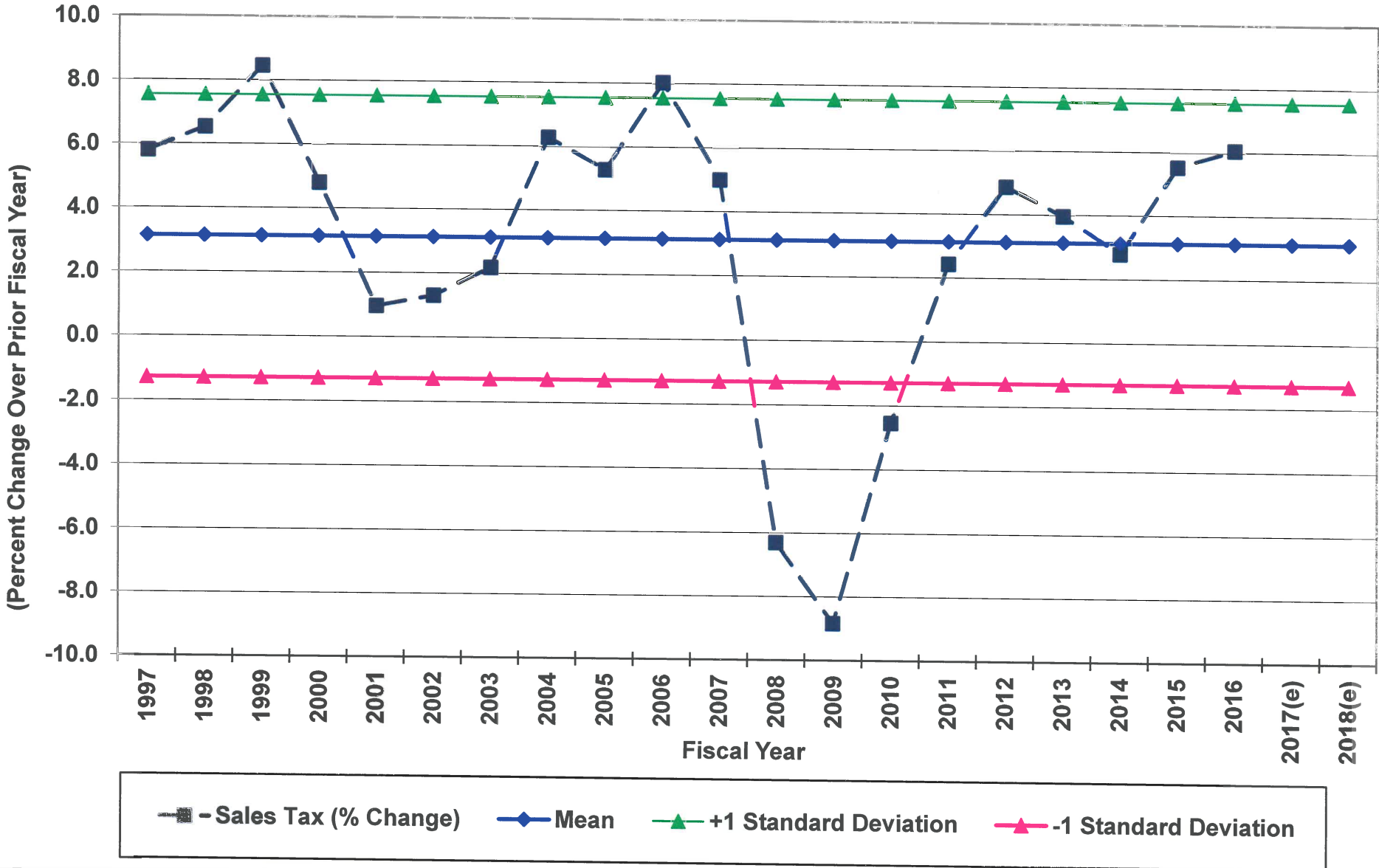
Source: Board of Economic Advisors
BEA/RWM/10/04/16

