



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 AND WORKING GROUP MEETING AGENDA September 25, 2018, 2:30 P.M. Bowers Conference Room Room 417, Rembert C. Dennis Building

- I. Welcome
- II. Adoption of Meeting Minutes for August 29, 2018
- III. Review of August 2018
 - A. Summary and Overview (F. Rainwater)
 - B. Economic and Revenue Update (R. Martin)
 - C. Economic Issues for Regional Advisory Committee Meeting
- IV. Other Items for Discussion
- V. Reports from Working Group Members
 - A. Governor's Office
 - B. Senate Finance Committee
 - C. Ways & Means Committee
 - D. Treasurer's Office
 - E. Comptroller General's Office
 - F. Executive Budget Office
- VI. Future Meeting Schedule
 - A. October 18, 2018, 10:30am, Room 112 Blatt Building – RFA followed by BEA - Quarterly Review
 - B. October 18, 2018, 12:45 – 3:30, Room 112 Blatt Building – Annual Regional Advisory Committee Meeting
 - C. November 8, 2018, 2:00pm – Preliminary Estimate
 - D. December 13, 2018, 2:00pm – **If necessary**, *GoToMeeting* for Members
 - E. 2018 Calendar at <http://rfa.sc.gov/calendar>
- VII. 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

Overview August 2018

- Revenue Surplus in FY 2017-18 means revenue growth of only 1.5 percent is needed to meet the current fiscal year's estimate.
- Economic and revenue conditions continue to meet or exceed forecast assumptions.
- Still analyzing the FY 2017-18 surplus for recurring and non-recurring trends.
- Review of key assumptions and factors for the October Regional Advisors.

**QUARTERLY ESTIMATES
FY 2018-19**

	<u>QUARTER</u>	<u>CUMULATIVE</u>
FIRST QUARTER	\$2,085.9	
SECOND QUARTER	\$2,351.0	\$4,436.9
THIRD QUARTER	\$1,714.7	\$6,151.6
FOURTH QUARTER	\$2,686.9	\$8,838.5

*Estimates will be revised for the November forecast meeting.



Table 2

July - August

General Fund Revenue	FY 2017-18	FY 2018-19	\$ Change	% Change
Sales and Use Tax	\$253,134,502	\$264,228,941	\$11,094,439	4.4
Individual Income Tax	804,528,432	868,995,757	64,467,325	8.0
Corporation Income Tax	20,373,569	47,545,325	27,171,756	133.4
Insurance Taxes	6,967,340	2,270,350	(4,696,990)	(67.4)
Admissions Tax	(4,600,019)	(4,500,622)	99,397	---
Aircraft Tax	0	0	0	---
Alcoholic Liquor Tax	3,601,817	6,484,362	2,882,545	80.0
Bank Tax	176,403	196,832	20,429	11.6
Beer and Wine Tax	8,688,037	10,508,362	1,820,325	21.0
Bingo Tax	109,134	(113,032)	(222,166)	(203.6)
Business Filing Fees	724,953	815,679	90,726	12.5
Circuit/Family Court Fines	1,275,276	1,274,555	(721)	(0.1)
Corporation License Tax	4,836,675	2,317,953	(2,518,722)	(52.1)
Documentary Tax	7,870,073	6,833,949	(1,036,124)	---
Earned on Investments	5,421,423	9,220,373	3,798,950	70.1
Indirect Cost Recoveries	330,139	288,990	(41,149)	(12.5)
Motor Vehicle Licenses	1,097,216	756,527	(340,689)	(31.1)
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	565,468	565,468	0	---
Private Car Lines Tax	1,194	23,903	22,709	---
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	53,000	1,124,475	1,071,475	2,021.7
Security Dealer Fees	0	0	0	---
Surcharge on Vehicle Rentals	214,473	(811,798)	(1,026,271)	(478.5)
Tobacco Tax	2,177,428	2,353,498	176,070	---
Uncashed Checks	(221)	(115,803)	(115,582)	(52,299.5)
Unclaimed Property Fund	0	0	0	---
Workers' Comp. Insurance Tax	(1,799,100)	(1,799,125)	(25)	(0.0)
Other Source Revenues	2,287,351	2,293,291	5,940	0.3
Gross General Fund Revenue	\$1,118,034,560	\$1,220,758,211	\$102,723,651	9.2

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.



August 2018

Focus of Report

- **Review of Economic Assumptions for FY2018-19**
- **Legal Decisions**
- **Revenue and Economic Issues of Concern**
- **Legislative Offsets**



August 2018

Base Economic Assumptions for FY2018-19 and FY2019-20

- **Gross Domestic Product**
- **South Carolina Personal Income – comprehensive revision on September 25th**
- **South Carolina Employment**
- **Inflation**
- **Federal Reserve meeting – next meeting on September 25th – 26th**



August 2018

Revenue and Economic Issues of Concern

Legal Decisions

- **Tax conformity (Senate Finance to discuss September 26th)**
- **Wayfair decision (internet sales)**
- **Sports betting (no legislation has been filed)**





August 2018

Revenue and Economic Issues of Concern

- **Capital gains and the stock market**
- **Effect of Trump tax change**
- **Flattening of the yield curve spread**
- **Tariffs (China retaliation; doubling tariffs for Turkey)**
- **European debt crisis**
- **Oil prices & OPEC**
- **Value of Dollar**
- **Retail Sales**
- **Housing market**
- **Disaster tax relief for Hurricane Florence**

OTHER ITEMS

REPORTS FROM WORKING GROUP



FUTURE MEETING SCHEDULE

- A. October 18, 2018, 10:30am – Quarterly Review (112 Blatt Building)
- B. October 18, 2018, 12:45 – 3:30 – Annual Regional Advisory Committee Meeting (112 Blatt Building)
- C. November 8, 2018, 2:00pm – Preliminary Estimate
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APPENDIX

**South Carolina Board of Economic Advisors
Survey Results of Regional Advisory Committee
Summary of Economic Forecast Assumptions**

Variable	Actual FY2016-17	Most Recent	Current 1/ Forecast Rates FY2017-18	Regional Advisory Committee Forecast Rates Forecast for FY2017-18					Simple Average	Olympic Scoring	MEMO BEA
				Brown	Hefner	Kaglic	Sobel	von Nessen			
S.C. Personal Income	3.3%	3.71%	4.75%	4.70%	4.00%	3.80%	4.45%	3.30%	4.05%	4.08%	4.25%
S.C. Employment	1.9%	1.6%	1.8%	2.30%	1.80%	1.60%	1.75%	1.90%	1.87%	1.82%	1.60%
Inflation Rate (CPI-U)	1.8%	1.9%	2.0%	1.90%	2.00%	1.80%	2.25%	1.80%	1.95%	1.90%	2.00%
Sales Tax	2.8%	1.3%	5.0%	3.70%	3.00%	3.80%	3.20%	N/A	3.43%	3.45%	4.20%
Individual Income Tax 1/	7.2%	1.4%	4.6%	3.90%	4.00%	N/A	3.20%	N/A	3.70%	3.90%	4.30%