Growth in Personal Income Components in South Carolina



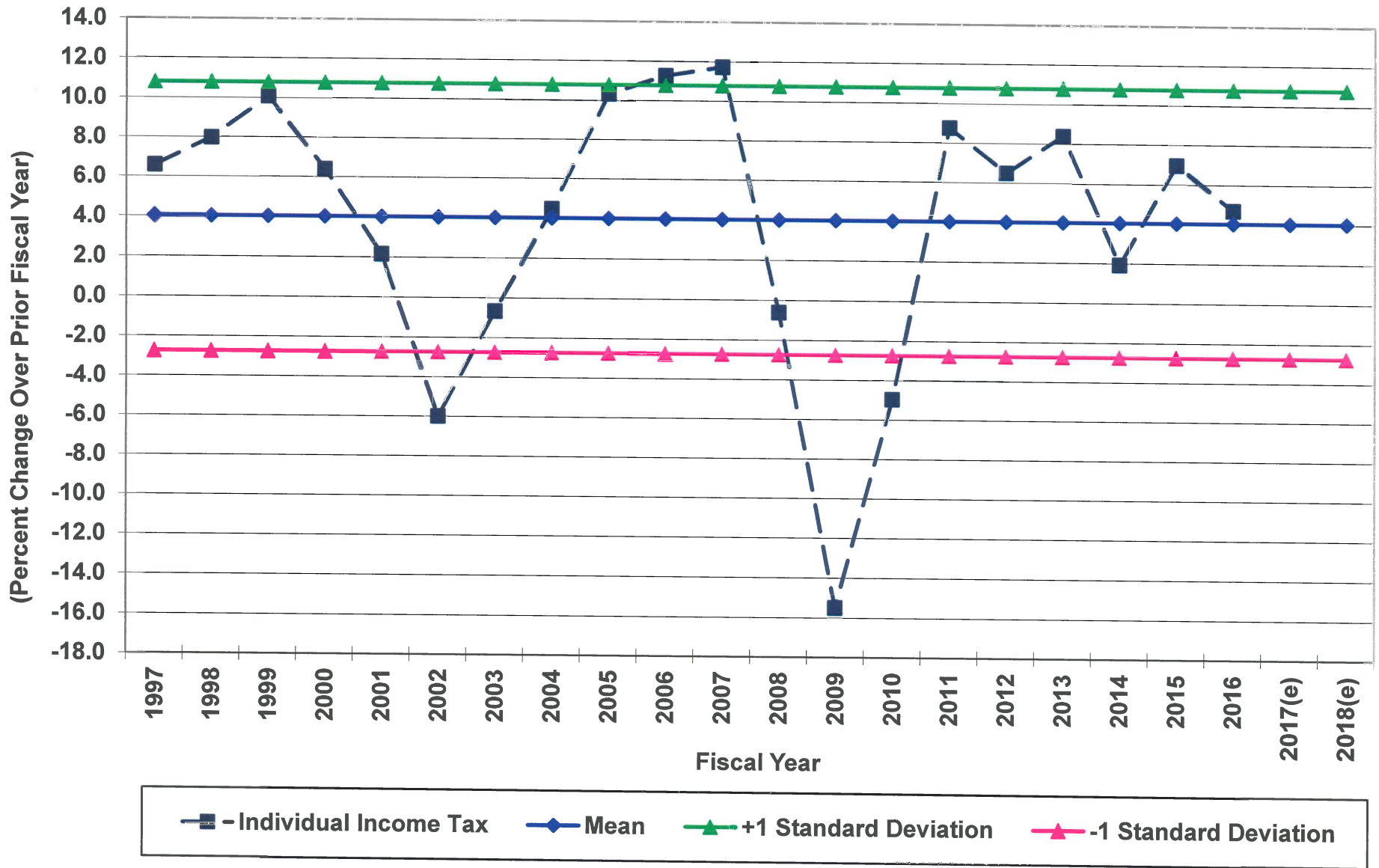
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.
BEA/RWM/09/30/16

General Fund Sales Tax Revenue Growth in South Carolina



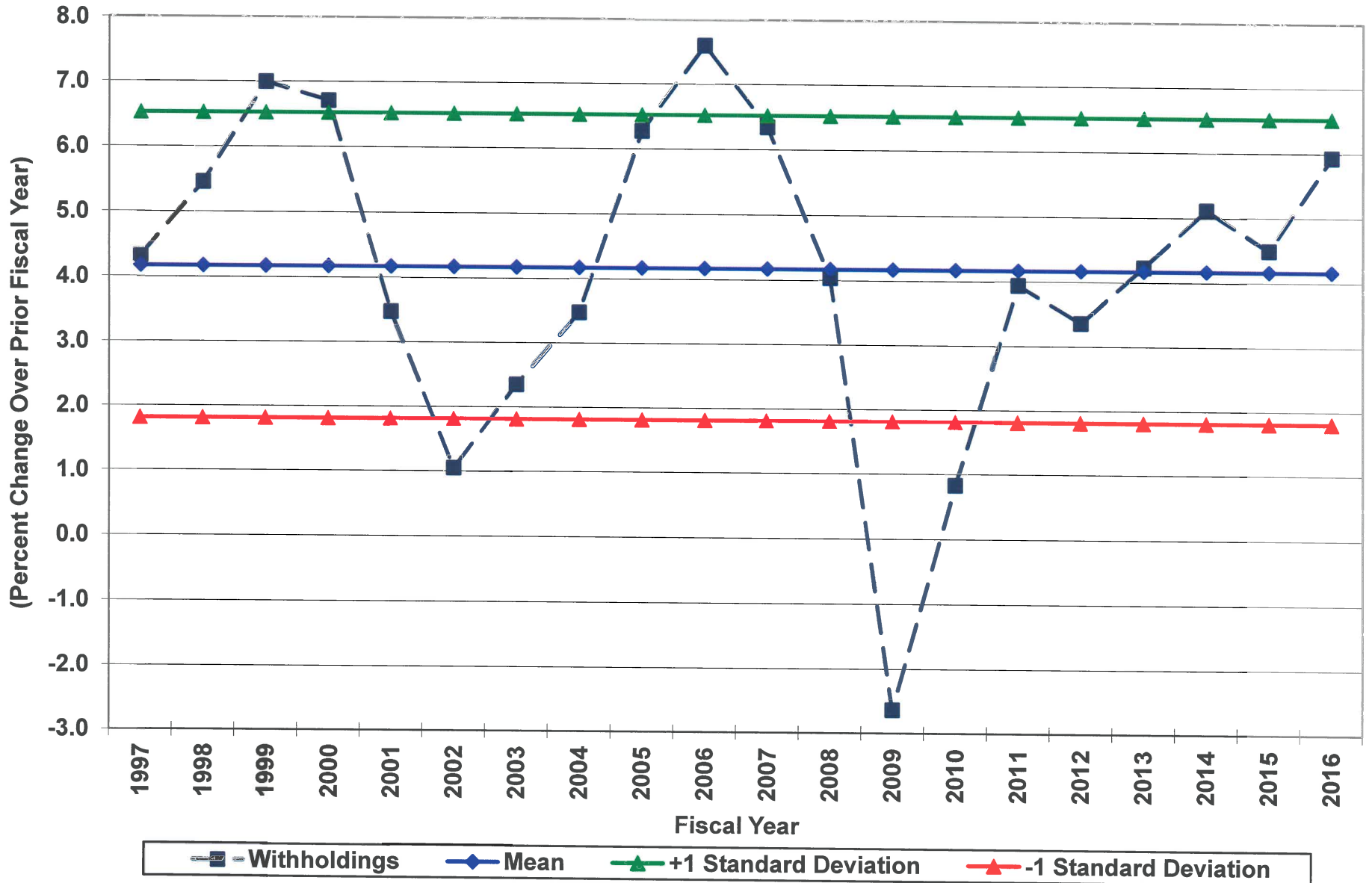
Source: Board of Economic Advisors
BEA/RWM/10/04/16