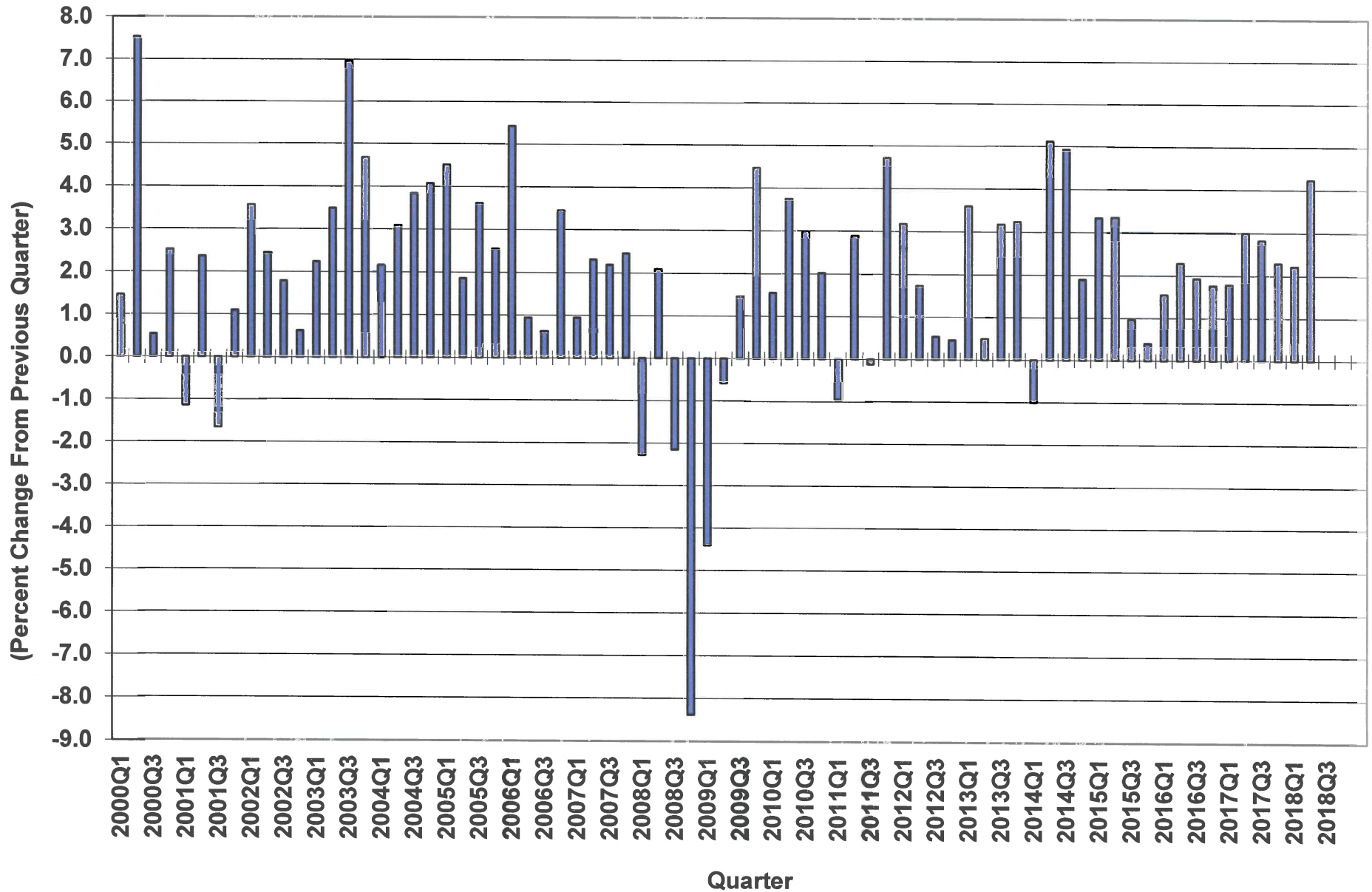
Variable	Actual FY2016-17	Most Recent	Current Forecast Rates FY2018-19	Regional Advisory Committee Forecast Rates Forecast for FY2018-19					Simple Average	Olympic Scoring	MEMO BEA
				Brown	Hefner	Kaglic	Sobel	von Nessen			
S.C. Personal Income 1/	3.3%	3.71%	N/A	5.70%	4.50%	3.50%	4.40%	4.10%	4.44%	4.33%	4.50%
S.C. Employment	1.9%	1.6%	N/A	2.70%	1.90%	1.40%	1.70%	2.00%	1.94%	1.87%	1.60%
Inflation Rate (CPI-U)	1.8%	1.9%	N/A	2.20%	2.00%	2.00%	2.25%	1.90%	2.07%	2.07%	2.00%
Sales Tax	2.8%	1.3%	N/A	4.10%	4.00%	3.60%	3.10%	N/A	3.70%	3.80%	4.50%
Individual Income Tax 1/	7.2%	1.4%	N/A	4.50%	4.50%	N/A	3.20%	N/A	4.07%	4.50%	3.80%

Notes: 1/ Current forecast rates as of February 15, 2017 (the last official BEA forecast estimate).
2/ Growth rate as of the most recent time period, e.g., month, quarter.
N/A - Not Available.

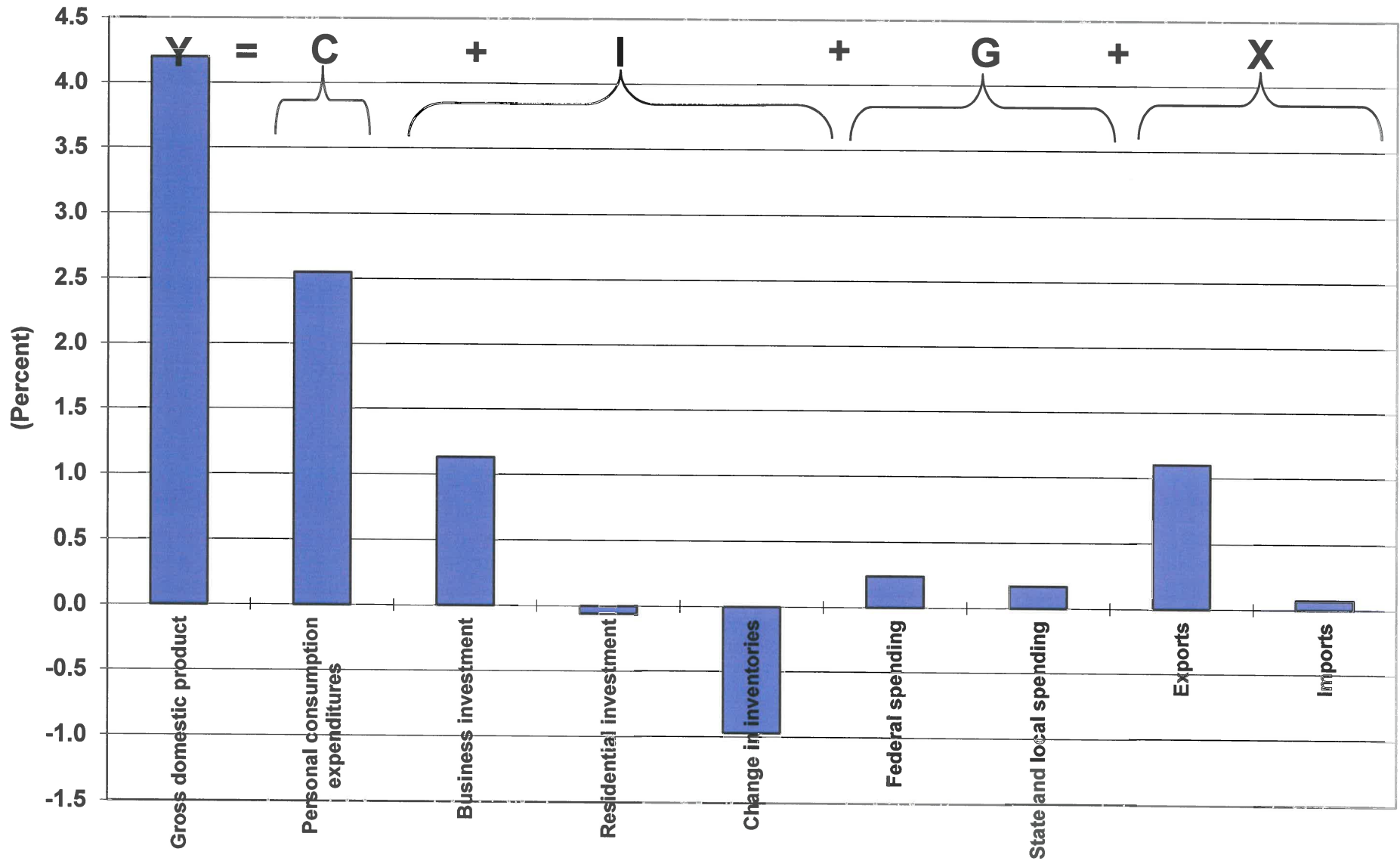
Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.
U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.
S.C. Board of Economic Advisors, Columbia, S.C.

BEA/RWM/10/19/17

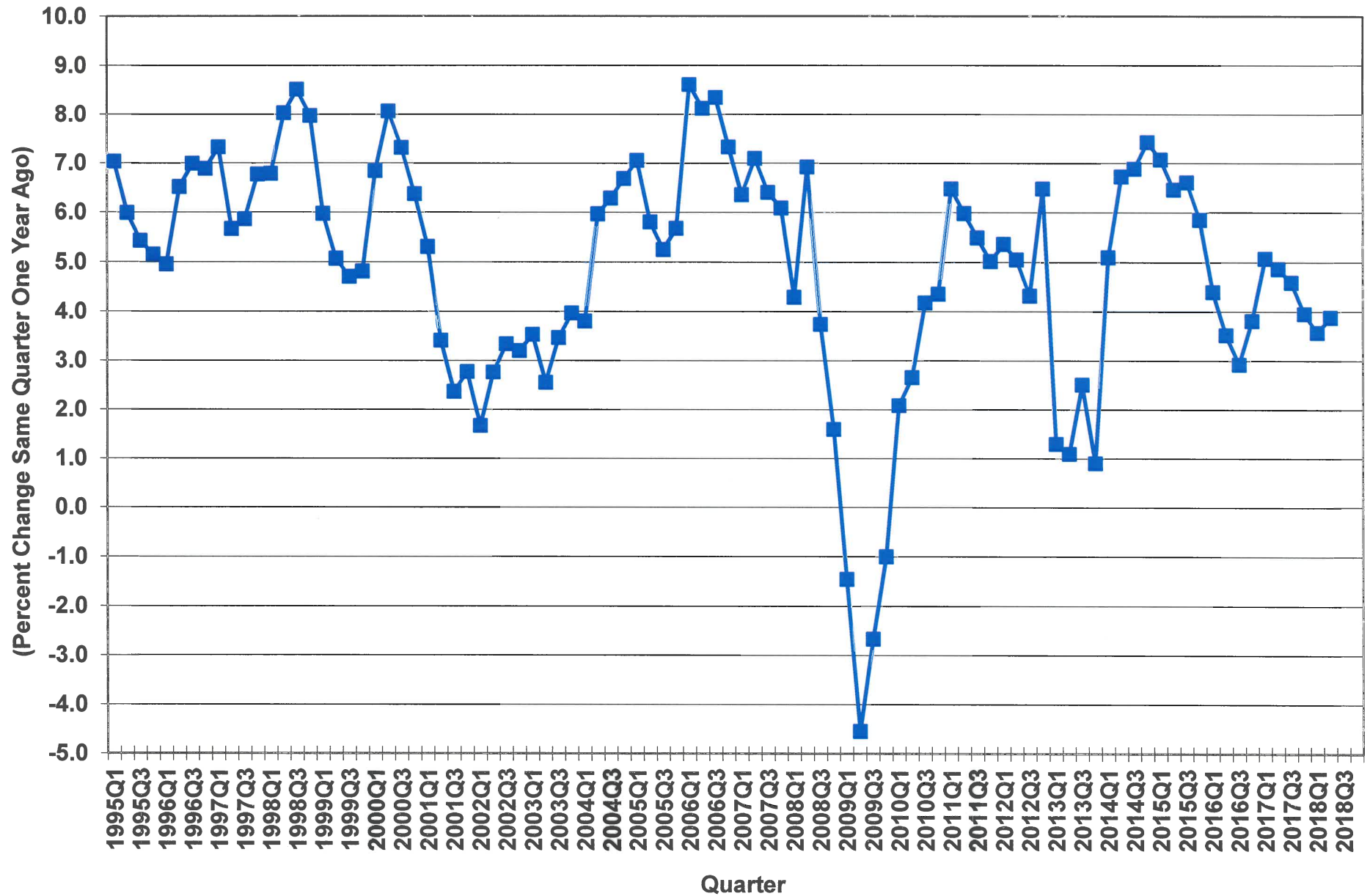
Real Gross Domestic Product in the U.S. (2012 = 100.0)