General Fund Individual Income Tax Revenue Growth in South Carolina



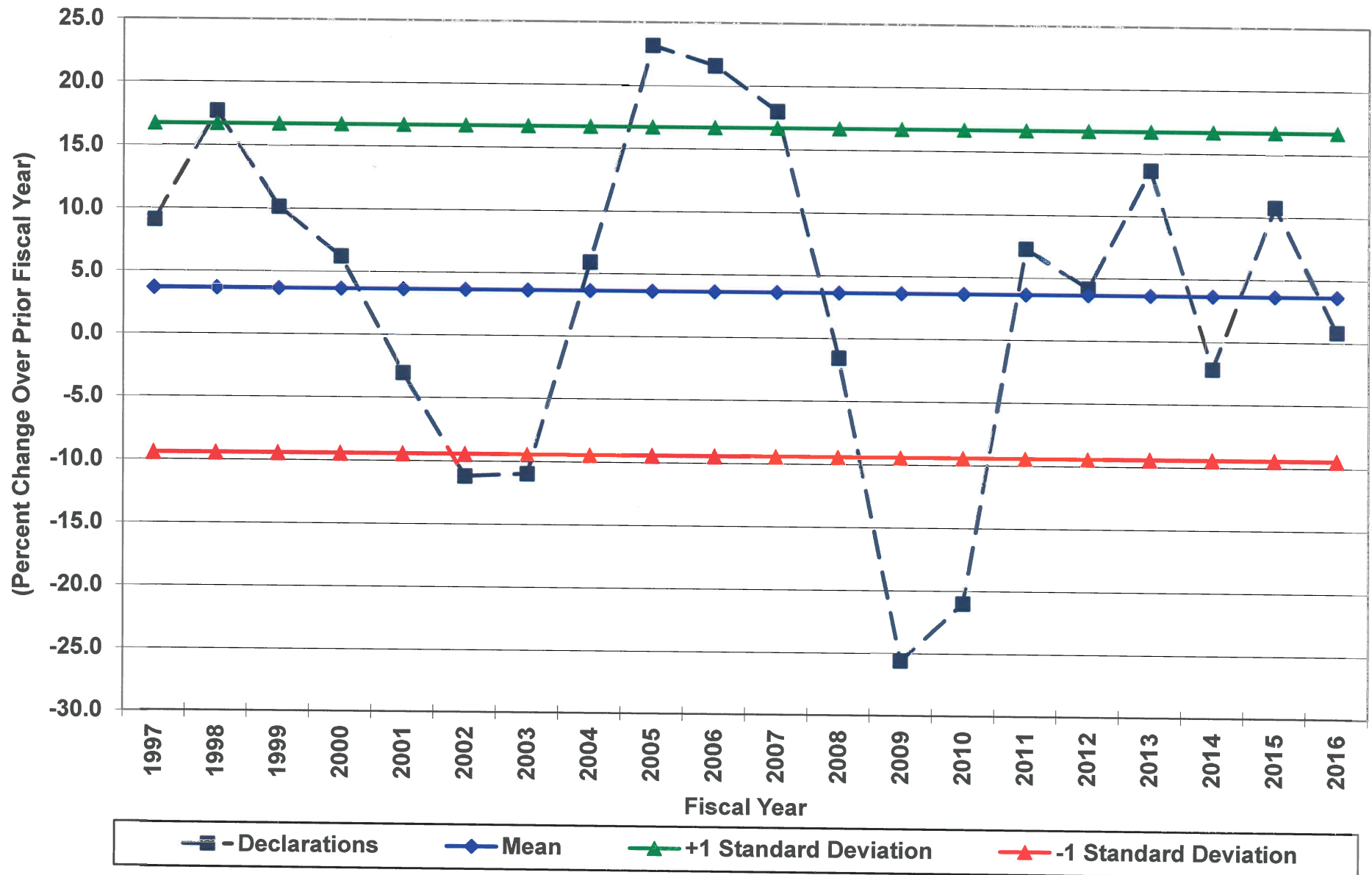
Source: Board of Economic Advisors
BEA/RWM/10/04/16

Individual Income Tax Withholdings in South Carolina



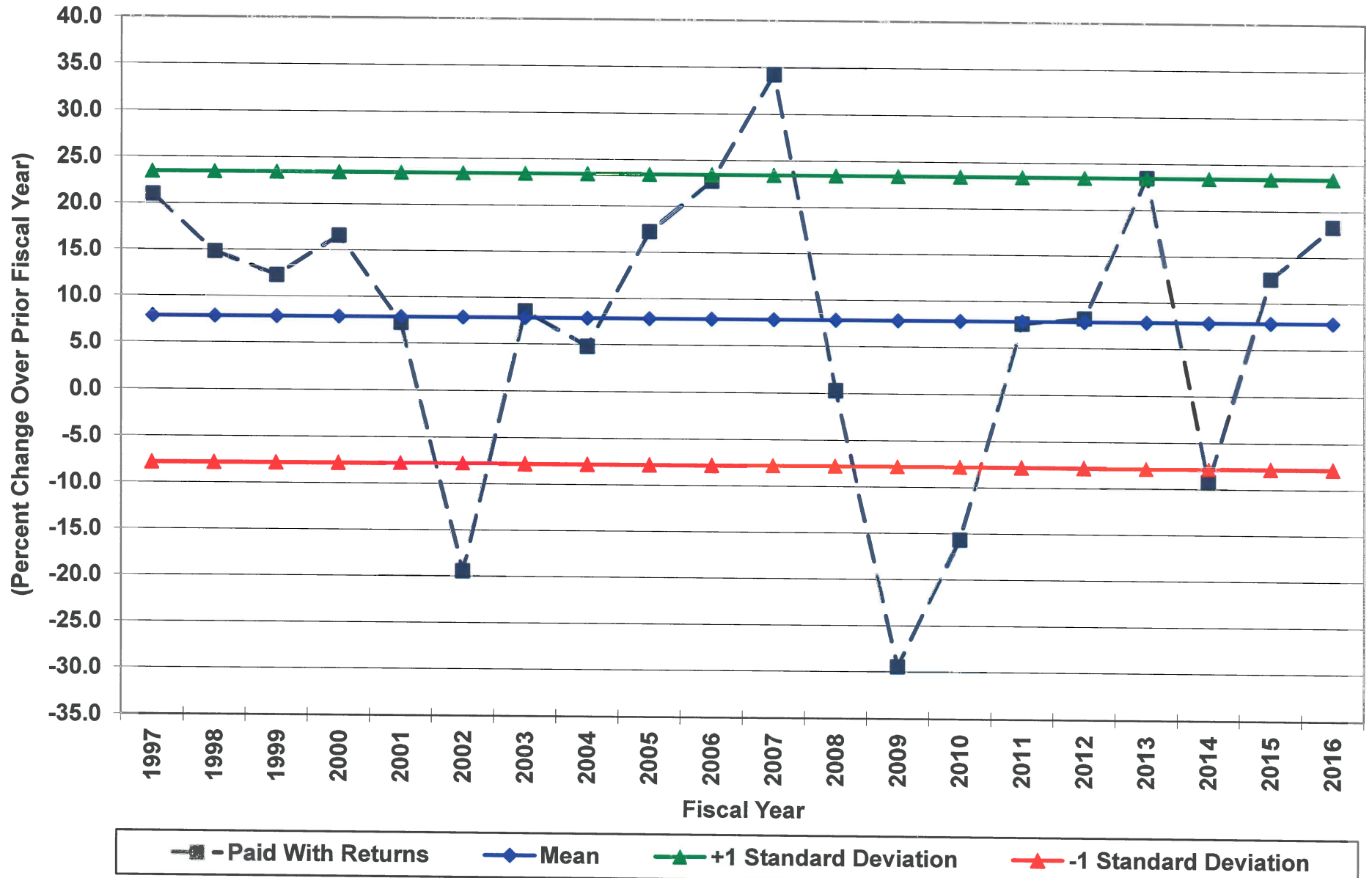
Source: Board of Economic Advisors
BEA/RWM/10/04/16

Individual Income Tax Declarations in South Carolina



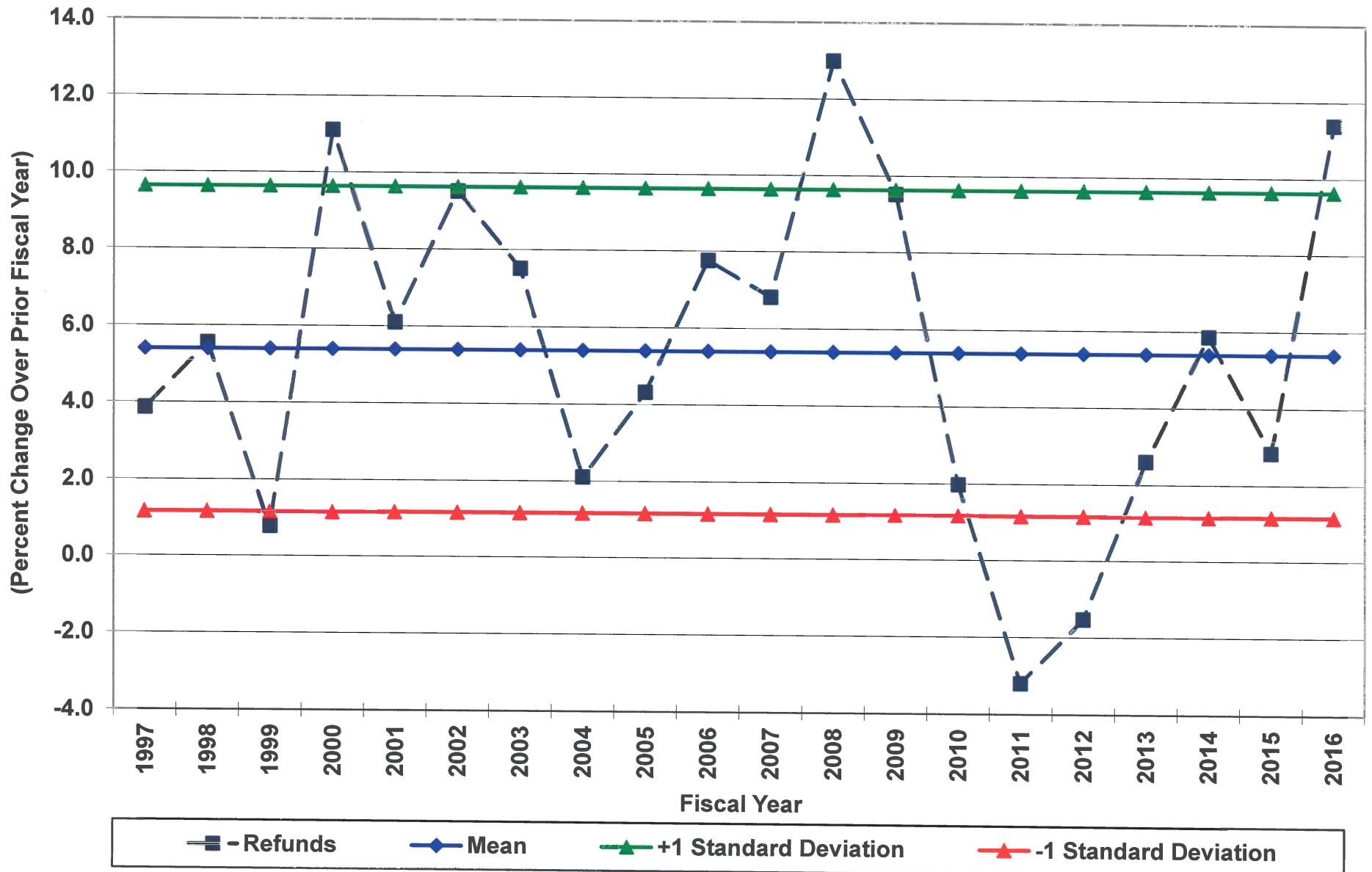
Source: Board of Economic Advisors
BEA/RWM/10/04/16