Contributions to Real Gross Domestic Product in the U.S. 2018, Second Quarter, (Preliminary Estimate)

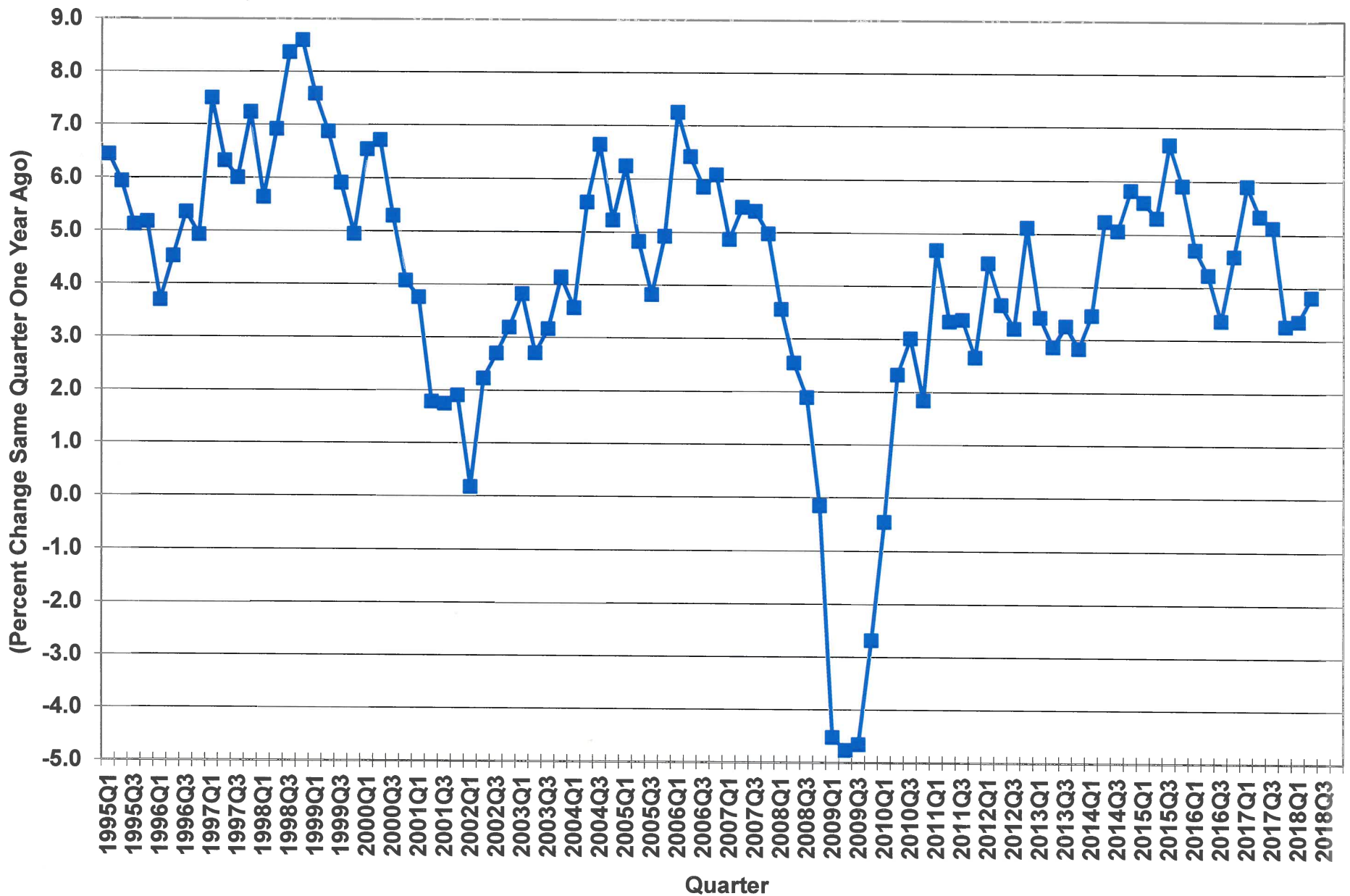


Growth in Personal Income in South Carolina



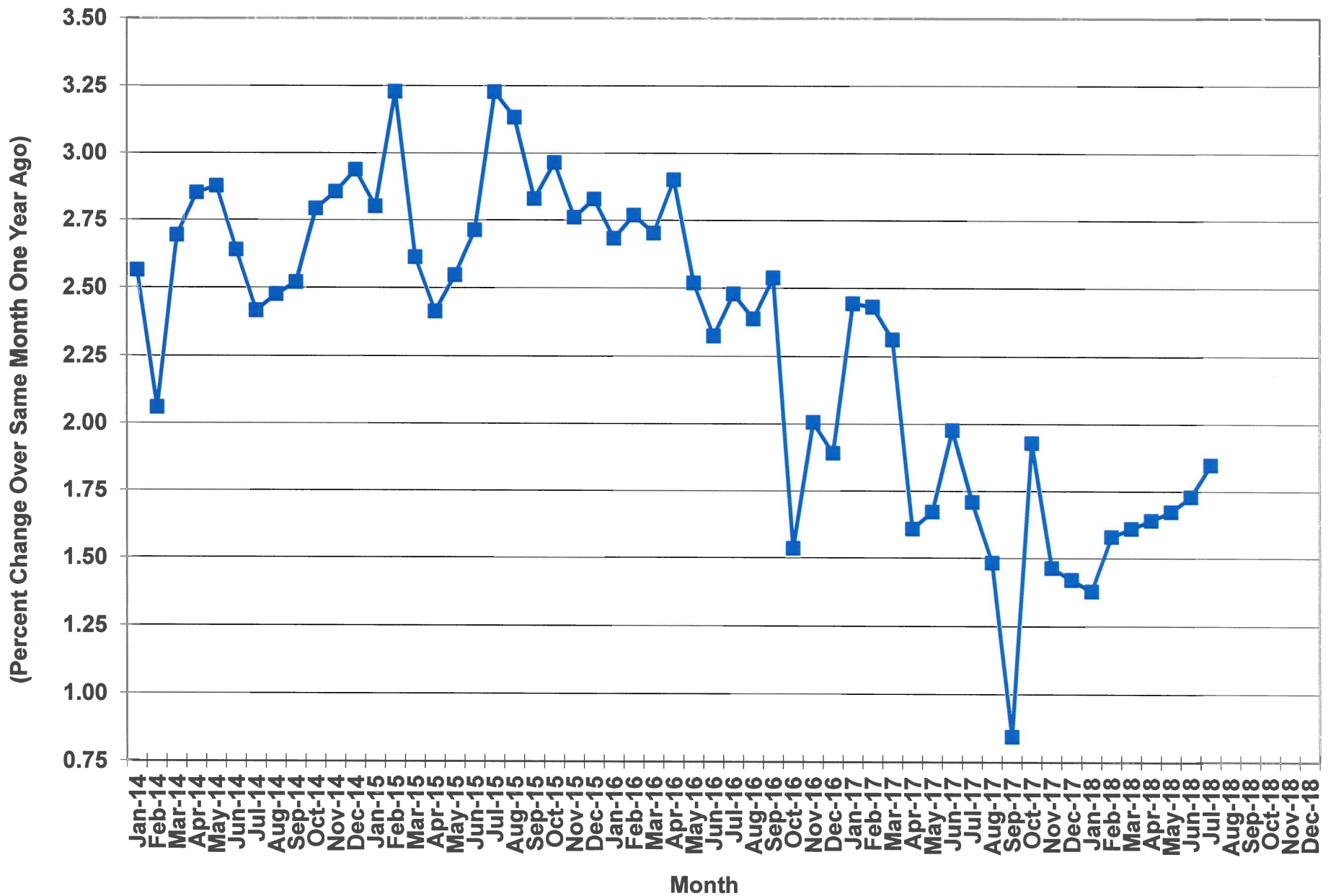
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