Individual Income Tax Paid With Returns in South Carolina



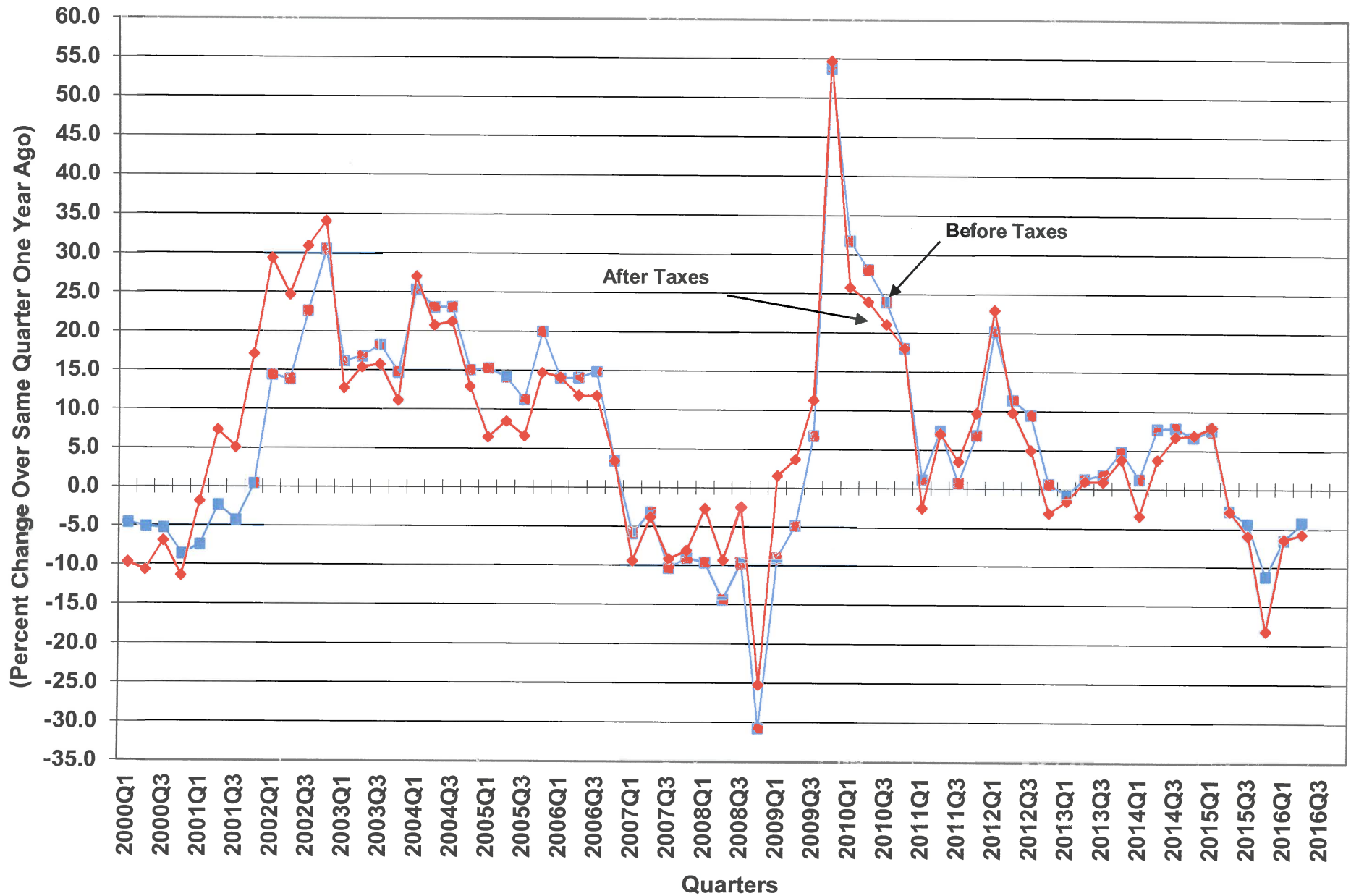
Source: Board of Economic Advisors
BEA/RWM/10/04/16

Individual Income Tax Refunds in South Carolina



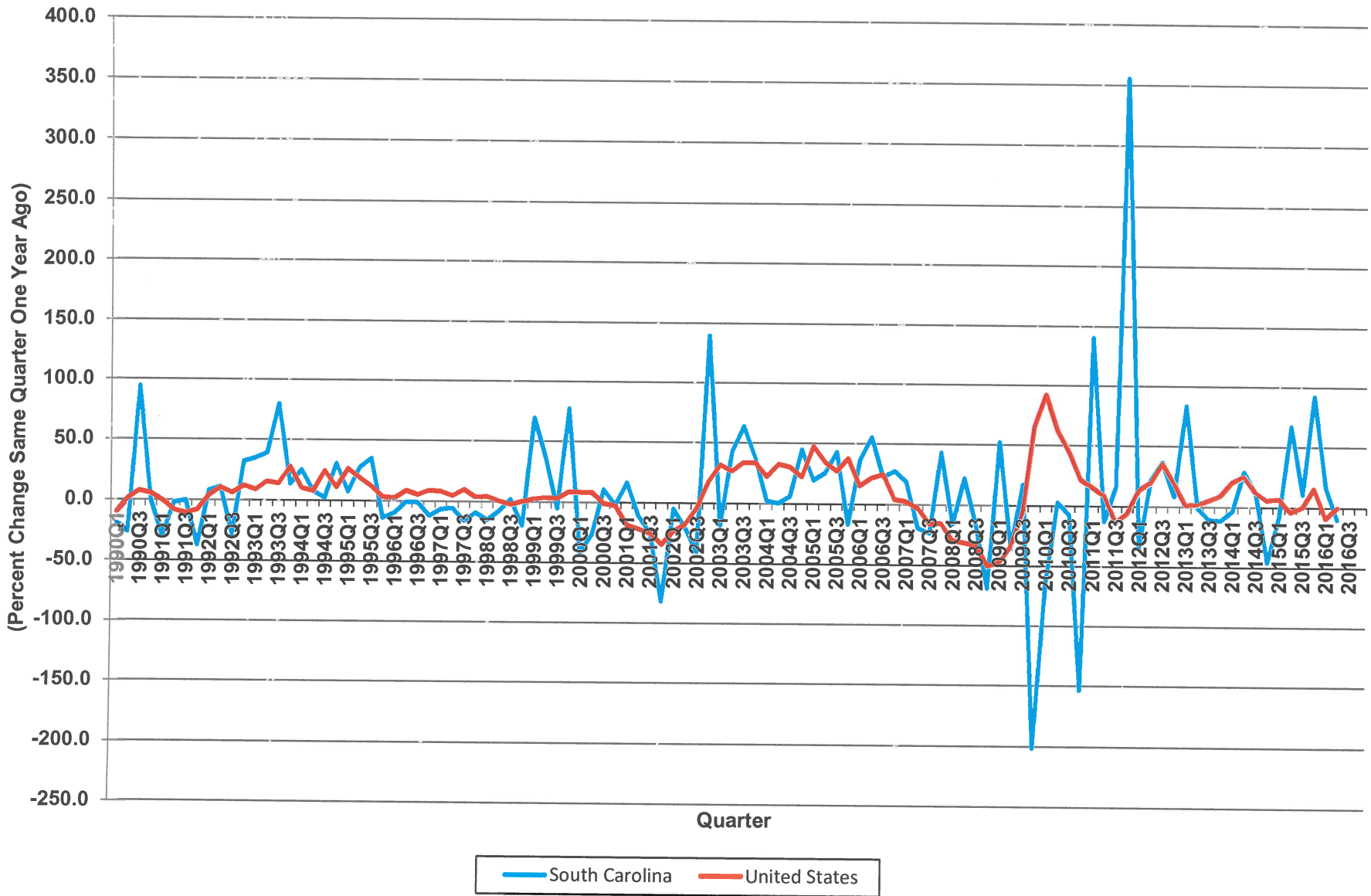
Source: Board of Economic Advisors
BEA/RWM/10/04/16

U.S. Corporate Profits Before and After Taxes



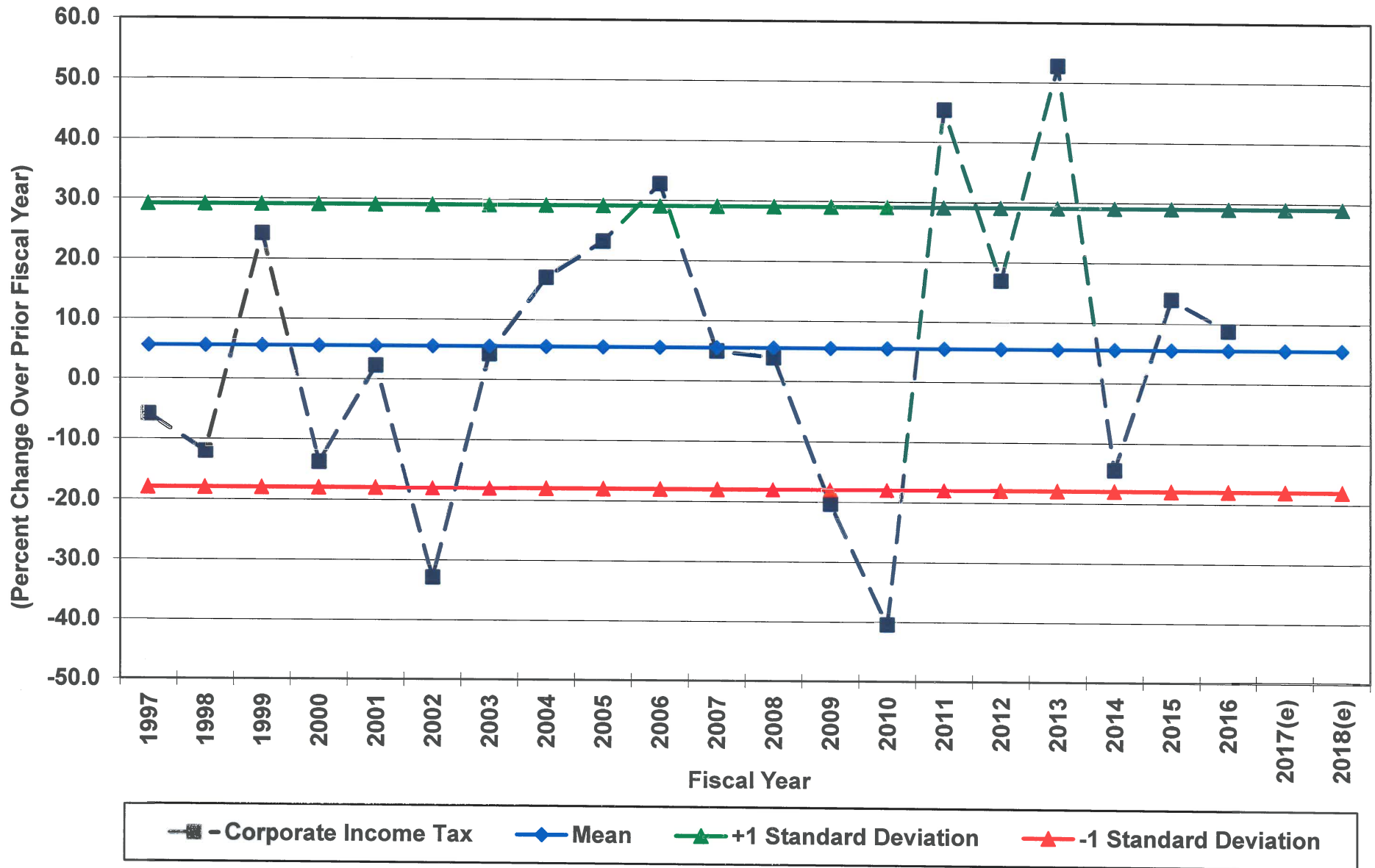
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Growth in Corporate Income Taxes in South Carolina and the United States