Growth in Wages and Salaries in South Carolina

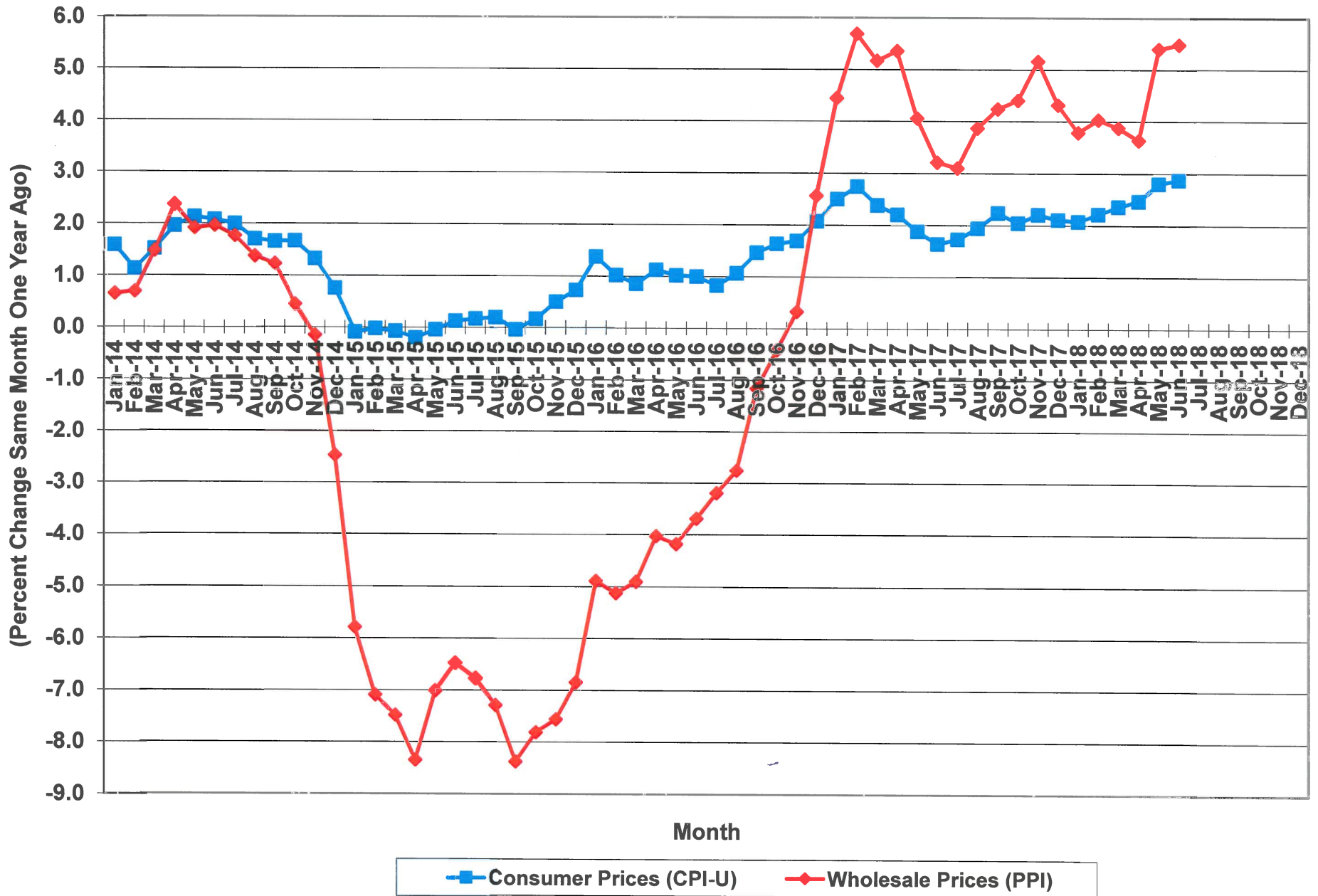


Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

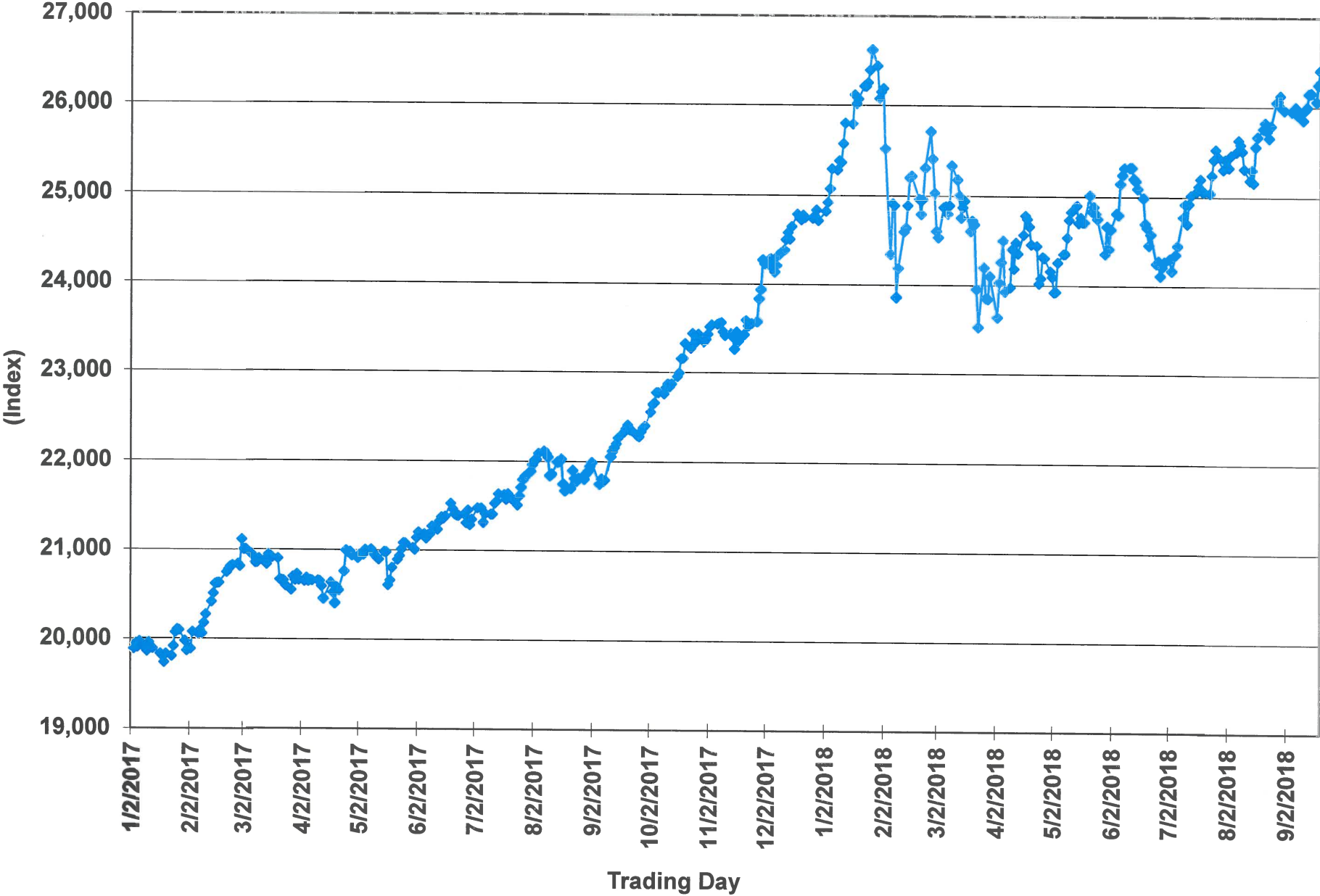
Total Nonfarm Employment Growth in South Carolina



Growth in Consumer Prices and Wholesale Prices in the U.S.