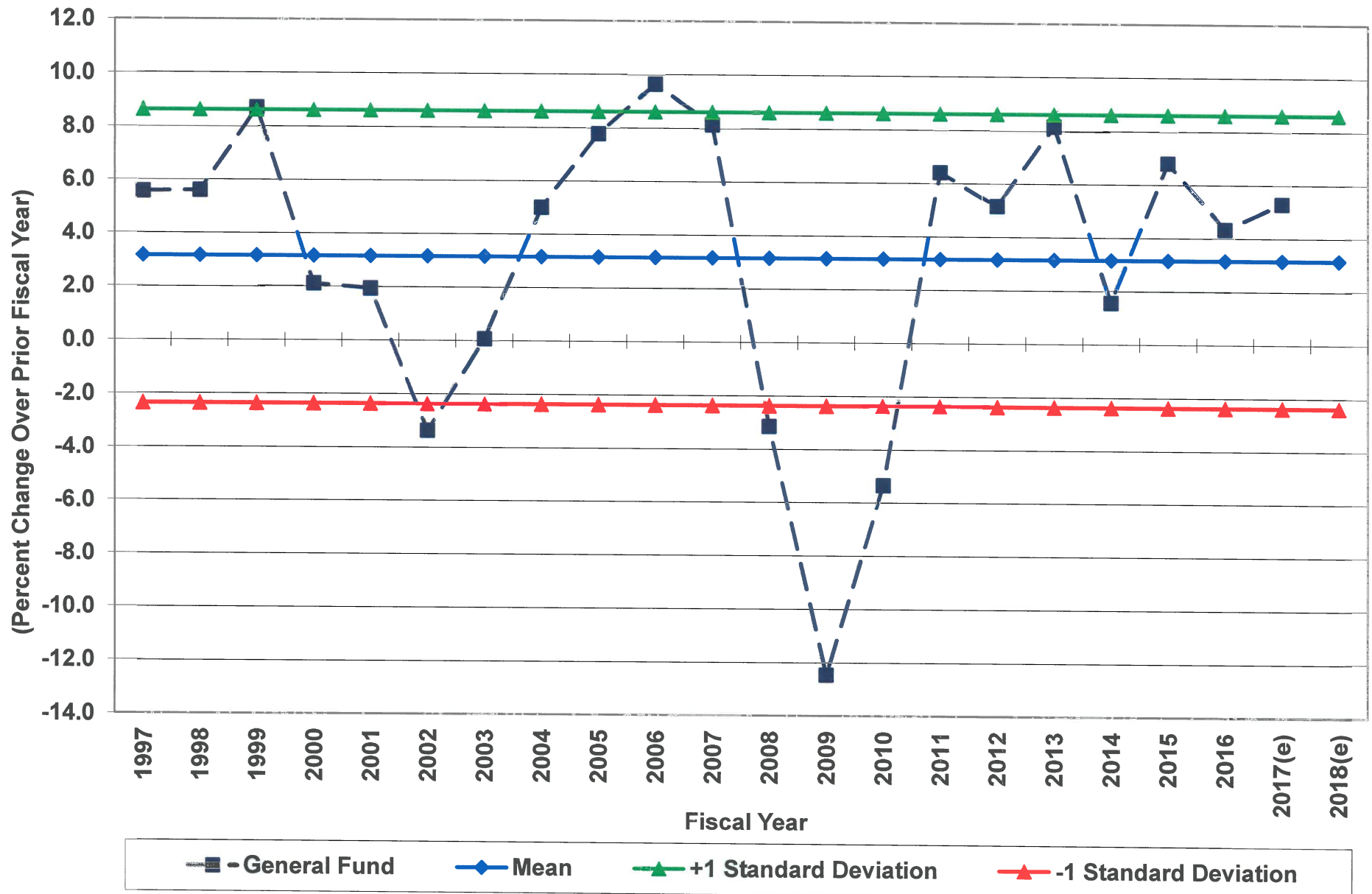
Sources: S.C. Department of Revenue, Columbia, SC
 U.S. Department of the Treasury, Internal Revenue Service, Washington, D.C.

General Fund Corporate Income Tax Revenue Growth in South Carolina



Source: Board of Economic Advisors
BEA/RWM/10/04/16

Growth in General Fund Revenue in South Carolina



Source: Board of Economic Advisors
BEA/RWM/10/04/16



October 20, 2016 Release

General Fund Revenue

September
Fiscal Year 2016-17





Revenue Digest

September 2016

General Fund revenue for the month of September 2016 is up 10.9 percent from September of last year. Most of the growth was from a computer account correction in the Sales Tax and from first quarter biennial Insurance Tax premium taxes. Revenues for the first three months of the fiscal year have grown 6.8 percent year-to-date.

Revenue Category	Month-to-Date Growth (% Change)	Year-to-Date Growth (% Change)
Sales and Use Tax	17.2	5.5
Individual Income Tax	7.1	7.7
Corporate Income Tax	-41.6	-38.3
Corporate License Tax	442.3	245.3
Other Revenues	9.7	6.4
Total General Fund	10.9	6.8

- Sales and Use tax revenue increased 17.2 percent for the month of September resulting in year-to-date growth of 5.5 percent. The Department of Revenue encountered a computer programming problem resulting in a delay in posting of some sales receipts. After adjusting for \$14.1 million of delayed sales tax deposits, Sales and Use tax revenue growth is 8.6 percent for the fiscal year.
- Individual Income tax revenue grew 7.1 percent in August. The Individual Income tax growth year-to-date is 7.7 percent.
- Corporate Income tax revenue declined 41.6 percent in September and has declined 38.3 percent for the fiscal year. The Department of Revenue deployed a new corporation income tax computer system that electronically allocates tax revenue to the proper accounts eliminating the need for hand journal entries. This program shifted a large portion of the corporate income tax to the corporate license tax in September.
- Other Revenues increased 9.7 percent in September from one year ago and have increased 6.4 percent year-to-date.

Summary

The official BEA General Fund revenue projection is for 4.8 percent growth in FY2016-17. After accounting for the \$16.8 million revenue shortfall in FY2015-16, another \$78.2 million in revenue reductions accounted for in the FY2016-17 Appropriation Act, and \$19.8 million in revenue reduction passed by separate legislation after the budget was completed, the adjusted revenue projection is for 3.7 percent growth in FY2016-17. The Board of Economic Advisors is scheduled to meet November 2016 to review the current fiscal year estimate and adopt a preliminary General Fund revenue estimate for FY2017-18.





Table 1

September

General Fund Revenue	FY 2015-16	FY 2016-17	\$ Change	% Change
Sales and Use Tax	\$215,905,190	\$253,131,536	\$37,226,346	17.2
Individual Income Tax	439,162,361	470,449,975	31,287,614	7.1
Corporation Income Tax	71,177,963	41,589,052	(29,588,911)	(41.6)
Insurance Taxes	46,952,774	72,433,625	25,480,851	54.3
Admissions Tax	2,388,551	3,407,664	1,019,113	42.7
Aircraft Tax	0	0	0	---
Alcoholic Liquor Tax	5,017,204	6,163,451	1,146,247	22.8
Bank Tax	9,055,529	5,613,542	(3,441,987)	(38.0)
Beer and Wine Tax	8,463,291	9,955,782	1,492,491	17.6
Bingo Tax	134,943	(67)	(135,010)	(100.0)
Business Filing Fees	413,710	435,885	22,175	5.4
Circuit/Family Court Fines	708,643	702,871	(5,772)	(0.8)
Corporation License Tax	5,145,690	27,906,166	22,760,476	442.3
Documentary Tax	4,135,339	4,685,245	549,906	13.3
Earned on Investments	1,611,703	2,339,762	728,059	45.2
Indirect Cost Recoveries	546,739	434,928	(111,811)	(20.5)
Motor Vehicle Licenses	716,059	1,317,582	601,523	84.0
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	282,734	282,734	0	0.0
Private Car Lines Tax	0	2,095	2,095	---
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	306,486	689,134	382,648	124.9
Security Dealer Fees	231,910	699,906	467,996	---
Surcharge on Vehicle Rentals	0	(14)	(14)	---
Tobacco Tax	2,159,220	2,516,617	357,397	16.6
Uncashed Checks	12,778	0	(12,778)	(100.0)
Unclaimed Property Fund	0	0	0	---
Workers' Comp. Insurance Tax	3,251,771	2,557,026	(694,745)	(21.4)
Other Source Revenues	823,798	550,689	(273,109)	(33.2)
Gross General Fund Revenue	\$818,604,386	\$907,865,184	\$89,260,797	10.9

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.



Table 2

July - September

General Fund Revenue	FY 2015-16	FY 2016-17	\$ Change	% Change
Sales and Use Tax	\$454,243,276	\$479,149,307	\$24,906,031	5.5
Individual Income Tax	1,173,265,822	1,263,793,496	90,527,674	7.7
Corporation Income Tax	90,254,307	55,644,499	(34,609,808)	(38.3)
Insurance Taxes	53,478,941	75,064,355	21,585,414	40.4
Admissions Tax	(1,754,163)	(714,587)	1,039,576	59.3
Aircraft Tax	281	0	(281)	(100.0)
Alcoholic Liquor Tax	10,005,783	11,720,504	1,714,721	17.1
Bank Tax	7,211,225	6,626,897	(584,328)	(8.1)
Beer and Wine Tax	18,408,577	19,733,594	1,325,017	7.2
Bingo Tax	467,171	240,075	(227,096)	(48.6)
Business Filing Fees	1,106,500	1,180,705	74,205	6.7
Circuit/Family Court Fines	2,024,257	2,008,898	(15,359)	(0.8)
Corporation License Tax	8,857,983	30,588,189	21,730,206	245.3
Documentary Tax	8,264,918	8,835,814	570,896	6.9
Earned on Investments	4,460,955	7,086,725	2,625,770	58.9
Indirect Cost Recoveries	1,646,296	738,881	(907,415)	(55.1)
Motor Vehicle Licenses	1,242,243	1,637,084	394,841	31.8
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	848,202	848,202	0	0.0
Private Car Lines Tax	48,296	17,538	(30,758)	(63.7)
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	314,511	1,253,134	938,623	298.4
Security Dealer Fees	231,910	699,906	467,996	201.8
Surcharge on Vehicle Rentals	1,853	51,719	49,866	2,691.1
Tobacco Tax	4,480,621	4,258,113	(222,508)	(5.0)
Uncashed Checks	4,770,739	0	(4,770,739)	(100.0)
Unclaimed Property Fund	0	0	0	---
Workers' Comp. Insurance Tax	1,452,596	816,860	(635,736)	(43.8)
Other Source Revenues	3,043,189	2,484,806	(558,383)	(18.3)
Gross General Fund Revenue	\$1,848,376,290	\$1,973,764,715	\$125,388,424	6.8

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.