Dow Jones Industrial Average

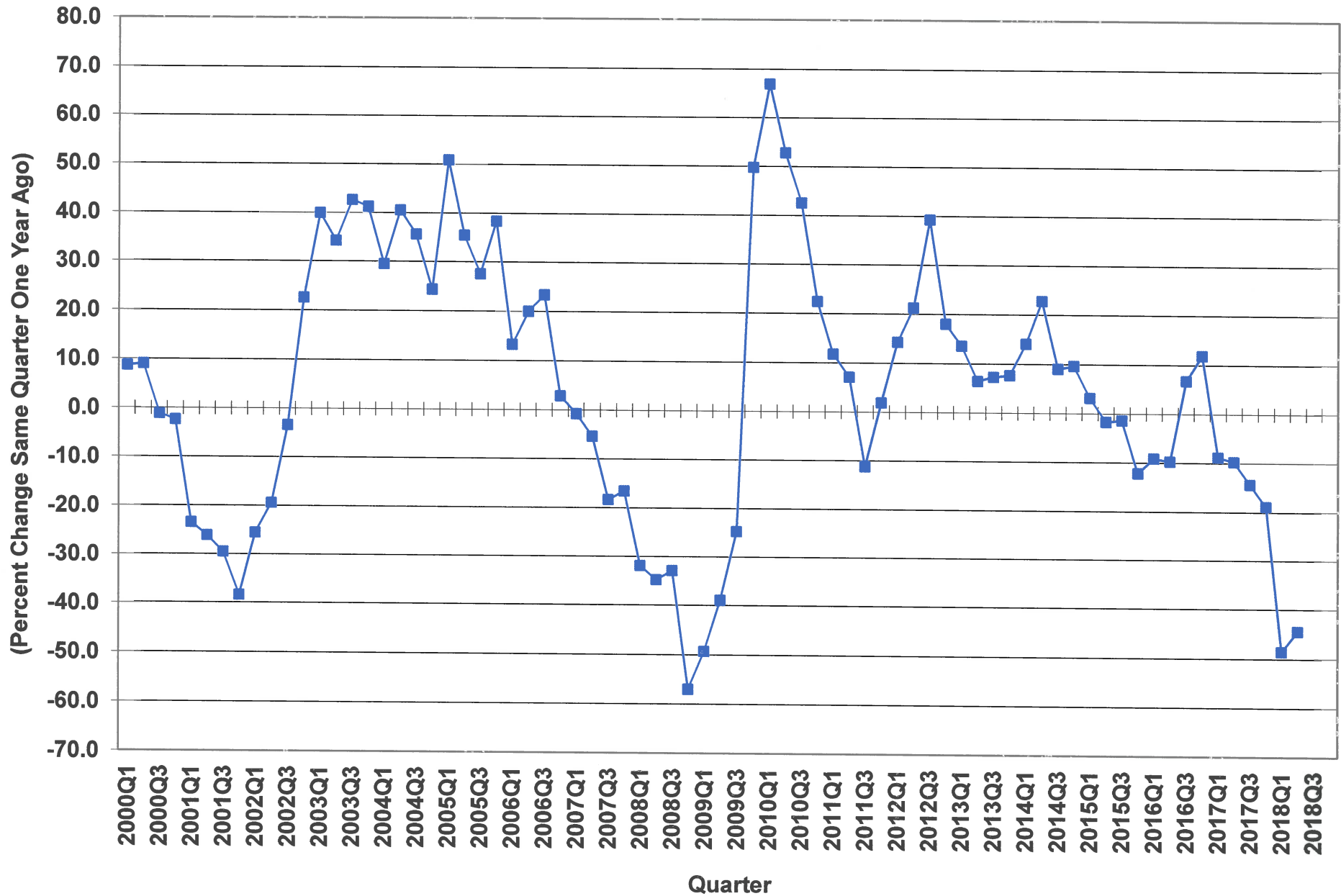


Source: Dow Jones Indices, LLC

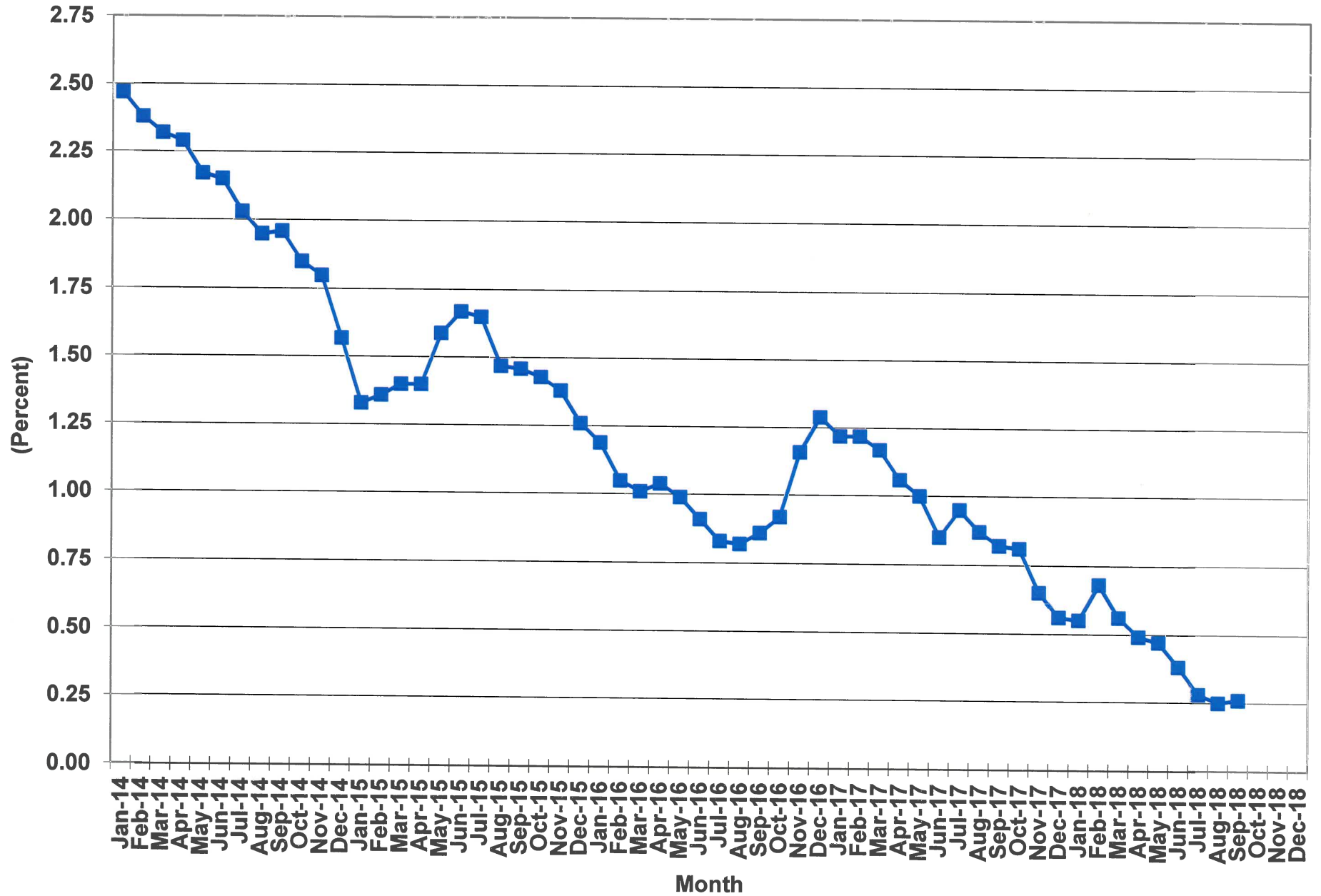
U.S. Corporate Profits Before and After Taxes



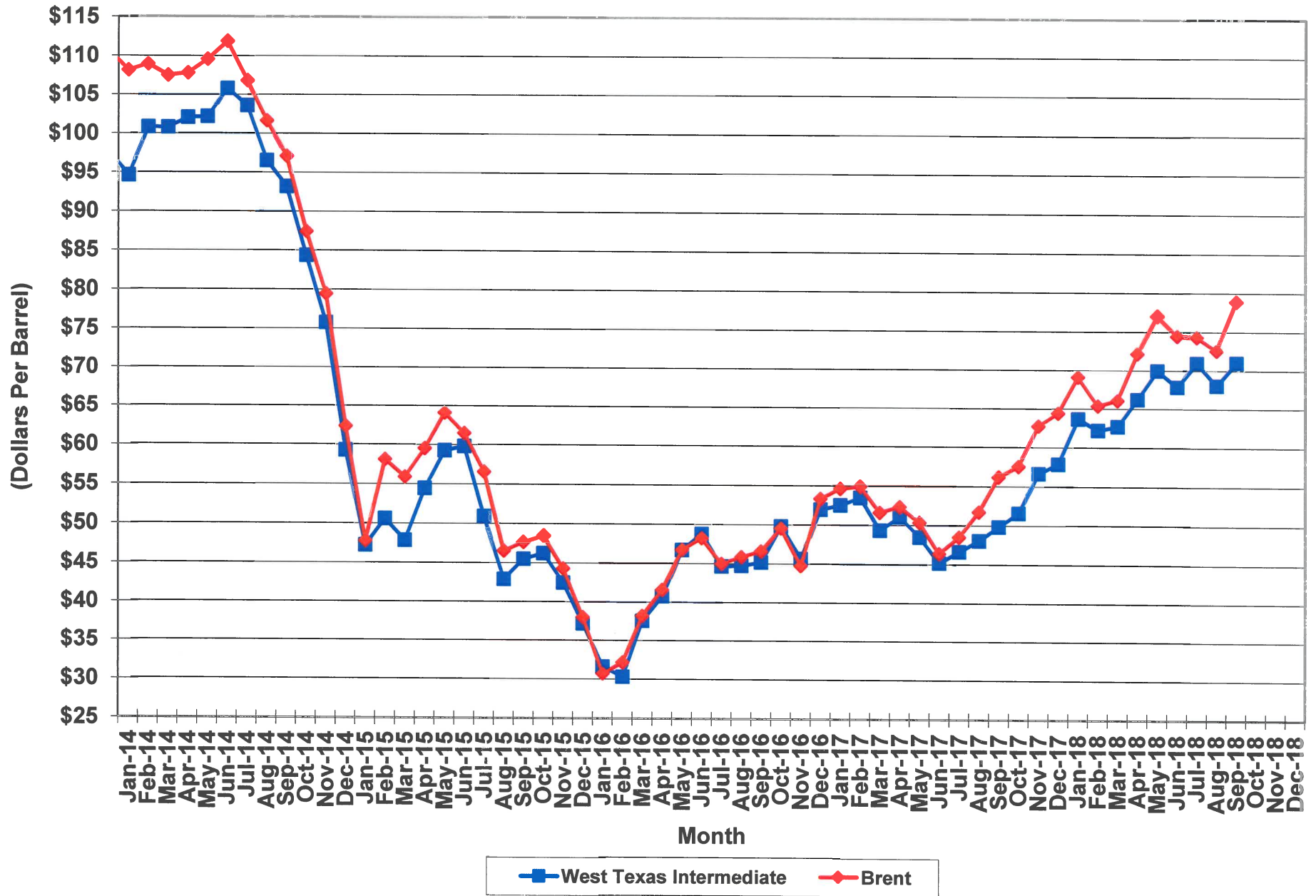
Growth in Corporation Income Taxes in the U.S.



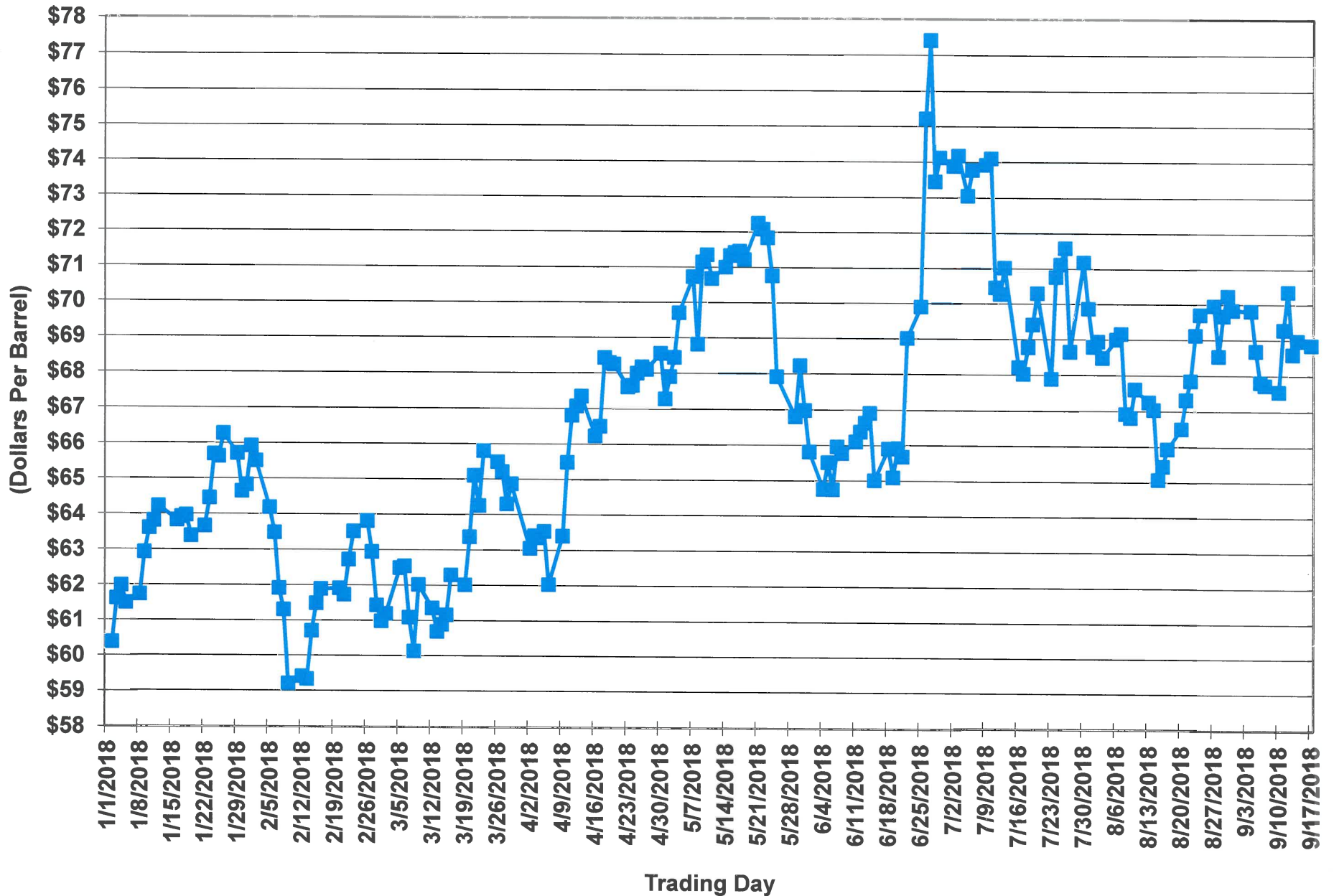
Interest Rate Spread Between 10-Year Bond & 2-Year Bond



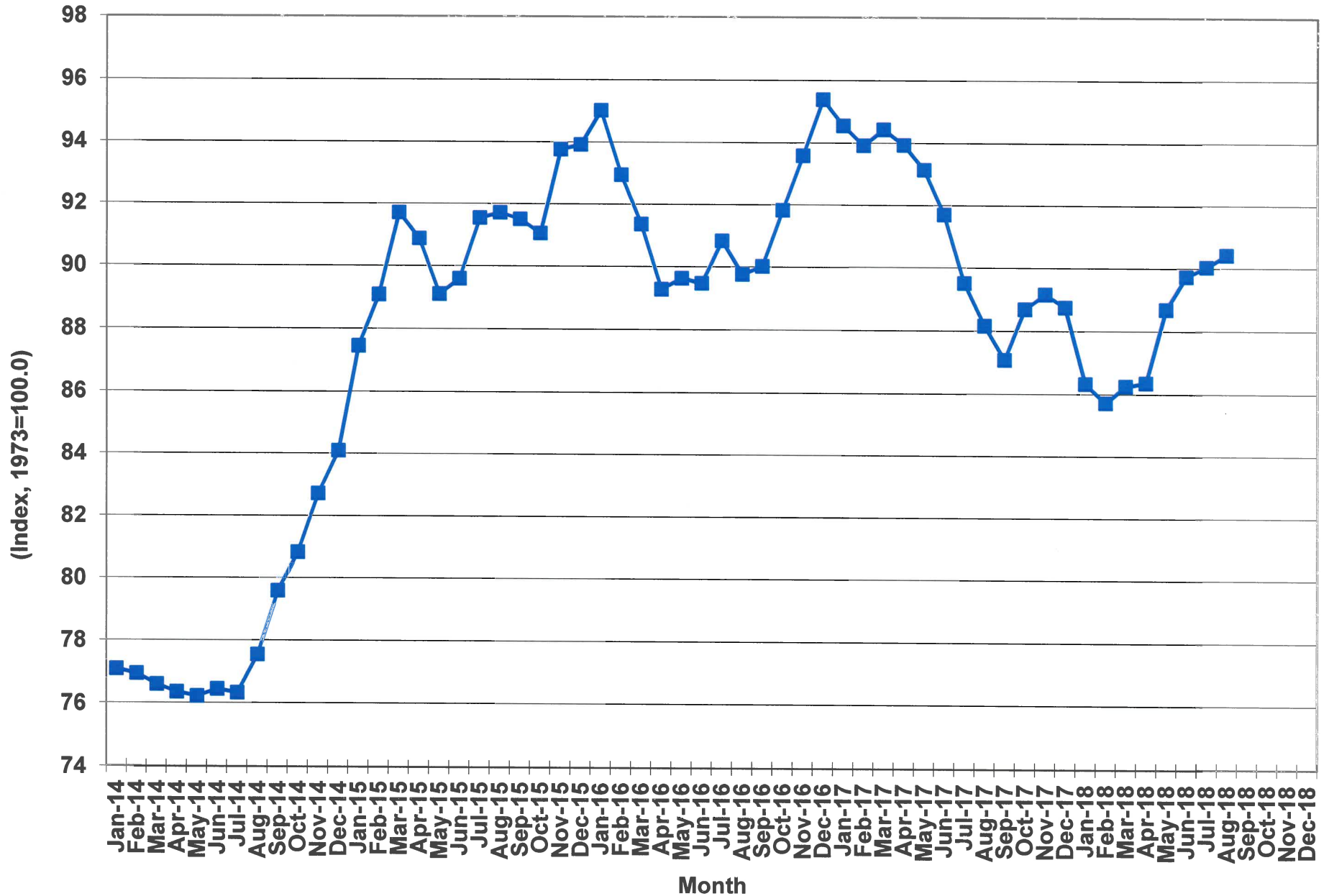
Spot Crude Oil Prices



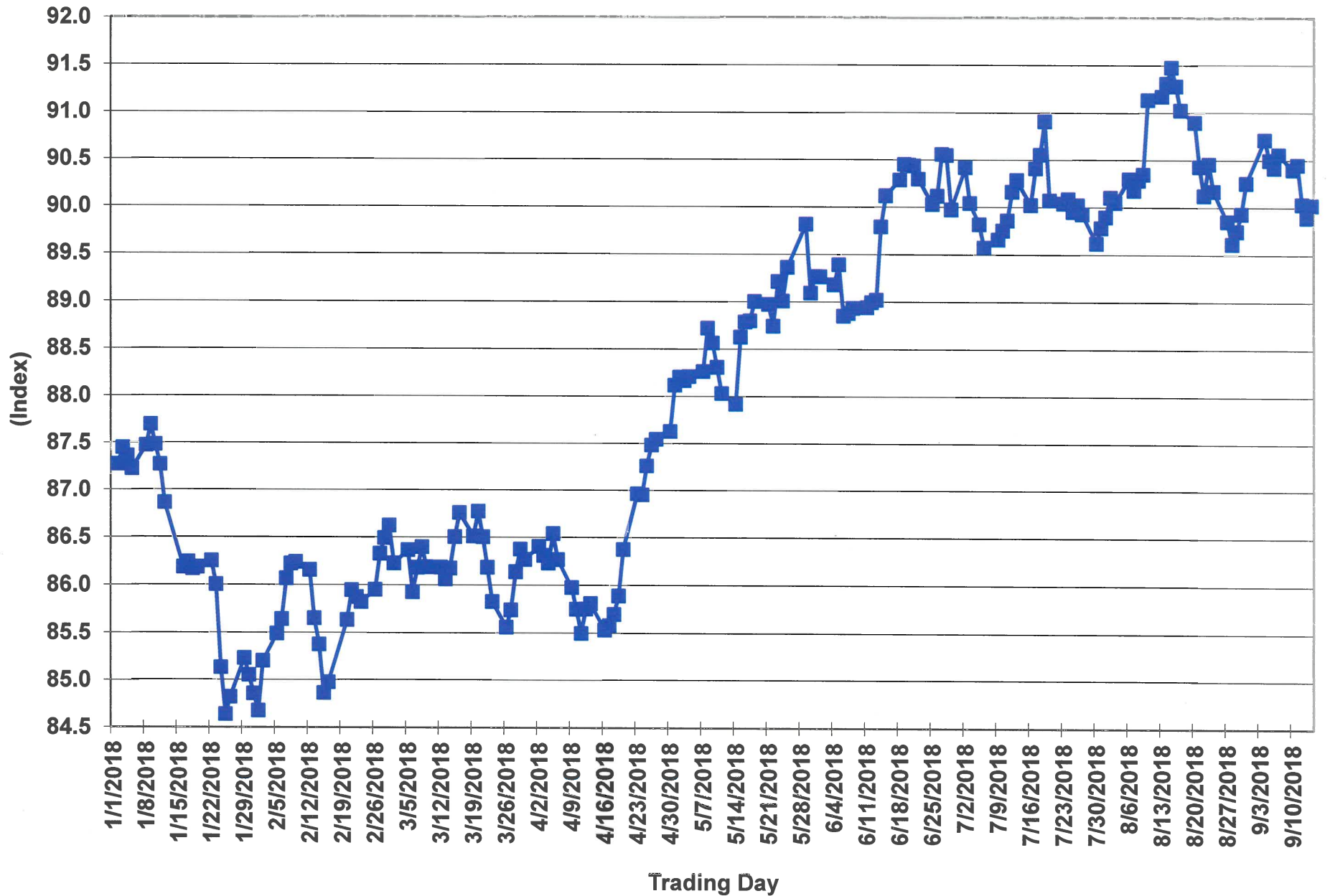
Daily West Texas Intermediate Spot Crude Oil Prices



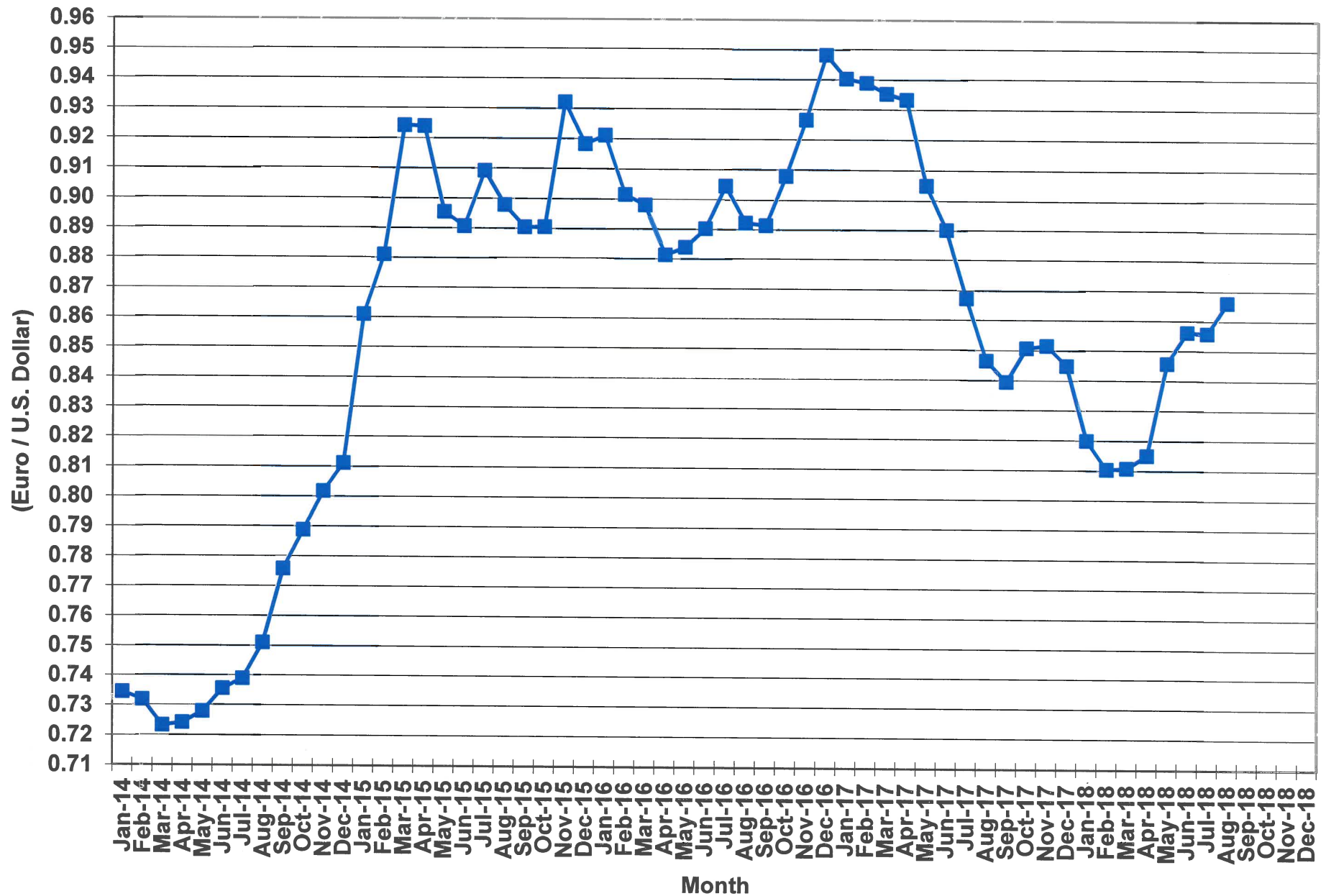
U.S. Trade-Weighted Exchange Rate Index of U.S. Dollar



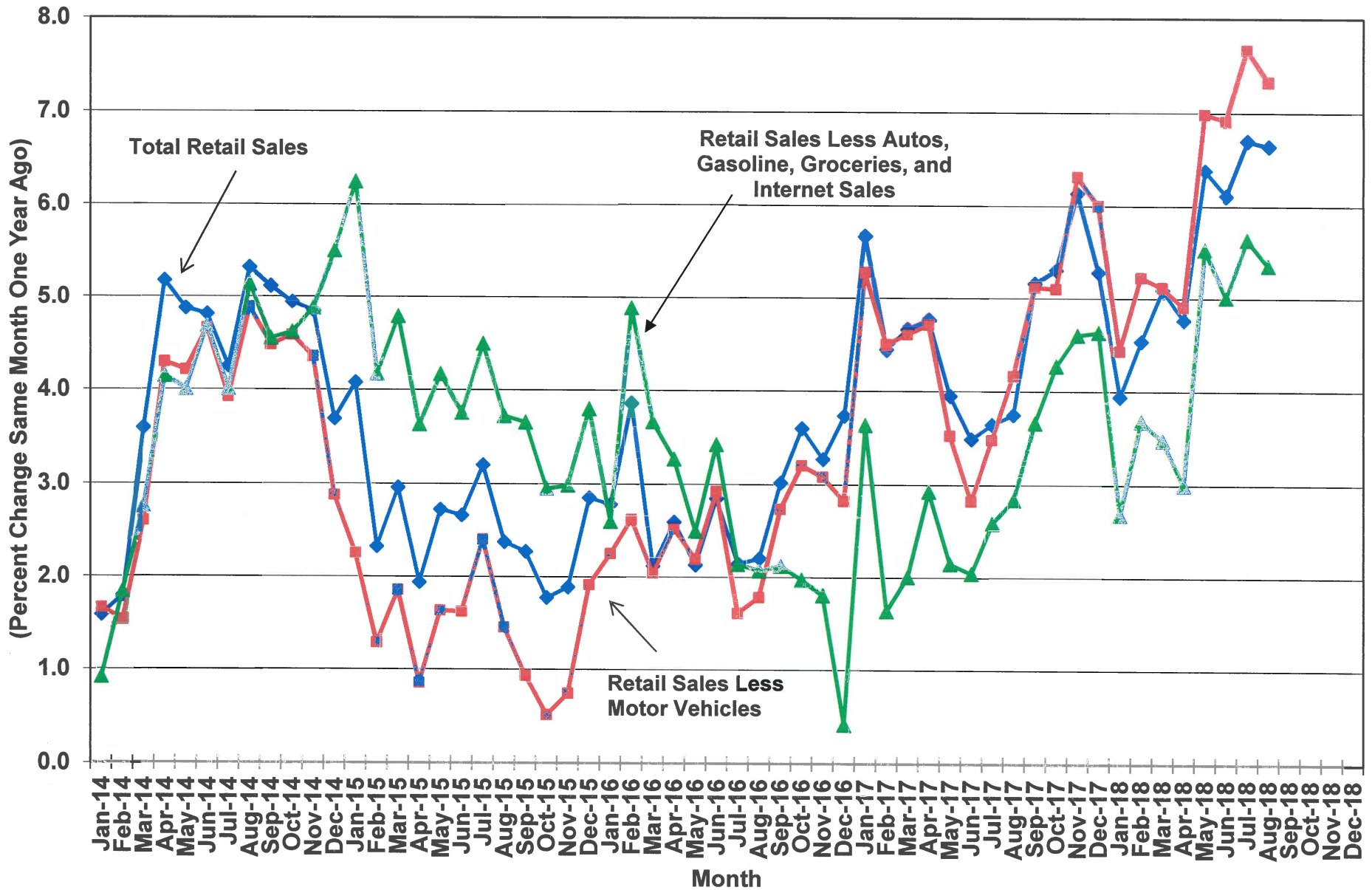
Daily Trade-Weighted Exchange Rate Index of U.S. Dollar



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

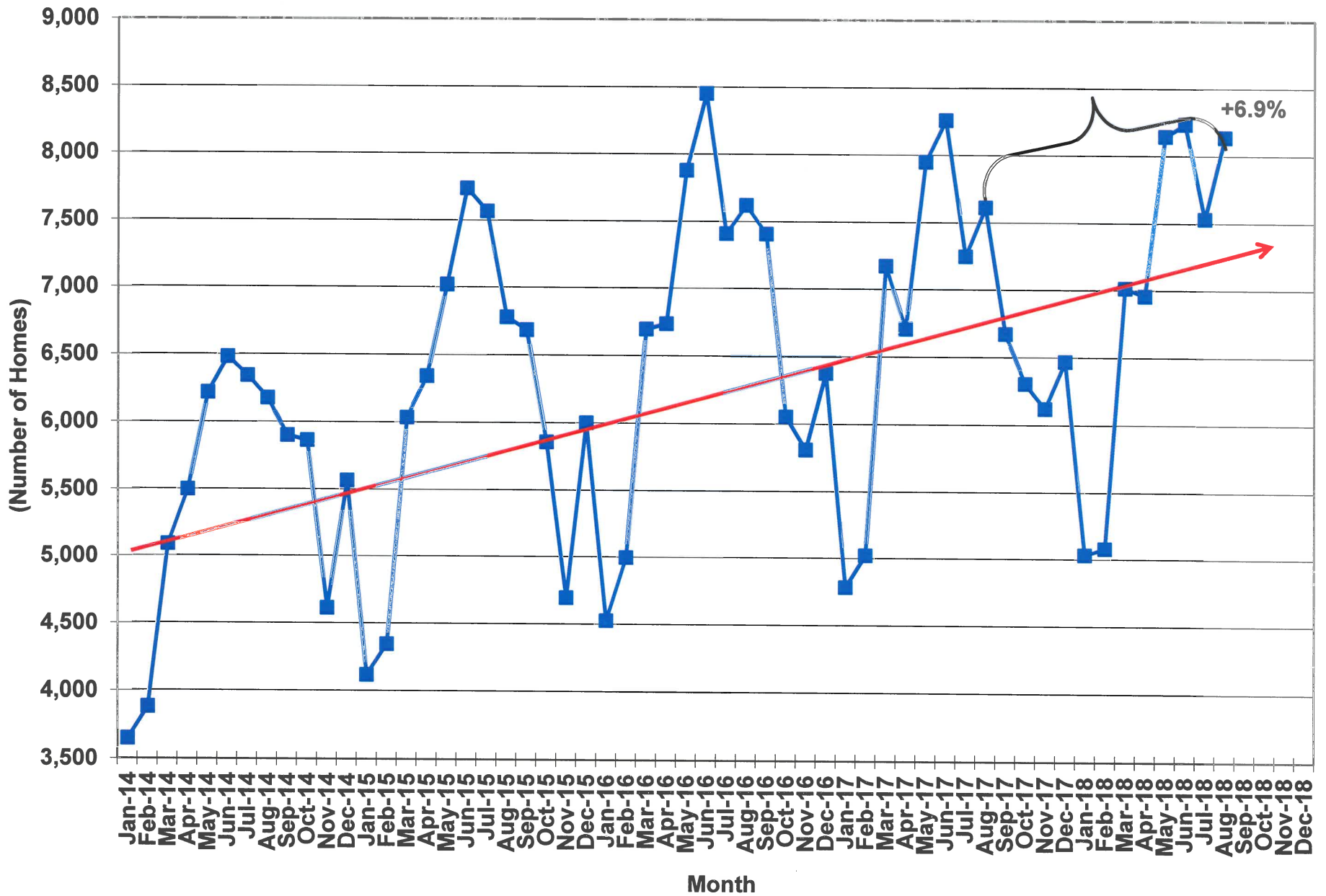


U.S. Retail & Food Service Sales

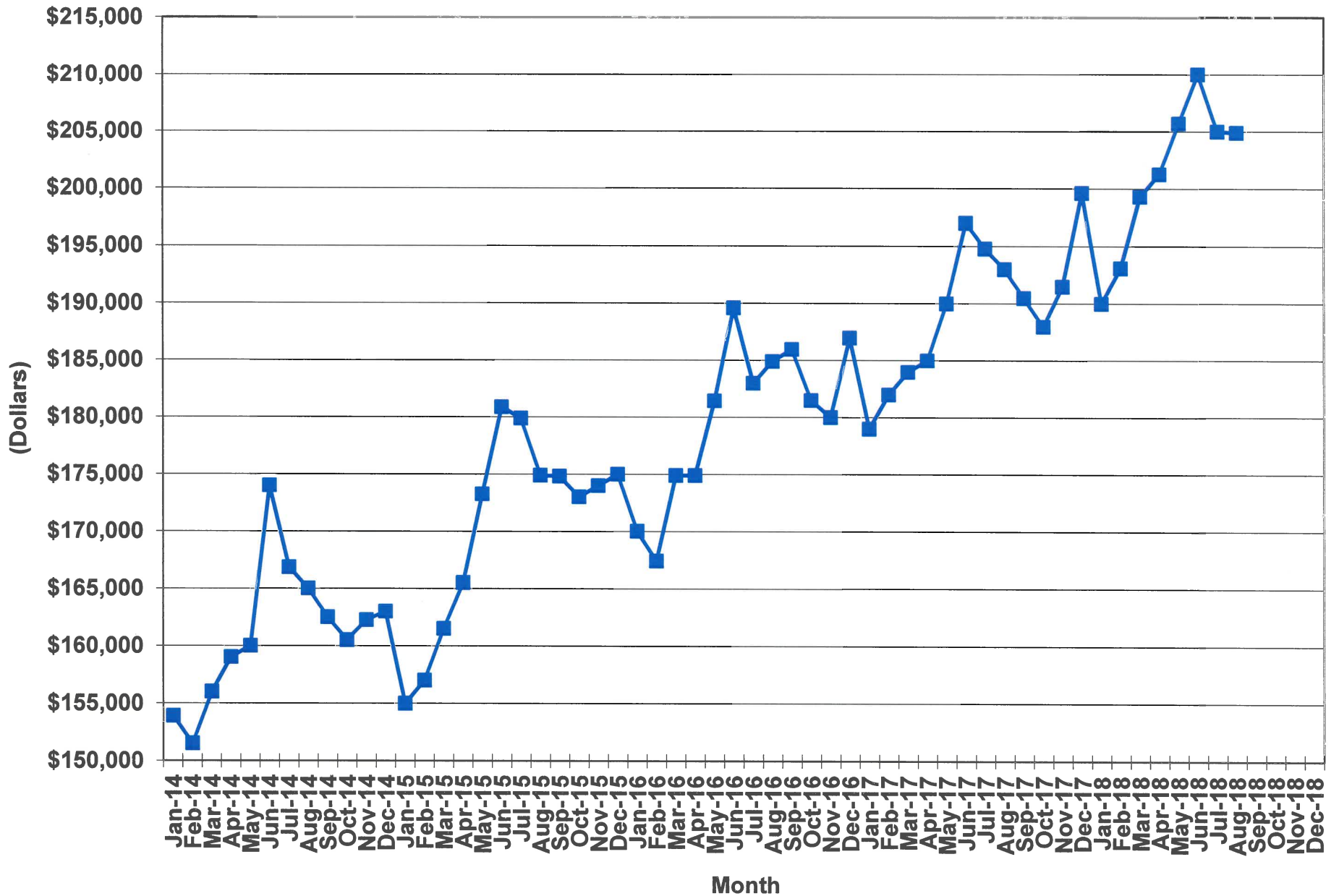


Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

Number of Homes Sold in South Carolina



Median Price of Homes Sold in South Carolina



Mortgage Rates

